

# Customer Q&A

## NALCO PERFORMANCE PRODUCTS GROUP ACQUISITION

### I. Transaction Details/Rationale

#### 1. Who is Lubrizol? What is their Noveon® Consumer Specialties product line?

Lubrizol is an innovative specialty chemical company that produces and supplies technologies to customers in the global transportation, industrial and consumer markets. Headquartered in Wickliffe, Ohio, Lubrizol's industry-leading technologies in additives, ingredients and compounds enhance the quality, performance and value of customers' products, while reducing their environmental impact. The company owns and operates manufacturing facilities in 17 countries, as well as sales and technical offices around the world. Founded in 1928, Lubrizol has approximately 6,800 employees worldwide and reported 2009 revenues at \$4.6 billion.

Lubrizol's Noveon® Consumer Specialties product line offers a versatile line of ingredients with a long history of successful use in personal care, home care and pharmaceutical formulations. Key products include synthetic and naturally-derived rheology modifiers and thickeners, fixative polymers, surfactants, emulsifiers, film formers, elegant sensory modifiers and pharmaceutical ingredients. In addition, Noveon® Consumer Specialties offers a line of food hydrocolloids for unique natural food texturizers in human and pet food applications. Recognized brand names include Carbopol® polymers; Pemulen™ polymeric emulsifiers; Fixate™ hair fixative polymers, Schercemol™ and Hydramol™ specialty esters; methyl glucoside derivatives such as Glucamate™ thickeners and Glucam™ humectants; Chembetaine™ and Sulfochem™ surfactants; and RheoRanger and Diagum™ hydrocolloids.

#### 2. What has Lubrizol purchased from Nalco?

Lubrizol has purchased Nalco Performance Products Group, a leading supplier of value-added specialty polymers and formulation additives marketed to the global personal care and household care industries. The agreement is an asset sale which includes the business's dedicated technology, know-how, applications knowledge, intellectual property, trade names, customer lists and relationships, and base business, as well as royalty-free access to the use of technology and intellectual property currently shared with other Nalco businesses. Additionally, Lubrizol and Nalco have entered into a long-term manufacturing and supply agreement which will enable us to continue to produce our customers' product(s) without changes to current plant location, manufacturing process or global specifications.

Headquartered in Naperville, IL, Nalco's personal care portfolio includes synthetic and naturally-derived polymers sold under globally recognized brand names, including:

- Merquat® synthetic conditioning polymers - used as a primary and/or secondary conditioning technology in hair and skin care formulations to deliver tangible sensory benefits to personal care products
- Sensomer® naturally-derived conditioning polymers - combines Nalco's expertise in developing the highly acclaimed Merquat polymers with a naturally derived polysaccharide, food-grade potato starch
- Fixomer® fixative polymers - unique copolymers designed for use in non-aerosol hair styling and skin care applications
- Solamer® UV absorbers - proprietary polymers engineered to provide broad spectrum UV-protection in hair care applications including shampoos, conditioners and non-aerosol hair styling products
- Merguard® cosmetic preservatives - preserve formulations against a broad range of gram-positive and gram-negative bacteria, yeast and mold in consumer products, including hair care and personal hygiene products

These specialty ingredients are used by leading multinational cosmetic and consumer product companies to impart tangible benefits to the hair, skin and home care products consumers use on a daily basis.

#### 3. What does this purchase mean for Lubrizol's existing personal and home care product line?

Lubrizol is very excited about the acquisition which supports our goal of continuing to strengthen our existing product portfolio through complementary, bolt-on acquisitions. It combines the strengths of both companies'

## **Customer Q&A**

# **NALCO PERFORMANCE PRODUCTS GROUP ACQUISITION**

personal care and home care businesses to better serve the needs of our valued customers. Nalco's industry leading positions in conditioning and styling polymers, UV absorbers and preservatives will enhance Lubrizol's portfolio and create significant value for our personal care and home care customers. Key benefits include:

- Strengthened portfolio of high-value technology solutions for hair, skin, fabric and home care applications through the further addition of naturally derived and synthetic conditioning and fixative polymers, sensory modifiers and other specialty ingredients.
- Additional dedicated technical service and sales personnel with access to an expanded product portfolio, increasing their ability to serve diverse customer needs.
- Increased growth through geographic expansion, especially in emerging markets such as Asia Pacific where Nalco's personal care business has a strong presence.

With this acquisition, all Nalco personal care products and brand names dedicated to Nalco's personal care business will be transitioned to Lubrizol.

#### **4. Why did Nalco decide to exit this business?**

While Nalco's personal care business has achieved consistent growth in sales and earnings over the past eight years and has demonstrated proven product development capabilities, strong customer relationships and a solid industry reputation, Nalco's personal care business is not a strategic fit with their emphasis on providing sustainability services for industrial water, energy and air applications. This sale allows Nalco to more closely concentrate on the industrial and institutional markets that are the core of their business.

#### **5. Will Lubrizol be adding new facilities as a result of this purchase?**

While this acquisition is an asset sale, no facilities are included in the purchase. The sale includes all Nalco personal care dedicated technology, know-how, application knowledge, intellectual property, trade names, customer lists and relationships, and base business, as well as royalty-free access to the use of technology and intellectual property currently shared with other Nalco businesses. Additionally, Lubrizol and Nalco have entered into a long-term manufacturing and supply agreement which will enable us to continue to produce our customer's product(s) without changes to current plant location, manufacturing process or global specifications.

## **II. Timing**

#### **6. When did this transaction close?**

The transaction closed on January 21, 2011.

## **III. Financial**

#### **7. What was the purchase price for this transaction?**

The purchase price was \$166 million.

## **IV. Business Impact**

#### **8. How does this transaction impact your overall Noveon Consumer Specialties personal and home care product line? Do you plan to continue to purchase other personal care and household care businesses?**

This transaction directly supports Lubrizol's commitment to grow the Noveon Consumer Specialties portfolio into a billion dollar business through the expansion of product offerings, acquisition of new technology and growth in new applications and geographic regions. The acquisition of Nalco's personal care business is a strong complement to our strategy.

## Customer Q&A

### NALCO PERFORMANCE PRODUCTS GROUP ACQUISITION

Lubrizol will continue to pursue acquisitions that offer a strategic fit with our existing portfolio.

**9. Both Lubrizol's Noveon Consumer Specialties and Nalco's personal care product lines have a presence in conditioning polymers. Nalco has the Merquat synthetic polymers and Sensomer polysaccharides, and Lubrizol has cationic cassia conditioning polymers, which are also polysaccharides. Will there be any consolidation in trade names?**

Both the Merquat and Sensomer brands are well known in the industry, with strong trade name recognition. With this acquisition, Lubrizol's new cationic cassia polymers (INCI: Cassia Hydroxypropyltrimonium Chloride) will adopt the Sensomer brand name.

**10. Will Noveon Consumer Specialties be discontinuing any of the acquired Nalco personal care products?**

Nalco's personal care products are recognized worldwide and are essential ingredients in their customers' product formulations. At this time, we do not anticipate discontinuing any of the existing Nalco personal care products.

#### V. Personnel/Customer

**11. Will any members of Nalco personal care management transfer to Lubrizol?**

Key Nalco personal care management members are in place to assist Lubrizol with the transition and overall integration. We expect that all Nalco personal care employees will work to continue the growth of the Nalco personal care product lines within Noveon Consumer Specialties and will play a key role in contributing to the future growth of the combined businesses.

**12. Where will the transferred Nalco personal care employees be based?**

Nalco personal care employees who have been transitioned to Lubrizol will be relocated to nearby Lubrizol facilities or based out of a remote home office as part of the transition.

**13. Who will be my account manager for the Nalco personal care product offering? Will I be called on by two sales people?**

At the moment, it will remain business as usual. Customers should continue to work with their current contact point person for all their orders and requests. Once all processes have been integrated within Lubrizol (within six months) customers will be notified of any changes or new processes.

**14. Who will be my customer service and technical service contacts for the Nalco personal care product offering?**

At the moment, it will remain business as usual. Customers should continue to work with their current customer service and technical service contacts. Once all processes have been integrated within Lubrizol (within six months) customers will be notified of any changes or new processes.

**15. What will this transaction mean for current customers of Nalco personal care and Lubrizol?**

With this acquisition, all customers will now have expanded access to an enhanced portfolio of innovative ingredients, formulations and applications, as well as access to additional technologies and knowledgeable subject matter experts.

## **Customer Q&A**

### **NALCO PERFORMANCE PRODUCTS GROUP ACQUISITION**

**16. What does this transaction mean for current distributors of Nalco personal care and Lubrizol?**

In the short term there will be little to no impact. Business will be conducted as usual and there will be no change in distribution relationships for Nalco personal care or Lubrizol. As part of the integration process, we will be meeting with all distributors to discuss the status of future agreements and relationships.

**17. Will there be any impact to how customers conduct business with Nalco personal care and Lubrizol?**

In the short term there will be little to no impact. Nalco personal care customers will continue to place orders with and receive invoices from Nalco. Once all processes have been integrated within Lubrizol (within six months) customers will be notified of any changes or new processes. Similarly, it will be business as usual for Lubrizol customers.

Lubrizol remains committed to making this transition as seamless as possible to our valued customers.