WENDEL

# Letter to Shareholders

SPECIAL REPORT: ANNUAL RESULTS 2009 April 2010

## Key figures
as of December 31 - 2009

Consolidated sales:
**€4,865 million**

Net income from business sectors:
**€153 million**

Net loss:
**€809 million**

Solid cash position:
**€2,179 million**

NAV doubled from December 2008 to March 2010:
**€56.9**

Dividend:
**€1 per share**

## Financial flexibility restored to prepare for the future

Dear Shareholders,

The unprecedented and deep global crisis hit Wendel and all of the Group's companies hard throughout 2009. Nonetheless, the year revealed some operational successes: Bureau Veritas expanded and saw improved margins; Saint-Gobain successfully stepped up its cost-savings program; Legrand maintained its 2009 operating margin at a remarkable level, one which represents a new baseline for the company, noticeably higher than those observed in previous business cycles; Stallergenes recorded net income growth for the ninth consecutive year and secured major new growth drivers. While adapting to the economic situation with a sharp reaction, Materis and Stahl have successfully transformed their financial structures, and Deutsch is heading the same way.

Since the appointment one year ago of a new Executive Board, Wendel has taken decisive steps to embark upon a new dynamic track of confidence evidenced by the doubling of our Net Asset Value over the past 15 months.
As announced in May 2009, however Wendel's net income revealed a significant loss due to the combined effects of a technical dilution loss on Saint-Gobain shares and the economic and financial crisis. Even so, thanks to the successful restructuring of its debt and the debt of its unlisted subsidiaries, as well as generating substantial capital gains, the Group was able to secure financial flexibility which has enabled it to gain time to support and develop its companies as a long-term investor.

In 2010, Wendel will pursue its active and selective policy of investment, either directly or through its subsidiaries, in the long-term growth of companies driven by innovation and exposure to emerging markets.

In order to take into account the recovery of 2009 and to evidence our confidence in the future , we have decided, with the full support of the Supervisory Board to maintain your dividend at €1 per share.

# 2009 Annual Results

## Affected by the recession and non-recurring acconnting losses

### Net income from business sectors

| | (in €M) | 2008 | 2009 |
|---|---|---|---|
| Fully consolidated | Bureau Veritas (10% sold in March 2009) | 241.8 | 278.5 |
| | Materis | 33.0 | 0.1 |
| | Deutsch | 31.7 | (8.2) |
| | Stallergenes | 19.0 | 22.2 |
| | Editis (sold in May 2009) | (5.3) | - |
| | Oranje-Nassau (oil and gas activities sold in May 2009) | 78.0 | 13.8 |
| Equity method | Saint-Gobain | 398.3 | 115.0 |
| | Legrand (sold in November 2009) | 138.2 | 115.7 |
| | Stahl | (0.1) | 0.0 |
| **Business sector contribution (total)** | | **934.7** | **537.2** |

The overall economic contribution of the Group's companies amounted to €537.2 million, evidencing the impact of the crisis on all companies except for Bureau Veritas and Stallergenes. Against this backdrop, overall expenses associated with the Group's financial structure and operations remained under control at €384.3 million, slightly lower than last year's figure.

The Group posted a non-recurring loss of €961.7 million, which includes positive elements such as €626 million in capital gains (notably gains from the sale of Oranje-Nassau's oil and gas activities and of blocks of shares in Bureau Veritas and Legrand). The figure was also affected by €-1,232 million associated with the adjustment in the value of Saint-Gobain shares and the adjustment of the value of hedges on Wendel's consolidated balance sheet

# 2009 key milestones

- Group companies adapted efficiently to prevailing economic conditions by adjusting their operating performance while preserving their potential to innovate and grow.

- Wendel provided constant support, reinvesting €212 million in its subsidiaries and associates and successfully restructuring the debt of Materis and Stahl. An agreement is being finalized with Deutsch's lenders. These financial restructuring operations were carried out in an innovative fashion. In the case of Stahl, its debt was reduced by 45%, while Wendel reinvested €60 million in addition to its initial investment of €80 million, giving it control of the company with a 92% stake. In the case of Materis, 650 investor-managers decided to reinvest alongside Wendel, demonstrating their renewed confidence in the future of this industry leader.

- Wendel' restored its financial flexibility through a debt restructuring. Average maturity was lengthened to more than four years and total debt has been reduced by more than €1 billion since the 1st quarter of 2009.

# Five sources of future value

1. Growth in the income of Group companies, notably through continued cost control plans, to which the Group is contributing through its active presence on Boards of Directors and alongside the companies' management.

2. Potential revaluation of Wendel's unlisted subsidiaries, whose financial restructuring and optimization of operational structures could create €1-2 billion in value.

3. Wendel's own borrowing capacity. Although leverage is being gradually reduced, it magnifies the impact on our NAV of increases in listed the valuation of subsidiaries

4. Acquisitions made by the Group's companies so as to increase their growth potential, notably in emerging market countries.

5. New investments realized by Wendel, for unitary amounts per deal initially limited to around €100 million, enabling the Group to seize post-crisis opportunities and diversify its industry exposure.

# Bureau Veritas

Environmental standards are now part of Bureau Veritas' core business worldwide, particularly in the construction of buildings.

## An efficient business model that generates profitable growth

After more than 10 years of robust organic and external growth, Bureau Veritas had acquired the operating resiliency to deal with a global economic slump of an extent not seen since the 1950s. Revenues slowed late in the year but still showed a 4% full-year increase, while adjusted net income (group share) rose by 18%.

In the midst of a global recession, Bureau Veritas' businesses held up well on the whole, thanks to their recurrent character and their sustained growth in emerging economies, where the group now generates more than 40% of its net sales.

Bureau Veritas acted very rapidly to adjust its organizational set-up, rein in costs, and improve its margins and cash flow. The operating margin, which has improved constantly over the last 15 years, set a record at 16.4%. This success is the fruit of cost control and the gradual roll-out of new automated production processes. Cash flow rose sharply and helped cut debt to a very low level of less than 1.4x EBITDA.

## Outlook

For 2010, the group expects a gradual return to positive organic growth in the second half of the year, as soon as business in its cyclical divisions begins to turn the corner. Its objective is to keep its operating margin steady throughout 2010, mainly by streamlining its portfolio of services and phasing in new automated production processes. It has earmarked its strong cash generation for an aggressive relaunch of its external growth strategy.

In the longer term, the sector's structural growth factors are intact. More numerous and stricter QHSE regulations are being adopted; control and inspection activities are being increasingly privatized or outsourced; and commerce is increasingly globalized.

The group's strategy is to invest in high-potential market segments, such as nuclear, offshore energy and building efficiency, and to continue to lead sector consolidation, while maintaining a high level of operating performance.■

# Legrand

Legrand has developed an integrated approach to environmental design that has been recognized on several occasions by ADEME, the French Agency for the Environment and for Energy Efficiency . It consists in designing environmental features into products and taking the entire life cycle into account.

## An efficient business model generating profitable growth

In 2009, Legrand generated a recurring adjusted operating margin of 17.6% on a 13.9% decline in sales (on a like-for-like basis), while generating high free cash flow. Over the same period production costs and administrative and marketing costs were cut by 15.3% on a like-for-like basis. Free cash flow came to €655 million in 2009, even after increased investments in new products over the same period.

## Outlook

Legrand will be able to finance tomorrow's profitable growth opportunities. In particular, it plans to seize targeted acquisition opportunities and to strengthen its positions in emerging markets, where there are still immense needs, as well as in the fastest-growing sectors. Several emerging markets, such as China and India, which are strategic for the Group, returned to growth in the third quarter.

High-energy-efficiency solutions, home systems and Voice-Data-Images (VDI) are generating growing interest, suggesting that major investment is in store for the coming years. Legrand is attentive to the demographic, environmental, technological and macroeconomic changes that are affecting our markets and is therefore pursuing its investment and innovation strategy, which will help meet its clients' needs and standards while providing future development opportunities and current and future profitability.

2009, for example, featured the launch of the LCS2 ranges of VDI systems and the Arteor line of wiring devices. These product lines contributed directly to strengthening Legrand's leadership in the respective segments.

Legrand anticipates continued weakness in early 2010, followed by a return to net sales growth, thanks mainly to an upturn in emerging markets.

In light of the above, the Group considers the 2009 adjusted operating margin as a floor that is well above the lows reached in previous cycle troughs.■

# Saint-Gobain

The world's largest parabolic mirror production facility, developed specifically for the solar market. Covilis facility, Portugal

## Rapid and effective adjustment to the downturn

To cope with an unprecedented economic crisis, the Group steadfastly implemented the action plans announced in early 2009 and even stepped them up a notch.

For example, the Group:
• continued to give clear operating priority to sales prices, in spite of a deflationary context; they rose 0.8% on the year;
• continued and even stepped up its cost-cutting program in all its businesses; for the full year 2009, the Group met its new objective of €1.1 billion in additional cost savings vs. 2008 (vs. an initial objective of €600 million, which had already been raised to €700 million in April); this brings total cost savings in 2008 and 2009 to €1.5 billion;
• further enhanced cash generation, through:
- strict control of its working capital requirement (WCR): gain of €1.4 billion (-7 days of sales),
- significant cuts in capital expenditure during a period of crisis: €900 million on the year, instead of the €500 million initially targeted.
As a result, over the 12 months to the end of December, the Group generated €1 billion in free cash flow after working capital requirement.
Thanks to this performance and a sharp cut in acquisitions, Saint-Gobain reduced its debt by €3.1 billion (over one year) and shored up its balance sheet: its gearing is now 53%, vs. 80% at the end of December 2008.

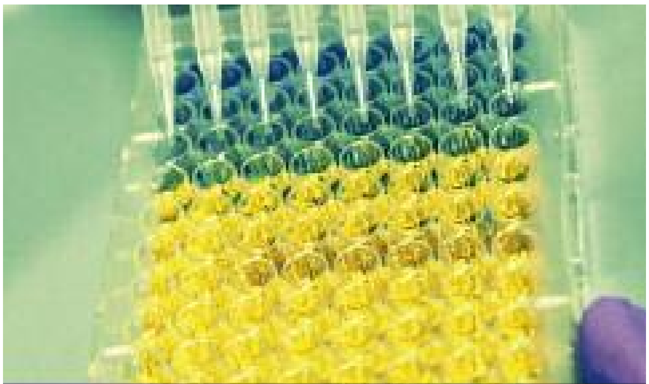
## Outlook

After especially rough going in 2009, the Group expects a better economic environment on the whole in 2010 than in 2009, albeit with wide geographical disparities.

In this context, in 2010 the Group will remain responsive and agile in adjusting to market trends and will continue to implement its 2009 action plan with great selectiveness. For example,
• it will continue to give priority to its sales prices;
• it will continue to cut costs, with a target of €200 million in additional cost savings, targeted to countries and/or activities with limited prospects for imminent recovery, as well as businesses that are dependent on the investment cycle.
Meanwhile, 2010 operating income will show the full impact of the 2009 cost-savings plan (including the postponement to the first half of 2010 of €400 million in cost savings from the second half of 2009), which will bring total cost savings in 2010 vs. 2009 to €600 million and will boost earnings and operating margins sharply. This will reduce its cost basis by a total of €2.1 billion by the end of 2010 vs. 2007.
• it will continue to show strict financial discipline;
• its solid financial structure will set it up to seize growth opportunities on its markets via selective and targeted investments (both industrial and financial), with priority given to emerging markets, energy efficiency and solar energy. It plans to devote more than 80% of its 2010 investments in industrial capacity to these areas.

Lastly, as a world leader in construction and a major player in the energy savings market, where it generates almost one third of its revenues and 40% of its operating income, the Group will benefit fully, when the time comes, from government stimulus and energy savings plans, as well as from major long-term trends in global energy efficiency needs, which are crucial for meeting the energy savings targets that European Union and other governments have set to fight against climate change.■

# Stallergenes



In 2009 Stallergenes devoted the equivalent of 24% of its net sales to Research & Development, most of which was devoted to developing sublingual immunotherapy tablets.

## An excellent year in 2009 with targets surpassed

Net sales growth remained very brisk in 2009, rising 13% to €193 million. This was above the target set at the beginning of the year.

Growth was driven by sublingual treatment, which accounted for 83% of 2009 sales. The launch of Oralair® on the German market was especially promising.

Overhead, administrative and sales & marketing costs rose by just 8%, and that was easily absorbed by the 14% increase in the gross margin. As a result, the operating margin before R&D spending rose again, to 36.8% in 2009, vs. 34% in 2008. The 28.9% net increase in R&D spending reflected the ongoing efforts to develop allergen tablets. All in all, thanks to tight control of financing costs, consolidated net income rose 17% vs. 2008, to €22.2 million.

In a context of aggressive investment, free cash flow rose by 272% to €17.5 million, thanks mainly to the reduction in working capital requirement. Tight control of WCR, combined with an excellent year in 2009 on the operating level allowed Stallergenes to end the year with positive net cash (€4.9 million) for the first time in 10 years.

### Outlook

For 2010, Stallergenes projects further growth in revenues and in earnings, through control of its fixed cost base and R&D spending, which are likely to be stable in volume terms vs. 2009. The mutual recognition procedure was crowned on November 27, 2009 by marketing authorization for Oralair® in 22 European countries and will provide an essential new source of growth for Stallergenes in the short and medium term.■

## Deutsch


A decompression chamber to simulate great depths for tests of very-high-pressure (500 bars/4,000 m under water) and large (58 cm in diameter and 2.6 m in internal length) connectors. Test lab of the Offshore division, Le Mans, France

### Great capacity to adjust to challenging markets

In 2009, Deutsch's net sales fell sharply, to $447 million (negative organic growth of -30.7%). Sales shrank particularly in the industrial division (negative organic growth of -49.7% excluding LADD), due to its US truck market exposure, but this was mitigated by the greater resiliency of the aerospace and transport division (negative organic growth of 18.4%).

The offshore division confirmed its countercyclical character and turned in a decent performance with organic sales growth of 6%. Deutsch has held up well on markets that remain challenging for the entire sector. Management estimates that the Group has at least maintained its market share. In the fourth quarter of 2009, revenues began to gradually recover (-14.5% organic growth, vs. -35.2% in the first nine months of the year). The sharp decline in sales resulted in a 60.2% decline in adjusted operating income to $51.4 million, hence a margin of 11.5%, vs. 19.6% in 2008. In reaction to this steep drop in business, Deutsch stepped up its adjustment measures and accelerated the implementation of major restructuring plans (including reduction in work times and closing of two production facilities).

The group doubled its initial cost-cutting targets (2009 total: $55 million, including $33 million in the industrial division and $22 million in the aerospace division). These aggressive efforts helped limit the decline in operating margin to 8.1 points. In this poor economic environment, Deutsch focused especially on generating cash without reducing its R&D investments.

Active management of WCR, down $59 million in 2009, streamlining of investments to $16 million and substantial cost savings offset the decline in EBITDA and helped reduced the Group's net debt by $20 million vs. 2008. Net debt came to $696 million at the end of 2009.

### Outlook

In an economic environment that continues to suffer from a lack of visibility, Deutsch is pursuing its action plans in order to preserve its profitability and reinforce its cash generation.

Adjustments are therefore likely to continue in 2010 and include expansion in low-cost countries, streamlining of industrial facilities, enhanced purchasing and manufacturing processes, a reduction in working capital requirements and streamlined investments without penalizing R&D.

Deutsch's priority will remain the development of new products, in order to meet its clients' needs. Deutsch's long-term prospects are still driven by its solid fundamentals, such as rapid expansion of electricity as the primary power source for a large number of industrial and aerospace platforms, the development of hybrid and electrical vehicles, the replacement of hydraulic systems by electronic systems, and the expanded deep-offshore extraction of oil and gas.
Deutsch continues to implement action and adjustment plans initiated early in the cycle and which will allow it to emerged strengthened from the global economic downturn.■

# Materis

Use of Materis paints and mortars for a façade of a housing project in Valencia, Spain, designed by the architect Emilio Llobat in tandem with Joan Ropillés.

## A resilient model in a distressed economic context

In 2009, Materis' net sales fell by 8.7% to €1,704 million. After a first half with negative organic growth of -10.9%, linked to a sharp drop in end-market volumes (-14%), as well as to a heavy impact from destocking, Materis achieved an improvement from month to month and limited the organic decline to 5.5%. On the full year, the Group benefited from price hikes that were made possible by an improvement in its product offer, with the two leading to a +2.9% positive effect on net sales.

In spite of a distressed environment, with its major impact a pronounced slowdown in sales, Materis managed to implement significant adjustment plans in order to better preserve its operating profitability.

For 2009, adjusted operating income came to €184.9 million, down 13.9%, with a margin of 10.9% (vs. 11.5% in 2008). The resiliency of margins is due mainly to an improvement in the gross margin on the back of higher prices and an enhanced product offer, as well as group-wide reductions in fixed costs (€60 million).

Net financial debt was slightly reduced to €1,757 million, thanks to solid cash generation in spite of a weak market and the equity impact adjusted for the payment of fees linked to bank renegotiation. To offset the unfavorable impact of the French LME law (Loi de Modernisation de l'Économie), Materis continued to actively manage its WCR, including customer receivables and inventory reductions, whose effects should continue to show up in 2010.

## Outlook

In a global environment that remains distressed and volatile, Materis continues to implement its adjustment plans in order to preserve its profitability and cash generation. The group will pursue its initiatives in innovation and organic growth, in order to partly offset shrinking volumes through constant improvement in its offer of products and services. In 2009, Materis Paints set up a joint venture with renowned researchers to develop new lines of paints with innovative nanotechnology-based properties, including antifouling and self-cleaning properties. Over the next five years, organic growth will be a major source of development. In the medium term Materis will continue to be driven by strong catalysts such as structural demand for new housing (due to the increase in homeowner numbers, favorable demographics and housing shortages in mature and emerging markets), steady growth in housing requiring renovation and new government-mandated energy-efficiency standards. ■

# Stahl

Most Stahl products are water-based and thus protect the environment and the health of end users. Stahl offers a catalog of more than 800 high-performance leather finishing products that protect and beautify leather, combining aesthetics and high technical content.

## A resilient model in a distressed economic context

In 2009, Stahl's net sales declined 14.2% to €253.5 millions. After a first half of negative organic growth of 33.2%, due to a sharp decline in volumes in all businesses and exacerbated by the impact of destocking in the automotive, furnishing, shoe and leather- goods industries, monthly sales improved steadily, leading to a return to brisk organic growth of 10.7% in the second half. The first-half decline in sales was exacerbated by the strong organic growth (+9.4%) in the first half of 2008.

2009 adjusted operating income came to €30.1 million, down 23.0%, with a margin of 11.9% (vs. 13.2% in 2008). The relatively strong resiliency of the margin was due mainly to a resilient gross margin, but also to savings in fixed costs (through streamlining of industrial capacities and the shutdown of production facilities).

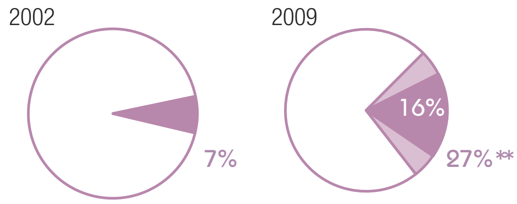
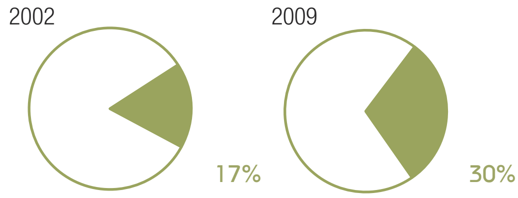
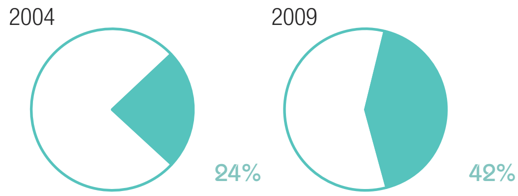
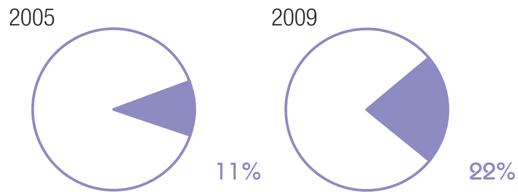
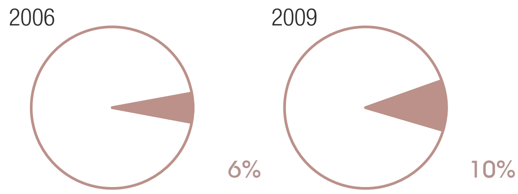
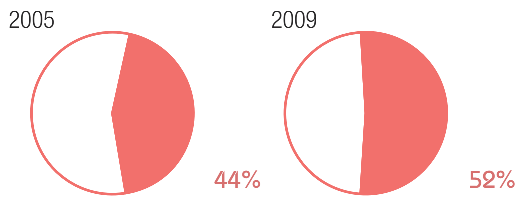
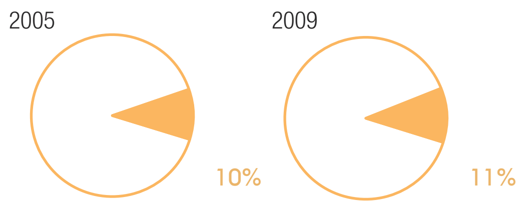
Stahl's net financial debt rose to €335 million at end-2009. Stahl's successful financial restructuring lowered its net debt to €195 million at February 28, 2010.

## Outlook

In a global environment that remains distressed and volatile, Stahl continues to make adjustments, in order to transform the downturn into a growth opportunity by focusing on product innovation, international expansion (particularly in emerging markets) and by stepping up marketing efforts in the Permuthane, Picassian and Pielcolor businesses. Stahl continues to be driven by strong long-term trends, such as the gradual shift towards emerging markets, average annual growth of 2% to 3% in meat consumption, which supplies the market for hide processing and the gradual elimination of competitors. Stahl is now on track to meet its long-term objectives in market share gains in leather finishing, a refocusing on high-growth divisions and the streamlining of its industrial facilities. ■

## Wendel is encouraging Group companies that already have an international footprint and significant exposure to emerging markets to strengthen their presence there so as to capture the higher growth typical of these markets.

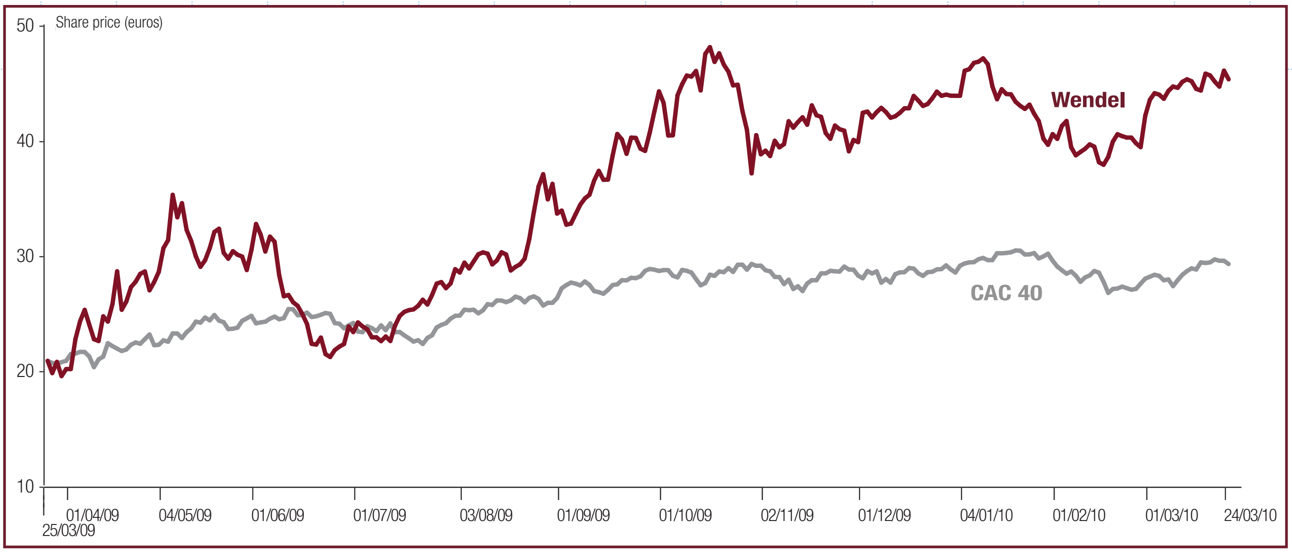
### Supporting facts and figures :

| company | change in sales in emerging market countries(*) | strategy/initiatives |
|---|---|---|
| Saint-Gobain |  <br>** construction products and innovative materials | - 80% of capacity investments in emerging markets, energy efficiency and solar power<br>. Flat Glass in Egypt<br>. Pipework in China<br>. Mortars in Brazil<br>- Targeted acquisitions |
| Legrand |   | - Improved product segmentation<br>. Super eco<br>. Eco<br>. High-end<br>- Targeted acquisitions |
| Bureau Veritas |   | - Development of Industry Services (oil & gas, electricity, Mining and minerals activities)<br>- Development of services linked to supply chain control (consumer goods)<br>- Development of Management Systems Certification<br>- Targeted acquisitions |
| Materis |   | - Opening up of capacities with the acquisition of a mortar plant in China<br>- Creation of a joint venture in Turkey to develop a range of innovative paints (anti-fouling, self-cleaning) based on nanotechnology |
| Deutsch |   | - India: connector assembly platform for the civil and military aviation markets<br>- China: opening of a connector manufacturing plant for the HGV market at the end of 2009<br>- Roll out of sales teams in China and India<br>- Purchasing centers for the Group at a global level |
| Stahl |   | - Support of key clients in emerging markets<br>- Development of R&D centers close to leather production centers in Asia, in particular in India<br>- Allocation of highly-qualified staff to emerging regions |
| Stallergenes |   | - In 2020, 50% of the world's population will have at least one allergy compared to 20% to 30% today<br>- Asian markets are a source of substantial future growth |

(*) Sources: companies

# Shareholder's notebook

## Share price over the last 12 months




## NAV: €56.9 per share as of March 23, 2010

| (in €M) | | | 23/03/2010 |
|---|---|---|---|
| Listed investments by company | Number of shares | Price[1] | 7,266 |
| • Saint-Gobain | 89.8 million | €35.59 | 3,197 |
| • Bureau Veritas | 56.3 million | €38.34 | 2,158 |
| • Legrand | 65.6 million | €23.71 | 1,555 |
| • Stallergenes | 6.1 million | €58.51 | 356 |
| Unlisted investments: Materis, Deutsch, Stahl and VGG/AVR | | | 377 |
| Other assets and liabilities owned by Wendel and holding companies[2] | | | 30 |
| Cash and cash equivalents[3] | | | 1,954 |
| Gross Asset Value | | | 9,627 |
| Wendel bond debt | | | (2,651) |
| Bank debt related to Saint-Gobain financing | | | (4,559) |
| Net value of hedging related to Saint-Gobain financing[4] | | | 454 |
| **Net Asset Value** | | | **2,872** |
| *Number of shares* | | | *50,436,175* |
| **Net Asset Value per share** | | | **€56.9** |
| Wendel share price: average of 20 most recent closing prices | | | €43.0 |
| **Premium (Discount) to NAV** | | | **(24.5)%** |

[1] *Average of 20 most recent closing share prices calculated as of March 23, 2010*
[2] *Including 569,505 Wendel treasury shares as of March 23, 2010*
[3] *Cash and cash equivalents of Wendel and Saint-Gobain acquisition holding company, including €1.2bn in unpledged cash as of March 23, 2010 (€0.9bn in short term cash position and €0.3bn in cash equivalents)*
[4] *The hedges (purchases and sales of puts) cover close to 25% of Saint-Gobain shares held as of March 23, 2010*

## Agenda 2010

**May 6, 2010:** Q1 2010 sales (after market close)

**June 4, 2010:** Shareholders' Meeting and next NAV publication.

**August 31, 2010:** First Half Sales and Results 2010 (after market close)

**November 9, 2010:** 2010 Q3 Sales (after market close)

**December 2, 2010:** Publication of Net asset value to coincide with "Investors' Day"

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