STANDARD & POOR'S

RATINGSDIRECT®

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Wendel

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Wendel

Major Rating Factors

Corporate Credit Rating
BBB/Stable/A-2

Strengths:

- Adequate liquidity of the investment portfolio
- Satisfactory overall asset quality
- Sound track record in driving subsidiaries' development and operational management
- Long-dated debt maturity structure

Weaknesses:

- More aggressive financial profile overall with use of increasingly sophisticated financial arrangements
- Sometimes aggressive debt leverage at operational subsidiary level
- Moderate portfolio diversification

Rationale

The ratings on French holding company Wendel reflect the good quality and adequate liquidity of its investment portfolio; its selective strategy of focusing on assets with solid business risk profiles, albeit sometimes with highly leveraged capital structures; and the adequate financial flexibility of the group. These strengths are offset by the company's intermediate financial profile and moderate portfolio diversification.

The satisfactory quality and adequate liquidity of Wendel's €7.9 billion investment portfolio support the ratings. Following the acquisition of an about 17.9% stake in France-based engineered materials manufacturer Compagnie de Saint-Gobain (SG; BBB+/Stable/A-2) in November 2007, for a total investment of €4.9 billion, Wendel's portfolio diversification and quality has slightly improved versus the previous concentration on two assets. In addition, following the successful October 2007 IPO of Bureau Veritas (BV)--Wendel's largest asset--combined with the total SG investment, the bulk of the group's portfolio is now invested in listed assets, providing additional ratings support. Standard & Poor's Ratings Services does not expect these features of Wendel's portfolio to deteriorate in the coming years. The €1.2 billion in proceeds from the IPO has also reduced Wendel's loan-to-value (LTV) ratio to about 16%.

We do not expect the share of highly leveraged investments in Wendel's portfolio to increase significantly from current levels.

Wendel's rating strengths are nevertheless mitigated by the company's more aggressive profile overall, given the combination of:

- The large size of the SG investment;
- Currently limited information to the market surrounding the SG deal structure;
- Wendel's statement that it reserves the right to adapt its shareholding percentage;
- The heavy leverage involved, albeit nonrecourse to Wendel; and
- Wendel's use, for significant notional amounts, of more sophisticated financial arrangements, including derivative protections, synthetic contracts, and structured financing involving off-balance-sheet commitments.

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Wendel has doubled its portfolio size in the past four years. The group has substantially raised the average size of its investments, which could pave the way for more sophisticated structures and potentially induce higher volatility. To capture these risks, Standard & Poor's recently lowered its LTV ratio guideline to 25% from 30%.

Liquidity

Wendel's liquidity is adequate. The 'A-2' short-term rating notably reflects the long-term nature of Wendel's debt. The March 2007 placement of an eight-year, €400 million bond, and the €400 million increase of the 2017 bond in June 2007, are in line with the group's financial policy, which seeks long-term debt tenor. Wendel placed a 10-year, €400 million bond in 2006; a 12-year, €300 million bond in 2005; and, in 2004, a seven-year, €600 million bond and a 10-year, €400 million bond. The earliest debt maturity falls in 2009.

Wendel now has €1.8 billion in cash and an available undrawn committed bank facility of €1.25 billion maturing in 2012, with two options to extend by one year each. We expect financial covenants in the syndicated facility to be met with ample headroom. Bonds outstanding are free of any covenants, cross defaults, or ratings triggers.

Wendel's liquidity also improved significantly on the €1.2 billion in cash proceeds from the IPO of Bureau Veritas. Flexibility is further underpinned by the company's proven ability to increase the dividend payout ratio at its fully owned subsidiaries, as well as by its ability to sell some assets. Nevertheless, Wendel's decision to pledge cash and/or shares could partially reduce this flexibility. We will closely monitor the evolution of these factors and their potential effect on Wendel's debt.

Outlook

The stable outlook reflects our expectation that Wendel will maintain a moderate financial profile, an investment portfolio of quality assets that will be at least as diversified as today, and a ratio of net debt to assets of less than 25%. Although there is currently some headroom within the ratings for additional investments, further investments of a significant size and/or featuring an aggressive financing structure would put the ratings under pressure. The ratings could also be lowered if leverage increases to above 25%, or the debt maturity structure becomes more aggressive.

Business Description

Wendel is a listed holding company, majority owned and controlled by the Wendel family through Wendel Participations, a French partnership company holding a 36.2% stake and 46.2% of voting rights in Wendel.

Excluding cash, the company's total investment portfolio had an estimated market value of €7.9 billion at November 2007.

Business Risk Profile: Satisfactory, Underpinned By Good Asset Quality Overall And Moderate Diversification

Wendel's satisfactory business profile reflects the relatively large size, good overall quality, and improved liquidity of its investment portfolio; its moderate portfolio diversification; and the group's selective investment strategy of

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focusing on assets with solid business risk profiles. The positive factors are mitigated by the sometimes highly leveraged capital structures at subsidiary level (albeit nonrecourse to Wendel), which increases the volatility of the portfolio.

Medium asset quality

Wendel's medium asset quality derives from the solid business profiles of its main holdings, Bureau Veritas and Legrand S.A. (BBB/Stable/A-2), which together account for 55% of the market value of the portfolio. These companies enjoy healthy margins, solid competitive positions in their main activities, a broad degree of geographic diversity, and attractive growth opportunities, either organically or through acquisitions. In addition, both companies have sound financial profiles, reflecting moderate debt leverage.

Wendel's recent investment in SG (a 17.9% stake) also adds a good-quality underlying asset to the portfolio. Nevertheless, the heavy leverage used to finance this acquisition increases volatility in the valuation of this investment, which mitigates the asset's positive contribution to the overall portfolio quality.

To a lesser extent, the company's other industrial holdings also enjoy niche leadership positions, generate good cash flows, and have future organic or external growth opportunities. That said, this is mitigated by high debt leverage and consequently weaker credit profiles, diluting the portfolio's overall credit profile. In addition, portfolio growth will likely continue to be partially driven by investments in companies acquired through highly leveraged transactions.

Adequate portfolio liquidity and moderate diversification

Wendel's moderate asset diversity--in terms of number of holdings, ultimate end-markets, and geographic coverage--is a key positive factor underpinning the ratings. Wendel's holdings feature a large array of different industries: low-voltage electrical applications (Legrand); publishing (Editis Holding S.A.); verification, testing, and certification services (BV); oil and gas upstream operations and real estate (Oranje Nassau); drugs (Stallergènes); as well as businesses added with investments made in 2006: specialty products for the construction sector (Materis), performance coatings (Stahl), and electronic connectors (Deutsch). Wider business diversification has also been achieved through Wendel's recent investment in SG, as the latter holds worldwide and European leadership positions in diversified industries, including glass for building and automotive, high-performance materials, construction products, packaging, and building materials distribution.

The above-mentioned holdings now account for almost all of the portfolio's appraised market value, as Wendel has progressively sold/reduced its minority stakes in listed companies operating in a range of industries, such as IT services and consulting, telecommunications, automotive parts, and medicinal applications.

Following its large investment in SG, Wendel's portfolio diversification has slightly improved versus the previous high concentration on two assets.

In addition, with the successful October 2007 IPO of BV, the bulk of the group's portfolio is now invested in listed assets, providing additional ratings support. This represents a change from management's long-term target of having listed assets representing about 25% of the portfolio.

Investment strategy

Wendel is an operating holding company, which is halfway between, and distinct from, an industrial group or a private equity fund. Wendel's investment philosophy combines an industrial approach, which seeks long-term value

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creation through leveraging, further improving strong business positions, and cost control; and an equity fund approach, which translates into a portfolio of diverse and unrelated equity holdings, aggressively leveraged (on a nonrecourse basis) acquisition vehicles, and divestment of mature assets. The listed nature of Wendel is a key characteristic that differentiates the company from private equity funds, as it provides exit options to stockholders while allowing the company to focus on a long-term investment horizon. Thus, Wendel entirely manages the timing of its investment and divestment decisions, while divestments are decided upon when no significant improvement in performance is foreseen.

Wendel's strategic investment guidelines are:

- Keeping a longer term time horizon than the majority of equity funds, spanning typically at least five years; that said, a holding may be divested in several steps.
- Focusing on controlling stakes, in order to influence key management and strategy decisions.
- Avoiding mature, price-pressured sectors.
- Investing in midsize companies that are leaders in a specific niche market, with €1 billion minimum enterprise value.
- Preserving some acquisition headroom at the level of operating subsidiaries, to support long-term value creation.

Wendel's recent investment in SG has nevertheless reflected a slight change in the way this strategy is implemented. SG has an enterprise value of about €40 billion, much higher than that of all other Wendel's subsidiaries combined. In addition, Wendel currently does not own a majority stake in this listed company, while the group's previous investment strategy was based on the whole ownership of unlisted companies, providing the benefit of effectively controlling management and cash flows.

Through the investment in SG, Wendel has no direct control over the company's cash flows, management, or strategy. With 17.9% of the capital, Wendel is however SG's largest shareholder; and with double voting rights after a stockholding period of two years, Wendel could potentially have a significant influence on the company's strategy going forward.

Bureau Veritas (64% equity stake; 31% of portfolio)

BV is a global provider of conformity assessment services. It benefits from a recurring revenue stream and strong growth opportunities, amid increasing demand for certification services related to quality, environment, health, and safety. As a global leader in a fragmented market, BV participates actively in sector consolidation, making numerous small acquisitions every year.

The company delivered €1.9 billion in revenues in the 12 months ended June 30, 2007, and the operating margin before amortization remained at a healthy 15%. Overall, the company generates solid free cash flows, which more than cover spending on bolt-on acquisitions. We expect the company's financial policy to remain moderate in the future.

Following BV's successful IPO in October 2007, Wendel reduced its stake to 64% from 99% and received €1.2 billion in cash. Despite this IPO and the subsequent dilution of Wendel's stake, BV remains Wendel's main asset and should continue to underpin the overall good asset quality of Wendel's portfolio.

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Legrand (30% equity stake; 24% of portfolio)

France-based Legrand manufactures products and systems for low-voltage electrical installations and data networks. It operates in a very fragmented market worldwide, worth about €50 billion-€60 billion, addressing electricians and contractors as its ultimate customers, through wholesale distribution. The group serves the residential (42% of sales), commercial (45%), and industrial (about 13%) building markets.

Legrand has strong competitive positions, sustained by aggressive innovation and marketing policies; an excellent and experienced management team; robust generation of free cash flow given high operating margins and modest capital intensity; and good geographic diversity. These strengths are tempered by heavy, albeit decreasing, exposure to the French and Italian markets; U.S. profitability still weaker than the Legrand group average; and some cyclicality in the industry, although this is meaningfully offset by high exposure to the less-cyclical renovation segment.

Compagnie de Saint-Gobain (17.9% ultimate stake; 18% of portfolio)

SG holds worldwide and European leadership positions in diversified industries, including glass for building and automotive, high-performance materials, construction products (gypsum wallboards, mortars, insulation, vinyl siding), packaging, and building materials distribution. Sales advanced 6.9% like for like to €21.8 billion in first-half 2007, driven by a balanced mix of volume and price increases across most divisions. Operating income rose steeply during the period, as good to strong conditions in most markets largely offset a sharp drop suffered in the U.S. on the back of the housing downturn. Overall near-term prospects are good.

The satisfactory credit quality on SG reflects its strong business profile, underpinned by a broad business mix and geographic diversity. Also supporting the credit quality are the group's large size and solid positions in--and strategic focus on--activities mainly subject only to local or regional competition, and benefiting from growth or stabilizing factors such as energy-saving applications and exposure to refurbishment end-markets. Mitigating these strengths are the group's very acquisitive strategy and moderate financial policy, exposure to cyclical end-markets, and to energy and raw material input costs. The group is also involved in asbestos-related litigation in the U.S. For more details, please see our full analysis on SG, published on Nov. 21, 2007.

Materis (76% equity stake)

Materis was originally created through a spin-off from Lafarge's specialty building materials division and has since then already undergone two LBOs. Materis manufactures admixtures, decorative paints, mortars, and aluminates, and mostly targets the renovation and new construction end-markets. The group was acquired by Wendel in 2006.

The company enjoys strong, competitive niche positions in diverse construction-related market segments with above-average growth rates, sustained by a proven technological expertise, an experienced management team, good geographic diversity, and healthy margins. Organic growth trends and acquisition opportunities should bolster future revenue growth. These strengths are, however, partially offset by aggressive debt leverage, as well as the existence of much larger competitors. Materis recorded sales of €1.7 billion over the 12 months ended June 30, 2007 and the operating margin was about 13%.

Editis (100% equity stake)

Editis is a leading publishing company in France. The group manages 40 publishing houses and controls its own distribution network with Interforum. Editis' business risk profile is weaker--although satisfactory--than that of the other Wendel holdings due to a mature book market and lack of geographic diversity. Nevertheless, Editis still benefits from solid established positions in a regulated and concentrated home market, and from acquisition

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opportunities that provide significant synergies. In addition, reflecting management incentives put in place after the acquisition, Editis has been able to perform better organically than the underlying market. The company's credit profile is constrained by still-significant, albeit declining, debt leverage.

Oranje Nassau (100% equity stake)

Oranje Nassau is Wendel's historical asset, as well as its largest cash contributor. Oranje Nassau holds stakes in third-party operated oil and gas fields. The company also has a private equity activity, which acquired a stake in a leading Dutch waste treatment company, AVR, in 2006.

Due to a declining dollar compared with 2006, June 2007 sales decreased by 10% year on year. Future prospects remain good, however, as recently acquired reserves should help volumes rebound and oil prices are rising again. The company has been a cash cow for Wendel for several years and is conservatively leveraged.

Other assets: Deutsch, Stahl, and Stallergènes

Wendel made some LBO-type acquisitions in 2006, including of U.S.-based Deutsch--a manufacturer of electronic high-performance connectors--and leading niche manufacturer of leather finish and performance coatings products, Stahl.

Wendel also holds a 48% stake in the listed anti-allergy drug developer Stallergènes, which has very strong market positions, healthy operating margins despite heavy R&D spend, and bright growth prospects.

Financial Risk Profile: Intermediate, But Becoming More Aggressive

Wendel's intermediate financial profile is underpinned by the group's adequate financial flexibility, notably provided by long-dated debt and a significant level of cash; its satisfactory capital structure derived from the use of nonrecourse debt; and recurring dividend inflows adequately covering fixed charges. The positive factors are mitigated by a more aggressive financial policy and higher risk tolerance than in the past.

Accounting

Wendel is audited by Ernst & Young and PriceWaterhouseCoopers. The company has reported under IFRS since 2005. Standard & Poor's acknowledges that financial disclosure in the half- and full-year statutory and consolidated accounts is less comprehensive than that of other European holding companies, such as IFIL SpA (BBB+/Stable/A-2). In addition, as Wendel uses increasingly sophisticated financial arrangements, risk monitoring is constrained by the frequency of published reports and the cursory discussion and analysis of the company's performance.

Wendel, like other European holding companies, has an asset structure made up largely of shareholdings in several operating companies. Wendel endeavors to insulate the parent company from the credit risks at subsidiary level through the issuance of subsidiaries' debt without recourse to Wendel, which is also generally not cross-defaulted with Wendel's own debt, as well as by the use of multiple subholdings. In line with Wendel's investment-holding nature, Standard & Poor's uses credit ratios based on pro forma holding figures: including the debt at Wendel, but excluding debt at operating subsidiaries as long as this debt is contractually nonrecourse, and because Standard & Poor's expects Wendel to incur modest financial impact at all if the underlying subsidiary defaults. The two main ratios are net debt to estimated asset value, and dividends cashed to net interest expenses plus overheads.

When applying our holding-company methodology to operating holding companies, we assume that the holding company will remain entirely separate from, and not liable for, its operating subsidiaries, and that the parent will

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not choose to support an ailing subsidiary, even for reputation reasons. This is specifically what we expect for Wendel. Although Wendel's syndicated facility does feature a cross-default provision, this effectively only applies to BV currently, and the facility is not drawn. None of Wendel's debt outstanding is cross-defaulted with operating subsidiaries or their acquisition vehicles.

Corporate governance/Risk tolerance/Financial policies

Wendel's financial policy is moderate compared with that of peers, with the company expecting to maintain its net debt-to-asset value below 25%. Relatively sharp fluctuations within the adequate range are to be expected and are typical for holding companies, given distinct sale and buy decision-making processes, as well as the volatility of the investment portfolio due to the high leverage sometimes involved in the deal structures.

Wendel has doubled its portfolio size in the past four years. The group has substantially raised the average size of its investments, paving the way for more sophisticated, highly leveraged structures and potentially inducing higher volatility. Wendel's financial policy and investment strategy have therefore become more aggressive over the past years, with increased risk tolerance, as reflected by the company's use, for significant notional amounts, of derivative protections, synthetic contracts, and structured financing involving off-balance-sheet commitments such as pledge of listed shares and cash. Future use of sophisticated financial arrangements, for significant amounts and inducing increasing risks in the portfolio, could put further pressure on the ratings.

Wendel's policy to maintain adequate financial through the use of long-dated debt and significant levels of on-balance-sheet cash is a positive factor. Financial flexibility is further bolstered by Wendel's discretion to increase dividend-payout ratios at fully-owned subsidiaries (Oranje Nassau and BV), as well as by its ability to sell some assets if necessary.

Cash flow adequacy

Wendel's primary sources of cash inflows are dividend payments, interest income generated by the company's significant cash position, benefits derived from fiscal integration mechanisms, and periodic asset sales. Standard & Poor's views dividend inflows as the company's primary source of cash for servicing debt because these are recurring and benefit from the diversified nature of the portfolio. Asset disposals are a reliable source of cash flow for ultimate debt redemption, although the timing of divestments is primarily dependent on market opportunities.

Oranje Nassau has been the main contributor of dividends in recent years and was so in 2007. Dividend streams have nevertheless become more balanced since 2006, with both Legrand and BV contributing significantly, in addition to Oranje Nassau. Proceeds received from dividends and fiscal integration should continue to largely cover sales, general, and administrative (SG&A) expenses at the holding-company level. Coverage of net interest charges and sub-holding deficits by dividend inflows, net of SG&A, is more erratic over time, however. This is often compensated by asset disposals, such as that of Neuf Cegetel shares in September 2007. With the additional and growing dividend payments by its main subsidiaries (BV, Legrand, SG, and Oranje Nassau), we expect this ratio to remain above 1x in the coming years given a higher stream of dividends received.

Capital structure/Asset protection

All debt taken into account in the net debt ratio is de facto at the Wendel level. Wendel's debt almost exclusively consists of bonds. Because we take into account the system comprising Wendel and financial subholdings, the inter-company debt (loans from fully owned and debt-free subholdings to Wendel) is neutralized. Lastly, Wendel's parent, Wendel Participations, does not carry any debt.

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At about 16%, the company's ratio of net debt to estimated asset value at end-November 2007 provided headroom for future investments, given our 25% maximum guideline for the ratings. Following the IPO of BV in October 2007 and the indirect acquisition of a 16% stake in SG, the bulk of Wendel's portfolio is now composed of listed assets, providing the investment portfolio with additional liquidity.

Wendel Peer Comparison

(Mil. €)	Wendel	IFIL SpA	CIR-Compagnie Industriali Riunite SpA
Corporate credit rating	BBB/Stable/A-2	BBB+/Stable/A-2	BBB-/Negative/A-3
Country	France	Italy	Italy
Date of figures	Nov. 30, 2007	March 31, 2007	June 30, 2007
Portfolio characteristics			
Investment portfolio (estimated value)	7,599	10,780	2,900
No. of stocks in core holdings	8	7	5
Three largest holdings/investment portfolio (%)	75	87	63
Investment portfolio (market value of listed holdings)	6,056	10,139	1,281
Listed stocks as a share of portfolio (%)	80	94	70
Portfolio diversification	Moderate	Weak	Moderate
Portfolio liquidity	Moderate	Moderate	Moderate
Majority owned companies (based on capital) as % of investment portfolio	77 (incl. joint-control stake in Legrand)	75 (incl. 30% stake in Fiat)	79
Presence of cross default with operating subsidiaries	No*	No	Yes
Leverage			
Net debt (cash)	1,237	141	563
Net debt/investment portfolio (%)	16	1	19
Net debt/investment portfolio listed holdings (%)	20	1	27
Net debt ceiling as percentage of investment portfolio (%)	25	20	30
Cash flows (year-end 2006)			
Dividends received	378	238	51
Operating charges cover (x)¶	12.6	10.2	3.5
Interest cover (x)§	3.0	59.4	1.6
Total cover (x)**	1.5	2.6	0.8

Ratings as at Dec. 10, 2007. *Except for an undrawn syndicated facility. ¶Dividends received + tax credits/operating charges at holding level. §Dividends received + tax credits/operating charges + net interets paid. **Dividends received + tax credits/operating charges + net interets paid + dividends paid.

Ratings Detail (As Of December 14, 2007)*

Wendel	
Corporate Credit Rating	BBB/Stable/A-2
Senior Unsecured	
Local Currency	BBB
Corporate Credit Ratings History	
08-Nov-2007	BBB/Stable/A-2
27-Sep-2007	BBB+/Watch Neg/A-2

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Ratings Detail (As Of December 14, 2007)*(cont.)	
26-Sep-2002	BBB+/Stable/A-2
Business Risk Profile	Satisfactory
Financial Risk Profile	Intermediate
Debt Maturities	
As at June 30, 2007: 2008: None 2009: €279 mil. 2010: None 2011: €600 mil. Thereafter: €1.9 bil.	

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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