

Leading supplier to the life science industry

Lonza

2011 Half Year Results - 27 July 2011

Strategy review

Arch update

Stefan Borgas
Chief Executive Officer

Forward-looking statements

Forward-looking statements contained herein are qualified in their entirety as there are certain factors that could cause results to differ materially from those anticipated. Any statements contained herein that are not statements of historical fact (including statements containing the words “believes,” “plans,” “anticipates,” “expects,” “estimates” and similar expressions) should be considered to be forward-looking statements. Statements herein 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 also constitute forward-looking statements. Investors are cautioned that all forward-looking statements involve risks and uncertainty. 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: the timing and strength of new product offerings; pricing strategies of competitors; the company’s ability to continue to receive adequate products from its vendors on acceptable terms, or at all, and to continue to obtain sufficient financing to meet its liquidity needs; 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 changes in the political, social and regulatory framework in which the company operates, or in economic or technological trends or conditions, including currency fluctuations, inflation and consumer confidence, on a global, regional or national basis. Except as otherwise required by law, Lonza disclaims any intention or obligation to update any forward-looking statements as a result of developments occurring after this presentation was made.



Agenda

- **H1 results and outlook**
 - **Financial highlights**
 - **Business highlights**
 - **Sectors**

- **Strategy update**

- **Arch acquisition update**

2011 Half Year Results – Financial highlights

- Revenues increased 4.8%, EBIT increased 4.6% in constant currencies
- Strong headwind from currencies resulted in EBIT impact of CHF -44 mn
- Positive results driven by increased capacity utilization in biological custom manufacturing
- Sales of CHF 1193 mn (-8.3 %), up 4.8% in constant currencies
- EBITDA margins solid at 22.2%, 23.6% in constant currencies
- EBIT of CHF 136 mn, margin 11.4% or 13.3% in constant currencies – similar to H1 2010
- Core EPS at CHF 2.09/share (-22% vs. H1 2010); +3.7% in constant currencies
- RONOA 8.4%
- Cash flow before change in NWC of CHF 213 mn
- CAPEX at CHF 117 mn (CHF 152 mn in H1 2010)

2011 Half Year Results – Key financial figures

CHF mn	1st half 2010	1st half 2011	Change YoY *	CER ¹
Sales	1 301	1 193	(8.3)	4.8
EBITDA	309	265	(14.2)	3.9
<i>EBITDA margin</i>	23.8%	22.2%		23.6%
EBIT	173	136	(21.4)	4.6
<i>EBIT margin</i>	13.3%	11.4%		13.3%
Financing costs	(21)	(19)	(9.5)	
<i>Tax rate</i>	14.0%	14.0%		
Profit for the period	135	97	(28.1)	(2.2)
EPS (CHF) basic	2.62	1.90	(27.5)	(2.3)
EPS (CHF) basic CORE	2.69	2.09	(22.3)	3.7
Cash flow before change in net working capital	255	213	(16.5)	
Change in net working capital	91	84	(8.7)	
Capital expenditures	152	117	(23.0)	
RONOA	9.7	8.4		
Net debt	1 251	1 249	(0.2)	
Number of employees	8 220	8 306	1.0	

2011 Half Year Results – Business highlights

Lonza overall

- Underlying satisfactory demand growth in all markets
- Continuing and increasing strong translation and transaction effects (Visp site) due to strong CHF
- Countermeasures to offset strong Swiss franc launched at the Swiss sites (increased working hours)
- Raw material prices increased until mid of Q2 and remains at high levels
- Growth projects moving forward
- Regulatory approval processes remain stringent and unpredictable

Lonza Life Science Ingredients

- Market demand high but margins are substantially impacted by FX, increasing raw material prices and competition induced price pressure in certain markets
- Microbial Control on target

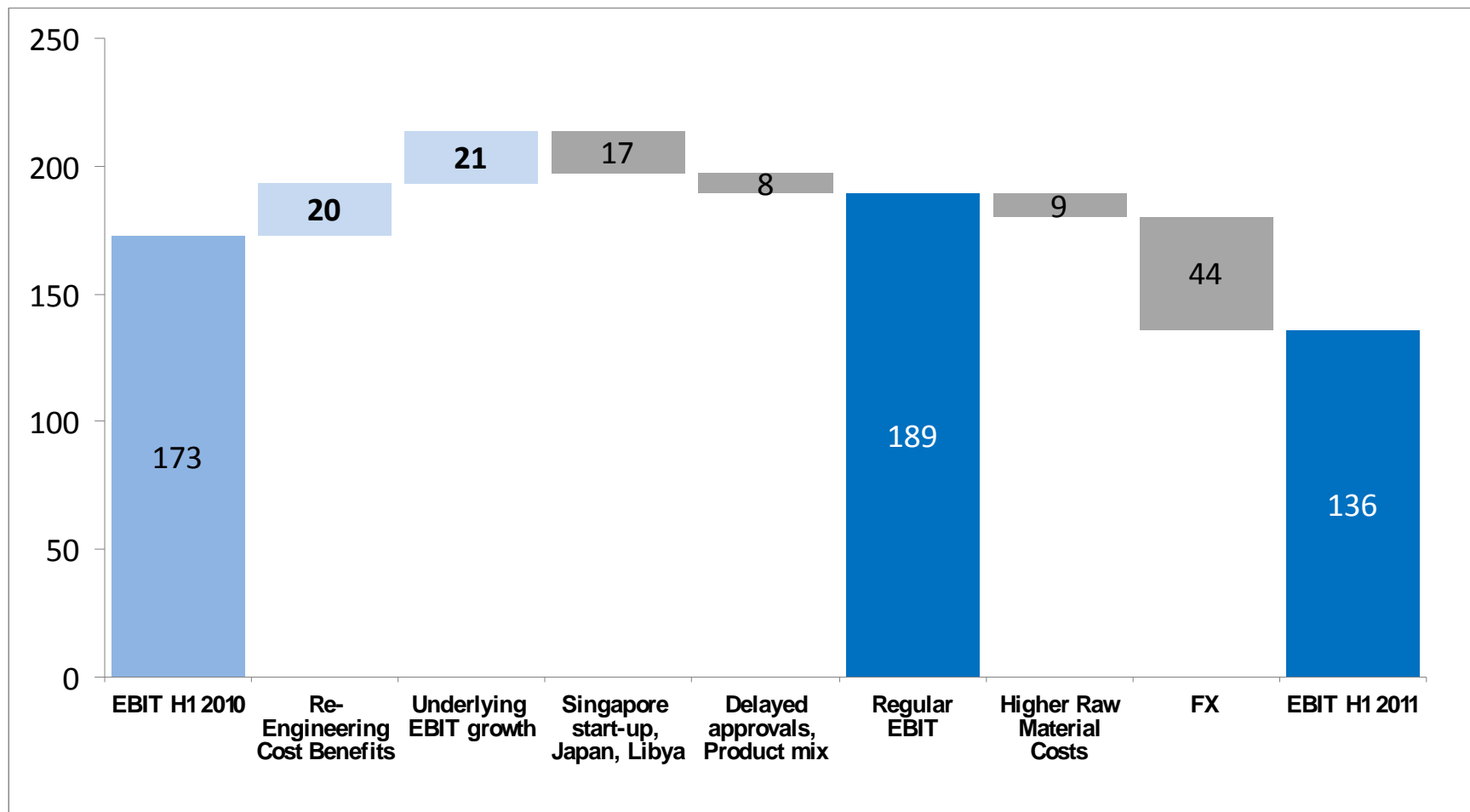
Lonza Custom Manufacturing

- Increased project pipeline and capacity utilization in both Chemical and Biological Manufacturing
- Strong performance in Development Services

Lonza Bioscience

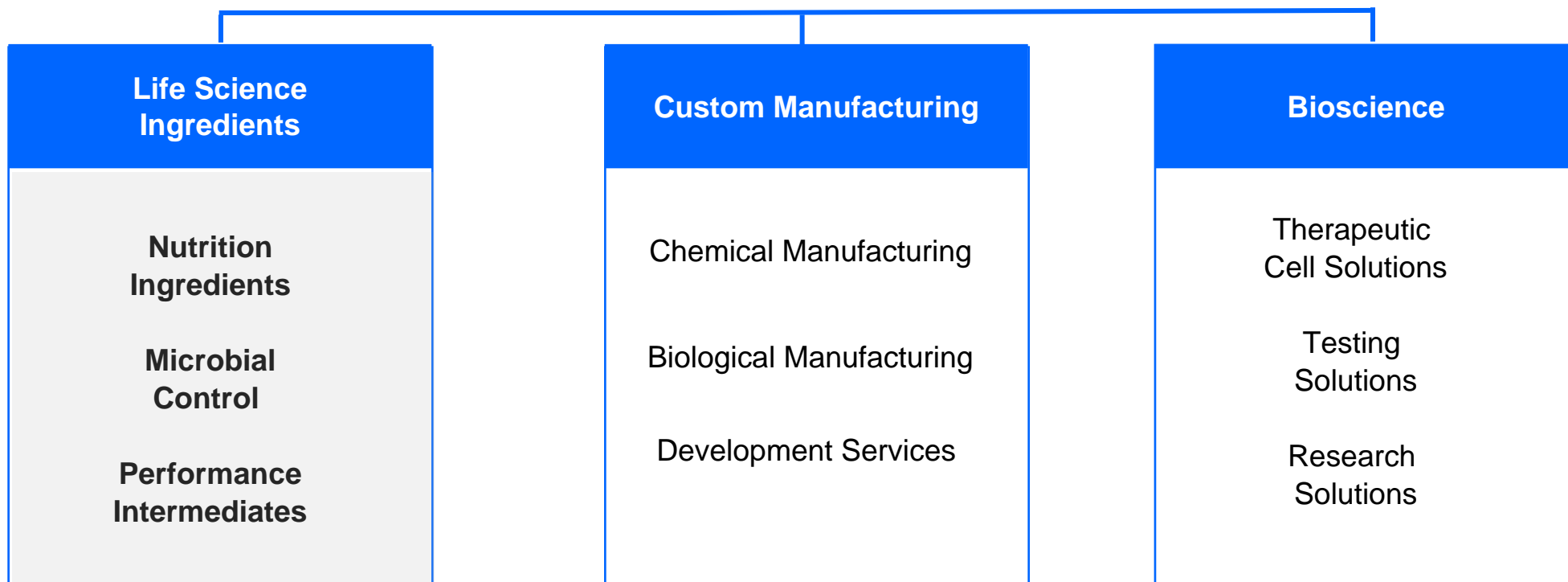
- Cell therapy experiencing a solid recovery with new clinical candidates moving forward
- Governmental funding remains constrained

EBIT bridge H1 2010 – H1 2011



Lonza's life-science platform

Lonza

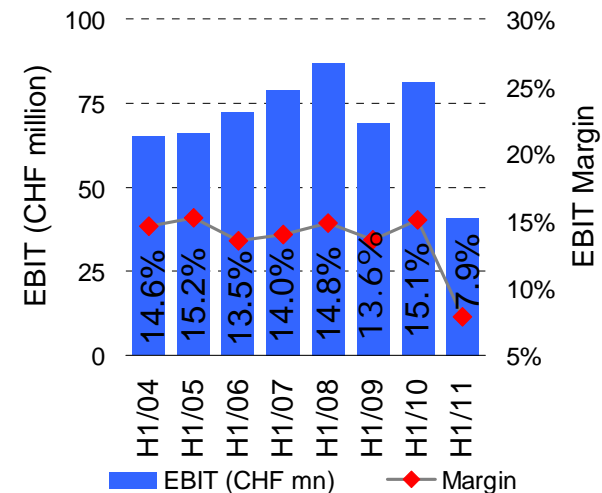


Financial summary and highlights

Key figures

CHF million	1st-half 2011	Change YoY *	CER ⁽¹⁾
Sales	519	(3.2%)	9.3%
EBIT	41	(49.4%)	(29.6%)
Margin	7.9%		9.7%
EBITDA	78	(33.9%)	(19.5%)
Margin	15.0%		

EBIT and margin progression



- Volume increase in all businesses except agrochemicals
- Microbial Control on track: picking up in Asia
- Lower margins due to higher raw material prices and unfavorable exchange rates - price increases passed on with expected time lag in most areas
- Growth projects under full execution

Life Science Ingredients

Nutrition Ingredients

- Vitamin B3 sales volumes on target despite a difficult market environment; margins continue to be impacted by increased raw materials and competition
- Metaldehyde volumes lower due to dry weather conditions; promising outlook based on a re-registration for European markets

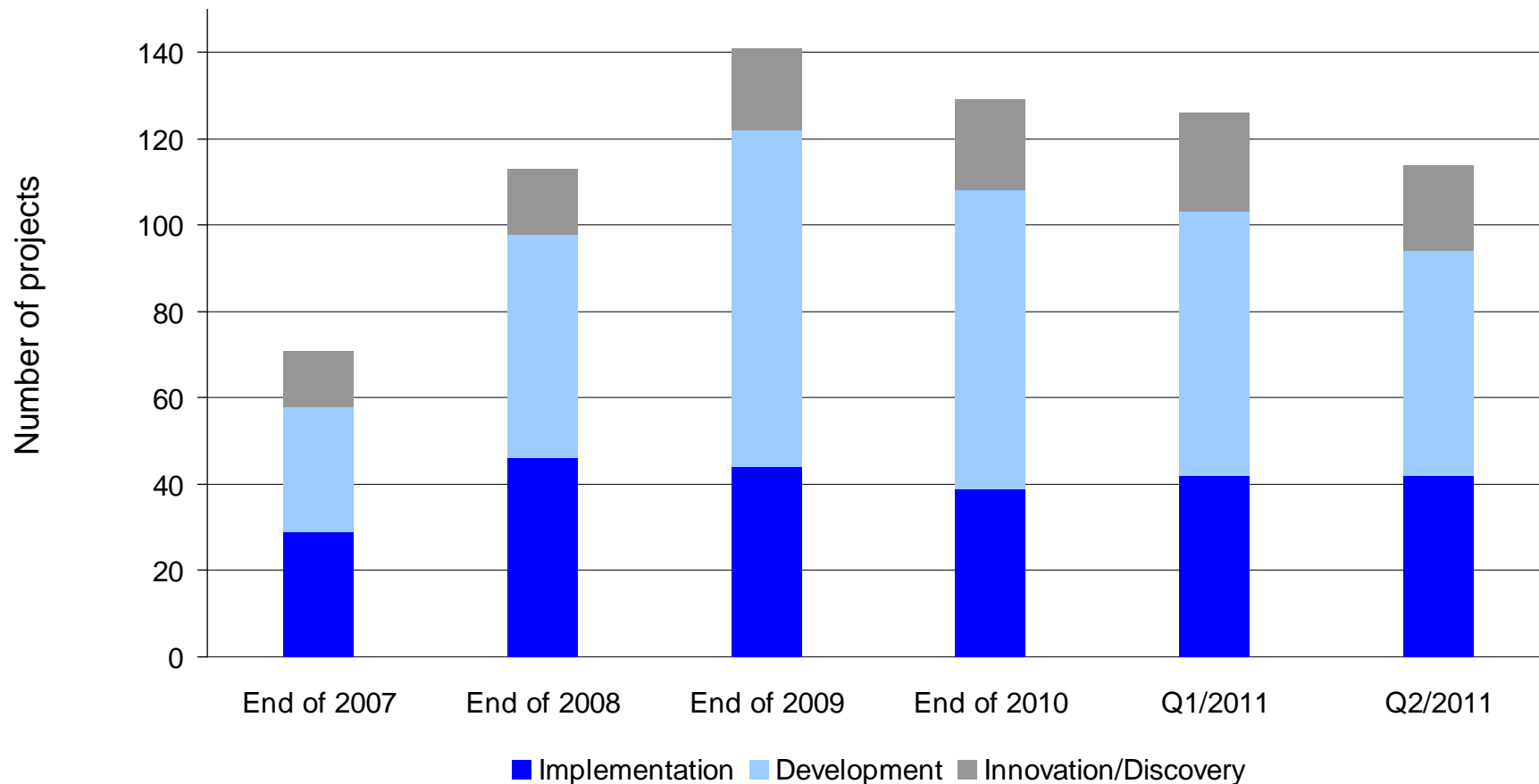
Performance Intermediates

- High volumes and solid margins in high performance materials driven by electronics, aerospace and construction industries
- Commodity margins under significant pressure due to high European acetic acid prices and strong CHF (Visp cost base)
- Weak volumes in agro custom manufacturing but strong order placement over next 12 months

Microbial Control

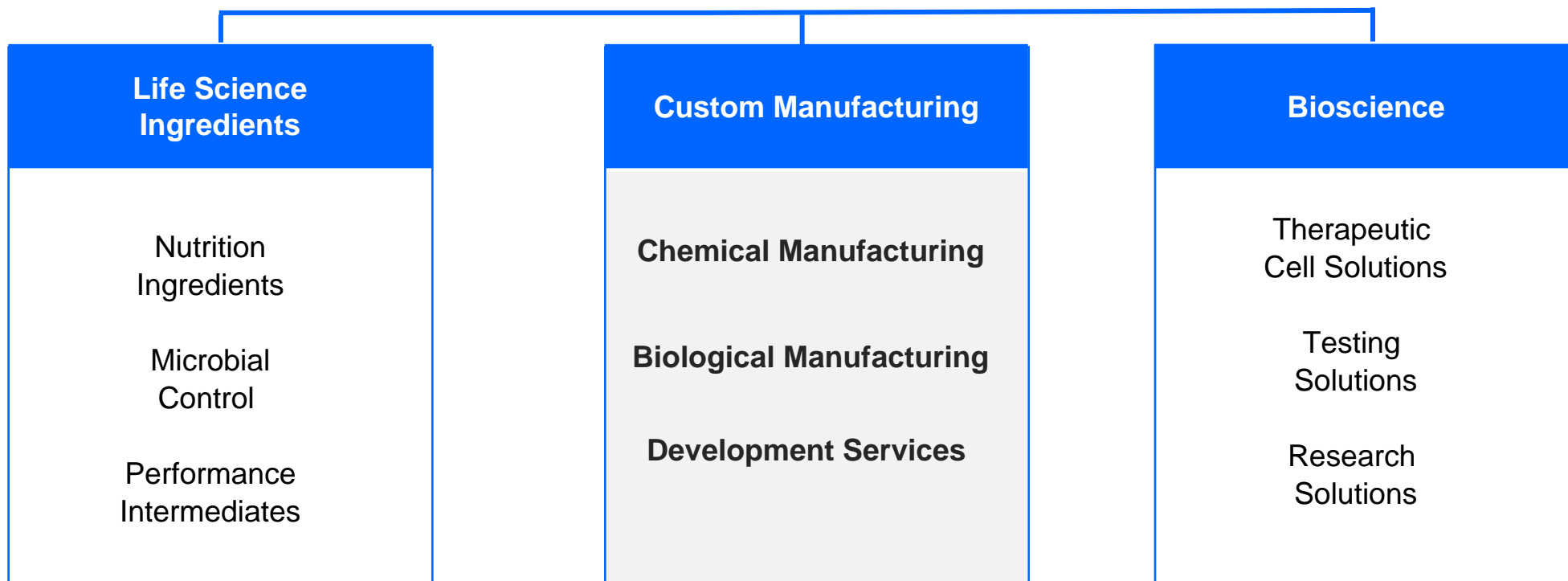
- Sales increased by 9.5% (constant currencies) in western markets in H1
- Strong sales performance in China with significant pick-up in Q2
- Hygiene and wood above target
- Raw material prices remain volatile

Project pipeline (new products)



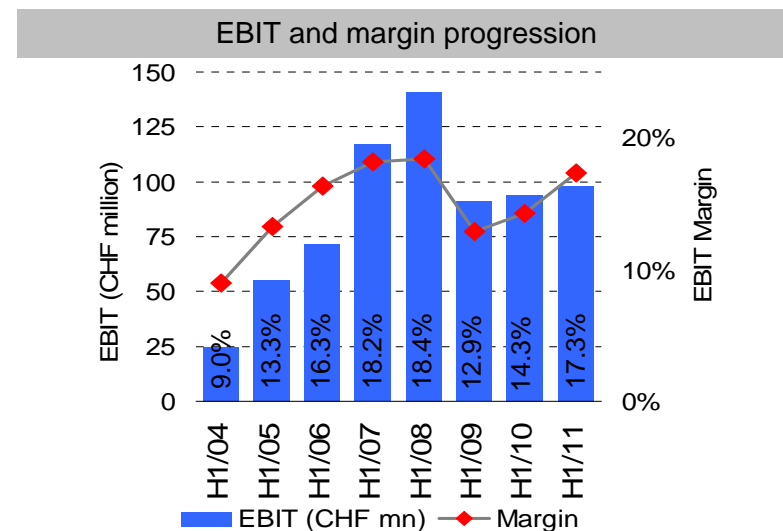
Lonza's life-science platform

Lonza



Custom Manufacturing

Key figures			
CHF million	1st half 2011	Change YoY *	CER ⁽¹⁾
Sales	568	(13.7%)	(0.9%)
EBIT	98	4.3%	34.0%
Margin	17.3%		19.3%
EBITDA	179	(1.1%)	18.8%
Margin	31.5%		33.0%



- Sales stable and increased EBIT margins
- Continued good pipeline increase in both Chemical and Biological Manufacturing
- Robust contract signing increases long-term capacity utilization
- Order placements from existing customers ensures stronger H2
- Visibility continues to increase but volatility remains

Business highlights (I)

Chemical Manufacturing

- High capacity utilization, backed by robust demand for all technologies
- Reduced profitability due to product mix
- Pipeline increase especially in strategic new technologies
 - Increasing demand for HAPI (highly active pharmaceutical ingredients)
 - CHF 25 mn investment into new cytotoxic facility in Visp expands center of excellence for high potency manufacturing
- Nansha site with first FDA approval and start-up of cGMP kg laboratory
- Regulatory challenges and approval weakness in peptides addressed with exploration of innovative solutions and new pipeline gains

Business highlights (II)

Biological Manufacturing

- High capacity utilization
- New Singapore facility complete and started-up on time
 - Process qualification / validation for the first commercial product initiated
 - Received Silver Operational Safety Award by Singapore's Ministry of Manpower
- Strong pipeline development to balance ongoing approval volatility
- Approved GBP 16 mn (CHF 21 mn) investment in Slough (UK) facility expansion

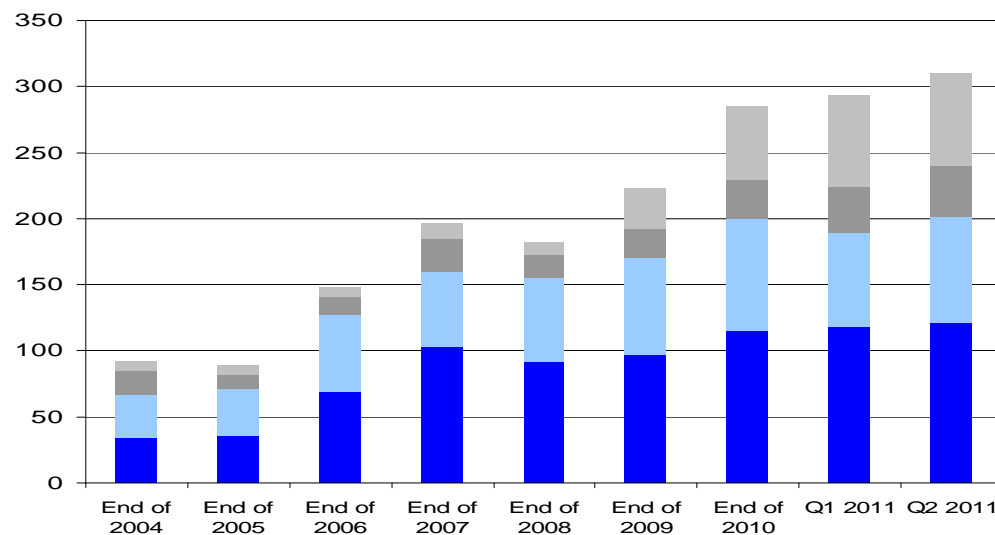
Development Services

- New GS System™ medium and feed platform reaches 10g/L resulting in higher yields, more reliable process, lower cost of goods
- Launch of LightPath™: efficient and focused material supply service for early stage novel biologics development
- R&D expansion in Singapore to meet increasing global demand for Development Services

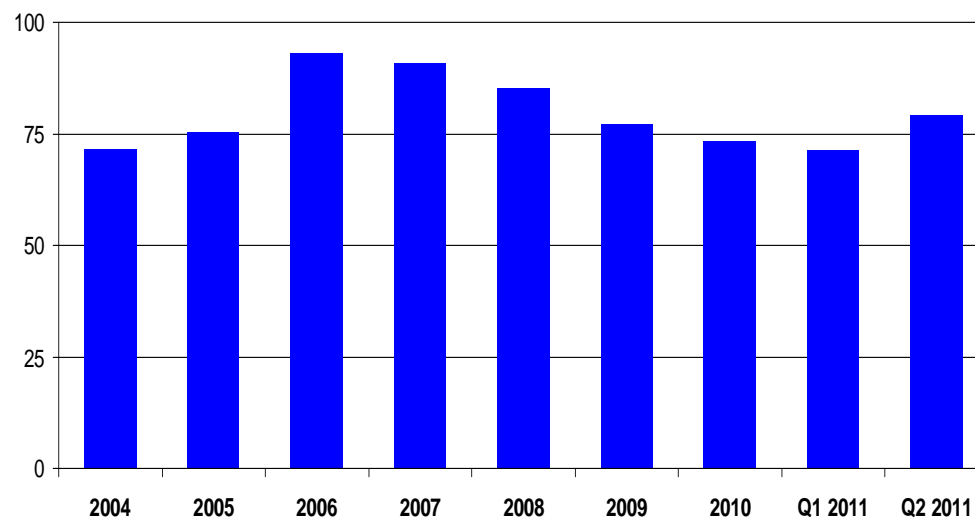
Chemical Manufacturing – Pipeline and utilization

Project pipeline (Number of projects)

- preclinical
- phase I
- phase II + III
- launched



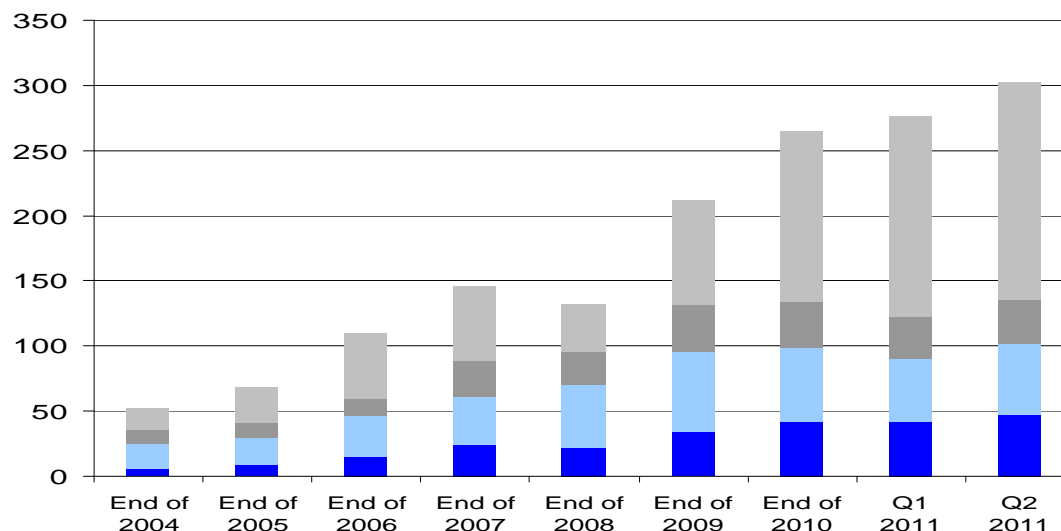
Capacity utilization (in %)



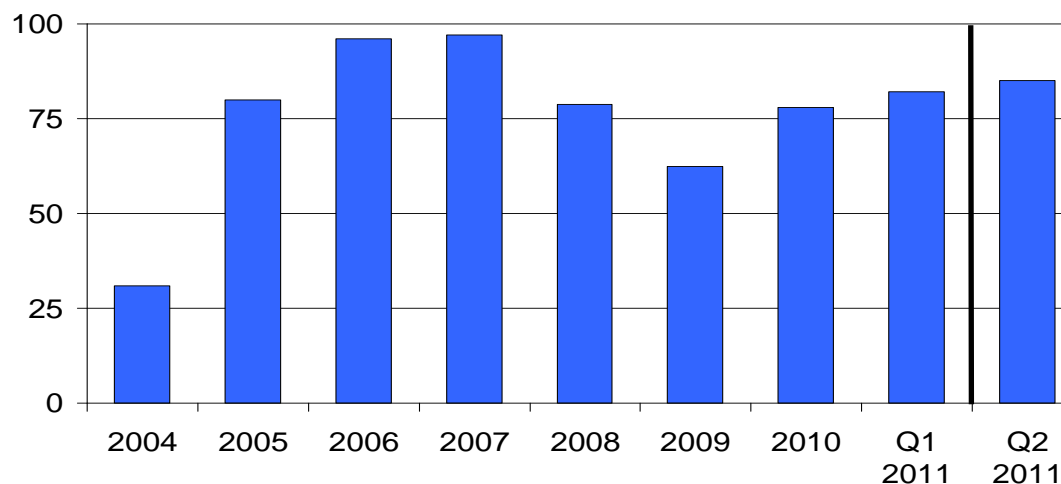
Biological Manufacturing & Development Services: Pipeline and utilization

Project pipeline (Number of projects)

- preclinical
- phase I
- phase II + III
- launched

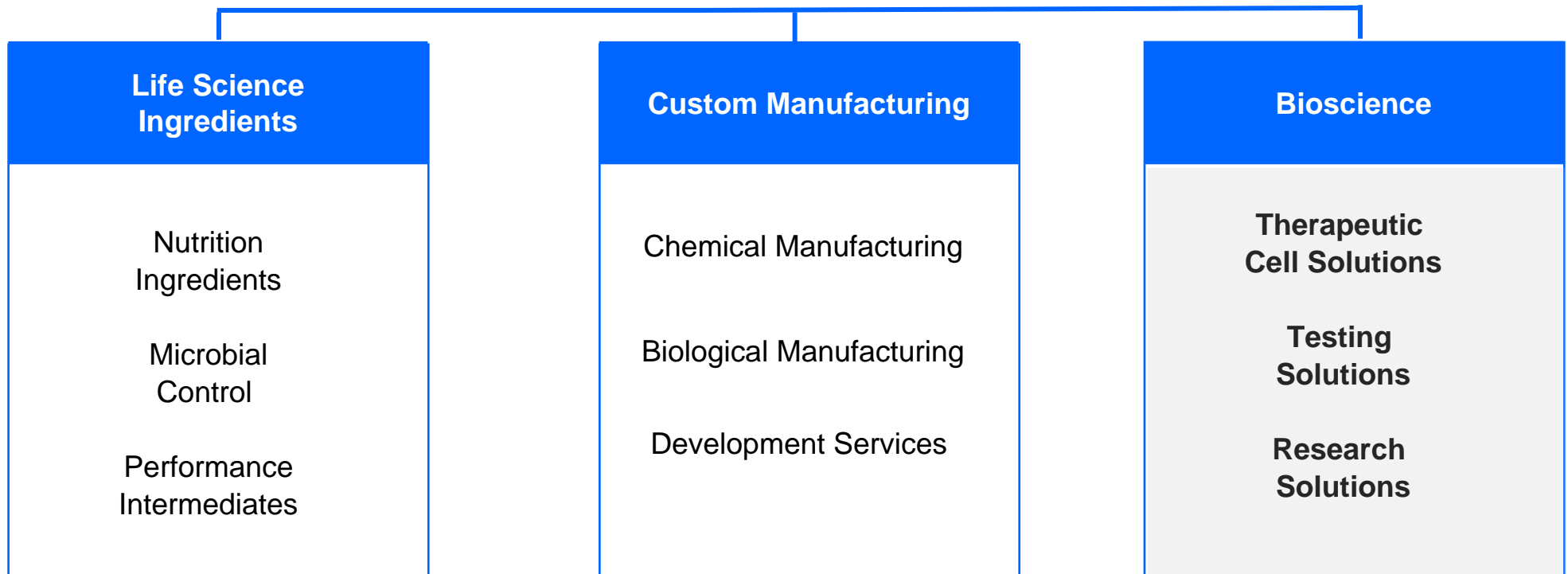


Capacity utilization (in %)



Lonza's life-science platform

Lonza

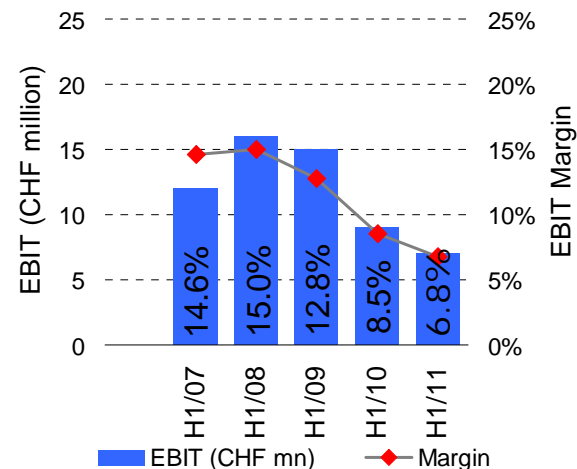


Financial summary and highlights

Key figures

CHF mn	1st half 2011	Change YoY*	CER ⁽¹⁾
Sales	103	(2.8%)	13.2%
EBIT	7	(22.2%)	(22.2%)
Margin	6.8%		5.8%
EBITDA	14	(17.6%)	(11.8)
Margin	13.6%		12.5%

EBIT and margin progression



- Double digit sales growth at constant currency (+13.2%) in almost all areas (except Research Solutions)
- EBIT decline mainly due to currency effects, lower capacity utilization in custom manufacturing and approval delays in Therapeutic Cell Solutions, and weak US academia spending
- New product launches:
 - 4D Nucleofactor™ launch complete with good market acceptance
 - First products and services launched for stem cells

Bioscience

Research Solutions

- n Strong sales growth in EU and Asia driven by cell assays, nucleofection and bulk agarose
- Lower than 2010 sales to academia due to reduced research spending in USA and EU

Testing Solutions

- Endotoxin business grew in all regions
- Increased customer interest in MODA paperless quality-control solutions but long sales cycle due to budget constraints at customers
- MicroCompass™ launch delayed till Q1/2012 due to technical issues with hardware

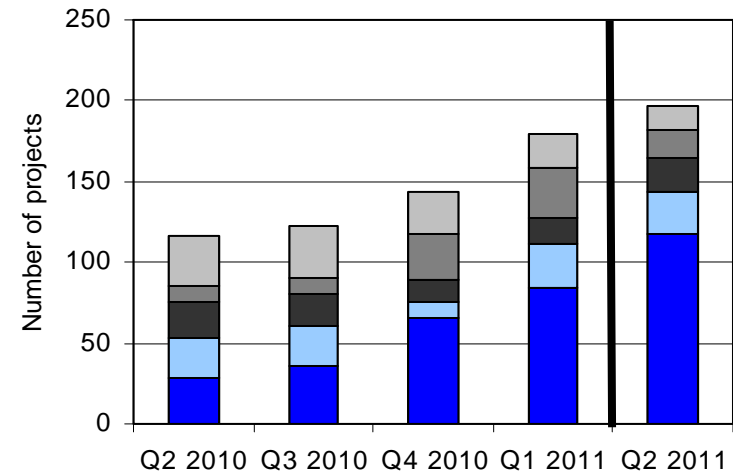
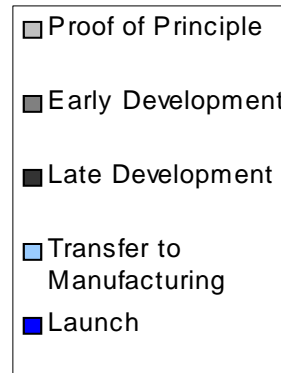
Therapeutic Cell Solutions

- Strong increase media revenue compared to H1/2010
- Lower capacity utilization due to delays in regulatory approvals
- Significantly increased interest in viral capabilities and viral fill & finish: capacity expansion approved

Bioscience project pipeline – New products and therapeutic clients

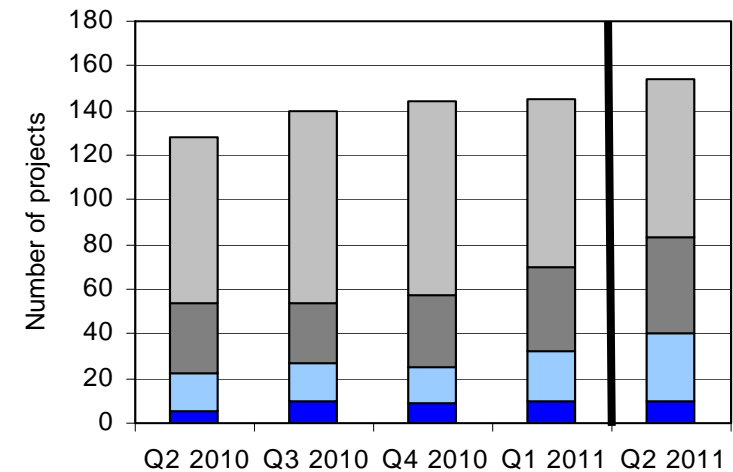
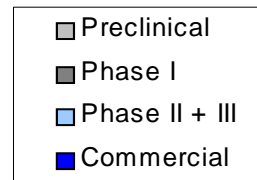
New products

(Research Solutions, Testing Solutions & Therapeutic Cell Solutions)



Therapeutic clients

(Therapeutic Cell Solutions)



Summary

- Revenues and EBIT increased by 5% at constant currency
- Underlying business growth for 2011 on track
 - New contracts signed
 - Increased capacity utilization
 - New technologies and development services performing well
- EBITDA margins resilient
- CHF -44 mn currency impact (strong CHF, weak USD, EURO, GBP)
 - Countermeasures launched at the Swiss sites
- Growth projects moving forward
- Strong cash flow and balance sheet

Outlook

- On track to deliver continued underlying revenue and EBIT growth
- Currency impact of strong Swiss franc actively managed:
 - Short term mitigation in Visp and Basel through immediate increase in working hours
 - Mid term improvement project Visp will focus on productivity increase, introduction of new technologies and portfolio upgrades
- Long term growth potential based on core strength and sharpened strategy
- Life science strategy validated: outsourcing trend intact and new contracts signed
- Build a second global leading business by acquiring Arch and merging with Lonza Microbial Control

Lonza

Lonza Group – Strategy review

Strategy review

Recognizing the challenges

- Increasing volatility in pharma markets, especially CMO
- Need to capture new business opportunities in BRICS
- Opportunity to capture more of the value chain downstream
- Raw materials price inflation
- Currency impact of strong Swiss franc
- Address unsatisfactory business performance in Bioscience and peptides

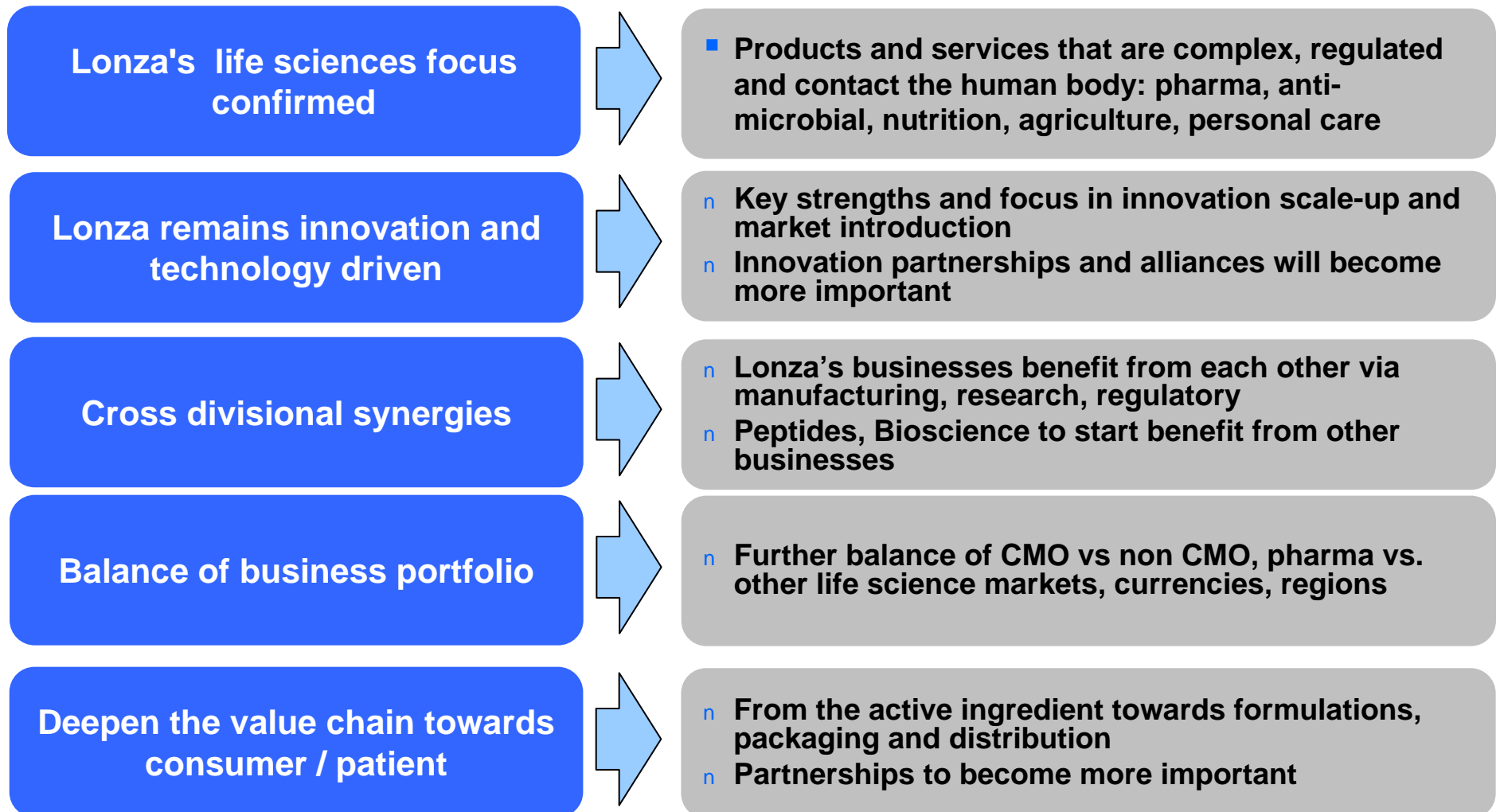
Approach

- Initiated by Lonza Management Committee and the Board of Directors
- Intensive involvement of 150 Lonza leaders
- 9 months process

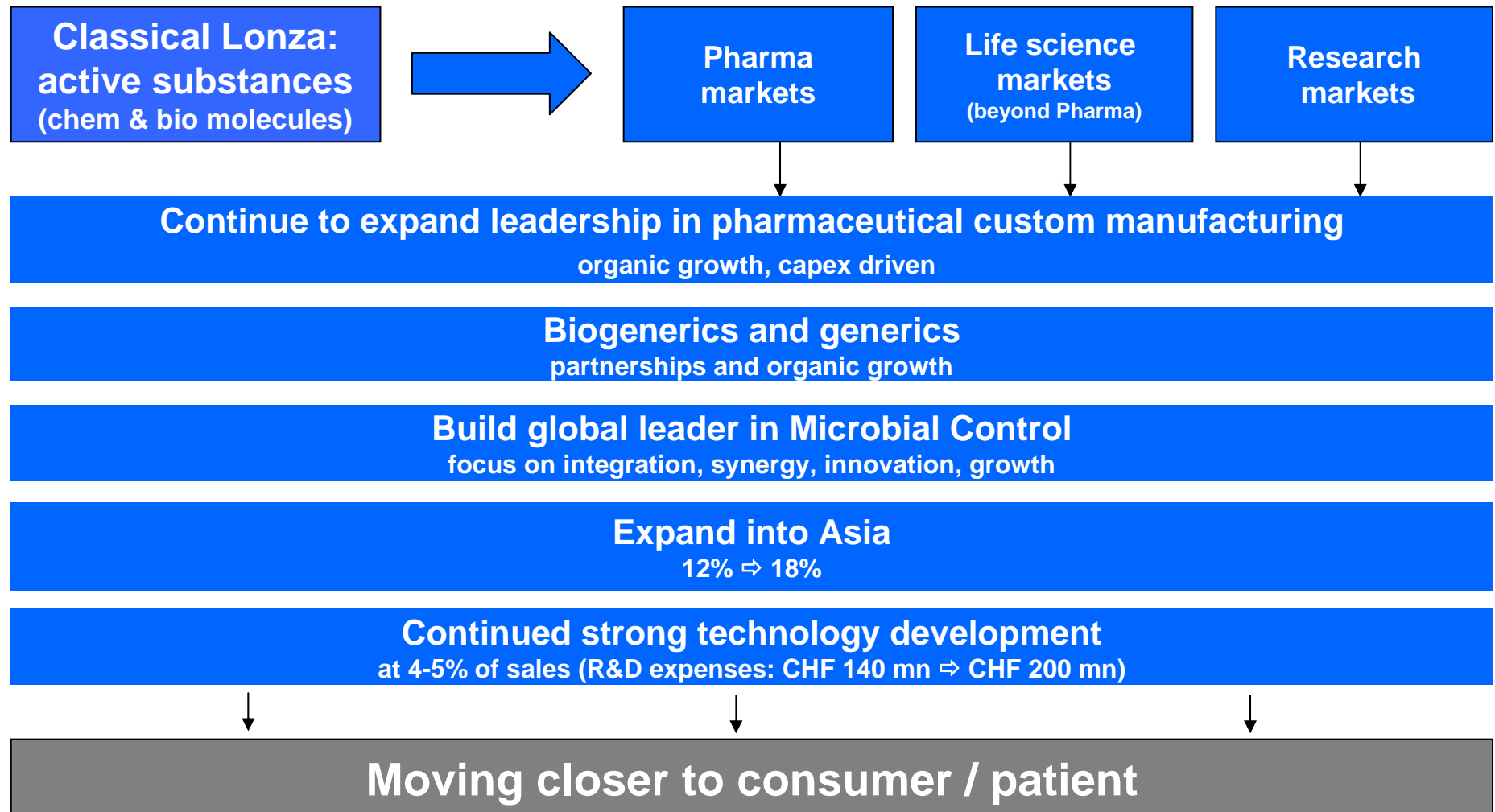
Outcome

- Sharpen direction of Lonza Group on 5 year view
- Bottom-up business plans per business unit
- Defined growth projects

Key findings



Refocusing Lonza – Major projects



Examples

Microbial control

- Creating the global leader in microbial control with the proposed acquisition of Arch Chemicals
- Move up the value chain into B2C business
- Strong platform to develop innovative new products and solutions
- Strengthens and balances Lonza's portfolio and allows further expansion into BRICS markets

Biosimilars

- Development of affordable biosimilars in JV with Teva
- Move towards patients
- First product in clinical trials
- Expansion of selected products currently under evaluation

Formulated products

- Extend the approach taken on biosimilars to small molecule generics
- Develop off-patent formulated drug products (with product registrations) for sale via partner (with focus on emerging markets)
- Lonza to be recognized as leading supplier of specialized products and the supplier of choice for local marketing specialists

2011 - 2016 Lonza Strategy: Building on our strengths

- OUR VISION** We strive to be the leading supplier using science and technology to improve quality of life
- OUR MISSION** We work with passion, using advanced technologies to transform life science into new possibilities for our customers
- OUR VALUES** Influential, Enterprising, Connected



Arch update

27 July 2011

Lonza

Proposed acquisition of Arch fits our strategy perfectly

Arch 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

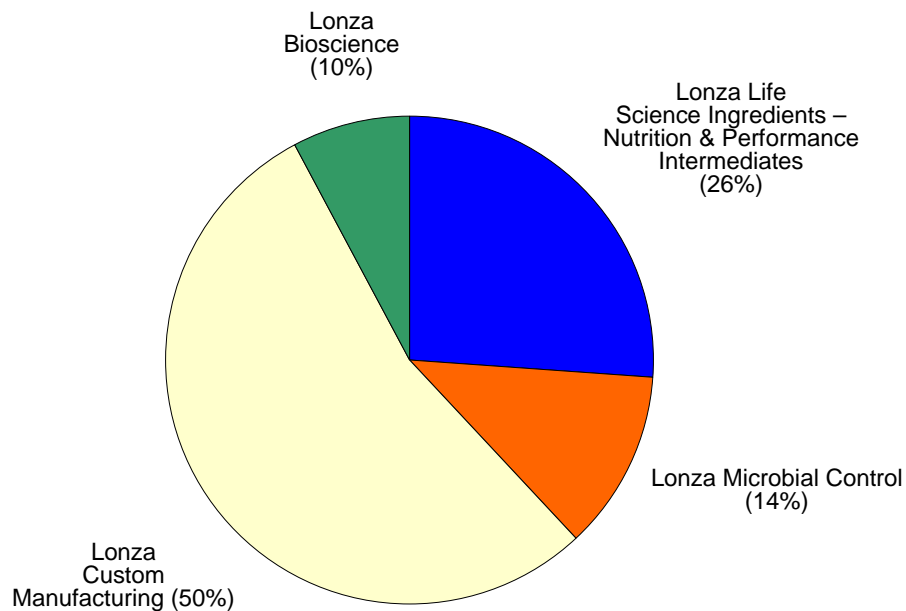
Moves Lonza closer to the end consumer

Improves natural currency hedge

	cost : revenue (in %)	
	2010	2012
USD	40:50	47:50
EUR	18:20	19:20

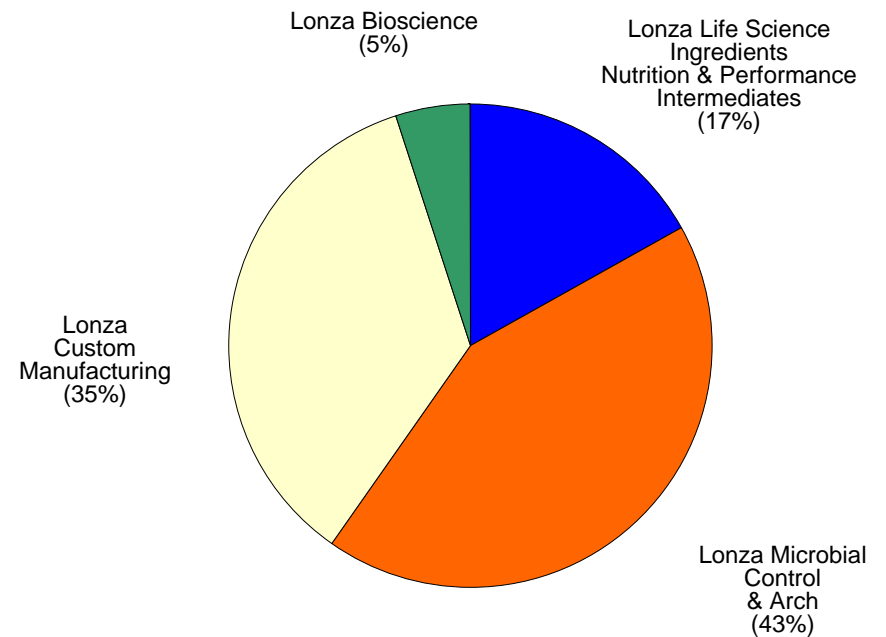
Arch balances the Lonza life science platform

Today



Sales CHF 2680 mn

Tomorrow



Pro-forma sales CHF ~4116 mn

Based on 2010 full year results

Microbial Control – A life science business

Arch is not a chemicals business !

CHEMICALS / CMO

LIFE SCIENCES

Capex heavy

Capex light

- Arch

Low RONOA

High RONOA

- Arch

Production cost and process driven

Application and customer integration driven

- Arch

Low level of R&D and innovation

R&D and innovation is major driver

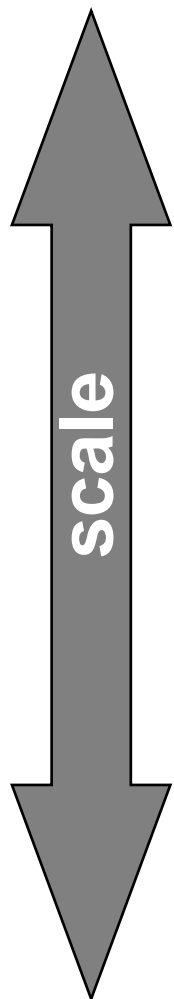
- Arch

Regulation expertise limited

Regulation expertise a critical success factor

- Arch

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

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
- Also increases Lonza's FCF generation and improves RONOA by > 150 bp in year 2

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

Transaction update

- Stakeholder feedback very positive: employees, customers, shareholders
- Tender offer commenced 15 July 2011
- Antitrust regulatory approval submissions anticipated in US, Germany and France
- Bridge finance committed, mandate letter executed
- Completion expected later in 2011

Calendar of events and contacts

- **Important Lonza Group dates**

- 27 October 2011 Third-quarter 2011 business update
- 25 January 2012 Full Year Results 2011
- 03 April 2012 Annual General Meeting
- 25 April 2012 First-quarter 2012 business update

- **Contacts**

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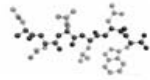
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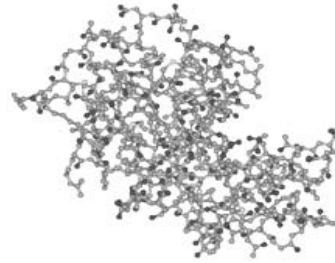
This communication is for informational purposes only and is not a recommendation, an offer to purchase or a solicitation of an offer to sell shares of Arch Chemicals. LG Acquisition Corp., Lonza's indirect wholly owned subsidiary, has filed a tender offer statement on Schedule TO with the U.S. Securities and Exchange Commission, and Arch Chemicals has filed a solicitation/recommendation statement on Schedule 14D-9 with respect to the tender offer. **Investors and Arch Chemicals shareholders 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, as well as any amendments thereto and other relevant documents filed with the SEC when they become available, because they will contain important information.** Investors and Arch Chemicals shareholders 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 LG Acquisition Corp. files with the SEC may also be obtained free of charge by directing a request by mail to MacKenzie Partners, Inc. at 105 Madison Avenue, New York, New York 10016, by calling toll-free at +1 800 322 2885 or by email to tenderoffer@mackenziepartners.com.



Chemical
Molecule



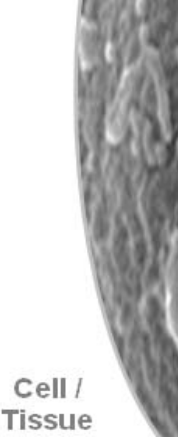
Peptide



Protein



Antibody



Cell /
Tissue

Leading supplier to the life science industry

Lonza

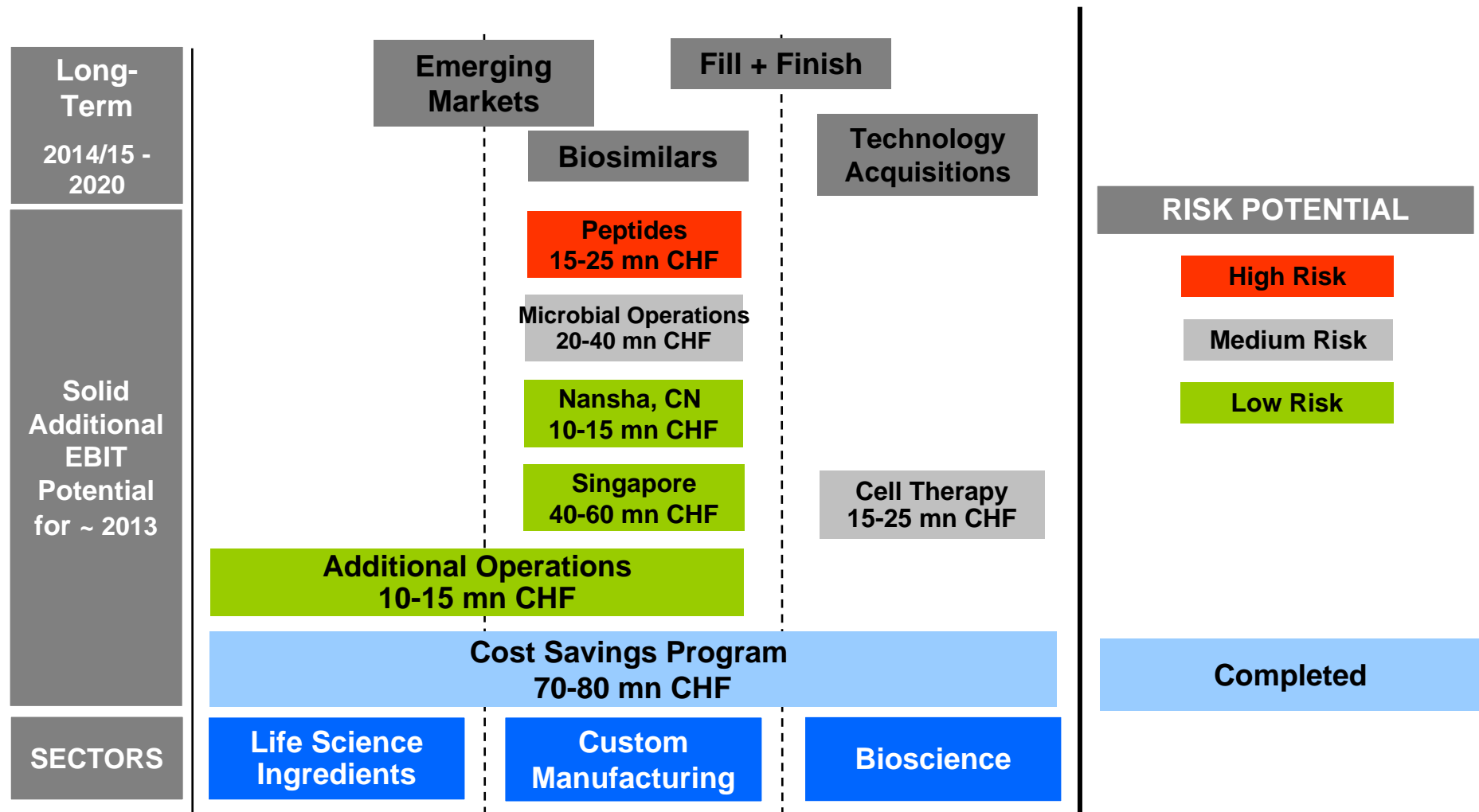
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Strategy review

Arch update

Stefan Borgas
Chief Executive Officer

Mid-term Additional EBIT Potential Mid-term Targets Reiterated*



* at constant exchange rate 2009