

Creating the world's leading Microbial Control business

11 July 2011

Lonza

Agreement to acquire Arch Chemicals

Stefan Borgas, CEO

Forward-looking statements

Statements in this presentation regarding the proposed transaction between Lonza and Arch Chemicals, the expected timetable for completing the transaction, the potential benefits of the transaction, and any other statements about management's future expectations, beliefs, goals, plans or prospects constitute forward-looking statements. Any statements that are not statements of historical fact (including statements containing the words "believes," "plans," "anticipates," "expects," "estimates" and similar expressions) should also be considered to be forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including: uncertainties as to the timing of the tender offer and merger; uncertainties as to how many shareholders will tender their stock in the offer; the possibility that various closing conditions for the transaction may not be satisfied or waived; and the effects of disruption from the transaction making it more difficult to maintain relationships with employees, customers, and other business partners; and other risks and the other factors described in Arch Chemicals' Annual Report on Form 10-K for the year ended December 31, 2010 filed with the SEC. Except as otherwise required by law, Arch Chemicals disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this press release.

Creating the world's leading Microbial Control business

Global leader in Microbial Control

Combined sales of USD 1.6 bn in an addressable market of ~USD 10 bn

Strengthens and balances Lonza's Portfolio

Markets, regions and currencies

Attractive value creation from year one

EPS and EVA accretive and improvement of RONOA

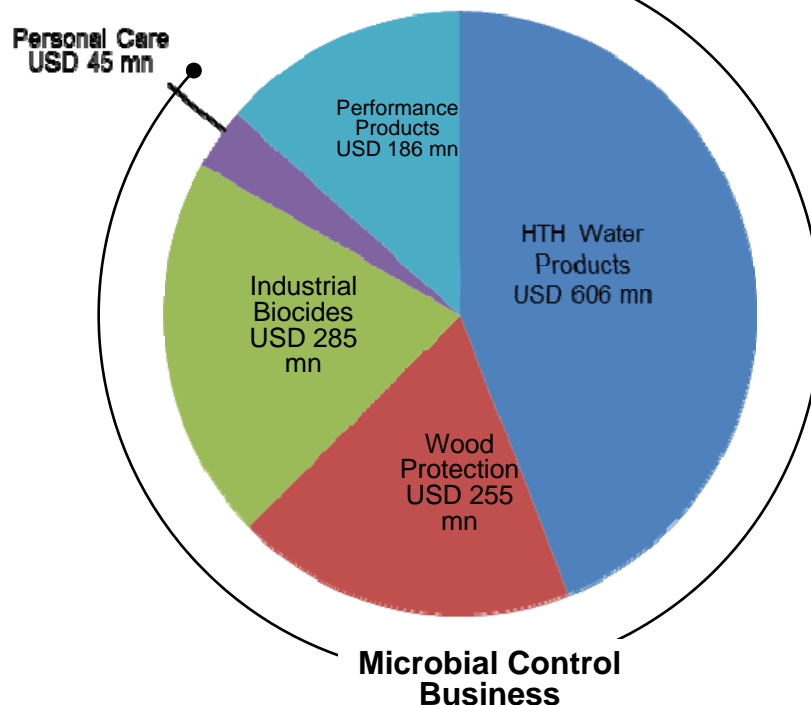
Transaction highlights

- Cash offer for Arch Chemicals; agreement signed
- Offering of USD 47.20 per share for all outstanding shares of common stock, implying an enterprise value of USD 1.4 bn (approx. CHF 1.25 bn) including net debt of USD 170 mn
- Full and fair price: Offer represents a 36.7% premium to the average closing price over the last 30 trading days
- Offer unanimously supported by Arch Chemicals' Board of Directors
- Substantial cost synergy – expected to be at least USD 50 mn per annum in second year
- Additional revenue synergy through combined complementary portfolios, customer value recognition and enhanced innovation capabilities
- Fully debt-financed maintaining target balance sheet structure
- Expected close later in 2011

Arch Chemicals in brief

- Water Products
 - Recreational water
 - Non-recreational water
- Wood
 - Pressure treated wood
 - Fire retardants
 - Anti sap stain
- Industrial Biocides
 - Paint & coatings
 - Antifouling
 - Metal working
 - Anti dandruff
- Personal Care
 - Functional ingredients
- Performance Products - non core

2010 sales by business segment



2010 sales : USD 1.38 bn

Two complementary Microbial Control businesses

Arch – Biocides

- 2010 revenues: ~USD1.2 bn*
- Ebit-margin: 7.9%
- RONOA: 19.8%
- 4 business segments
 - Water Products
 - Wood Protection
 - Personal Care actives
 - Industrial Biocides products
- Number of primary manufacturing and R&D locations: 23
- Employees: approximately 3,000

Lonza Microbial Control

- 2010 revenues: ~USD350 mn
- Ebit-margin: 11.6%
- RONOA: 19.2%
- 4 business segments
 - Water Treatment
 - Hygiene
 - Materials Protection
 - Personal Care
- Number of manufacturing and R&D locations: 6
- Employees: 550



complementary product portfolio creates major opportunity for innovation

Creating the global leader in Microbial Control

Attractive growth market with key segments experiencing 6-8% CAGR

Strong platform to develop innovative new products and solutions - leverage complementary portfolio of registered active ingredients

Excellent cultural fit proven by on-going collaborations

Strengthens and balances Lonza's portfolio

Expands life science platform. Balances solidly growing but volatile pharma CMO business

Strengthens and expands business in growth markets of China, India, Brazil and South Africa from USD 35 mn sales to now USD 249 mn sales

Improves natural currency hedge

	cost : revenue	
	2010	2012
USD	40:50	47:50
EUR	18:20	19:20

Attractive value creation from year one

Meets Lonza's acquisition criteria

- Expected to be EPS accretive from year one (>CHF 0.4/share)
- Expected to be EVA positive from year two

Substantial cost synergy from administrative functions

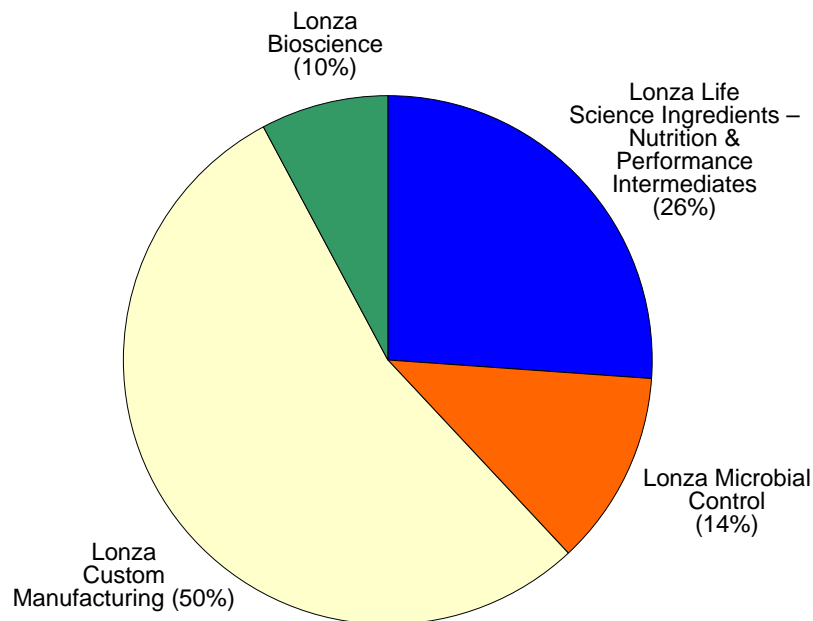
- At least USD 50 mn targeted in year two
- One-time integration cost of USD 85 mn over two years

Increased sales of at least USD 40 mn by year three

- Cross selling of larger product portfolio
- Extended market and regional reach
- Additional potential in the future driven by increased R&D efforts

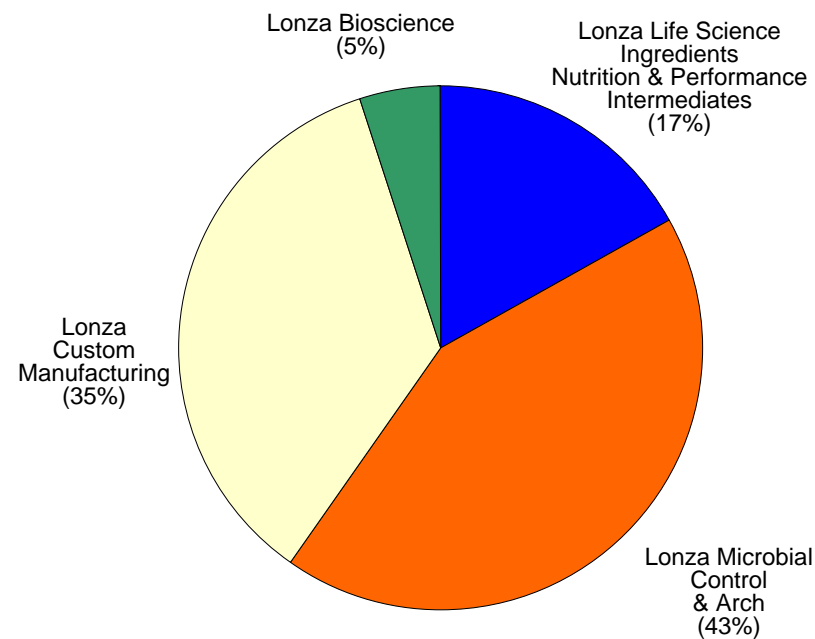
Balancing the Lonza life science platform

Today



Sales CHF 2680 mn

Tomorrow



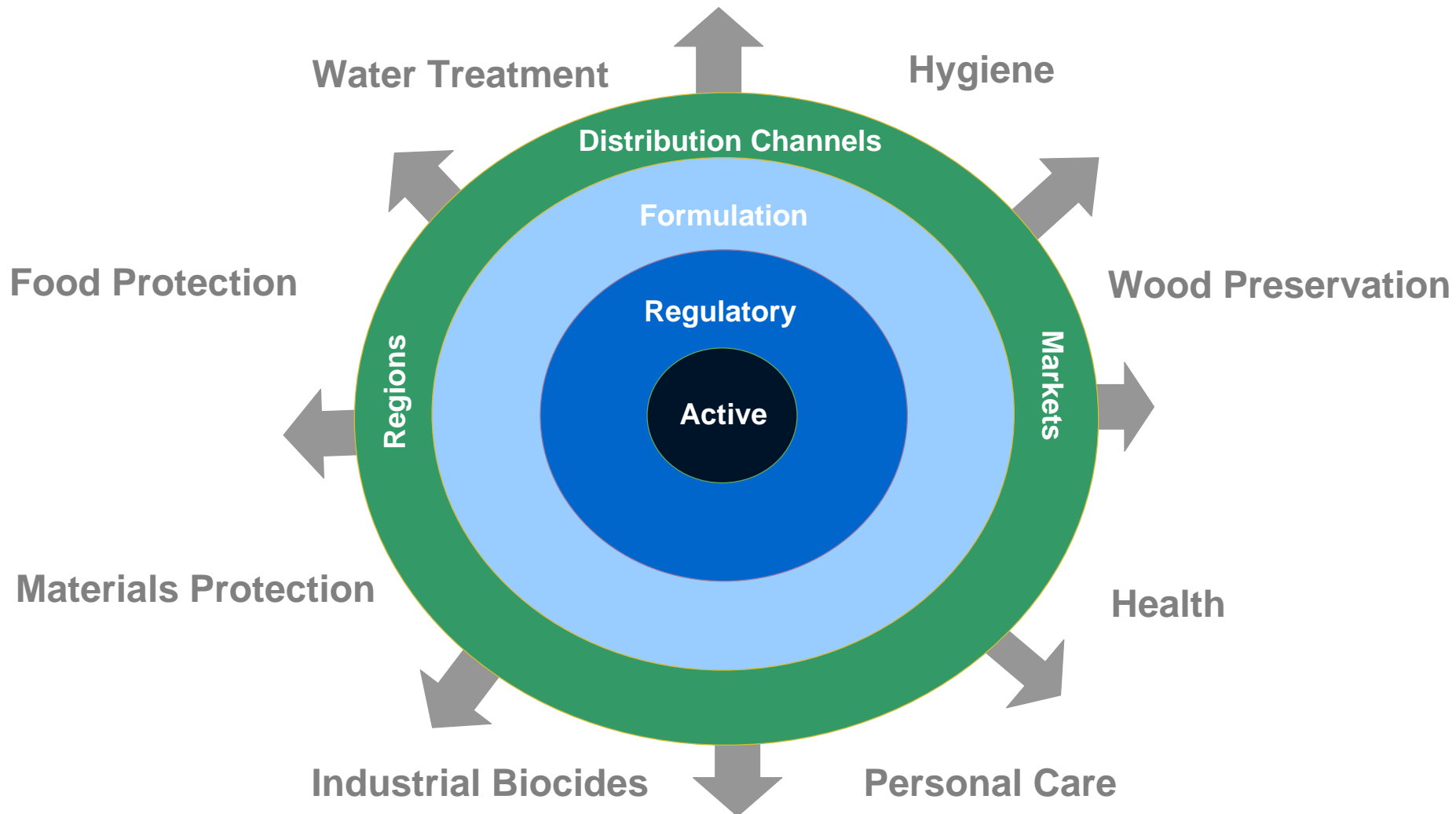
Pro-forma sales CHF ~4116 mn

Based on 2010 Full Year results



**The attractive
global Microbial Control
market**

Approved actives, formulation expertise, access - all crucial



Microbial Control

Destroy disease-carrying microorganisms, to clean, disinfect and preserve materials, surfaces and aqueous environments



Hospital-acquired infections (nosocomial infections) are one of the leading causes of death of patients.

Source: WHO



For every barrel of oil produced, approximately 3.5 barrels of water are used. This water must be free of microbes.

Cleaning and disinfection are critical to prevent the transmission of infectious diseases.



To prevent the spread of infection, microbes must be controlled in all recreational water settings



Cooling tower systems are open to the atmosphere and therefore must be free of microbes.



Mold and algae growth are a major concern for products in the wood markets

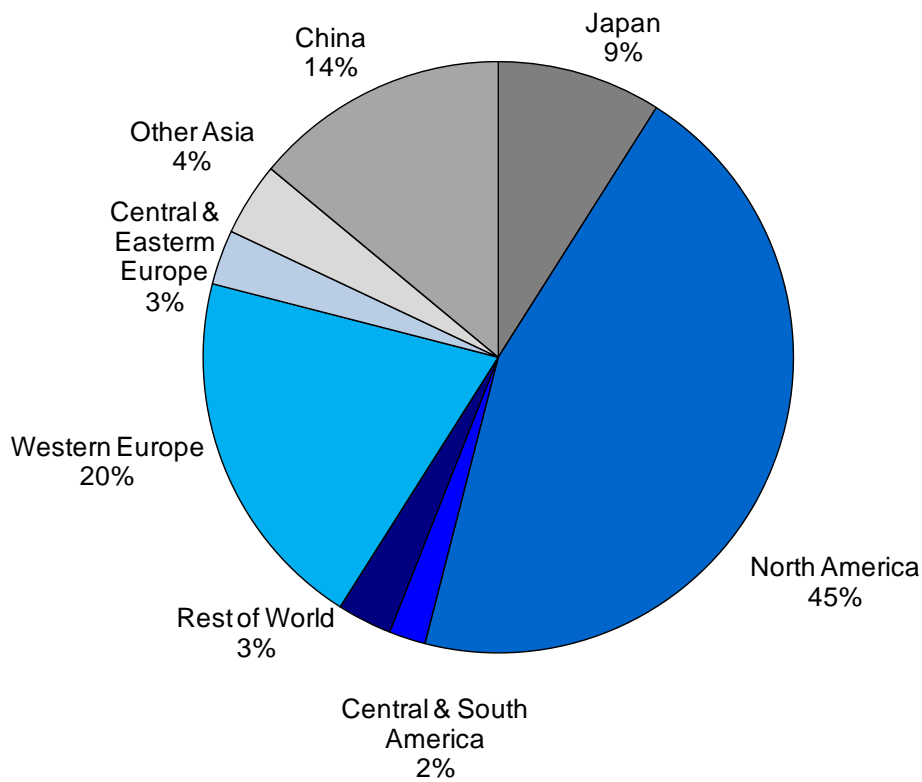
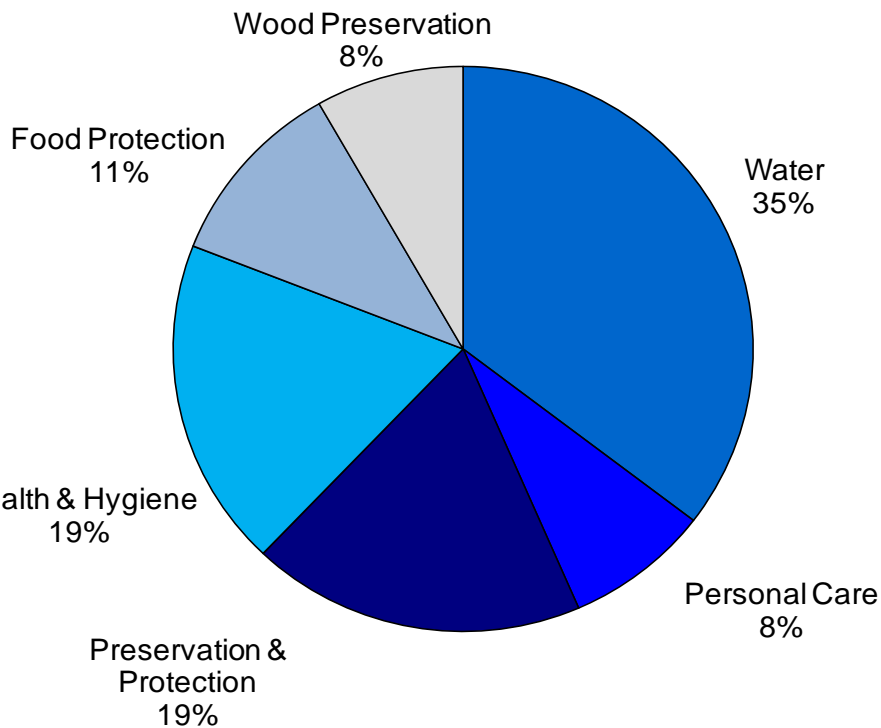
Examples

Global Microbial Control Market

Average annual growth rates 4-6%

Sizeable addressable market* ~ USD 10 bn

Specialty Biocide Market by Region



* The market includes B2B active ingredients, formulated products and B2C products

Regulation – a key market driver

Global

- Increasing demand for product safety data - effects on health and the environment
- Increasing demand for efficacy on communicable disease: H1N1; SARS; Bird Flu; MRSA

North America

- Highly regulated environment
- Re-registration process ongoing
- Increasing demand for environmentally friendly products

Europe

- Highly regulated environment
- Biocidal Products Directive (BPD) / REACH increasing demand
- Growing regulation in eastern Europe
- Increasing demand for environmentally friendly products

Asia/LATAM

- Developing regulatory structure
- Regional regulations / authorities within countries
- In countries with no regulatory structure - international approvals are increasingly being relied upon

Centralized microbial control knowledge and local registration expertise is critical for innovation

Arch + Lonza Microbial Control

Excellent cultural fit - focused on customers, regulatory compliance, innovation

Clear market leadership

Water Treatment (~45%)*

- Leadership positions in U.S., Canada, Brazil, South Africa and France
- Largest global producer of
 - Branded commodities
 - Branded lines
- Accelerated growth with non-recreational water applications and emerging markets
- Meet new regulations on invasive species control for ballast water
- Growing presence in global oilfield market
- Address global water scarcity via combined Water Treatment / reclamation projects

Materials Protection(~20%)*

- Leading active supplier position in wood preservation market
- Opens opportunities to forward integrate into formulator space
- Accelerated growth into new markets:
 - Paints & coatings
 - Marine antifouling
 - Plastics
 - Metal working fluids
- Largest supplier of:
 - BIT (bactericide) industrial preservative
 - Sodium pyrithione (fungicide) metalworking fluid active

Growth markets

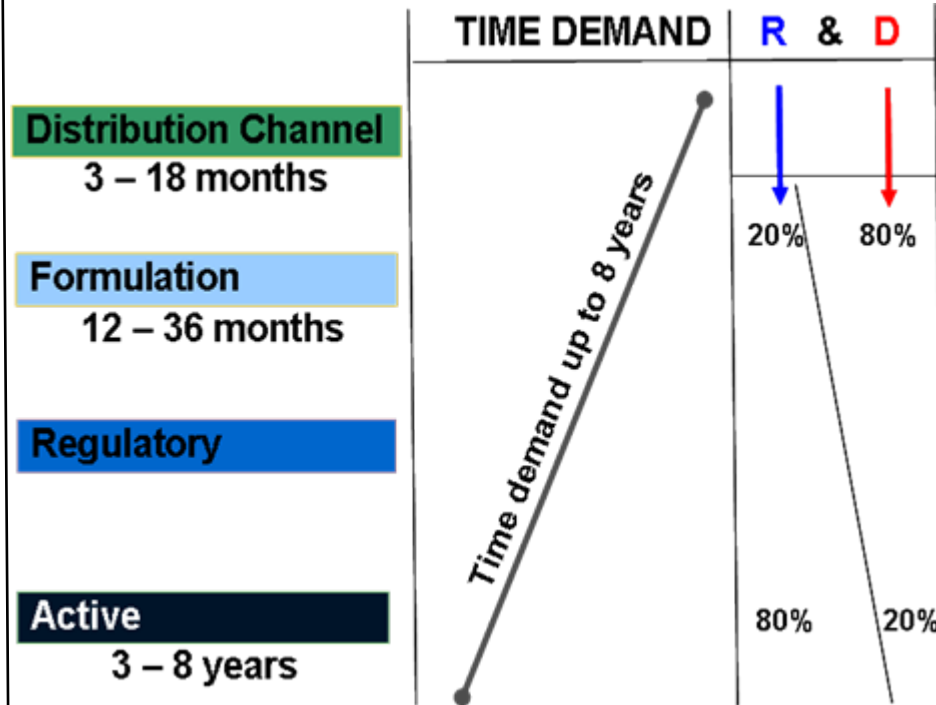
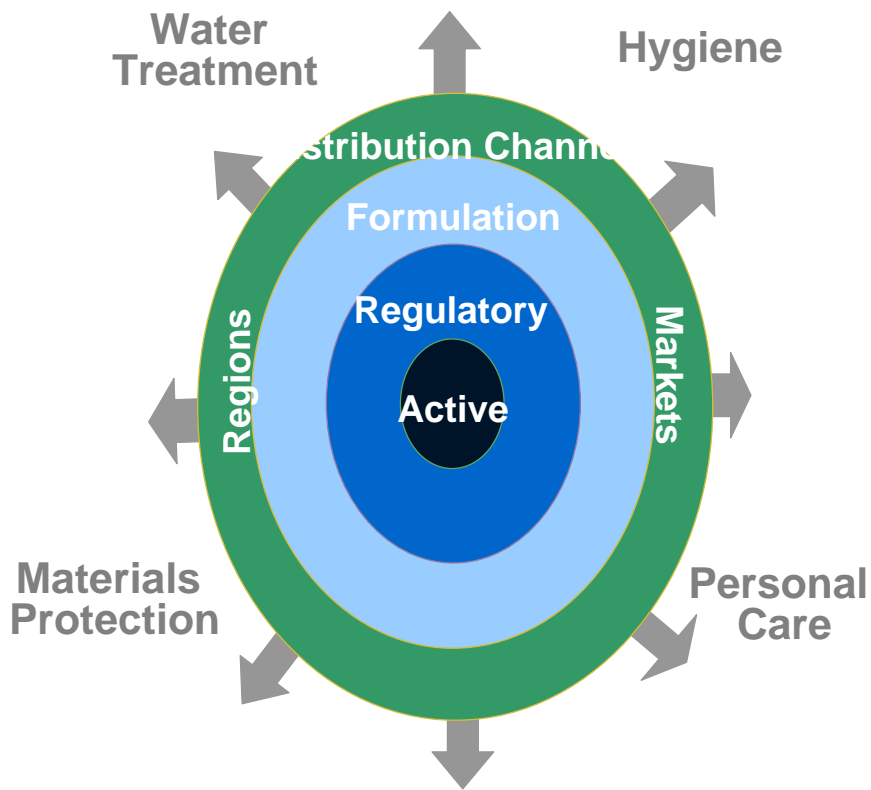
Hygiene (~10%) *

- Largest portfolio of registered formulations for Hygiene markets worldwide
- Largest portfolio of registered active ingredients to create new formulations
- Leverage strong brand recognition in EU and North America to introduce new formulations.
- Global approach with regional expertise in growth markets: China, India and Brazil.
- Regulatory expertise to support regional customers as the markets develop
- Different channels to market based on regional market characteristics
- Differentiated product offerings based on regional customer and market preferences

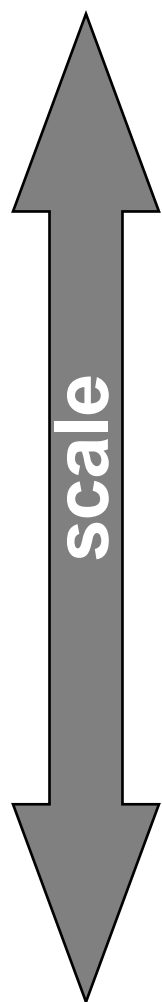
Personal Care (~25%) *

- Personal Care focus area
- Global offering
 - Largest supplier of zinc pyrithione - antidandruff agent
 - Other active ingredients
 - Preservatives
 - Formulations
- Global approach - important opportunities in
 - Asia
 - LATAM
- Regulatory expertise strengthened
- Global innovative technologies
- Direct market contact with brand leaders
- Natural preservatives for Personal Care

Approved actives, formulation expertise, market access crucial success factors to drive business development



Combined business meets all critical success factors



Increasingly regulated environment

- Combined business has over 15% global market share

Customer demands create inter-regional cross selling opportunities

- Combined business has strong position in 5 growth market segment

Leverage proven technologies across the globe

- Combined business has 19 registered actives

Emerging markets represent attractive growth opportunities

- Combined business has access to 4 of 5 BRICS markets

Get closer to the end consumer with broader offerings and scale

- Arch brings direct access to retail in US, EU, South Africa, Brazil

Combined global innovation provides a key competitive advantage

- Combined business allows above average increase in R&D efforts

Integration Phase 1: 0-24 months - immediate cost synergy

- At least USD 50 mn per annum in second year
 - Reduction in corporate overhead
 - Elimination of duplicate administration costs
 - Improved sourcing, supply chain
- Tax optimization
- Expected to be EPS accretive from year 1
- Expected to be EVA accretive from year 2

Integration Phase 2: 6-30 months - cross selling opportunities

Incremental sales of USD 40 mn by year 3

- Global Personal Care – leverage strong customer relationships
- North America and EMEA – leverage technologies and actives portfolio in:
 - Materials Protection (e.g. construction materials)
 - Non-recreational Water Treatment (e.g. oil fields)
 - Hygiene (e.g. surface disinfection in hospitals)
- LATAM – accelerate sales from current Lonza portfolio
- Asia – accelerate growth through shared infrastructure, bigger sales force and broader actives portfolio

Integration Phase 3: Innovation will drive growth

Innovation Drivers

- New regulations drive innovation by driving out certain existing chemistries
- Global water scarcity and urbanization creates water reclamation need
- Population growth provides environment for unwanted microbes Industrial drive for cost saving solutions
- Consumer drive for convenience, ease of use and safety
- Customers' increasing reliance on supplier solutions

Innovation Challenges

- Technologies that meet customer needs
- High cost of compulsory regulations, increasing quickly
- Long lead time for regulatory approvals
- New solutions require access to broad range of technologies
- Customers demand global expertise AND regional solutions
- Supply chain and sourcing

Innovation Synergy

- Financial, geographic, market and technology scope needed for successful innovation
- Existing R&D with a track record of success
- Combined IP will support new product development



This strategic acquisition is in line with our stated financial acquisition criteria: EPS accretive from year one and EVA positive from year two

Financial impact of Arch Chemicals acquisition

Acquisition creates value

- Substantial synergy from administrative functions: at least USD 50 mn of savings targeted in year two; one-time integration cost of USD 85 mn over 2 years
- Increased sales through cross selling into each others regions and markets: USD 40 mn in year 3
- Innovation investment will be increased to drive product development through combined portfolio of registered actives
- ⇒ Meets Lonza's stated acquisition criteria: EPS accretive from year one (>CHF 0.4/share) and EVA positive from year two
- ⇒ Increases Lonza's free cash flow generation and improves RONOA by >150 basis points in year two

- Ability to leverage Lonza's strong balance sheet and cash flow during times of favourable CHF/USD exchange rate

Transaction timetable

- Agreement signed; unanimous support from both companies' Boards of Directors
- Due diligence completed
- Tender offer to commence by 15 July 2011
- Pursue necessary regulatory approvals
- Completion expected before the end of 2011

SUMMARY

Creating the world's leading Microbial Control business

- Generates significant benefits of scale with the broadest complementary global portfolio of registered active ingredients and unmatched formulation expertise
- Focus on water, materials protection, hygiene and personal care, the faster growing segments of the microbial control market
- Excellent cultural fit between both organizations
- Lonza will improve its business, market, regional and currency balance
- Lonza becomes the global leader in two attractive life science markets: microbial control and pharmaceuticals CMO

Additional information

- The tender offer described in this communication has not yet commenced. This announcement is not a recommendation, an offer to purchase or a solicitation of an offer to sell shares of Arch Chemicals. At the time the tender offer is commenced, an indirect wholly-owned subsidiary of Lonza will file a tender offer statement on Schedule TO with the U.S. Securities and Exchange Commission. **Investors and Arch Chemicals stockholders are strongly advised to carefully read the tender offer statement (including the offer to purchase, the letter of transmittal and the related tender offer documents) and the related solicitation/recommendation statement when they become available, as well as any other relevant documents filed with the SEC when they become available, because they will contain important information.** Investors and Arch Chemicals stockholders may obtain a free copy of the tender offer statement, the solicitation/recommendation statement and other documents (when available) filed with the SEC at the SEC's website at www.sec.gov. The tender offer statement and other documents that Lonza's indirect wholly-owned subsidiary files with the SEC may also be obtained from Lonza free of charge by directing a request to investor.relations@lonza.com.

Appendix

Lonza

Arch Chemicals - key financials

USD mn	FY 2009	FY 2010
Sales	1,245	1,377
EBITDA	124	149
<i>EBITDA Margin</i>	<i>10.0%</i>	<i>10.8%</i>
EBIT	84	109
<i>EBIT Margin</i>	<i>6.7%</i>	<i>7.9%</i>
Net Income	47	71
EPS (USD) basic	1.89	2.82
RONOA	13.3%	19.8%

Lonza Financials 2010

as is vs. pro forma with Arch Chemicals

CHF mn	FY 2010 stand-alone	FY 2010 combined Arch / Lonza
Sales	2'680	4'116
EBITDA	643	800
<i>EBITDA Margin</i>	24.0%	19.4%
EBIT	374	488
<i>EBIT Margin</i>	14.0%	11.9%
Financing costs	(44)	(59)
<i>Tax rate</i>	13.9%	17.9%
Tax	(46)	(77)
Net Income	284	358
EPS (CHF) basic	5.55	6.69
EPS (CHF) basic CORE	5.84	7.15
RONOA	10.8%	11.9%

av. exchange rate 2010: CHF 1.0427 = 1 USD

Financing costs: excl. integration and additional finance cost

Complementary actives/applications portfolio

Active Ingredients	Water Treatment	Wood Protection	Biocides H&H/PCI	Preservation Biocides and Materials Protection
Amines /Amine oxide		L		L
BBIT			A	A
BIT			A	A
Calcium hypochlorite	A		A	
Carboquats / Carboshield	L	L	L	L
CCA		A		
Copper azole		A		
Copper pyrithione				A
DMH / DMDMH	L		L	L
Ethoxylates				L
F.A. Esters / Amides				L
Halo hydantoin	L	L	L	
IPBC		A		A
Personal care actives			LA	
PHMB	A		A	A
Quats	L	L	L	L
Sodium pyrithione				A
Triphenylboronpyridine				A
Zinc pyrithione			A	A

A= Arch L= Lonza

Approved actives, formulation expertise, regulatory know how, strong supply change - all crucial to success

First
18 months

- Leverage combined portfolio to capture immediate opportunities
- Leverage distribution channels to increase speed to market
- Focus on Customers, Markets and Geographies

Second
18 – 36 months

- Use our registered actives portfolio to create novel formulations
- Address the regional requirements of new markets
- Provide a growth vehicle for established markets

Third
5+ years

- Combined development pipeline will result in truly innovative products
- New actives, innovation in delivery systems, new formulations

New Opportunities through the combined product portfolio