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Proposed acquisition of Bostik: Arkema strengthens its position in specialty chemicals

- ❖ **Proposed acquisition of Bostik, number 3 worldwide in adhesives and part of Total's specialty chemicals**
- ❖ **New milestone in Arkema's transformation in line with the Group's strategy**
 - **Reinforcing Arkema's profile with the integration of a low cyclical and low capital-intensive activity with sales of €1.53 billion**
 - **Strategic priorities well aligned: innovation, expansion in emerging countries and operational excellence**
- ❖ **High value creating project**
 - **Significant potential for improving Bostik's operating margin**
 - **Well identified synergies**
 - **Cash flow accretive from first full year and EPS accretive from second year**
 - **Execution facilitated thanks to common culture**
- ❖ **Offer made on basis of €1.74 billion enterprise value (11 times EBITDA)**
- ❖ **A fully secured funding**

Bostik, a world leader in adhesives

With sales of €1.53 billion, a global presence in over 40 countries and 4,900 employees, Bostik is the number 3 worldwide in adhesives. The group holds leading positions in most of its markets, has internationally recognized brands and technologies, and fosters close partnerships with its customers.

Bostik develops high performance and high value added bonding and sealing solutions for the non-woven, industrial, construction and consumer markets.

With its solutions that help reduce the weight of materials, improve the energy efficiency of buildings, develop new energies, and replace traditional bonding solutions, the Bostik group is particularly well-placed to take advantage of the momentum of the adhesives market currently enjoying annual growth above global GDP.

An acquisition project fully aligned with Arkema's strategy

In accordance with the strategy implemented since its stock market listing, this operation would allow Arkema to further strengthen its position in specialty chemicals and to continue developing its High Performance Materials segment, which would account for 42% of total sales following the acquisition of Bostik.

« Since 2006 Arkema has carried through a successful in-depth transformation of its business portfolio with the aim of becoming a world leader in specialty chemicals. The proposed acquisition of Bostik represents a new major milestone towards this ambition.

ARKEMA

420, rue d'Estienne d'Orves - F-92705 COLOMBES Cedex - France

Standard : +33 (0)1 49 00 80 80 - Fax : +33 (0)1 49 00 83 96

Société anonyme au capital de 636 968 620 euros - 445 074 685 RCS

The complementarities between the two companies, the quality of Bostik’s management and teams, the common roots within the Total group, and the brands and technologies are all factors that will sustain value creation for our shareholders and ensure successful execution of the project.

For Arkema, this new exciting challenge complements the ambitious plan currently in progress to establish acrylics and thiochemicals in Asia through the Jurong and Kerteh projects, restore the profitability of fluorogases, carry through its €100 million savings plan announced recently, and realize the strong growth prospects in the attractive oil and gas segment » Thierry Le Hénaff, Arkema Chairman and CEO, stated.

In a steadily growing adhesives market, Bostik’s current pace of development together with the synergies identified between the two groups will help improve Bostik’s EBITDA margin, with the long-term objective to achieve an EBITDA margin of 14% to 15%, in line with peers average.

This strong potential for improving the results, the solid cash flow generation and the low capital-intensity of Bostik will enable Arkema to continue strengthening its profile and its resilience to the changes of the economic environment.

With the proposed acquisition of Bostik, Arkema would achieve proforma sales of some €7.6 billion while increasing its headcount to some 19,000 people.

This project would also entail increasing the divestment program of non-core activities representing some €500 million additional sales.

Taking into account the proposed acquisition of Bostik and the contemplated divestment program, the Group raises its 2017 EBITDA target to €1.310 billion.

A financing structure designed to protect the Group’s balance sheet and credit rating

In order to maintain a sound balance sheet structure and preserve its financial flexibility, this project would be financed by a €350 million rights issue, the issuance of hybrid securities of between €600 and €700 million, and a senior bond issuance for the balance, i.e. between €500 and €600 million. The share capital increase would be made through preferential subscription rights for existing shareholders. These refinancing operations will be carried out at the earliest opportunity.

The target is to go back close to a 40% gearing by 2017.

This project, with no impact on jobs given the complementarity of the two groups, is subject to the legal information and consultation procedure involving the work councils of Arkema, Bostik and Total, as well as to the approval of the relevant antitrust authorities in the countries concerned.

A global chemical company and France’s leading chemicals producer, Arkema is building the future of the chemical industry every day. Deploying a responsible, innovation-based approach, we produce state-of-the-art specialty chemicals that provide customers with practical solutions to such challenges as climate change, access to drinking water, the future of energy, fossil fuel preservation and the need for lighter materials. With operations in more than 40 countries, some 14,000 employees and 10 research centers, Arkema generates annual revenue of €6.1 billion, and holds leadership positions in all its markets with a portfolio of internationally recognized brands.

Press Relations

Gilles Galinier
Sophie Suc
Tél. +33 1 49 00 70 07
Tél. +33 1 49 00 83 72

gilles.galinier@arkema.com
sophie.suc@arkema.com

Investor Relations

Sophie Fouillat
François Ruas
Tél. +33 1 49 00 86 37
Tél. +33 1 49 00 72 07

sophie.fouillat@arkema.com
francois.ruas@arkema.com

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