



# BUREAU VERITAS PRESENTATION



## Annual Investor Day

December 5, 2006



Frank Piedelièvre,  
CEO Bureau Veritas

For the benefit of business and people



## AGENDA

- 1 Bureau Veritas snapshot
- 2 2006 Achievements
- 3 Growth strategy
- 4 Global value creation opportunities
- 5 Financials



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## ➤ Bureau Veritas snapshot



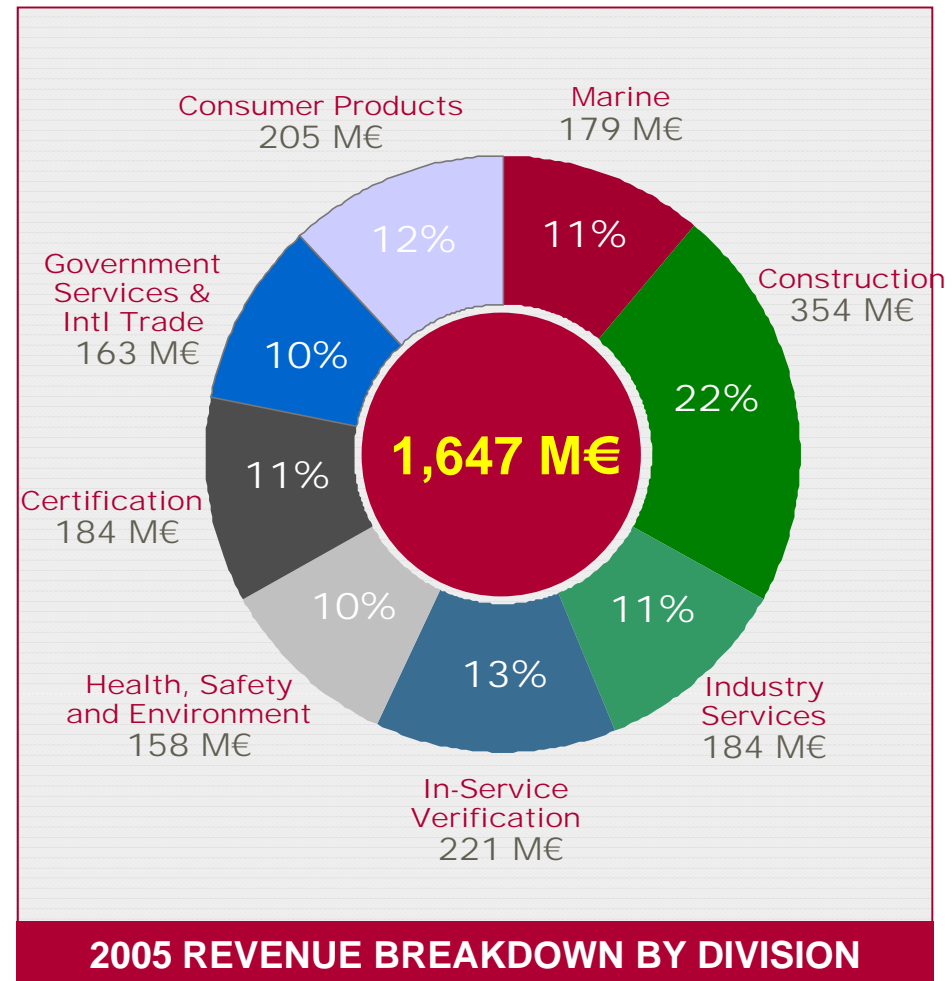


- ▶ **Global provider of conformity assessment services in the areas of Quality, Health & Safety and Environment**
- ▶ **Delivering value to our customers through a complete set of services**
  - Inspections, Testing, Audits, Certification of management systems, Classification, Technical assistance, Training, Outsourcing
- ▶ **A global B-to-B services company**
  - 26,000 employees
  - Present in 140 countries
- ▶ **Vision: Become the industry leader and a major player in each of our businesses and key geographical markets**



► **Eight global businesses:**

- Construction
- Industrial inspection services
- Verification of in-service equipment
- Health, Safety and Environment
- Certification
- Consumer products
- Marine
- Government Services and International Trade



**INDUSTRY**

- ▶ #1 global provider of industrial inspection and certification services
- ▶ Global leader in Oil & Gas
- ▶ Key position in France, UK, Spain, Netherlands, USA, Latin America, Middle-East and Australia

**IN-SERVICE VERIFICATION**

- ▶ One of top European providers of in-service equipment regulatory inspection services
- ▶ Key position in France, UK, Spain and Netherlands

**CONSTRUCTION**

- ▶ # 1 worldwide position
- ▶ Key position in France, USA, Spain and Japan

**HEALTH SAFETY ENVIRONMENT**

- ▶ One of top global providers of HSE inspection and certification services
- ▶ Key position in France, USA, UK, Brazil and Australia



**CERTIFICATION**

- ▶ Global leader in Certification
- ▶ Key positions in France, Denmark, Belgium, Netherlands, Spain, Brazil, India and Thailand

**MARINE**

- ▶ # 2 position in number of vessels and # 6 position in tonnage
- ▶ Key player in gas tankers, FPSO\*, bulkers, passenger ships, dredgers
- ▶ Key position in China, France, Netherlands, Spain and Latin America

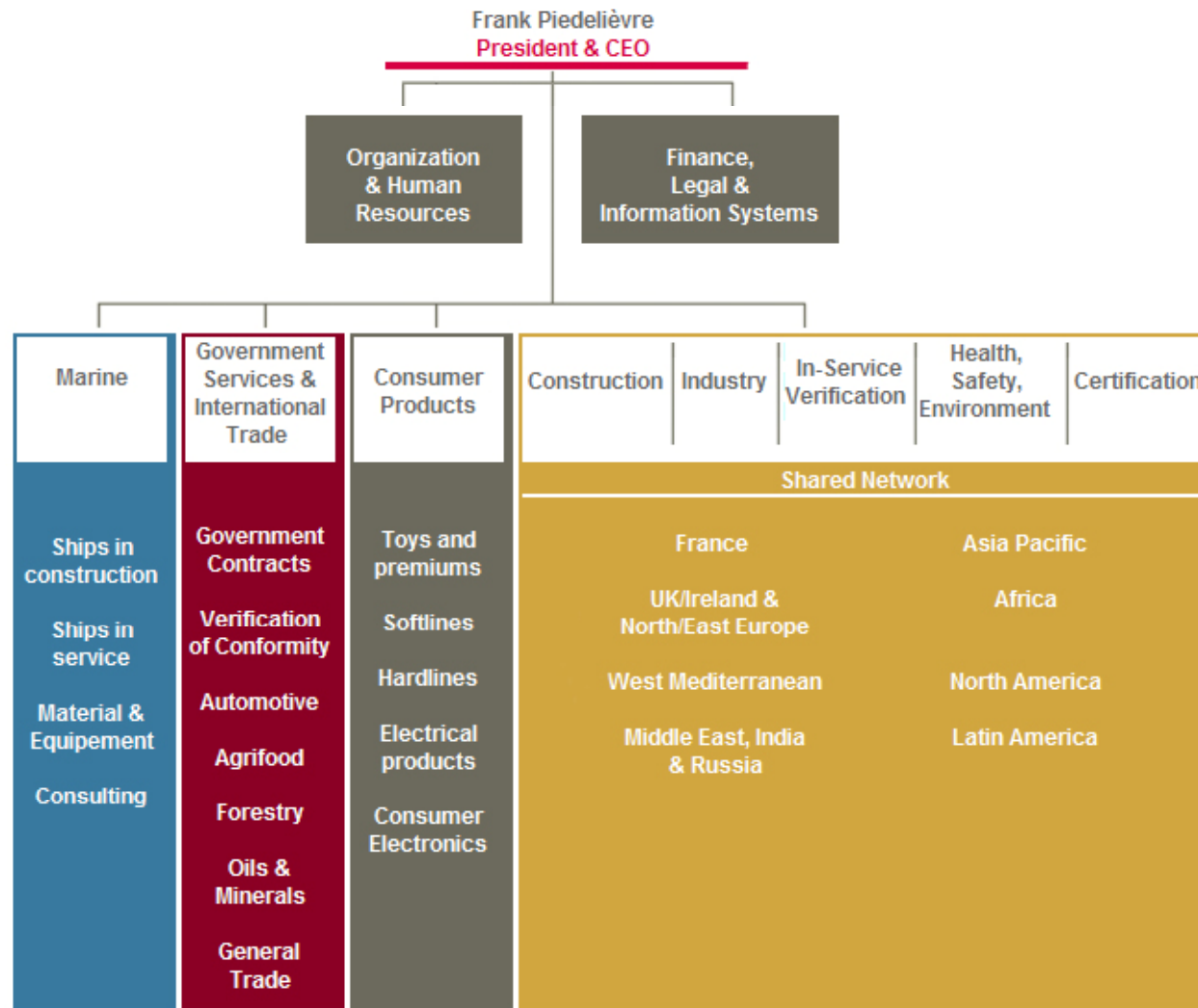
**CONSUMER PRODUCTS**

- ▶ # 3 worldwide position
- ▶ # 2 worldwide position for Toys and Textiles testing (market leader in USA)
- ▶ Set-up of Electrical & Electronic testing platform

**GOVERNMENT SERVICES and INTERNATIONAL TRADE**

- ▶ Government services: among top 4 leaders for pre-shipment inspections (14 on-going contracts)
- ▶ International Trade: Development of niche strategy in Asia, Latin America and Middle-East







- ▶ **Increasing demand for services relating to quality, environment, occupational health and safety, and sustainable development**
  - Tougher and increasing number of QHSE regulations and standards
- ▶ **Globalization of the economy**
  - Continued growth of international trade
  - Shift of manufacturing activities from western countries to Asia
  - Consolidation of main customers creating an increased demand for global services offering
- ▶ **QHSE industry consolidation**
  - Fragmented markets with companies positioned on local market with limited scope of services
  - Key players consolidating their global position through acquisitions
- ▶ **Recurring revenue streams in the majority of our businesses**





## 2

### ➤ 2006 Achievements



## ORGANIC GROWTH ANALYSIS

	H1 2006 Turnover (M€)	H1 2006/ H1 2005 Organic Growth*
Construction	185	+5%
Industry	101	+11%
In-Service Verification	119	+9%
HSE	99	+2%
Certification	98	+10%
Consumer Products	115	+11%
Marine	<u>103</u>	<u>+14%</u>
<b>Total excluding Government Services and International Trade</b>	<b>820</b>	<b>+9%</b>
Government Services and International Trade	<u>68</u>	<u>-21%</u>
<b>Total</b>	<b>888</b>	<b>+6%</b>



**INDUSTRY**

- ▶ Record year for O&G expenditures
- ▶ Strong growth in France, UK, Latin America, Asia and Middle East

**IN-SERVICE VERIFICATION**

- ▶ Single-digit growth in UK and France
- ▶ Expansion of Spain and Netherlands platforms
- ▶ Start-up in Germany, Italy and Central Europe

**CONSTRUCTION**

- ▶ Good construction market in France, Japan and Middle East
- ▶ Deployment of asset management services

**HEALTH SAFETY ENVIRONMENT**

- ▶ Solid growth in France, Brazil and the Netherlands
- ▶ Post-acquisition negative impact in USA and UK
- ▶ Geographical expansion



**CERTIFICATION**

- ▶ Strong growth of international contracts
- ▶ Good growth in Brazil, Italy, Spain, Russia, China and India

**MARINE**

- ▶ Booming ship construction, with peak of new orders and gain of market share
- ▶ +12% in fleet in service
- ▶ +27% in new construction orders

**CONSUMER PRODUCTS**

- ▶ Double digit growth
- ▶ Expansion in China and India
- ▶ Expansion of Electrical and Electronics services

**GOVERNMENT SERVICES and INTERNATIONAL TRADE**

- ▶ Decrease in Government Services due to stop of Venezuela and Kenya contracts
- ▶ Good performance in Ivory Coast and Angola
- ▶ Strong performance in VOC services and automotive





	Company	Country	Revenue*
2006	RISK & SAFETY (HSE Services)	USA	12 M€
	NSQ HAUK (In-service verification and Asset integrity management services)	GERMANY	3 M€
	NAGTGLAS (Electrical and fire safety inspections)	NETHERLANDS	9 M€
	ECS (HSE Services)	FRANCE	2 M€
	INTICO (Industrial inspections in oil & gas and mining)	AUSTRALIA	21 M€
	KILPATRICK (HSE services)	AUSTRALIA	4 M€
	PVI (Inspections for pressure equipment)	USA	2 M€
	NEIS (Inspections for elevators)	USA	8 M€
	HAZTEC (Electrical Consumer Products)	FRANCE	1 M€
	ALERT SOLUTIONS (HSE Services)	AUSTRALIA	2 M€

- ▶ Over 15 acquisitions in 2005 for a total of 200 M€
- ▶ Over 10 acquisitions in 2006 for a total of 50 M€
- ▶ Platform in Australia for industrial inspection and HSE (O&G, Mining)
- ▶ Acquisitions under negotiation in Latin America, Europe, China and Japan

\* Full year revenues





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➤ Growth strategy



**Geographic Expansion**

- ▶ Leverage BV network to build global platform
  - Europe (France, UK, Germany, Benelux, Spain, Portugal, Italy, Central Europe)
  - USA
  - China, Japan, Korea, Australia
  - Brazil
  - Turkey

**Product Development**

- ▶ Global offering of multi-CE-directive and ASME certification services
- ▶ Focus on value-added services
  - Asset Integrity management
  - Risk-based inspections
  - Safety and risk related services

**Target Markets**

- ▶ Expand penetration in Oil & Gas (LNG, Pipelines, subsea equipment)
- ▶ Power & Utilities (Nuclear)
- ▶ Process industries

**2005 Revenues****184 M€****BUREAU  
VERITAS**

**Geographic Expansion**

- ▶ Build national platforms through organic growth and acquisitions
  - Europe
  - USA
  - Australia

**Product Development**

- ▶ Monitor new national and international regulations
  - Regulatory watch services
  - Energy efficiency
- ▶ Differentiate BV offer with innovative IT tools
- ▶ Develop voluntary inspection services offers for international customers

**Target Markets**

- ▶ Target Key Accounts with national/ European / international needs
- ▶ Electrical installations
- ▶ Pressure and lifting equipment

**2005 Revenues****221 M€****BUREAU  
VERITAS**

**Geographic Expansion**

- ▶ Maintain leadership in key countries (France, USA, Spain, Japan)
- ▶ Set-up platforms in fast-growing countries (China, Russia, Middle East)

**Product Development**

- ▶ Enlarge portfolio of services:
  - Asset management
  - HSE
  - Energy efficiency
- ▶ Develop bundled solutions and municipal outsourcing

**Target Markets**

- ▶ Develop market share with global key accounts
  - Retailers
  - Hotel chains
  - Banks and insurance
  - Real estate

**2005 Revenues****354 M€****BUREAU  
VERITAS**



**Geographic  
Expansion**

- ▶ Enlarge commercial capabilities in France, UK, USA, Brazil and Australia

**Product  
Development**

- ▶ Sell portfolio of HSE Services through one-stop shopping
- ▶ Bundled services on large projects (HSE, in-service inspection, shop inspection)
- ▶ Global audit/benchmarking solutions (Veriperf)

**Target  
Markets**

- ▶ Target large international accounts
- ▶ Leverage BV network to develop synergies with Oil & Gas, Power & Utilities, industrial and construction markets

**2005 Revenues****158 M€****BUREAU  
VERITAS**

### Geographic Expansion

- ▶ Achieve critical size in key markets (USA, Japan, China, UK, Germany) through organic growth and acquisitions

### Product Development

- ▶ Develop international certification and auditing contracts
- ▶ Develop customized services (network audits, suppliers audits)
- ▶ Promote schemes with high growth potential (Food, Safety, Aeronautics, Green House Gas, Forestry)

### Target Markets

- ▶ Develop contracts with international companies
- ▶ Strategic sectors approach
  - Food
  - Aeronautics
  - Railways
  - Oil & Gas

2005 Revenues

184 M€



BUREAU  
VERITAS

**Geographic Expansion**

- ▶ Grow Asian activities, especially in China and India
- ▶ Expand European business development platform (UK, Germany, France)
- ▶ Develop a global Electrical platform

**Product Development**

- ▶ Develop next generation of solution-based life cycle services
- ▶ Develop analytical services (RoHS, RS)

**Target Markets**

- ▶ Increase US market penetration (retailers, branded manufacturers and importers)
- ▶ Europe retail
- ▶ Asia manufacturers

**2005 Revenues****205 M€****BUREAU  
VERITAS**

**Geographic Expansion**

- ▶ Strengthen presence in shipbuilding countries (Korea, China, Japan, Turkey)
- ▶ Build presence in future growth regions (South East Asia, India)

**Product Development**

- ▶ Develop and deliver value added tools and services (hydrodynamics, risk-based inspection, structural analysis)
- ▶ Expand consulting and outsourcing activities

**Target Markets**

- ▶ Fast growing & high added-value segments:
  - Tankers
  - LNG\* carriers
  - Offshore (FPSO's, FSO's)
  - Containers

**2005 Revenues****179 M€****BUREAU  
VERITAS**

\* Liquefied Natural Gas

**Geographic  
Expansion**

- Leverage regional positions to develop niches on commodities
  - Middle East
  - Africa
  - China
  - India
  - Australia
  - Latin America

**Product  
Development**

- New services to governments
  - VOC
  - Scanner
- Automotive services (Vehicle Inspection services)

**Target  
Markets**

- Automotive
- Agrifood (rice, sugar, palm oil)
- Minerals

**2005 Revenues****163 M€****BUREAU  
VERITAS**



**Geographic  
Expansion**

- ▶ **Expand platforms in fast growing countries**
  - Latin America, China, Australia, Eastern Europe
- ▶ **Consolidate position in mature countries**
  - Europe, North America, Japan

**Service  
Offering**

- ▶ **HSE**
- ▶ **Industrial inspections**
- ▶ **Electrical and Electronics testing**
- ▶ **International Trade services**

**Target  
Markets**

- ▶ **Oil & Gas**
- ▶ **Retail**





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- Global value creation opportunities

## Market Trends

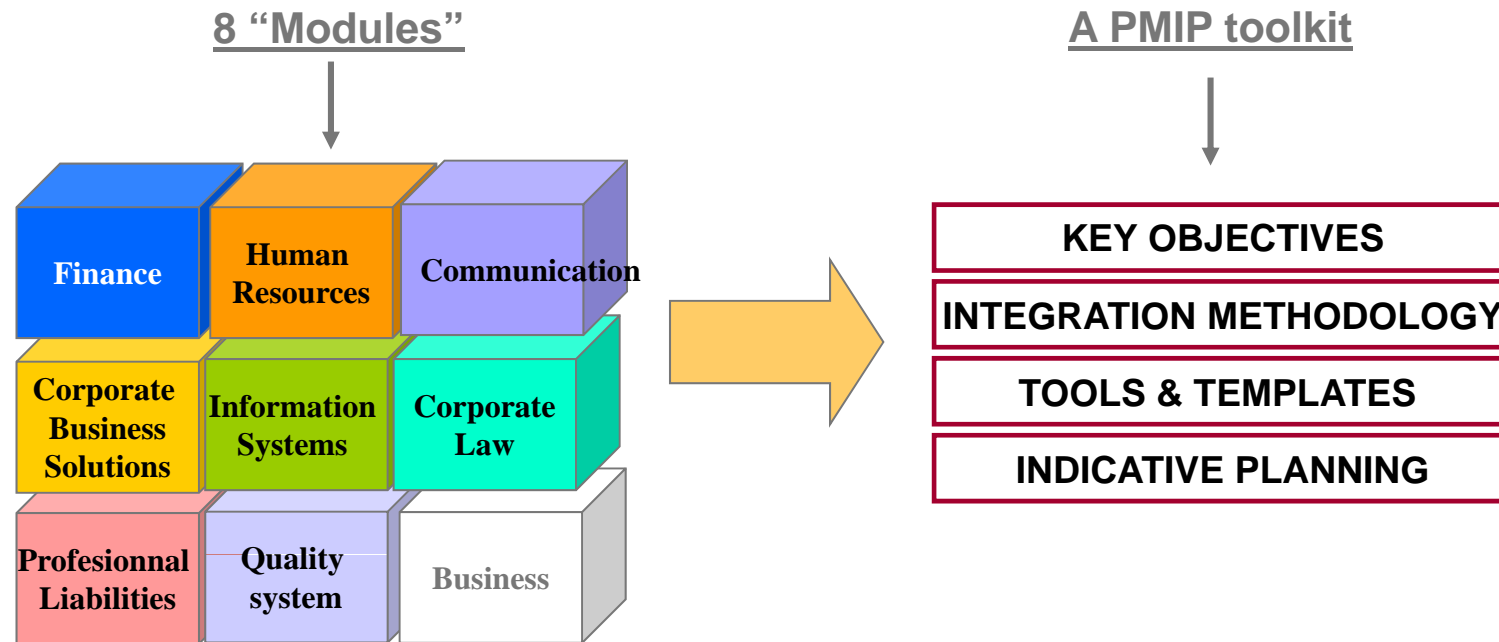
- ▶ **Increasing demand for large international contracts**
- ▶ **Increasing demand for innovation and responsiveness**
- ▶ **Commoditization of certain services**

## Bureau Veritas' Response

- ▶ **Key Account Management teams**
- ▶ **Development of PDA-based tools for periodic inspections**
- ▶ **Optimize network**
- ▶ **Process reengineering**
- ▶ **Network rationalization initiatives: shared services, centralization of back-office functions, IT/IS optimization**



- ▶ **BV expertise in Post-Merger Integration process**



- ▶ **Integration prepared before closing (Integration team)**
- ▶ **Post-merger integration team led by dedicated Integration Manager**
  - In charge of executing integration plan during first three months

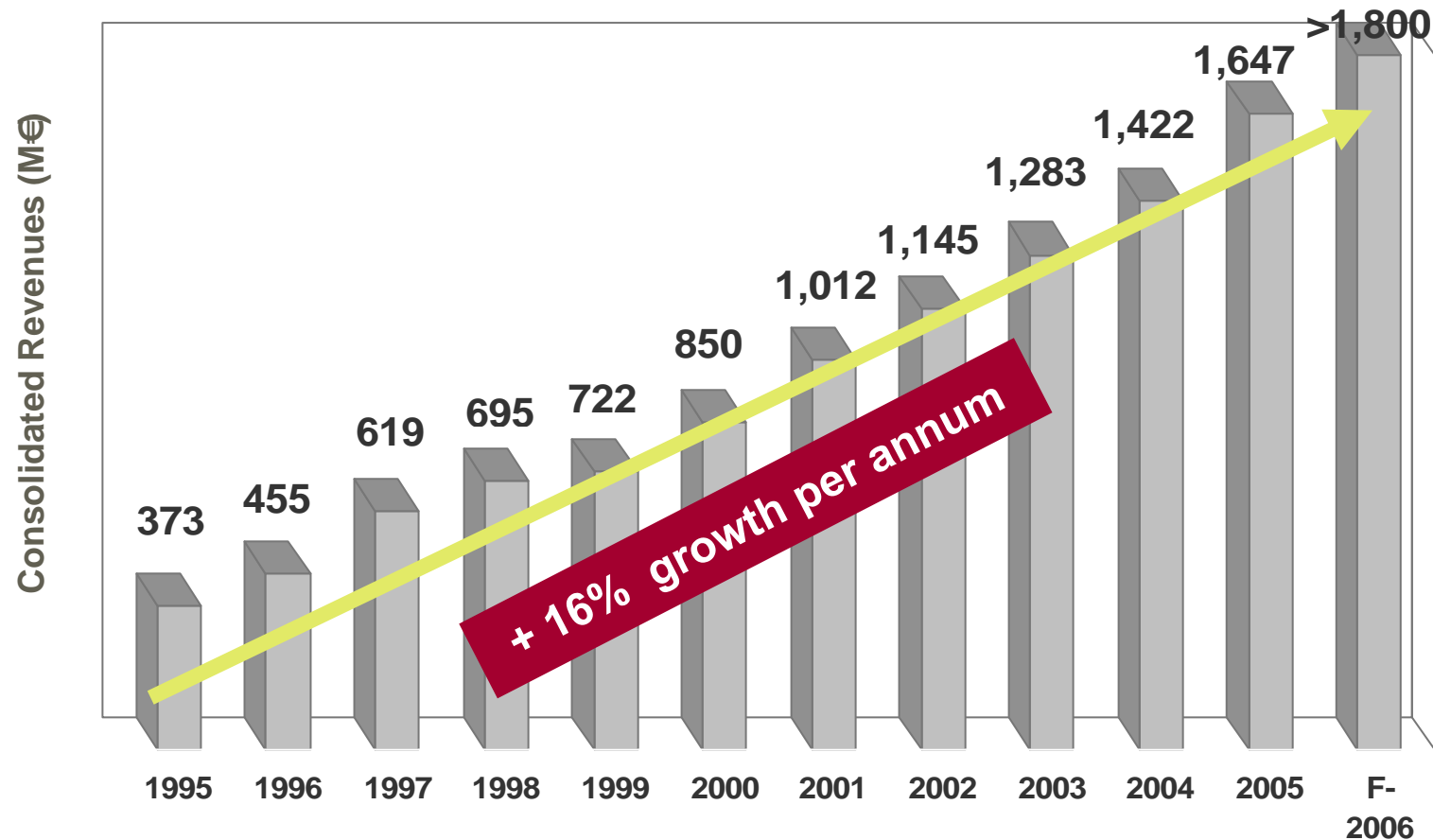


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## ➤ Financials



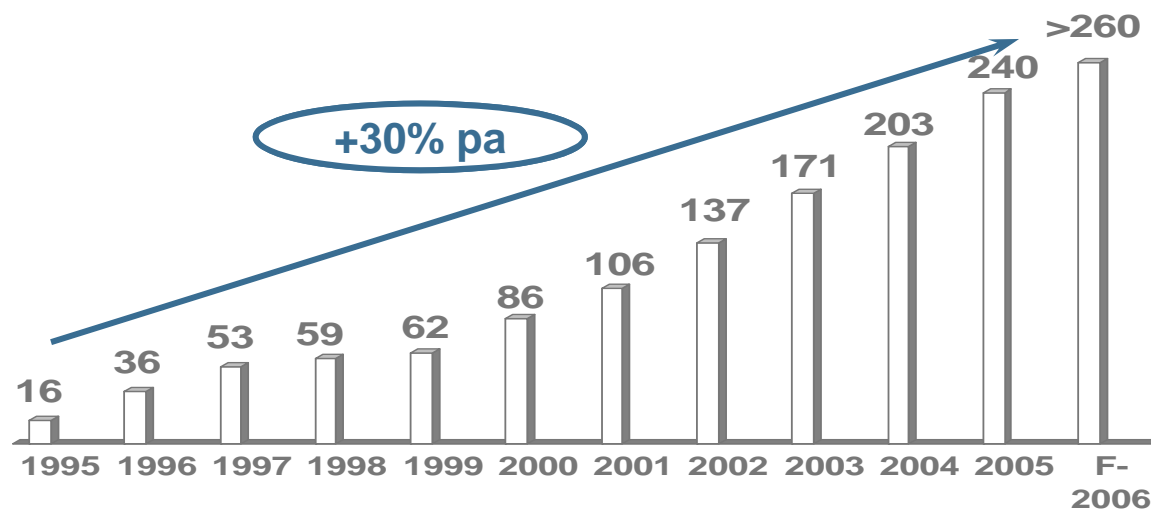
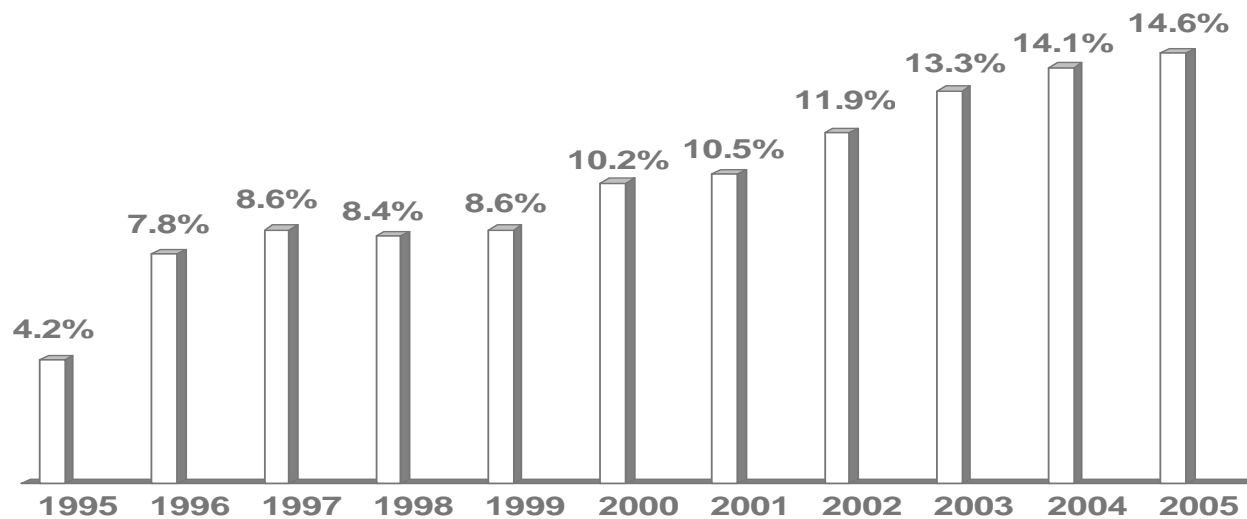




- ▶ Combination of organic growth and acquisitions
- ▶ High recurrence of growth



EBITA (M€)

EBITA  
MarginBUREAU  
VERITAS

<i>In M€</i>	H1 - 2006	H1 - 2005	% Change
Group revenues	887.9	771.4	+ 15% <sup>1</sup>
EBITA <sup>2</sup>	118.6	105.4	+ 13%
EBITA margin (%)	13.4%	13.7%	
Cash flow from operations <sup>3</sup>	71.8	68.3	
Capital expenditures as % of revenues	(22.1) 2.5%	(23.7) 3.1%	



<sup>1</sup> Of which 6% organic growth

<sup>2</sup> EBITA adjusted for non-recurring items (fees paid to Wendel and net gains/losses on divestitures (€6.7m in 2005 and -€3m in 2006))

<sup>3</sup> Pre-tax cash flow before capital expenditures

## 2007 & Beyond

- ▶ Revenues over €2 billions
- ▶ Organic growth >6%
- ▶ €100-150m / year of acquisitions
- ▶ EBIT margin target above 15% (excluding new acquisitions)



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# QUESTIONS & ANSWERS