Wendel: third-quarter 2010 confirms first-half trend

- **Consolidated third-quarter sales: €1,463.3 million, +23.1% compared to third-quarter 2009, including +8.5% organic growth**
- **Nine-month consolidated sales: €4,174.4 million, +14.5%, compared to the first nine months of 2009, including organic growth of +5.1%**
- **All Group companies confirm their 2010 targets**
- **Wendel has sold its 46% stake in Stallergenes after 17 years with the company, generating a capital gain of circa €300 million**

Frédéric Lemoine, Chairman of Wendel's Executive Board, commented that:

"Wendel's companies continued their good operational performances in the third quarter and their overall growth rate increases, continuing to be driven by exposure to emerging markets. These solid performances have enabled Wendel's companies to confirm their full-year targets, or even revise them up in Legrand's case.

Wendel Group is speeding up the implementation of its roadmap as we indicated when publishing our half-year results. Over these last months, Wendel continued the restructuring of its debt and accelerated the rotation of its stakes.

After 17 years of development at Stallergenes, Wendel sold its stake in this global leader in immunotherapy. This transaction, which is fully in line with our policy of being a professional shareholder, materialises an exceptional value creation as Wendel generated more than 35 times its original investment and strengthened a highly convincing industrial project for Stallergenes, notably in terms of its international development."

Contribution from Group companies to third-quarter 2010 sales

Consolidated sales

in €m	Q3 2010	Q3 2009	Change	Organic growth
Bureau Veritas	739.1	638.5	15.8%	5.9%
Materis	489.5	442.3	10.7%	5.0%
Deutsch	113.3	69.9	62.0%	52.4%
Stallergenes	42.0	38.2	10%	10%
Stahl [1]	79.5	-	-	-
Consolidated sales	**1,463.3**	**1,189.0**	**23.1%**	**8.5%**
Stahl (Q3 contribution)	79.5	67.3	18.2%	9.9%
Total including Stahl over 3 months in 2009 and 2010	**1,463.3**	**1,256.2**	**16.5%**	**8.5%**

[1] *Stahl: full consolidation starting from 26 February 2010*

Sales of companies consolidated using the equity method

in €m	Q3 2010	Q3 2009	Change	Organic growth
Saint-Gobain	10,478	9,720	7.8%	2.3%
Legrand	963.5	861.8	11.8%	5.2%

Contribution from Group companies to nine-month 2010 sales

Consolidated sales

in €m	9-month 2010	9-month 2010	Change	Organic growth
Bureau Veritas	2,088.2	1,968.0	6.1%	1.8%
Materis	1,414.8	1,303.0	8.6%	5.1%
Deutsch	317.0	240,0	32.1%	29.0%
Stallergenes	152.6	135.9	12%	12%
Stahl [1]	201.9	-	-	-
Consolidated sales	**4,174.4**	**3,646.9**	**14.5%**	**5.1%**
Stahl (9-month contribution)	248.0	178.0	39.3%	33.6%
Total including Stahl over 9 months in 2009 and 2010	**4,220.6**	**3,824.9**	**10.3%**	**6.5%**

[1] *Stahl: full consolidation starting from 26 February 2010*

Sales of companies consolidated using the equity method

in €m	9-month 2010	9-month 2010	Change	Organic growth
Saint-Gobain	30,007	28,435	5.5%	1.4%
Legrand	2,873.6	2,673.9	7.5%	3.7%

Activity of Group companies over the first nine months of 2010

Bureau Veritas – Sales +15.8% in the third quarter with organic growth + 5.9%.

Sales totalled €2,088.2 million for the first nine months of 2010, +6.1% on the same period in 2009 is the result of organic growth of +1.8%, a negative impact from acquisitions of -0.2% and a positive impact from exchange rates of +4.5%.

Sales were +15.8% in Q3 2010 to €739.1 million. Organic growth came out at +5.9% for the quarter, fuelled by growth in all businesses and a stabilisation of the Marine business. As a reminder, organic growth came out at -2.6% and +2.5% for the first and second quarters respectively. A positive impact from acquisitions of +2.6% was primarily associated with the consolidation of Inspectorate since 1 September 2010. Exchange rates had a positive impact of +7.3%, associated mainly with the favourable trend of the Australian dollar, the Brazilian real, and the US dollar.
Over the first nine months of 2010, Bureau Veritas resumed its external growth policy, acquiring five companies with cumulative annual sales of some €330 million, including Inspectorate and Advanced Coal Technology.

Bureau Veritas is confirming its target announced in August 2010. Total sales growth in H2 2010 should be greater than +10%. For full-year 2010, Bureau Veritas expects a slight rise in adjusted operating margin (as a percentage of sales) on an organic basis. In addition, Inspectorate should exceed its initial 2010 sales budget.
Moreover, Bureau Veritas is confirming that its net debt at December 31, 2010 should be less than 2x EBITDA, leaving sufficient room for manoeuvre to pursue its active policy of market consolidation.

Materis – Growth of +8.6% (including +5.1% organic growth) over the first nine months.

Ranking among the global leaders in building construction specialty chemicals, Materis generated sales of €1,414.8 million in the first nine months of 2010, representing an +8.6% increase on the same period last year.
Third-quarter sales amounted to €489.5 million, an increase of +10.7% (including organic growth of +5.0%) on 2009, compared to a +7.5% rise (including +5.1% organic growth) in the first half of 2010.

This +8.6% growth, which includes +5.1% organic growth, +2.6% foreign exchange effects and +0.9% scope effects, drew on:

- robust performances in emerging markets (+19% in organic terms);
- the recovery of certain segments such as the steel industry in mature countries, the resilience of activities associated with renovation, ongoing efforts in terms of innovation enabling prices to be increased and the product mix improved, as well as the resumption of Materis' acquisition policy;
- favourable foreign exchange effects.

The Aluminates business posted growth of +21% (including +18% organic growth), driven by the upswing in the steel industry (aluminates for refractory bricks) in Asia and in the rest of the world, and inventory rebuilding and the recovery of building chemistry in Germany and Western Europe (aluminates for mortars).
The Admixtures business, whose principal end markets are concrete and cement, posted growth of +13% (including +5% organic growth), driven by buoyant emerging markets (Africa/Middle East, India), a recovery in activity in the United States and the acquisition of Fosroc France in December 2009.
Growth in the Mortars business totalled +6% (including +1% organic growth). Rapid development in emerging countries (Latin America, Asia-Pacific, Mediterranean/Middle East) offset the decline in activity in the United States, Spain and the rest of Europe partially associated with the reduced number of new projects in 2009 (which has a lag effect of around 9-12 months for products applied at the end of a project).
The Paints business, which is primarily linked to renovation, posted growth of +5% (including organic growth of +3%), driven by buoyant activity in most regions (sharp growth in Morocco and Argentina, rebound in Spain and Portugal, solid performance in France). The acquisitions of independent retailers in France and Italy offset the sale of non-strategic resin businesses in Spain during the second quarter of 2009 and a stable Italian market.

Moreover, through its Admixtures division, Materis finalised its takeover bid on a.b.e. Construction Chemicals (a.b.e.), a company listed in South Africa with sales of around €25 million and a presence in emerging markets.

In light of its operating performance over the first nine months of the year, Materis is forecasting a significantly better 2010 than what was expected at the end of 2009, both in terms of activity and operating income.

Deutsch – Extremely sharp third-quarter growth confirmed at 45.8% (in dollars).

Deutsch, a world leader in high-performance connectors, posted cumulative nine-month sales of $416.3 million, an increase of +27.3% (+29.0% in organic terms) on the same period in 2009.

The pick-up in growth over the second quarter was confirmed in the third quarter with sales of $146.4 million, an increase of +45.8% (+52.4% in organic terms).

This sales growth compared to the third quarter of 2009 is the result of continued extremely robust activity levels at LADD (+55.1%) and a three-fold increase in the Industrial division (+202.4%, including +211.2% organic growth), which are both benefiting from extremely high demand on all end markets for high-performance connectors – particularly HGVs and construction engines. Overall, growth is nonetheless expected to slow down as end clients are in the process of completing their inventory rebuilding.

The stabilisation of the Aerospace division at the same level as the second quarter (-1.6%) is the result of +3.7% organic growth on the US market for the first nine months of the year, which partially offsets the relative weakness observed in certain end markets such as civil and military aerospace or rail. Growth in the order book was up sharply by +17.7% over nine months.
The Offshore division achieved lower sales than in 2009 due to the continuation of projects being postponed.

Deutsch expects that its full-year 2010 operating margin will return to its 2008 pre-crisis level.

Stallergenes – +12% growth for the first nine months of the year.

Stallergenes posted sales of €152.6 million the first nine months of the year, up +12% on the same period in 2009. Third-quarter sales grew by +10% compared to the same period last year to €42.0 million. The slight slowdown in the pace of growth compared to the first half of the year (+13%) was due to the relatively weak pollen season, as well as the recognition of a -10% regulatory rebate in Germany since August 2010.

On 6 September, Stallergenes announced having entered into an exclusive partnership agreement with the Shionogi laboratory for the development and distribution of Actair® (house dust mite sublingual immunotherapy tablets) in Taiwan and Japan, and a cedar pollen sublingual immunotherapy tablet in Japan. In respect of this partnership, in early October 2010 Stallergenes collected a first instalment of €24 million.

The rollout of Oralair® is ongoing at a very satisfactory pace in Germany and early feedback from markets recently launched – the Netherlands, Austria, Slovakia and the Czech Republic – is very encouraging. The company will not be in a position to market Oralair® in France or other European countries for the 2011 pollen season, where refund granting procedures are progressing well but are still ongoing.

In light of this strong growth over the quarter, Stallergenes is confirming its guidance in excess of +10% for the full year and a significant increase in earnings, due to a stabilised R&D effort this year as well as revenue from the partnership in Japan.

Stahl – Excellent level of activity in the third quarter.

(Full consolidation starting from 26 February 2010)

Stahl, the world leader in leather finishing products and high-performance coatings, posted sales of €248 million for the first nine months of 2010, an increase of 39.3% (+33.6% in organic terms) compared to the same period in 2009. Following an all-time high in the second quarter, third-quarter sales amounted to €79.5 million, an increase of +18.2% (including +9.9% organic growth and a positive +8.3% exchange rate effect).

This growth was underpinned by robust underlying markets, in both high-growth countries (China and India posted nine-month organic growth of +46.8% and +46.1% respectively) and mature economies (Europe and the US posted nine-month organic growth of +38.6% and +42.1% respectively), and gains in market share, driven by Stahl's policy in innovation and in increased commercial investments, selective price increases and the appreciation of leading currencies against the euro.

The Leather Finish business posted growth of +35.2% for the first nine months of the year (including +27.8% organic growth) This trend was driven by sharp growth in the auto market (+57.8%), particularly in Asia, and the robust performances by the footwear and leather goods markets (+32.0%). In contrast, the furniture sector posted more moderate growth (+13.3%).

The Permuthane business (high-performance coatings) posted growth of +44.1% for the first nine months of the year (including +38.5% organic growth), also driven by product usage in the auto market (+59.6%), and several high-growth niches in the fashion, decor and packaging sectors.

These excellent performances recorded over the first nine months of the year enable Stahl to confirm better-than-expected full-year 2010 growth and a substantial improvement in operating margin.

Saint-Gobain – Organic growth continued to be driven by the emerging countries and Asia region and by the Innovative Materials Sector

(Equity method)

Saint-Gobain's consolidated sales for the first nine months of 2010 came in at €30,007 million, versus €28,435 million for the same period last year, representing a rise of +5.5% on an actual structure basis and an increase of +1.4% like-for-like (constant structure and exchange rates).

In the third quarter alone, consolidated sales surged +7.8% to €10,478 million from €9,720 million in the three months to 30 September 2009. Organic growth was +2.3% (reflecting a positive 0.7% volume impact and a positive 1.6% price effect). This followed organic growth of +3.9% in the second quarter and negative organic growth of -2.4% in the first three months of the year.
Based on a constant number of working days, this third-quarter trading performance confirms the upturn in sales volumes observed in the second quarter.

The upward trend in sales prices – which also began in the second quarter – intensified in the three months to 30 September 2010, reflecting the price increases implemented in all of Saint Gobain's Business Sectors and divisions over the past few months.
Along the lines of the second quarter, Saint Gobain's organic growth in the third quarter continued to be driven by the emerging countries and Asia region and by the Innovative Materials Sector, which both reported double-digit growth. The second-quarter recovery of Saint Gobain's businesses linked to European construction gathered pace, despite a tougher basis for comparison. In contrast, businesses related to North American construction markets were hit by the repercussions of over-optimistic expectations from distributors, whose restocking had inflated first-half figures. Household consumption market remained stable over the period.
Overall, the third quarter confirms the gradual improvement in Saint Gobain's main businesses observed in the second quarter, particularly in European Construction.

In the fourth quarter, despite a significantly tougher basis for comparison (especially for Innovative Materials), Saint Gobain should maintain positive momentum, with ongoing vigorous growth in Asia and emerging countries, consolidation of the relative improvement in Saint Gobain's businesses linked to construction markets across Western Europe and ongoing upbeat trading conditions in North America for Saint Gobain's businesses exposed to industrial output and household consumption.

Saint Gobain will continue to pursue its action plan priorities in the fourth quarter, amid a broadly improving but still fragile economic climate with persistently strong disparities from one country to the next.

Accordingly, for full-year 2010, Saint Gobain is confirming the objectives that it raised in July:

- strong growth in operating income at constant exchange rates (2009 exchange rates), with operating income for second-half 2010 slightly above the first half;
- free cash flow of €1.4 billion, despite an increase in capital expenditure in the second half.

Saint Gobain will also seek to maintain a robust financial structure.

Legrand – Target for 2010 adjusted operating margin raised again, to 20%
(Equity method)

Legrand's consolidated sales for the first nine months of 2010 came to €2,873.6 million, showing a rise of +7.5%. The rise at constant scope of consolidation and exchange rates was +3.7%.
This increase in sales reflects positive trends in Legrand's growth profile with:

- over 1/3 of sales now in new economies, where the group saw a +20.5% rise over the first nine months of 2010.
- nearly 20% of revenues now in new business segments (digital infrastructures, energy performance, residential systems, etc.), where sales since the beginning of the year have increased +8.5%.

Adjusted operating income amounted to €603 million, a +39% increase on the same period in 2009. The operational leverage resulting from sales growth and the full impact of reorganisation already in place led to a steep rise in adjusted operating margin, which reached 21.0% of sales in the first nine months of 2010.

Legrand's recent self-financed acquisitions in new economies – Inform, Turkey's number-one contender in Uninterruptible Power Supply and Indo Asian Switchgear, a key player on the Indian electrical protection market – should generate total annual sales of close to €90 million in 2010.

Despite the seasonality of fourth-quarter margins and gradual rises in raw-material prices, Legrand has again raised its target for full-year adjusted operating margin, to 20% versus over 19% previously.

Highlights

Successful bond issue benefiting from favourable market conditions

Wendel launched a bond transaction involving the issue of €300 million to be consolidated with existing bonds due in May 2016. The proceeds were used on 9 November to repay bank debts with margin calls due in 2012 and 2013. As such, it is contributing to extending the Group's debt maturity schedule and strengthening its financial flexibility by diversifying its sources of financing.

Sale of a block of Legrand shares

On 21 September, Wendel sold a 5.5% stake in Legrand for €346.1 million, generating a capital gain of around €230 million. The joint sale, with Kohlberg Kravis Roberts & Co (KKR), of 9% of Legrand's capital, that took place on this occasion, increased Legrand's free-float by 75% in one year.

Following this transaction, Wendel holds approximately 19.4% of Legrand's capital, representing around 27.8% of the voting rights in the company, and remains a reference shareholder with KKR.

Sale of Stallergenes[1]

Following an exclusive negotiation period, Wendel sold on November 10th,2010 its entire 46% stake in Stallergenes to Ares Life Sciences, an investment company founded by the Bertarelli family and which specialises in the healthcare industry. The transaction price was €59 per share, resulting in proceeds of €358.8 million, and enabling Wendel to generate a capital gain of around €300 million and 35 times its investment.

Calendar

- 2 December 2010: Investor Day and next NAV publication

- 23 March 2011: 2010 annual sales and results and NAV publication (before market close)

(1) As of the date that Ares' Offer was received and exclusivity was granted by Wendel, Stallergenes was considered for accounting purposes as an Asset Held for Sale in the Group's consolidated accounts pursuant to IFRS 5. As such, as of 28 October 2010, revenues generated by Stallergenes will no longer be presented under the Group's consolidated sales. These revenues will be reclassified under the income statement item entitled "Income from assets held for sale and discontinued operations" for the entire current year, and classified in this way for the previous year for comparison purposes.

About Wendel

Wendel is one of Europe's leading listed investment firms. The Group invests in France and abroad, in companies that are leaders in their businesses: Bureau Veritas, Legrand, Saint-Gobain, Materis, Deutsch, Oranje-Nassau and Stahl. Wendel plays an active role as industry shareholder. It implements long-term development strategies, which involve boosting growth and margins of companies so as to enhance their leading market positions.
Wendel's consolidated 2009 sales totalled €4.9 billion. Wendel is listed on Eurolist by Euronext Paris.
Standard & Poor's rating: Long term B-, stable outlook – Short term B since 19 July 2009.

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Centre Pompidou-Metz

Wendel is the founding sponsor of the Centre Pompidou-Metz, which has welcomed more than 500,000 visitors since opening in May 2010.

Press contacts

Anne-Lise Bapst: +33 (0) 1 42 85 63 24
al.bapst@wendelgroup.com

Christèle Lion: +33 (0) 1 42 85 91 27
c.lion@wendelgroup.com

Analyst and investor contacts

Laurent Marie: +33 (0)1 42 85 91 31
l.marie@wendelgroup.com

Olivier Allot: +33 (0)1 42 85 63 73
o.allot@wendelgroup.com