



WENDEL
INVESTISSEMENT

Forum on Unlisted Companies
Wheelabrator Allevard

December 7, 2004



WHEELABRATOR ALLEVARD

7th December 2004, Paris



Agenda

- **Company overview**
- **Development in 2004**
- **Financial performance in 2003 and H1 2004**
- **Markets : evolutions and challenges**
- **Strategy and growth drivers**

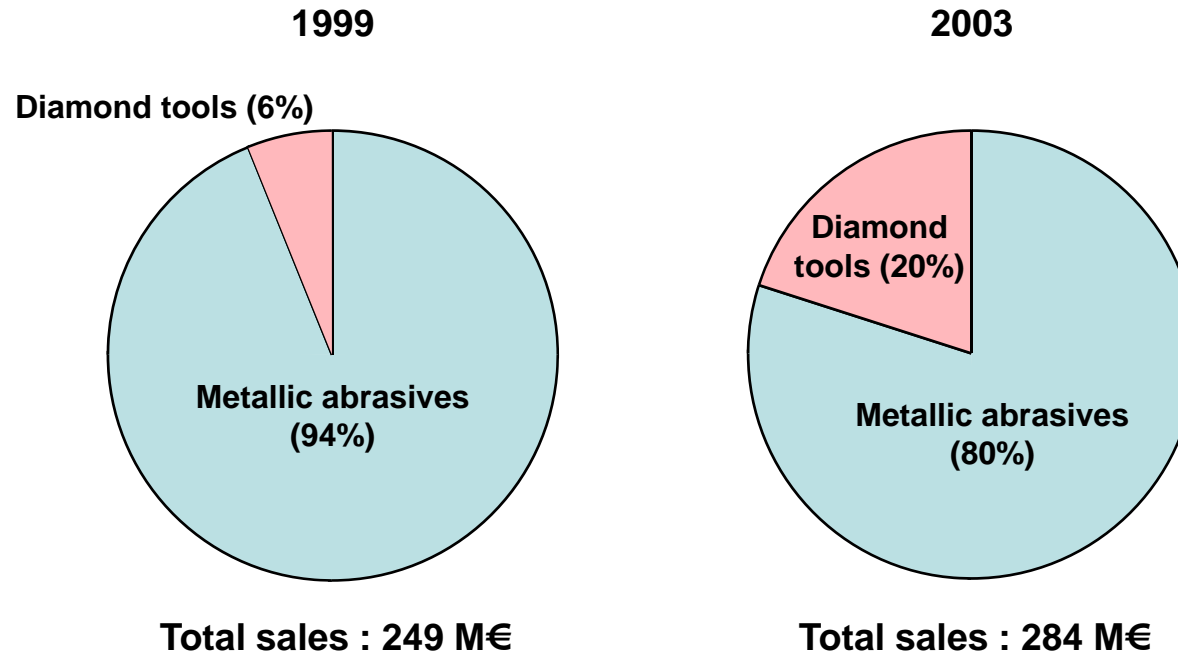


**Wheelabrator
Allevar**

Company overview



Wheelabrator Allevar historical development



- Founded in 1961 to create a European leader in metallic abrasives
- Today:
 - The World leader (#1) successfully driving the consolidation of the metallic abrasives industry
 - A leading Diamond Tools player with the recent integration of Winter



Metallic abrasives

Stone



- Grit particles used as gang saw teeth to cut blocks of granite into fine slabs

Turnover (2003) = 62 M€

Industry



- Shots and grits blasted onto metallic pieces to
 - Clean and prepare surface
 - Enhance performance by work hardening

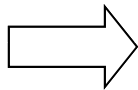
Turnover (2003) = 165 M€



Metallic abrasives - competitive position

2003 - Worldwide market shares

	<u>Industry</u>	<u>Total</u>
Wheelabrator	>30%	>35%
Each 5 other key players	<15%	<12%
Total Market	875kt	1 100kt

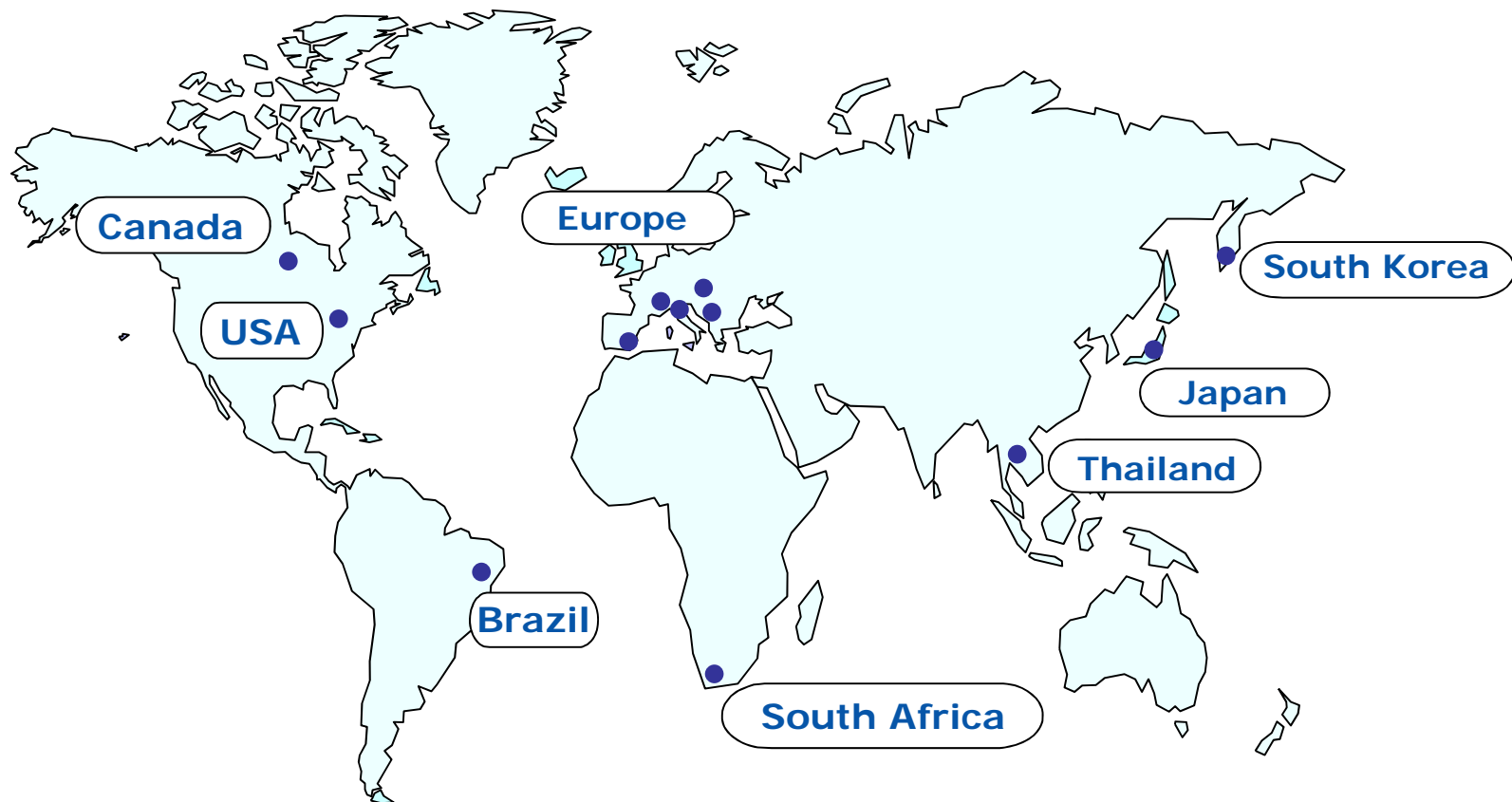


- **As world leader, Wheelabrator is in a unique position to benefit from economies of scale and synergies in**
 - Manufacturing and logistics
 - Commercialization of premium product and services to clients with a price premium
 - Developing new products and services to remain at the competitive edge



Metallic abrasives - global presence

Plant location in 2003



Diamond tools

Stone



- Diamond wires used to extract and cut marble and granite
- Diamond disks, saws and special tools used to cut and polish marble and granite

Turnover (2003) = 34 M€

Construction



- Diamond cutting tools designed to dry or wet cut materials for building industry and civil engineering

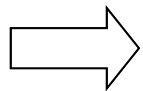
Turnover (2003) = 23 M€



Diamond tools - competitive position

2003 - Market shares

Stone Worldwide		Construction Europe	
Diamond Boart	13%	Electrolux (Diamond Boart)	18%
Wheelabrator⁽¹⁾	10%	St Gobain	13%
Ashai	5%	Tyrolit	11%
Tyrolit	5%	Wheelabrator	5%
Dellas	5%	Hilti	5%
		Asia Imports	20%
Others	62%	Others	28%
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Total Market	610 M€	Total Market	425 M€



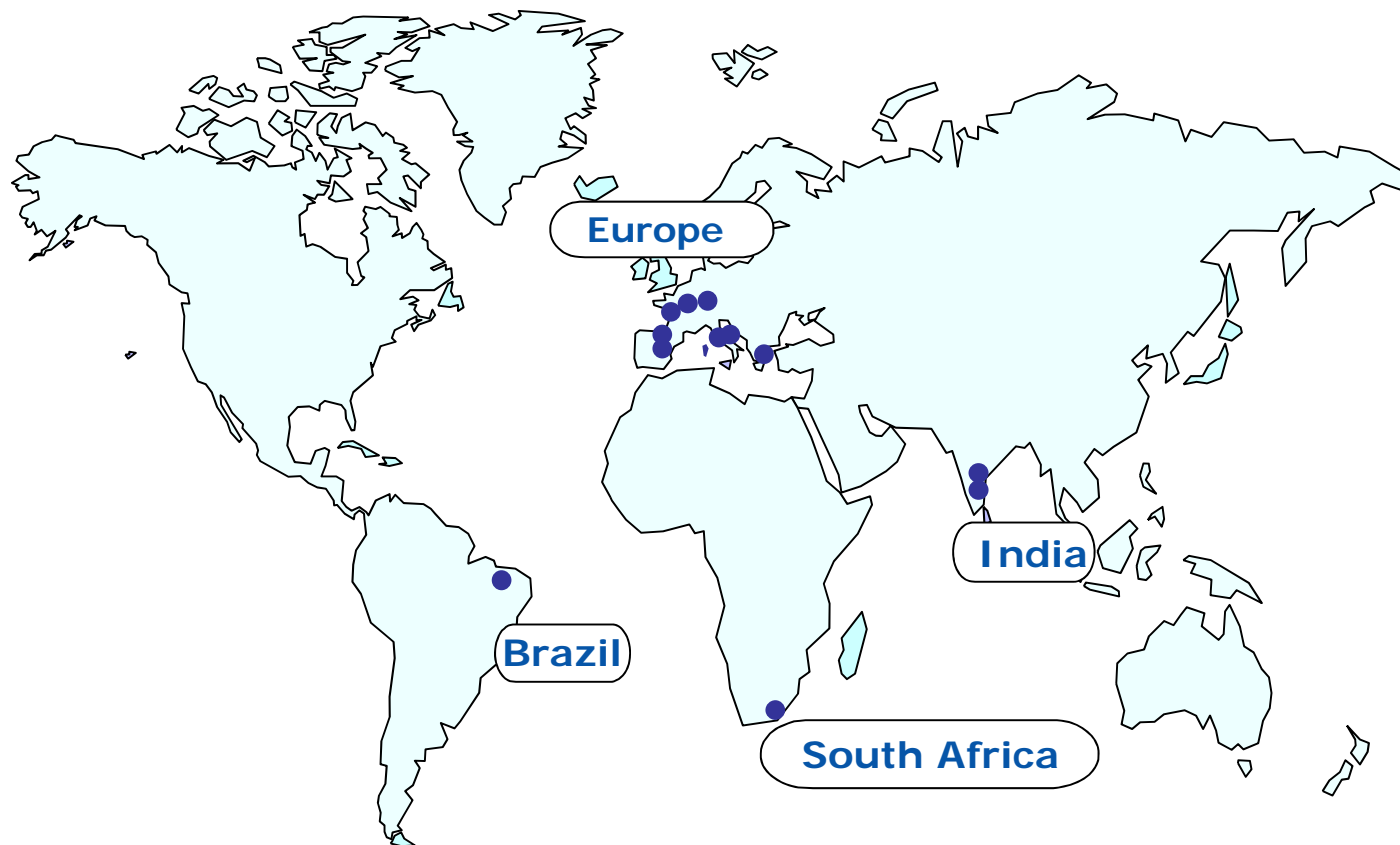
- **In top 5 diamond tools leaders, leveraging its**
 - Size to benefit from economies achieved with long production runs
 - Renowned product quality and brand to command price premium
 - Synergies with metallic abrasive business in the stone segment



Note: (1) included Winter sales for the whole year 2003

Diamond tools - global presence

Plant location in 2003



Wheelabrator Allevar

Development in 2004

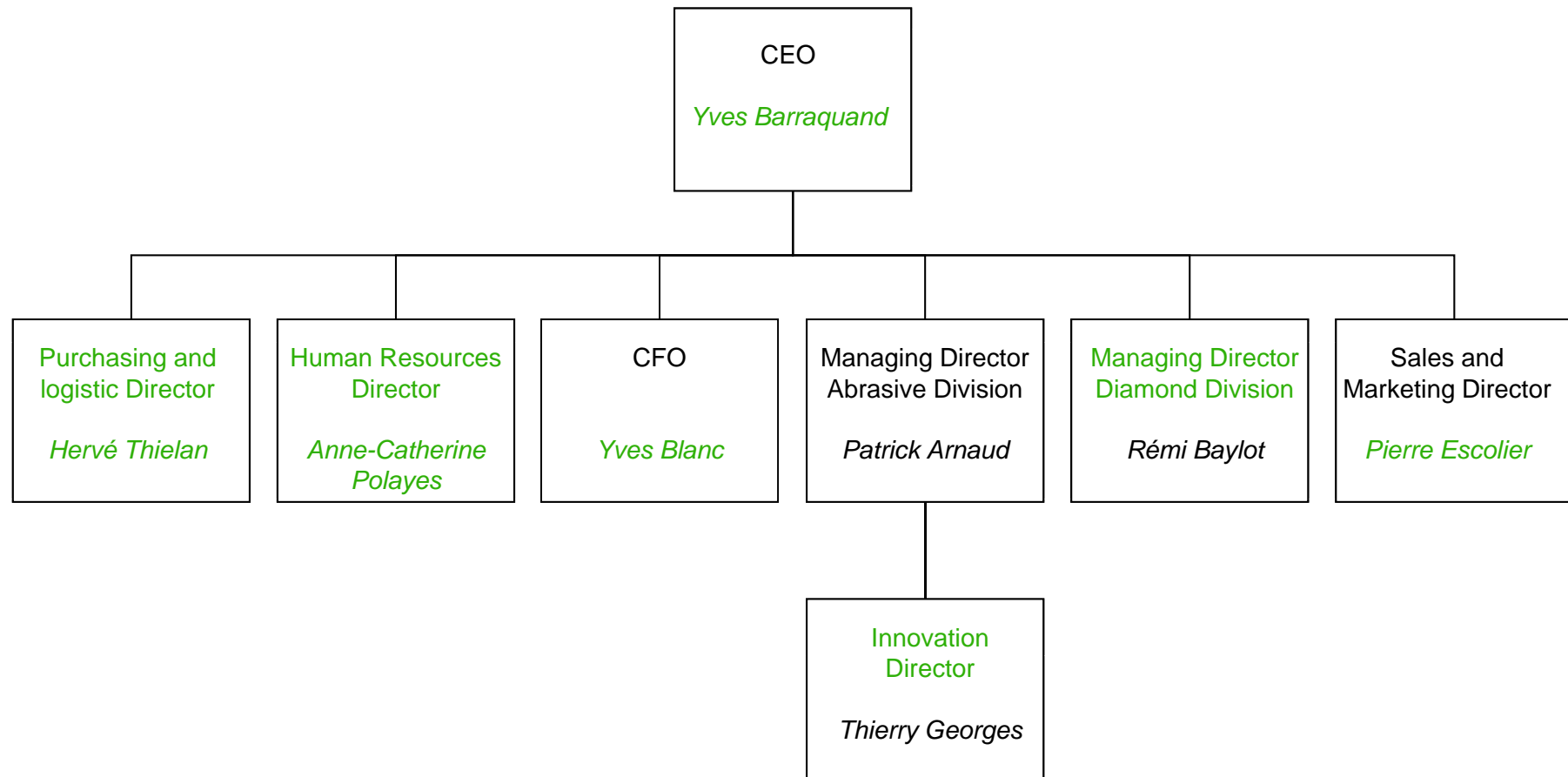


Objectives set last year for 2004

- **Reinforcement of Wheelabrator senior management team**
- **New Commercial dynamic for the Metallic Abrasives business**
- **Reduction of the Metallic Abrasive production costs:**
 - **Optimisation of the production capacity**
 - **Reduction of purchasing costs**
- **Integration of Winterstone**
- **Commercial reorganisation for the Diamond Tools business and initialisation of sales development plan**



New organisation - A strong team



Existing position or person
New position or person

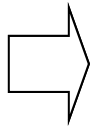
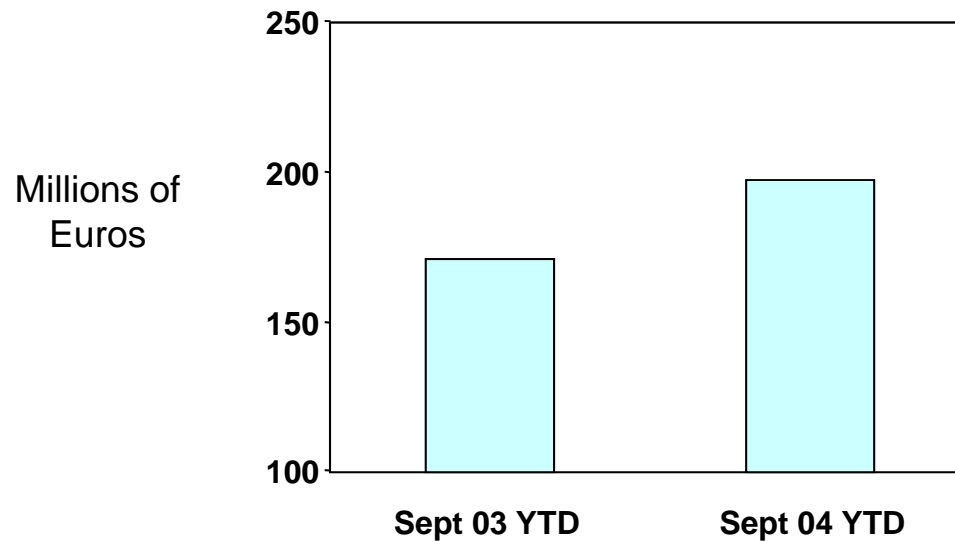
Metallic abrasives 2004 - a new commercial dynamic

- **Commercial reorganisation to adapt commercial structure to market potential**
 - Sales force reallocation from mature markets to new growing markets
- **Price adjustment to offset the increase cost of steel scrap**
- **Reorganisation of the technical assistance to customers to continue to command a price premium over the competition**
- **Introduction of new products to reinforce Wheelabrator position and extend market reach**
 - HPG : new high value product for the industry priced with a premium to standard products (improve overall production cost for the client)
 - Millpebs : product adapted for the mining industry (new application for metallic abrasives)



Metallic abrasives 2004 - already some commercial success

Abrasives sales

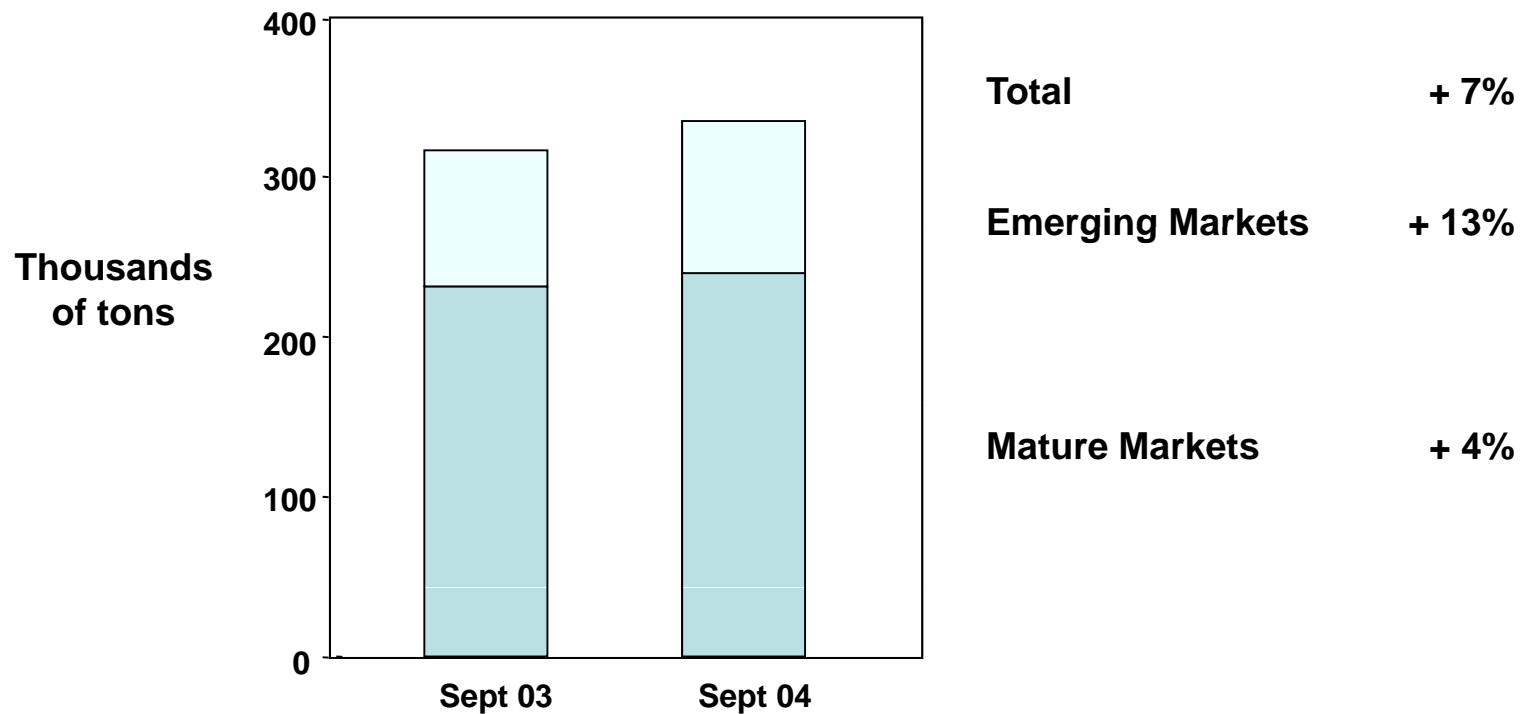


Over the last 9 month, both volumes and prices have increased leading to more than 15% sales increase over the period

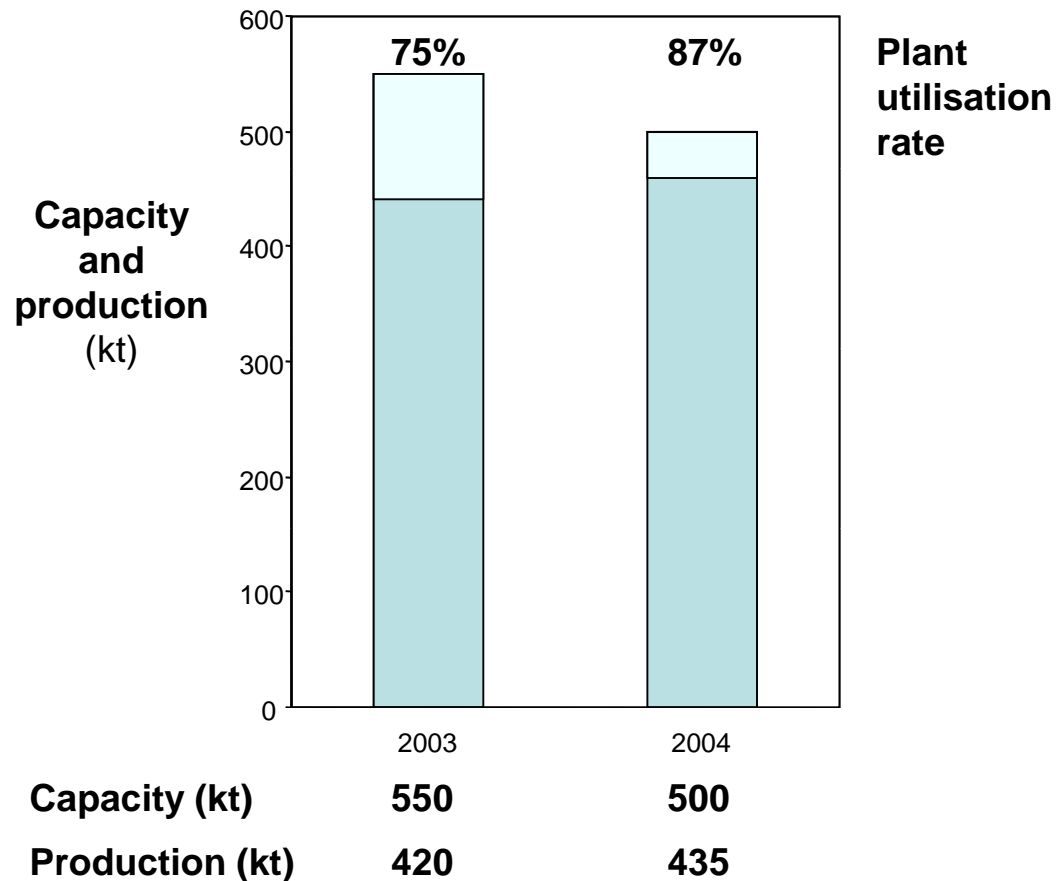


Metallic abrasives 2004 - already some commercial success

Abrasives sales



Metallic abrasives 2004 - cost optimisation



- **Optimisation of capacities to improve utilisation rate and reduction of the cost base:**
 - Reduction of capacity in the UK and in the USA
 - Increase of capacity at low cost in Brazil and Thailand
- **Launch of a program to reduce purchasing costs**



Diamond tools 2004 - a strategy of integration

- **New management team: R. Baylot**
- **Integration and reorganisation of Winterstone**
 - German site closed; Indian site rationalized
 - Winter has reached break-even in S1 2004
- **Rationalization of Wire production**
 - Pearl production focused in 2 sites (Italy and South Africa)
 - Assembly centralised in 1 site (Spain)



Diamond tools 2004 - commercial organisation laid down to develop sales growth

- **Development of sales in the Stone market**
 - Through product standardisation between companies within the Stone division
 - Through setting up a dedicated Export Network (Iran, Middle East, and Eastern Europe)
 - Through steel abrasive sales network (Russia, China, Brazil) subsidiaries
- **Sales forces reinforcement in the Construction market**
 - To increase presence in Europe
 - To diversify sales channels



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Financial performance in 2003 and H1 2004



Financial Performance in 2003, 2003 H1 and 2004 H1

In M €	2003	2003 H1	2004 H1
Sales	284	137	166
Operating income	27	14	18
% sales	9,3%	10,3%	10,8%
Net result (*)	14	7	12
% sales	4,8%	5,4%	7,0%

(*) before non operating and goodwill amortization



**Wheelabrator
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Markets : evolutions and challenges



Metallic abrasives : Market challenges and opportunities

2003-2007

Stone

- Increasing demand of granite driving up world market value with a growth of 1% per annum for abrasives
- Transfer of some stone activities from Europe in new emerging countries (Brazil, India and China)

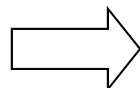
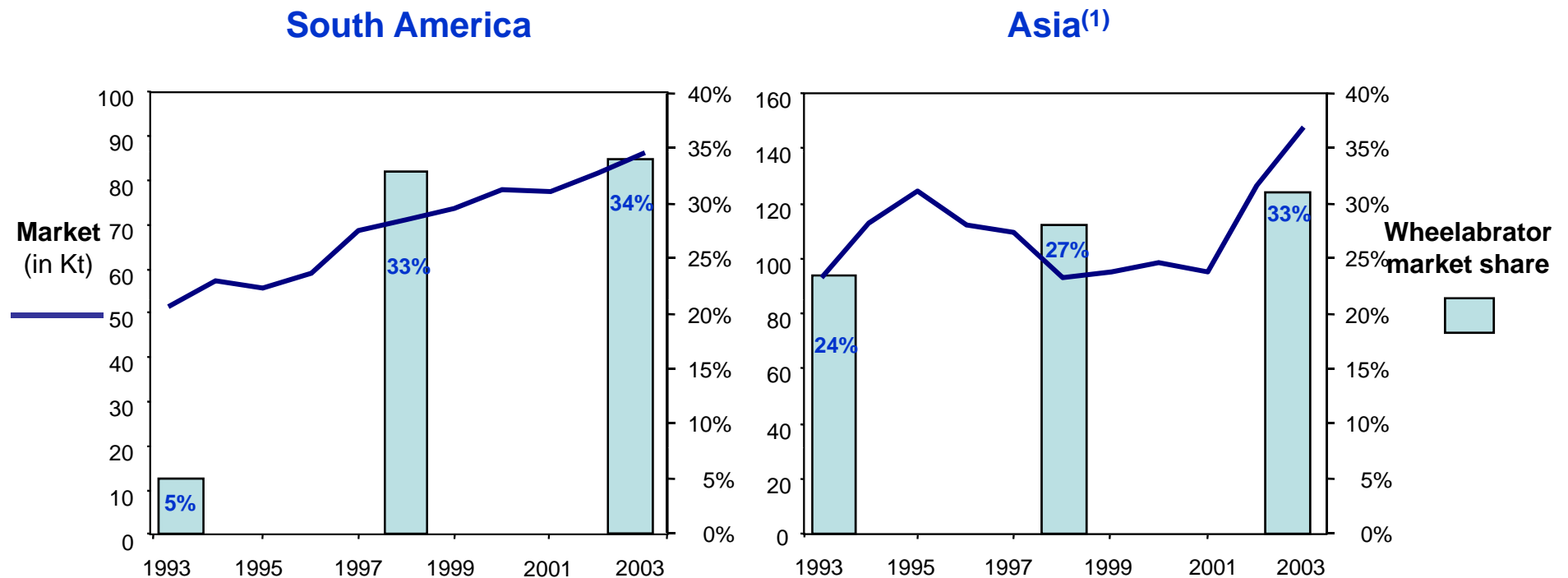
Industry

- Growing overall market at 2% per annum
 - Mature markets decline led by relocation
 - Emerging markets are showing strong growth driven by strong local demand and some volume transfer from western markets
-
- Strong historical position of WAE in mature markets and growing positions in new emerging markets



Note: Mature markets includes Western Europe, North America and Japan; Emerging markets include all the other markets

Metallic abrasives - Emerging markets



Wheelabrator best positioned to benefit from market growth and drive industry consolidation



Note: (1) Asia including India, excluding Japan and China

Metallic abrasives : WAE key success factors

- **Launch of new products and services with increased value added to clients to maintain position and price premium over competitors**
- **Strong local commercial and technical presence, unmatched by competitors, on the main markets to maintain customer loyalty**
- **Optimisation of production sites (location and size) to fully benefit from the potential economies of scale and costs factors**



Diamond tools : Growth opportunity

2003-2007

Stone

- Increasing demand of stone driving up overall Diamond Tools market value at 5% per annum
- Developing market share both in Europe (16% market share) and in emerging countries (5% market share)



Construction

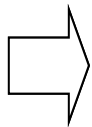
- Construction growth in Europe and increasing penetration of diamond tools driving up Diamond Tools market value at 2% per annum
- Growing market share in Europe (5% market share) and limited presence in other markets



Diamond tools - Consolidation trends

Market shares

	Stone Worldwide	Construction Europe	
	2003	1991	2003
Wheelabrator	10%	ns	5%
Top 3 players	28%	38%	42%
Top 5 players	38%	46%	52%
			
	Acquisition of Winter in 2003	Acquisition of Eiche in 2002, and of Ardiam in 2003	



Market still fragmented with a number of small subscale players in both Stone and Construction



Diamond tools : WAE key success factors

- **The decline of diamond prices has led to an overall increase of the accessibility of diamond tools to a larger number of users**
 - Market value grows as the increased penetration mitigates diamond tools price decline in both Stone and Construction markets
- **Stone**
 - Strong brand name and a cost effective production process for the new growing products (wires and multi-wires)
 - Optimised production facilities (capacity and localisation) to fully benefit from economies of scale and from long production runs
 - Synergies with metallic abrasives particularly to strengthen presence in new growing markets
- **Construction**
 - Product portfolio rationalised and standardised
 - Optimised production site to fully benefit of economies from long production runs
 - Low value added products sourced from Asia

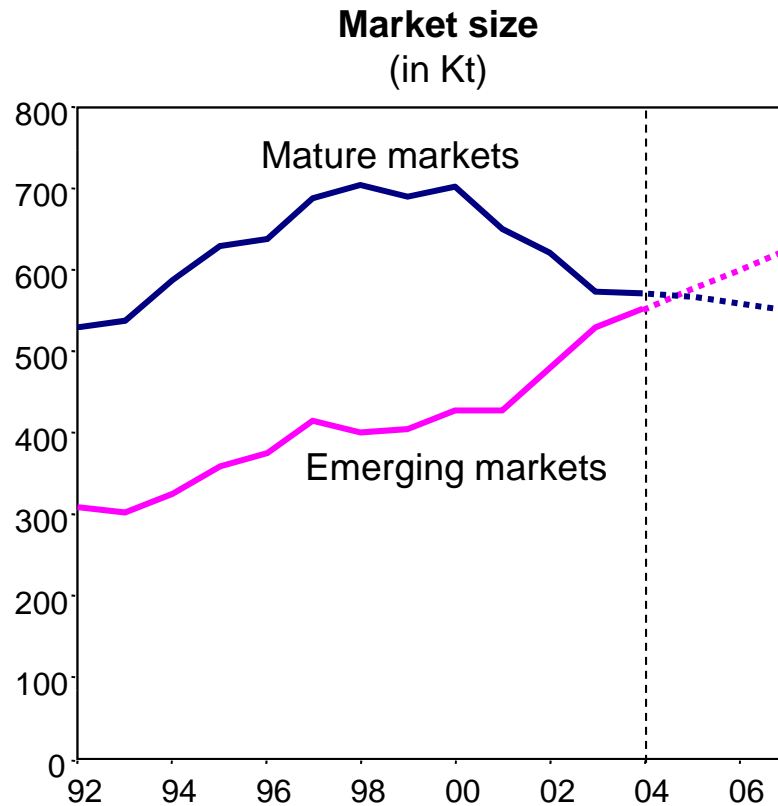


**Wheelabrator
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Strategy and growth drivers



Metallic abrasives - Strategy



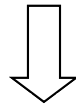
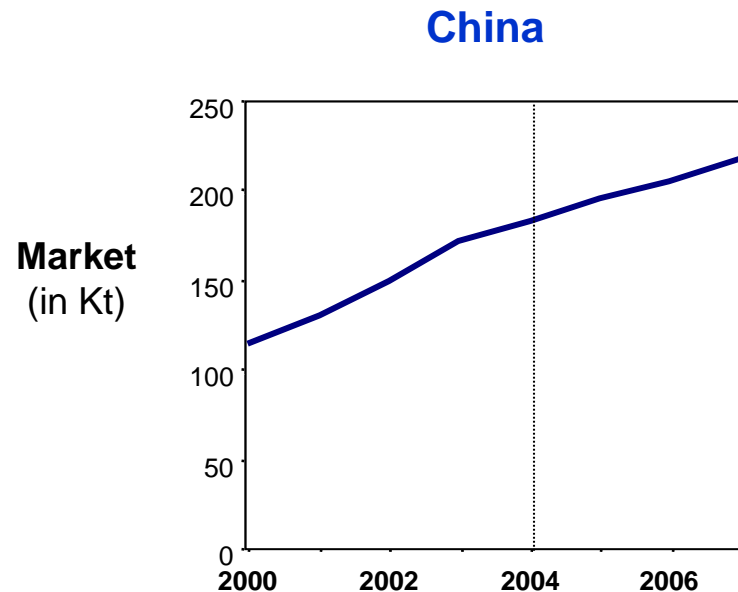
Mature markets:
Maintain market share and
optimize margins

Emerging markets:
Increase market share by
organic growth and acquisitions

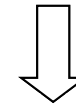


Note: Mature markets includes Western Europe, North America and Japan; Emerging markets include all the other markets

Metallic abrasives - China and Russia



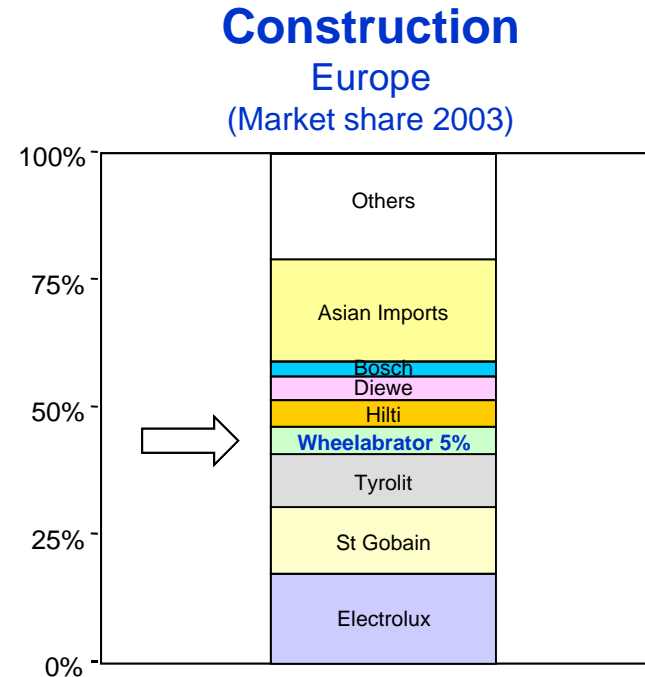
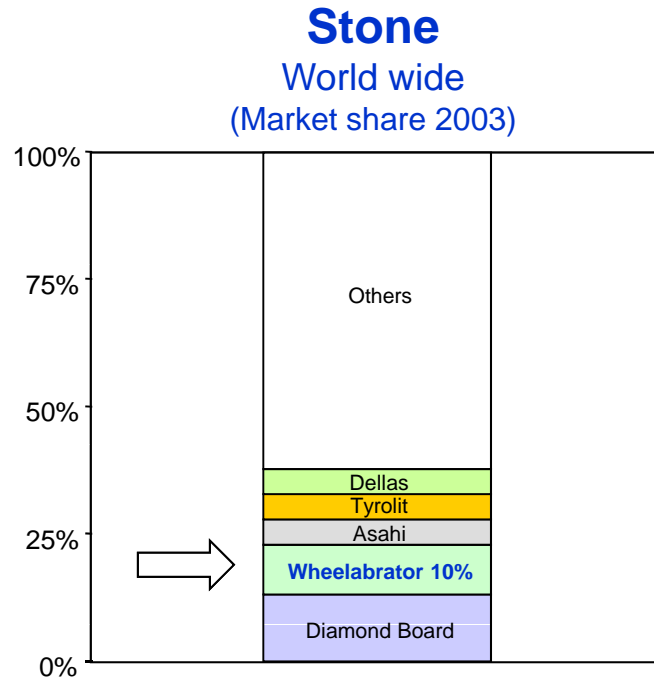
- Additional low cost capacity to supply China is planned
- JV with a key player in China for local sourcing



- Local production capacity to supply increasing volume sold, at low cost
- New commercial organisation in Moscow area



Diamond tools - Strategy



- **Increase market share by organic growth and acquisitions**
 - Worldwide leader in Stone
 - European leader in Construction



Wheelabrator Allevar: Medium term priorities

Metallic Abrasives

- **Development in emerging markets: China, Russia and Brazil**
- **New low cost production facilities for 2006**
- **Production innovation**
- **Optimisation of logistics**

Diamonds Tools

Stone

- **Manufacturing integration**
- **Product standardisation**
- **Commercial organisation for export markets**
- **Targeted external growth**

Construction

- **Commercial expansion in Southern and Central Europe**
- **Diversification of distribution channels**

