2010 Consolidated financial statements

This is a free translation into English of the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking readers/This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

1.1 Balance sheet - Consolidated financial position

ASSETS

In millions of euros	Note	12.31.2010	12.31.2009
Goodwill, net	1	2,961.8	2,458.4
Intangible assets, net	2	1,622.6	1,439.5
Property, plant and equipment, net	3	988.4	847.1
Non-current financial assets	8	861.6	1 112.9
Equity-method investments	4	5,334.1	4,836.2
Deferred tax assets	14	129.8	134.7
Total non-current assets		**11,898.2**	**10,828.8**
Assets and operations held for sale	**15**	**125.9**	**0.0**
Inventories	5	394.9	302.5
Trade receivables	6	1,288.4	1 111.9
Other current assets		207.4	172.2
Current income tax assets	14	30.0	30.9
Other current financial assets	8	1 624.2	1,796.6
Total current assets		**3,545.0**	**3,414.1**
Total assets		**15,569.1**	**14,243.0**

LIABILITIES AND SHAREHOLDERS’ EQUITY

In millions of euros	Note	12.31.2010	12.31.2009
Share capital		202.0	201.7
Share premiums		249.8	247.8
Retained earnings and other reserves		929.6	1,622.8
Net income for the year		1,002.3	-918.3
		2,383.7	1 154.1
Minority interests		508.7	426.5
Total shareholders’ equity	9	**2,892.5**	**1,580.7**
Long-term provisions	10	312.1	280.8
Long-term borrowings and debt	11	9,235.7	9,697.5
Other non-current financial liabilities	8	139.6	149.3
Deferred tax liabilities	14	580.9	571.9
Total non-current liabilities		**10,268.2**	**10,699.4**
Liabilities of operations held for sale		**0.0**	**0.0**
Short-term provisions	10	7.5	12.2
Short-term borrowings and debt	11	890.8	702.0
Other current financial liabilities	8	138.5	67.4
Trade payables	12	540.9	472.0
Other current liabilities	13	743.3	649.6
Current income tax liabilities	14	87.5	59.7
Total current liabilities		**2,408.5**	**1,962.9**
Total liabilities and shareholders’ equity		**15,569.1**	**14,243.0**

1.2 Consolidated income statement

In millions of euros	Note	2010	2009
Net sales	16	5,491.0	4,672.7
Other income from operations		0.6	1.9
Operating expenses	17	-4,867.1	-4,185.6
Income from ordinary activities	***18***	***624.5***	***489.0***
Other operating income and expenses	19	-46.2	-26.6
Operating income		***578.3***	***462.3***
Income from cash and cash equivalents		11.3	26.9
Finance costs, gross		-552.5	-594.5
Finance costs, net	20	*-541.2*	*-567.6*
Other financial income and expenses	21	97.7	-208.1
Tax expense	22	-127.3	-79.4
Net income from equity-method investments	23	809.8	-800.6
Net income from continuing operations		***817.2***	***-1,193.4***
Net income from discontinued operations and operations held for sale	24	326.7	384.6
Net income	***25***	***1,143.9***	***-808.8***
Net income - minority interests		141.6	109.4
Net income, Group share		**1,002.3**	**-918.3**

In euros	Note	2010	2009
Basic earnings per share (in euros)	26	20.16	-18.31
Diluted earnings per share (in euros)	26	19.81	-18.37
Basic earnings per share from continuing operations (in euros)	26	13.88	-25.74
Diluted earnings per share from continuing operations (in euros)	26	13.60	-25.80
Basic earnings per share from discontinued operations (in euros)	26	6.28	7.43
Diluted earnings per share from discontinued operations (in euros)	26	6.21	7.43

Stallergenes' income and expenses have been grouped together under "Net income from discontinued operations and operations held for sale" both in 2009 and 2010. The Group's net gain on its divestment in 2010 is also recognized in this item.

1.3 Statement of recognized profit (loss)

	2010			2009		
In millions of euros	**Gross amounts**	**Tax effect**	**Net amounts**	**Gross amounts**	**Tax effect**	**Net amounts**
Translation reserves (1)	288.7		288.7	117.4		117.4
Actuarial gains and losses (2)	-42.1	12.0	-30.1	-138.9	42.0	-96.9
Gains and losses on assets available for sale	2.4		2.4	-2.2		-2.2
Gains and losses on qualified hedges (3)	89.1	-7.8	81.3	52.4	-13.7	38.7
Earnings previously recognized in shareholders' equity taken to the income statement (4)	45.9	0.2	46.1	52.7	17.5	70.2
Other	-11.6		-11.6			
Income and expenses recognized directly in shareholders' equity (A)	**372.3**	**4.4**	**376.7**	**81.4**	**45.9**	**127.3**
Net income for the year (B)			1,143.9			-808.8
Total income and expenses recognized for the period (A) +(B)			**1,520.6**			**-681.5**
Attributable to:						
- shareholders of Wendel			1,305.7			-809.9
- minority interests			214.9			128.4

(1) Includes €168.1 million related to Saint-Gobain (€74.6 million in 2009), €27.8 million related to Legrand (€4.7 million in 2009), €69.9 million related to Bureau Veritas (€7.1 million in 2009).

(2) The main impact is due to Saint-Gobain (-€25.0 million (before taxes), vs. -€132.7 million in 2009).

(3) This item includes Bureau Veritas (€73.5 million) and pertains to cash flow hedges.

(4) The main impact in 2010 was from Eufor's €51.7 million interest-rate swap (see Note 8-D "Derivatives").

1.4 Changes in shareholders' equity

In millions of euros	Number of shares outstanding	Share capital	Share premiums	Treasury shares	Retained earnings & other reserves	Translation adjustments	Group share	Minority interests	Total shareholders' equity
Balance at 12/31/2008	**50,223,764**	**201.5**	**246.9**	**-12.0**	**1,993.2**	**-395.7**	**2,033.8**	**283.7**	**2,317.6**
Income and expenses recognized directly in shareholders' equity (A)	-	-	-		-89.2	197.5	108.3	19.0	127.3
Net income for the year (B)					-918.3		-918.3	109.4	-808.8
Total income and expenses recognized for the period (A)+(B) (2)	-	-	-		-1,007.5	197.5	-809.9	128.4	-681.5
Dividends paid (1)					-50.2		-50.2	-48.8	-99.0
Treasury shares	-428,169			-17.3			-17.3		-17.3
Cancellation of treasury shares									
Capital increase									
Exercise of stock options									
Company savings plan	69,575	0.3	0.9				1.2		1.2
Share-based compensation: stock options and bonus shares (including equity-method investments)					14.7		14.7	3.5	18.1
Changes in scope of consolidation								56.4	56.4
Other					-18.1		-18.1	3.5	-14.8
Balance at 12/31/2009	**49,865,170**	**201.7**	**247.8**	**-29.3**	**932.0**	**-198.1**	**1,154.1**	**426.5**	**1,580.7**
Income and expenses recognized directly in shareholders' equity (A)	-	-	-		57.1	246.3	303.4	73.3	376.7
Net income for the year (B)					1,002.3		1,002.3	141.6	1,143.9
Total income and expenses recognized for the period (A)+(B) (2)	-	-	-		1,059.4	246.3	1,305.7	214.9	1,520.6
Dividends paid (1)					-49.7		-49.7	-53.9	-103.6
Treasury shares	-507,382			-26.9			-26.9		-26.9
Cancellation of treasury shares									
Capital increase									
Exercise of stock options	17,718	0.1	0.5				0.6		0.6
Company savings plan	47,886	0.2	1.5				1.7		1.7
Share-based compensation: stock options and bonus shares (including equity-method investments)					25.8		25.8	6.4	32.3
Changes in scope of consolidation					-11.1		-11.1	-99.0	-110.0
Other				5.6	-22.2		-16.6	13.7	-2.9
Balance at 12/31/2010	**49,423,392**	**202.0**	**249.8**	**-50.6**	**1,934.3**	**48.2**	**2,383.7**	**508.7**	**2,892.5**

(1) *Net dividend paid in 2010 (€1.00 per share) and in 2009 (€1.00 per share).*
(2) *See "Statement of recognized profit (loss)".*

1.5 Consolidated cash flow statement

In millions of euros	Note	2010	2009
Cash flows from operating activities			
Net income		1,143.9	-808.8
Share of net income from equity-method investments		-809.8	800.6
Net income from discontinued operations and operations held for sale		-326.7	-362.4
Depreciation, amortization, provisions and other non-cash items		250.0	346.5
Non-cash income and expense related to stock options and similar items		21.0	7.8
Expenses on investments and asset disposals		4.2	0.9
Gains/losses on disposal of assets		10.0	-123.2
Financial income and expenses		443.6	776.7
Taxes (current & deferred)		127.3	88.8
Cash flow from consolidated companies before tax		863.5	727.0
Change in working capital requirements related to operating activities		-60.9	98.2
Net cash flow from operating activities, excluding tax		**802.6**	**825.2**
Cash flows from investing activities, excluding tax			
Acquisition of intangible assets and property, plant and equipment	27	-182.4	-145.4
Disposal of intangible assets and property, plant and equipment		4.7	10.5
Acquisition of equity investments	28	-661.7	-160.5
Disposal of equity investments	29	709.7	1 146.3
Impact of changes in Group structure and operations held for sale	30	12.4	-114.7
Change in other financial assets and liabilities and other	31	-152.8	269.9
Dividends received from equity-method investments and non-consolidated companies	32	51.1	163.0
Change in working capital requirements related to investment activities		4.6	-18.6
Net cash flows from investing activities, excluding tax		**-214.3**	**1 150.6**
Cash flows from financing activities, excluding tax			
Proceeds from issuance of shares		2.2	1.2
Contribution of minority shareholders		1.6	7.2
Share buybacks		-25.5	-14.4
Dividends paid by the parent company		-49.7	-50.2
Dividends paid to minority shareholders		-50.1	-50.6
New borrowings	33	1,239.4	549.4
Repayment of borrowings	33	-1,826.5	-2,001.3
Finance costs, net		-519.1	-547.4
Other financial income (expenses)		-11.5	-19.6
Change in working capital requirements related to financing activities		69.4	2.5
Net cash flows from financing activities, excluding tax		**-1,169.8**	**-2,123.1**
Cash flows related to taxes			
Current tax		-180.1	-126.7
Change in tax assets and liabilities (excluding deferred taxes)		12.0	-11.0
Net cash flows related to taxes		**-168.1**	**-137.7**
Effect of currency fluctuations		24.3	-2.0
Net change in cash and cash equivalents		-725.3	-286.9
Cash and cash equivalents at the beginning of the year		2,441.1	2,728.1
Cash and cash equivalents at the end of the year	**7**	**1,715.9**	**2,441.1**

The principal components of the consolidated cash flow statement are detailed beginning with Note 27.

Details on the cash and cash equivalents account and how it is classified on the consolidated balance sheet are provided in Note 7. At December 31, 2010, cash and cash equivalents were composed of €609 million in pledged cash recognized under non-current financial assets and €1,107 million in available cash recognized under current financial assets.

Fiscal year 2009 cash flows include Stallergenes, which was sold in 2010 (see "Segment Information" section). For 2010, all cash flows from Stallergenes' operating activities, as well as the impact of deconsolidation are presented in the "Impact of changes in Group structure and operations held for sale" line (see "Changes in scope of consolidation").

1.6 General principles

Wendel is a *société anonyme* (public limited company) with an Executive Board and a Supervisory Board. It is governed by French law and has the Paris commercial registry number 572 174 035. Its head office is located at 89, rue Taitbout, Paris, France.

Its business consists in investing for the long term in industrial and service companies to accelerate their growth and expansion.

The consolidated financial statements of the Wendel Group cover the 12-month fiscal year from January 1 to December 31, 2010 and are expressed in millions of euros. They include:

- the balance sheet (statement of financial position);
- the income statement and statement of recognized profit (loss);
- the statement of changes in shareholders' equity;
- the cash flow statement;
- the notes to the financial statements.

These financial statements were approved by Wendel's Executive Board on March 15, 2011 and will be submitted for shareholders' approval at their Annual Meeting.

1.7 Accounting principles

Wendel's consolidated accounts for the fiscal year ended December 31, 2010 have been drawn up in accordance with IFRS principles and methods as adopted by the European Union on December 31, 2010, in accordance with Regulation n° 1606/2002 of the European Council and the European Parliament pertaining to the application of accounting standards, adopted on July 19, 2002.

These accounting principles are consistent with those used in preparing the consolidated financial statements for the fiscal year ended December 31, 2009, with the exception of the new standards and interpretations that became mandatory for fiscal years beginning on or after January 1, 2010 (see list below). The new standards, amendments to the existing standards, and interpretations that must be adopted for all fiscal years starting on or after January 1, 2010 did not have a significant impact on the Group's financial statements.

The European Union's standards can be viewed on the European Commission's website at:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

1.7.1 Standards, interpretations and amendments to existing standards that were mandatory in 2010

- IFRS 3 "Business Combinations" and IAS 27 (revised) "Consolidated and Separate Financial Statements": Application of these revised standards is prospective. The application of these revised standards did not result in any significant direct impact on the Group's 2010 financial statements;
- Amendments IAS 39 "Financial instruments": recognition and measurement of eligible hedged items;
- IFRIC 12 "Service concession arrangements";
- IFRIC 15 "Agreements for the construction of real estate";
- IFRIC 16 "Hedges of a net investment in a foreign operation";
- IFRIC 17 "Distributions of non-cash assets to owners";
- IFRIC 18 "Transfers of assets from customers";
- IFRS annual improvements.

1.7.2 Standards, interpretations and amendments to existing standards for which early adoption was not applied in 2010

- IAS 24 (revised) "Related party disclosures";
- Amendment to IAS 32 "Classification of rights issues";
- IFRIC 19: "Extinguishing financial liabilities with equity instruments";
- Amendment to IFRIC 14 "Minimum funding requirements".

The Wendel Group is currently working actively on the potential impact of applying these standards to its accounts.

1.7.3 Consolidation methods

The companies over which Wendel has exclusive control are fully consolidated.
Companies in which Wendel has significant influence have been accounted for based on the equity method.

Net income of acquired subsidiaries is consolidated beginning with their acquisition date, while net income of divested subsidiaries is consolidated up to their divestment date.

1.7.4 Financial statements used as the basis for consolidation

Wendel's consolidated accounts have been prepared on the basis of:

- the consolidated accounts of the 12-month fiscal year ended on December 31, 2010 of Bureau Veritas, Materis (Materis Parent), Deutsch (Deutsch Group), Legrand and Saint-Gobain;
- the consolidated accounts of Stahl from March 1 to December 31, 2010;
- the consolidated accounts of Stallergenes for the 11-month period from January 1 to the divestment date, in November 2010;
- for the other companies, their individual accounts for the 12-month fiscal year ended December 31, 2010. Some holding companies have 12-month fiscal years whose opening dates are not January 1; in this case, 12-month accounts from January 1 to December 31 have been prepared for consolidation purposes.

Financial information relating to these subsidiaries and associates has been prepared in accordance with IFRS recognition and measurement rules.

Significant changes in the Group's scope of consolidation for fiscal year 2010 are presented in "Changes in scope of consolidation". The main subsidiaries consolidated as of December 31, 2010 are presented in the "List of main consolidated companies".

1.7.5 Business combinations

The revised IFRS 3 and IAS 27, which have been in effect since January 1, 2010, have an impact on how the acquisition of a controlling interest or a partial sale resulting in the loss of control are accounted for:

- Transaction-related costs are recognized under operating income for the period, price adjustments are recognized initially at fair value, and any later variations in value are recognized under operating income;
- When control of a company is gained (or lost), the revaluation of the fair value of the previously held interest (or residual interest) is recognized on the income statement;
- When control of a company is obtained, minority interests are recognized either at their share in the fair value of assets and liabilities of the acquired company, or at their fair value. A share of goodwill is then allocated to these minority interests. This choice is made on a case-by-case basis for each acquisition;
- The acquisitions or divestment of ownership interests in controlled companies that do not result in obtaining or losing control are recognized as transfers between the Group interest and the share of third parties in consolidated shareholders' equity, with no impact on the income statement;
- Meanwhile, minority interests may now become negative, as the net income of a subsidiary, whether positive or negative, is now allocated between the Group share and minority interests, based on their respective ownership interests.

Commitment to buy minority interests in consolidated subsidiaries

When the Group has made firm or conditional commitments to minority shareholders in consolidated subsidiaries to buy their stakes, a financial debt is recognized in an amount corresponding to the present value of the purchase price.

At December 31, 2010, lacking any specific IFRS provision, this financial debt is offset:

- firstly, by the elimination of the carrying amount of the corresponding minority interests;
- secondly, by a reduction of the Group share of shareholders' equity: the difference between the estimated value of the purchase commitment and the carrying amount of minority interests is deducted from the Group share of retained earnings and other reserves. This heading is adjusted at the end of each accounting period to reflect the estimated value of the purchase commitment and the carrying amount of minority interests. This has no impact on the consolidated income statement, barring subsequent changes to standards and interpretations.

1.7.6 Inter-company asset sales and transfers

Gains and losses on the sale or transfer of assets between consolidated companies have been eliminated from income and the assets have been maintained at their initial value, except in the event of losses deemed permanent, for which an impairment charge is recognized on the income statement.

1.7.7 Conversion of financial statements of foreign companies

Wendel's accounting currency is the euro.

The balance sheets of foreign companies whose operating currency is not the euro have been converted into euros at the exchange rate prevailing at the closing date, and their income statements at the average exchange rate for the fiscal year or consolidation period. The discrepancy resulting from the application of these exchange rates has been allocated to retained earnings and other reserves under "translation adjustments". Translation adjustments related to subsidiaries are recognized on the income statement when these subsidiaries are divested.

The following exchange rates have been used in the consolidated financial statements:

	Closing rate		Average rate	
	12/31/10	12/31/09	2010	2009
USD/EUR	1.3362	1.4406	1.3243	1.3897

1.7.8 Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the amounts reported in such financial statements. These estimates and judgments are based on Wendel's and its subsidiaries' appreciation of the facts and circumstances existing at the balance sheet date, as well as on information available on the date the accounts were approved. They are based on Group management's past experience and various other factors deemed reasonable, such as market data or the work of an independent appraiser, and are reviewed on a regular basis. The uncertain global economic picture since 2008 has complicated forecasting, and actual amounts could therefore be different from the forecasts.

In preparing these financial statements, the principal items involving estimates were goodwill, impairment tests on goodwill and equity-method investments, provisions, deferred taxes, derivatives and treatment of co-investments.

1.7.9 Measurement rules

1.7.9.1 Goodwill

Goodwill represents the excess of the cost of acquiring the shares of consolidated companies, including related expenses, and the Group's share of the fair value of their net assets, liabilities and identifiable contingent liabilities on the date of acquisition. In application of the acquisition method, identifiable assets and liabilities of the acquired company that meet IFRS recognition criteria are recognized at their fair value on the acquisition date, with the exception of assets available for sale or held for sale, which are recognized at their fair value less selling costs. Adjustments in the fair values of assets and liabilities acquired as part of business combinations and initially recognized on the basis of temporary values (because of ongoing external appraisals or outstanding additional analyses) are recognized as retroactive goodwill adjustments if they occur within 12 months after the acquisition date. Thereafter, such adjustments are recognized directly on the income statement unless they are made in correction of errors. The revised version of IFRS 3 provides that goodwill may be applied to minority interests, if the Group so chooses. Goodwill is presented, where applicable, net of any cumulative recognized loss in value.

Goodwill is not amortized, but is instead tested for impairment at least once per year, on December 31, or more frequently if there is any indication that it may be impaired. Indications of a loss in value may include, for instance, a significant or prolonged decline in the share price of a listed company, a difference in net income compared with budget or a deterioration in the economic sector in which a company operates. For purposes of impairment testing, goodwill is allocated to Cash Generating Units (CGU). Each of the Group's operating entities (Bureau Veritas, Materis, Deutsch and Stahl) represents a CGU. Goodwill impairment losses are recognized on the income statement under "Other operating income and expenses" and are not reversed.

Whenever an operating subsidiary identifies an impairment loss on goodwill within its consolidation scope, this loss is maintained at the level of Wendel's consolidated accounts, even if Wendel's analysis of the subsidiary's goodwill does not show any impairment. This stance has been taken to allow Wendel to recognize unrealized losses as soon as they appear, as they would inevitably be recognized anyway if the subsidiary were to sell the CGU showing such losses.

Goodwill pertaining to equity-method investments is included in the book value of these companies and therefore not presented separately (IAS 28.23). It is therefore not subject to a separate impairment test, as the value of equity-method investments is subject to a separate test, goodwill included. Hence, as regards equity-method shareholdings, in the event of an improvement in their value justifying an impairment write-back, the portion of the impairment pertaining to goodwill is also written back.

The impact of impairment loses and the gain or loss on divestments and dilutions are recognized in the income statement under "share of net income from equity-method investments".

Impairment tests on goodwill and equity-method investments are described in Notes 1 "Goodwill" and 4 "Equity-method investments".

1.7.9.2 Intangible assets

Brands of the Bureau Veritas, Deutsch and Materis groups

These brands have been valued using the relief-from-royalty approach, which consists in discounting to perpetuity royalty cash flows determined at a theoretical rate based on net sales generated by the brands. These brands are considered to have an indefinite useful life, as there is no foreseeable time limit on their potential to generate cash flow. They are therefore not amortized but instead are subjected to an annual impairment test.

The brands of the Bureau Veritas group's subsidiaries have been depreciated over 10 years. Only those brands identified by Wendel when it acquired control of Bureau Veritas are considered to have an indefinite life.

Contracts and client relationships of the Bureau Veritas, Materis, and Deutsch groups

The value of these assets corresponds to the margin expected to be generated over the residual lives of contracts in force at the date of acquisition/transfer of control, taking into account contract renewals, where such renewals are considered probable based on historical statistical data. These contracts and client relationships are therefore depreciated over the period used for the calculation of each contract category (up to 30 years, depending on the contract and subsidiary) or over their useful life.

1.7.9.3 Other intangible assets

The cost of developing software intended for internal use and other development costs have been capitalized when it is likely that these expenditures will generate future economic benefits. These costs are then depreciated over the asset's estimated useful life.

1.7.9.4 Property, plant and equipment

Property, plant and equipment are recognized at their historical cost, determined at the time of acquisition of these assets or at fair value in the event of a business combination. Historical cost includes all costs directly attributable to the acquisition or construction of assets concerned, in particular borrowing costs that are directly attributable to the acquisition or the production of property, plant and equipment during the accounting period prior to being brought into service.

Property, plant and equipment other than land and investment properties is depreciated on a straight-line basis over a period corresponding to their likely useful life. The depreciation basis for property, plant and equipment is its historical cost less the residual value, i.e., the value expected at the end of the asset's useful life, after allowing for any divestment costs.

The following useful lives are applied:

Buildings	10 to 50 years
Plant	3 to 10 years
Equipment and tooling	3 to 10 years

Assets that the Wendel Group has acquired under long-term or other leases where the risks and rewards of ownership have been substantially transferred to the Group are accounted for as finance leases and are depreciated on a straight-line basis over their estimated useful life, as described above.

1.7.9.5 Impairment of property, plant and equipment and intangibles

In accordance with IAS 36 "Impairment of assets", the value in use of property, plant and equipment and intangibles is tested when there is an indication of impairment. These tests are performed either when there is an indication of a loss of value or once a year for assets having indefinite useful lives, which in Wendel's case is limited to goodwill and brands. Impairment losses are recognized on the income statement under "Other operating income and expenses".

1.7.9.6 Financial assets and liabilities

Financial assets include investments in non-consolidated companies, operating receivables, debt securities, marketable securities, derivatives and cash. Financial liabilities include borrowings, other funding sources and bank overdrafts, derivatives and operating liabilities. Financial assets and liabilities are recognized and measured in accordance with IAS 39 "Financial instruments: recognition and measurement".

1.7.9.6.1 Financial assets at fair value through profit or loss

These assets include financial investments without the characteristics of cash equivalents. These assets are measured at market value at the balance sheet date, and gains and losses arising from changes in value are recognized through the income statement.

1.7.9.6.2 Financial assets available for sale

In accordance with IAS 39.9, classifying a financial asset as available for sale does not necessarily mean that the Wendel Group actually intends to sell it. This category, in fact, includes all non-derivative financial assets that are designated as available for sale or that are not classified in any of the other categories of financial assets.

They have been measured at fair value, and gains or losses arising from changes in fair value are recognized under shareholders' equity. Any significant or prolonged decline in the fair value of these financial assets below their acquisition cost gives rise to an additional impairment provision on the income statement. This impairment cannot be written back through the income statement, except in the event of sale.

1.7.9.6.3 Assets held until maturity and loans and receivables

These instruments are stated at amortized cost using the effective interest method. Their carrying amount represents outstanding principal, adjusted for any non-amortized acquisition costs, premiums or discounts. They are tested for recoverable value whenever there is an indication that their recoverable amount might be lower than their carrying value. Any impairment loss is recognized on the income statement.

1.7.9.6.4 Financial liabilities

All borrowings and other financial liabilities are stated at amortized cost using the effective interest method, except for derivative instruments.

1.7.9.6.5 Derivatives

Derivatives are measured at fair value. Gains and losses arising from changes in the fair value of derivatives are recognized in the income statement, apart from certain exceptions set out below.

Derivatives can be designated as hedges of fair value, future cash flow or net investment value:

- fair value hedges are used to offset changes in the fair value of a recognized asset or liability due to shifts in exchange rates, interest rates or other benchmarks;
- cash flow hedges are used to hedge changes in future cash flows from a present or future asset or liability; Wendel and its subsidiaries use cash flow hedges to offset shifts in foreign exchange rates, interest rates and commodity prices;
- hedges of a net investment in a foreign business can be designated as hedging instruments, as long as they meet the corresponding IAS 39 criteria. These hedges help offset fluctuations in value due to conversion into the reporting currency used by the parent company in its consolidated accounts. Financial debt denominated in the operating currency of the hedged investment can be designated as an investment hedge when the hedge has been recognized as such for accounting purposes.

A hedging relationship qualifies for hedge accounting if:

- the hedging relationship is clearly defined and documented at the outset;
- the effectiveness of the hedging relationship can be demonstrated from the outset and throughout its term.

The use of hedge accounting has the following consequences:

- for hedges used to offset changes in the fair value of a recognized asset or liability, the hedged item is measured at fair value on the balance sheet. Changes in the fair value on the hedged item are recognized on the income statement and are offset by symmetrical changes in the fair value of the hedging instrument to the extent that the hedge is effective;
- the effective portion of changes in the fair value of derivatives that are designated as, and qualify for, cash flow hedges is recognized directly in shareholders' equity. The gain or loss from the ineffective portion is recognized on the income statement. Amounts accumulated in shareholders' equity are passed through the income statement in the same periods as the corresponding hedged items, or are written back against the acquisition cost of the assets in which the financial risk related to the acquisition price was hedged;
- for net investment hedges, the portion of a gain or loss that is considered effective in the hedge of a net investment in a foreign business is recognized directly in shareholders' equity. The ineffective portion is immediately recognized on the income statement. Cumulative gains and losses in shareholders' equity are recognized on the income statement when the foreign business is sold.

Derivatives are measured using Wendel's mathematical models, as well as by independent appraisers and/or the Group's counterparties.

1.7.9.7 Methods for measuring the fair value of financial instruments

In accordance with the amendment to IFRS 7 (March 2009), the tables in Note 8 present the Group's assets and liabilities that are measured at fair value, based on their method of measurement. The levels of classification are defined as follows:

- level 1: unadjusted, listed prices of identical instruments on an active market;
- level 2: observable data other than listed prices referred to above, either directly (such as a price), or indirectly (calculated from another price);
- level 3: fair values that are not determined on the basis of observable market data.

During fiscal year 2010, there were no transfers between levels 1 and 2 or transfers to or from level 3 of fair value measurements of financial instruments.

Changes in financial instruments subject to level 3 fair value measurement were not significant and have not been presented.

1.7.9.8 Inventories

Inventories have been stated at cost or net realizable value, whichever is lower. Production cost includes the costs of raw materials, direct labor and any overheads that can reasonably be associated with production.

1.7.9.9 Cash and cash equivalents (pledged and unpledged)

Cash is composed of cash at banks.

In accordance with IAS 7 and the March 9, 2006 notification from the *Autorité des Marchés Financiers*, cash equivalents are short-term, highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of shift in value. Cash equivalents include euro-denominated, money-market mutual funds and deposit accounts with initial maturities of less than or equal to three months. They are measured at their fair value at the balance sheet date.

Pledged cash and cash equivalents are presented as non-current financial assets, as they were not immediately available.

1.7.9.10 Provisions

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", a provision is set aside when the Group has an obligation with respect to a third party as a result of a past event for which it is probable or certain that there will be an outflow of resources to that third party, without at least an equivalent inflow from that third party. Provisions for restructuring costs are set aside only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed, formal plan.

Provisions are discounted on the basis of the estimated duration of the obligation. The impact of this discounting is recalculated at each balance sheet date, and the related adjustment is recognized on the income statement under “Other financial income and expenses”.

1.7.9.11 Provisions for employee benefits

Defined-contribution plans: contributions are recognized as operating expenses.

Defined-benefit plans: the present value of statutory retirement bonuses and supplementary pension benefits payable to active and retired employees is calculated using the retrospective method. The obligation is determined at each balance sheet date taking into account the age of the company’s employees, their length of service and the likelihood that they will remain at the company until they retire. The calculation is based on an actuarial method using assumptions relating to the yield on long-term investments. The funding provision corresponds to the difference between the total obligation as set out above and any assets invested with insurance companies to cover these obligations.

Actuarial gains and losses are recognized in shareholders’ equity as soon as they appear (IAS 19.93A).

1.7.9.12 Handling of the CVAE tax

The 2010 Budget Act, which was voted into law on December 30, 2009, eliminated the business license tax (*taxe professionnelle*) on French companies, effective 2010 and replaced it with two new contributions:

- The “CFE” tax based on the property rental values previously used for the business license tax;
- The “CVAE” tax based on the value-added generated by the company, as measured in its separate financial statements.

As a result of these changes in tax legislation, Wendel re-examined the accounting for taxes in France under IFRS, taking into account the most recently published analyses on the subject, and in particular those provided by IFRIC.

Wendel finds that under the tax change mentioned above, the business license tax has been replaced by two new taxes of dissimilar nature:

- The CFE, whose amount is based on rental property values and which can be capped at a percentage of value-added. This tax is very similar to the business license tax and is therefore recognized, as the business license tax was, in operating expenses;

- The CVAE, which, according to Wendel's analysis, meets the definition of an income tax, as defined in IAS 12.2 ("taxes based on taxable profits"). In conducting its analysis, Wendel took into account IFRIC's decision not to add the subject to its agenda in March 2006 and May 2009 on the question of the scope of IAS 12 "Income taxes". IFRIC specified that to enter into the scope of IAS 12, a tax must be calculated on the basis of a net amount of revenue less expenses and that this net amount may be different from the net income figure on the income statement. Wendel finds that the CVAE has the characteristics indicated in this conclusion, inasmuch as value-added constitutes the intermediate level of profit systematically used, in accordance with French tax rules, to determine the amount due under the CVAE.

In accordance with IAS 12, qualifying the CVAE as an income tax caused Wendel to recognize deferred taxes at December 31, 2009 related to timing differences existing at that date, with a corresponding net expense taken to the income statement, as the Budget Act was voted into law in 2009. This deferred tax charge is not significant and is presented in the "tax expense" line. Beginning with fiscal year 2010, the total current and deferred tax amounts related to the CVAE is presented on this line.

1.7.9.13 Deferred taxes

In accordance with IAS 12 "Income taxes", deferred taxes are recognized for timing differences between the carrying amounts of assets and liabilities and their tax base.

Tax-loss carryforwards are recognized as deferred tax assets when it is likely that they can be offset against tax on earnings in the next few fiscal years or when they can be offset by deferred tax liabilities of an equal or higher amount. In application of this principle, no tax-loss carryforwards of the Wendel and Eufor tax groups were capitalized.

Regarding subsidiaries and equity-method investments, a deferred tax liability is recognized for all timing differences between the carrying amount of the related shares and their tax base, except:

- if the Group is able to control the date of the reversal of the timing difference; and
- it is probable that the timing difference will not reverse itself in the foreseeable future.

Deferred taxes are calculated by the variable carryforward method, based on the tax rates in effect at the balance sheet date, for French companies 34.43% for income subject to standard assessment.

1.7.9.14 Treasury shares

All treasury shares held by the Group are stated at their acquisition cost as a deduction from shareholders' equity. Proceeds from any sales of treasury shares are credited directly to shareholders' equity, and any divestment gains or losses have no impact on income for the fiscal year.

1.7.9.15 Assets and operations held for sale and activities held for sale

An asset or group of assets is classified as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through continued use and when its sale highly probable. Depreciation on these assets ceases when the asset has been classified as held for sale, and a provision is set aside if the asset's residual carrying amount exceeds its likely realizable value.

A business is considered as being divested when it meets the criteria of assets and operations held for sale. Assets and liabilities of these businesses are presented on a separate line in the balance sheet of the current fiscal year, and the net income or loss they generate is presented on a separate line in the income statement (including fiscal years presented for comparison). Net income or loss from discontinued operations and operations held for sale includes, where applicable, any divestment gains or losses or any impairment losses recognized for this business.

1.7.9.16 Revenue recognition

Revenue from the sale of goods is recognized under net sales when the risks and rewards of ownership are substantially transferred to the buyer.

At the Bureau Veritas group, most contracts are short-term. For these contracts, Bureau Veritas recognizes income when the service has been provided to the customer. For other contracts, Bureau Veritas uses the percentage-of-completion method to determine the amount to be recognized under net sales during a given period, insofar as the income from contracts can be readily determined. The percentage of completion is determined for each contract by reference to the costs incurred at the balance sheet date, compared to the total estimated costs. The increment of this percentage, applied to the total forecast income from the contract, represents the profit margin recognized in the period. In the event of forecast negative margin, provisions are set aside for the entire contract.

1.7.9.17 Translation of foreign currency transactions

Transactions denominated in foreign currencies are translated into euros using the exchange rates prevailing on at the dates of the transactions. Receivables and payables in foreign currencies are translated into euros at the exchange rate prevailing at the balance sheet date. Exchange differences resulting from the translation in currencies other than euros are recognized on the income statement under "Other financial income and expenses".

In the event of hedges of a net investment in a foreign business (see above, "Derivatives"), the portion of the gain or loss on a hedging instrument covering a net investment in a foreign business that is considered to be an effective hedge, is recognized directly in shareholders' equity. The ineffective potion is immediately recognized on the income statement.

1.7.9.18 Subscription- and purchase-type stock option plans

In accordance with IFRS 2 "Share-based payments", the Group recognizes a personnel expense corresponding to the fair value of employee stock subscription options, purchase options, bonus shares and performance shares at the grant date, with the corresponding expense being recognized under consolidated shareholders' equity. The expense is spread out over the options' vesting period.

Wendel uses the Black & Scholes model and the binomial model to determine the fair value of options and performance shares granted. In 2010, as in previous fiscal years, Wendel's plans were valued by an independent appraiser.

1.7.9.19 Balance sheet presentation

An asset is classified as current when it meets any of the four following criteria:

- It is expected to be realized in, or is intended for sale or consumption in the Group's normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is expected to be realized within 12 months after the balance sheet date;
- It is cash or cash equivalent carrying no restriction on exchange or use in settlement of a liability for at least 12 months after the balance sheet date. When the asset is in a pledged cash or cash equivalent account, the amount is recognized under non-current assets.

A liability is classified as current when it meets any of the four following criteria:

- The Group expects it to be settled in its normal operating cycle;
- It is held primarily for the purpose of being traded;
- It is due to be settled within 12 months after the balance sheet date;
- The Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

All other assets and liabilities are classified as non-current.

1.7.9.20 Income statement presentation

"Operating income" includes income and expenses not resulting from financial activities, equity-method investments, discontinued activities, activities held for sale, and income tax.

"Other operating income and expenses" corresponds to the impact of limited, unusual, abnormal or infrequent events. These may include gains or losses on divestments of property, plant and equipment or intangibles, impairment losses on property, plant and equipment or intangibles, restructuring costs, and provisions for claims and litigation.

Financial income and expenses include "Finance costs, net" and "Other financial income and expenses", which include gains and losses on disposals of financial assets, impairment losses on financial assets, dividends paid by non-consolidated associates, changes in the fair value of "financial assets at fair value through profit or loss", the impact of discounting receivables, liabilities, provisions and foreign exchange differences.

1.7.9.21 Net income per share

Basic earnings per share are calculated by dividing the Group's share of net income for the year by the average number of shares outstanding during the year.

Diluted net income per share is calculated by dividing the Group's share of net income by the average number of shares outstanding during the year, adjusted according to the "treasury stock" method. According to the "treasury stock" method, the cash that would be received from the exercise of dilutive instruments would be used to buy back the shares and partially neutralize the resulting dilution; the potential dilution is thus the net impact. Dilutive instruments issued by subsidiaries are also included in determining the Group share of net income.

If the income statement presents income from divested businesses separately, earnings per share from continuing and discontinued operations are also presented separately.

1.7.9.22 Accounting treatment of participation of Wendel executives in Group investments

The co-investment mechanisms described under "Participation of Wendel executives in Group investments" take the form of ownership by Wendel executives of various financial instruments, such as ordinary shares, index-based or preferred shares, stock options, etc.

These investments are redeemed upon divestment or an IPO, or after a pre-determined period of time. At this time, the investment gains are shared on the basis of whether or not Wendel's annual return and accrued profitability objectives have been met.

These investments are measured and accounted for based on the manner in which they will be redeemed, either as equity instruments under a full divestment or an IPO, or in cash under Wendel's commitment to buy them back after a pre-determined period has elapsed.

Until the redemption method is known, the investments are accounted for based on the method thought to be the most likely.

When the investments are most likely to be redeemed as equity instruments, the managers' initial investment is accounted for as minority interests in proportion to their share of the total investment (Wendel + co-investors *pari passu* + Wendel executives). When the investment is redeemed, the dilution created by the sharing of gains reduces Wendel's capital gain. If there is an initial advantage (i.e., a positive difference between the fair value of the co-investment and the executives' subscription or acquisition price), this advantage is recognized as an operating expense and spread out over the vesting period of the investment. The offsetting entry for this expense is an increase in shareholders' equity. This advantage is determined on the grant date and is not revalued thereafter. If, on the other hand, the beneficiaries have invested at the fair value of the subscribed or acquired instruments, there is no initial advantage and no expense is recognized.

When the investments are most likely to be redeemed in cash, under Wendel's repurchase commitments after the lapse of a pre-determined period, the initial investment is recognized as debt. This debt is later restated at its fair value until payment is made. The change in fair value is recognized on the income statement. When the investment is redeemed, the debt is paid off in cash.

The most likely redemption method is determined at each balance sheet date, until the investments are redeemed. Should the most likely method change, the effects of the change are recognized in advance on the income statement. Hence, if the most likely redemption method were to be changed to cash, the amount recognized on the income statement at the time of the change would be the fully revalued amount of the instruments at that date.

At December 31, 2010, Wendel believed that the investments were most likely to be redeemed as part of a total divestment of the investments concerned or as part of an IPO of these investments. No debt has therefore been recognized for co-investment mechanisms at December 31, 2010.

1.8 Changes in scope of consolidation

1.8.1 Changes in scope of consolidation in fiscal year 2010

1.8.1.1 Investment in Saint-Gobain (production, transformation and distribution of materials)

As of December 31, 2010, Wendel owned 93.0 million shares, representing 17.68% of Saint-Gobain, vs. 17.66% at December 31, 2009 (net of treasury shares). The main changes in Wendel's interest during the fiscal year were as follows:

- Rights issue reserved for Saint-Gobain group employees:

  The rights issue reserved for employees under the company savings plan diluted Wendel's investment in Saint-Gobain by about -0.17 percentage points (calculated net of treasury shares).

- Dividend paid in 2010 by the Saint-Gobain group:

  Beneficiaries of the dividend paid in 2010 had the option of receiving the dividend in shares (issue price: €28.58 per share) or in cash (€1.00 per share). Shareholders elected to receive almost 72% of their dividends in shares. Wendel opted to receive its dividends in shares and received 3.1 million Saint-Gobain shares by virtue of the €89.8 million in dividends to which its stake entitled it. This raised the number of its shares to 93 million, without this being a strategic intention.

The capital increase resulting from the payment of dividends in the form of shares resulted in a slight 0.17 percentage points enhancement of Wendel's stake in Saint-Gobain (calculated net of treasury shares).

- Share buybacks and exercise of stock options:

  The cumulative impact of share buybacks and stock options exercises on the percentage interest was insignificant during the fiscal year (+0.02 points).

The accounting impact of all of these changes in percentage interest was a positive €0.8 million, recognized in the income statement under "Share of income from equity-method investments".

The 3.1 million shares received in payment of Saint-Gobain's 2010 dividend were accounted for as equity-method investments at June 30, 2010. At December 31, 2010, these 3.1 million shares were reclassified under assets and operations held for sale in accordance with Wendel's decision to sell them in 2011. This reclassification generated a €34.5 million accounting loss, which is recognized on the "Share of income from equity-method investments" line and is equal to the difference between:

- the carrying amount of these shares at the time they were reclassified (average carrying amount of all equity-accounted shares prior to the reversal of the impairment provisions detailed in Note 4 and after reversal of translation adjustments), and
- the value at which they were recognized under assets and operations held for sale (the closing share price, i.e., €38.5 per share).

However, the decision to receive payment of the 2010 dividend in the form of shares (at an issue price of €28.58 per share) gave the Group the benefit of the increase in Saint-Gobain's share price since the payout of the dividend (December 31, 2010 share price: €38.5).

At December 31, 2010, of the 93 million shares held:

- 89.8 million were recognized as an equity-method investment, in accordance with IAS 28; they amounted to 17.08% of the share capital (net of treasury shares);
- 3.1 million were received in payment of Saint-Gobain's 2010 dividend and were accounted for as an equity-method investment at June 30, 2010 and reclassified at December 31, 2010 as assets and operations held for sale in accordance with Wendel's decision to sell them in 2011. They are equivalent to 0.60% of the share capital (net of treasury shares).

1.8.1.2 Helikos IPO

Helikos is a Luxembourg-registered SPAC (Special Purpose Acquisition Company) that has been listed in Frankfurt since February 4, 2010. Its sole purpose is to invest in an unlisted German "*Mittelstand*" company within two years after its IPO, with a possible six-month extension in the event that discussions have already begun with a prospective company. It is endowed with €200 million to be used as an equity investment in a company having an enterprise value of between €300 million and €1 billion.

Wendel is the project's main promoter and, as such must assist Helikos in identifying the company in which Helikos would invest, in performing due diligence, and in negotiating and closing the transaction.

Helikos has issued two categories of financial instruments:

- Publicly traded shares and warrants (listed in Frankfurt): subscription of these shares raised €200 million to allow Helikos to finance an acquisition. This cash has been placed in escrow. When an acquisition proposal is presented to shareholders, "public" shareholders so desiring may request the return of their cash and thus withdraw from the SPAC. Cash is returned if the acquisition proposal is accepted. For an acquisition to be accepted, the percentage of "public" shareholders requesting the return of their investment must be less than 35%, and the majority of "public" shareholders must approve the transaction at their Annual General Meeting. If Helikos does not make an acquisition within two years after its IPO, the cash will be returned to "public" shareholders if, following a vote, the company is dissolved.

  Helikos recognizes the "public" shares under shareholders' equity. "Public" warrants are recognized under financial liabilities in Helikos' accounts. They have a €9 strike price and a five-year life; in the event that they are exercised, the strike price is not paid in cash; rather they entitle their holders to receive a "public" share in exchange for cancelling a number of warrants whose intrinsic value is equivalent to the strike price.

  Wendel holds 6.75% of the "public" shares and warrants.
- Promoter shares and warrants: 88% of these instruments are held by the Wendel Group, 6% by the Chief Executive Officer of Helikos (Roland Lienau), who is also a Managing Director at Wendel, and 6% by a German partner, Prof. Hermann Simon. Promoters' subscription provided Helikos with €10 million to pay for its IPO costs, its operating expenses and the costs of looking for an acquisition candidate. Promoter shares and warrants are not listed. In the event of liquidation of Helikos, holders of these instruments have no claim to Helikos' cash. Promoter shares and warrants are recognized under shareholders' equity in Helikos' accounts. One-third of the promoter shares will be converted into "public" shares when the acquisition is made, a second third when the price of "public" shares is above €11, and the last third when the price of "public" shares is above €12. As a result, if all promoter shares are converted (excluding the exercise of the warrants), Wendel could ultimately hold 26% of Helikos' "public" shares after the acquisition, including the "public" shares it already holds (6.75%).

  Promoter warrants are identical to "public" warrants but may also be exercised by subscribing shares in exchange for payment of the strike price.

Because of its role and the fact that it holds two of the seven seats on Helikos' board of directors, Wendel exercises significant influence over Helikos. This company has therefore been consolidated as an equity-method investment since its IPO date, which is when Wendel obtained significant influence. The "public" warrants held by Wendel are recognized under current financial assets, and changes in their fair value are recognized on the income statement.

Given the rights attached to the instruments issued by Helikos and held by the Wendel Group, Wendel accounts for the following items according to the equity-method:

- Helikos' expenses (IPO, operating expenses and search costs) and working capital requirements, up to its portion of promoter shares (88%); and
- Cash in escrow up to its portion of "public" shares (6.75%).

1.8.1.3 Finalization of the financial restructuring and takeover of Stahl (high-performance coatings and leather finishing products)

At December 31, 2009, Stahl was an equity-method investment (46%). In light of the losses it had accumulated up to then, its carrying amount was nil on Wendel's consolidated balance sheet.

On February 26, 2010, Wendel successfully completed renegotiation of Stahl's debt with the unanimous support of senior, second-lien and mezzanine creditors. In accordance with the proposal made to creditors in the fourth quarter of 2009, Wendel contributed €60 million in cash to Stahl (including €0.1 million in the form of equity and €59.9 million in the form of a shareholder loan).

Restructuring led to a reduction in gross bank debt of almost 45%, which gives Stahl a financial structure suited to its new business plan.

- Wendel's €60 million cash contribution allowed Stahl to buy back discounted senior debt;
- Subordinated lenders (mezzanine and second-lien) forgave their €99 million in loans in exchange for a 6.1% equity stake in Stahl (shares and a shareholder loan) and an earn-out right exercisable only upon the total or partial divestment of Wendel's stake. This right is exercisable if Wendel's overall return is more than 2.5 times its 2010 re-investment, and is equivalent to the allocation of 1 to 2 bonus shares per share held by these ex-subordinated lenders. In accordance with accounting standards, this commitment is not recognized on the balance sheet as the exercise of this right depends on Wendel's sale of its stake.

  Moreover, Wendel has pledged to buy these new shareholders' stake (excluding the earn-out right), including one-third of them in 2015, one-third in 2016, and one-third in 2017, with the purchase price being equal to half of market value. A financial liability has been recognized for this amount, offset by these minorities' share of reserves and the Group's share of reserves for the balance. At each closing date, this financial liability is revalued against reserves based on the same rule.

As part of this financial restructuring and Wendel's additional investment, Stahl managers were also invited to take part in the investment. The managers thus acquired 2.1% of the share capital from Wendel, 0.7% of the shareholder loan and an earn-out right that is exercisable in the event of Wendel's total or partial sale of its stake or after 2014, 2015 and 2016 (one-third each year). In accordance with Wendel's policy, the exercise of this earn-out right is subject to Wendel's achieving of a minimum average annual return on its entire investment in Stahl (see "Participation of Wendel executives in Group investments").

Following the restructuring and manager investment, Wendel's percentage interest in Stahl is 91.9% (91.5% after taking into account minority co-investment by Wendel's executives).

Wendel has thus taken exclusive control of Stahl and has consolidated it fully since the restructuring date (i.e., 10 months in fiscal year 2010):

In millions of euros	**Contribution to 2010 net income (10 months)**	**2010 (12 months)**
Net sales	284.0	330.1
EBITDA	47.1	54.8
Adjusted operating income (1)	39.7	46.2

(1) see "Segment information"

Goodwill was determined when control of Stahl was obtained:

In millions of euros	
Post-restructuring net book value (net of shareholder loan)	67.8
Revaluation of intangible assets and cancellation of goodwill	-128.8
Revaluation of property, plant and equipment	15.9
Revaluation of inventories	10.4
Other identifiable assets and liabilities	13.8
Revalued net book value	**-20.9**
Wendel's investment in equity instruments	0.1
Transfer of 6.1% of the shareholders' loan to former subordinated lenders and co-investment by Stahl managers	3.1
Goodwill	**24.1**

In accordance with IFRS, reevaluation of identifiable assets, identifiable liabilities, contingent liabilities and the goodwill calculation will be definitive 12 months after the taking of control.

1.8.1.4 Sale of a block of 14.45 million shares (5.5% of share capital) of Legrand (products and systems for low-voltage installations)

On September 21, 2010, Wendel sold 14.45 million Legrand shares at €23.95 per share:

Sale proceeds	€346.1 million
Book value of shares sold	€119.1 million
(including reversal of translation adjustments)	
Selling costs	-€1.1 million
Gain on sale, net of selling costs	€225.9 million

The gain on sale was recognized in the "Share of net income from equity-method investments" item of the income statement.

As of December 31, 2010, Wendel still exerts significant influence over Legrand, with more than 27.7% of the voting rights and 19.5% of the shares (net of treasury shares), alongside KKR. Hence, for fiscal year 2010, Legrand was accounted for according to the equity method at 25% for the first nine months of the fiscal year, then at 19.5%.

On March 4, 2011, Wendel sold another block of 21.8 million Legrand shares, equivalent to 8.3% of Legrand's share capital, for €627 million. As Wendel continued to sit on the board of directors after this disposal, it will continue to account for Legrand as an equity-method investment. See "Subsequent events" for details on events occurring after the balance sheet date.

1.8.1.5 Divestment of Stallergenes (allergenic immunotherapy)

On November 16, 2010, Wendel sold its entire stake in Stallergenes (ca. 46% of share capital). The sale was carried out at €59 per share and generated €358.8 million in proceeds, thus valuing the company at about 15 times EBITDA, 18 times operating income and 28 times net income. The transaction generated a capital gain of €300 million for Wendel. It represented a multiple of 35 times its initial investment and an internal rate of return of 40% p.a.

Sale proceeds	€358.8 million
Book value of sales sold	€57.5 million
(including a reversal of translation adjustments)	
Selling costs	-€1.1 million
Gain on sale, net of selling costs	€300.2 million

Stallergenes' income contribution is presented on the "Net income from discontinued operations and operations held for sale" line for the 12 months of fiscal year 2009, which is presented for purposes of comparison for the period from January 1, 2010 to the transaction date. The capital gain is presented under "Net income from discontinued operations and operations held for sale" (see Note 24).

1.8.1.6 Main changes in scope of consolidation at the level of subsidiaries and associates

Acquisitions by the Bureau Veritas group (certification and verification):
During fiscal year 2010, Bureau Veritas acquired eight companies, including Advanced Coal Technology (a South African company specializing in coal analysis) and Inspectorate (oil and petrochemical products, metals and minerals, agricultural products and other goods). Bureau Veritas acquired 100% of the companies' share capital.
The overall acquisition cost of companies acquired by Bureau Veritas in 2010 was €582 million and overall goodwill recognized on these acquisitions was €417 million. Annual net sales in 2010 of all these companies came to about €351 million, and operating income before amortization of intangible assets from business combinations was about €37 million.
In 2010 Bureau Veritas also finalized the processes of streamlining its business portfolio, which aimed to discontinue several small, marginal businesses inherited from previous years' acquisitions.

Acquisitions by the Materis group (specialty chemicals for the construction sector):
Materis' acquisitions totaled €27 million in 2010, and all involved 100% of the target companies' share capital. The total amount of goodwill on these acquisitions was €7 million.
Materis' main acquisition was a.b.e. construction chemicals. Listed in South Africa, this company is present on emerging markets and generates revenue of about €25 million. It manufactures and markets read-to-use products for concrete repair and waterproofing.
The contribution to net income of acquired subsidiaries is not significant compared to Wendel's earnings.

Acquisitions by the Deutsch group (high-performance connectors):
In the first half of 2010 Deutsch bought out minorities in its LADD subsidiary (Deutsch's industrial division's exclusive US distributor) for USD 40 million, thus raising its stake from 60% to 100%.
The impact of this transaction was recognized under shareholders' equity, in accordance with IFRS.

Acquisitions of the Saint-Gobain group (production, transformation and distribution of construction materials), an equity-method investment:
In the first half of 2010, Saint-Gobain took over the Japanese insulation company MAG. In December, it acquired a 50% stake in Sage Electrochromics. Saint-Gobain also finalized the divestment of the advanced ceramics business for about USD 245 million.

Saint-Gobain also began a procedure that will culminate in a separate market listing of a minority share of its packaging division (Verallia).

Acquisitions of the Legrand group (products and systems for low-voltage installations), an equity-method investment:

Legrand's main acquisitions in 2010 were Inform (leader in electrical inverters and secured electrical equipment in Turkey), 100% of net assets of Indo Asian Switchgear (ERA Electricals, a major player on the Indian protection market) and Meta System Energy (an electrical inverter specialist in Italy).

Legrand invested a total of €288.6 million on acquisitions (less cash acquired), minority buyouts and investments in non-consolidated associates in 2010. Entities consolidated by Legrand for the first time contributed €41.1 million to its 2010 net sales, and €1.8 million in net income.

1.8.2 Changes in scope of consolidation in fiscal year 2009

1.8.2.1 Investment in Saint-Gobain (production, transformation and distribution of construction materials)

The dilution to Saint-Gobain's stake in 2009 was generated by three transactions carried out on the share capital in the first half of 2009:

- March 2009 rights issue:
  On March 23, 2009, Saint-Gobain increased its share capital by €1,512 million (excluding expenses) through the issuance of 108,017,212 shares at a subscription price of €14 per share. Wendel participated only partially in the rights issue, exercising 28.9 million share warrants (35.5% of its warrants) and receiving 8.3 million shares in return for an investment of €115.7 million. Wendel's remaining 52.6 million share warrants were sold on the market. Net proceeds from the sale of these share warrants totaled €65.5 million and were included in the "Other financial income and expenses" line of the income statement. This transaction resulted in a dilution of Wendel's interest in Saint-Gobain of about 3.1 percentage points (calculated net of treasury shares).
- Rights issue reserved for Saint-Gobain employees:
  The rights issue reserved for employees under the company savings plan diluted Wendel's investment in Saint-Gobain by about 0.3 percentage points (calculated net of treasury shares).
- Dividend paid in 2009 by Saint-Gobain:
  Beneficiaries of the dividend paid in 2009 had the option of receiving the dividend in shares or in cash. Shareholders elected to receive almost 65% of their dividends in shares. Wendel opted to receive its dividends in shares and sold all of the shares thus received under terms of a bank financing agreement. Through this sale, Wendel received the equivalent of the dividend it would have received had it opted for the dividend in cash, plus a premium of €6.8 million under the contract. The capital increase resulting

from the share dividends diluted Wendel's investment in Saint-Gobain by about 0.5 percentage points (calculated net of treasury shares).

The accounting impact of this dilution was a negative €741.6 million euros, recognized in the income statement under "Share of net income from equity-method investments". This loss came about because of the difference between the value of Saint-Gobain in Wendel's books (before impairment recognized in 2009) and the price at which the new shares were issued by Saint-Gobain.

Changes in holdings of Saint-Gobain shares during the second half of 2009 generated a loss of €2.9 million euros.

In addition, reversal of the portion of translation adjustments recognized on the diluted portion led to a loss of €38 million in the income statement.

As a result of these transactions in fiscal year 2009, Wendel's stake in Saint-Gobain declined from 21.57% at December 31, 2008 to 17.66% at December 31, 2009 (net of treasury shares).

1.8.2.2 Sale of a block of 11 million shares (10% of share capital) of Bureau Veritas (certification, verification)

In March 2009, Wendel sold 11 million Bureau Veritas shares at €25.00 per share, for total proceeds of €275 million, excluding expenses. At the end of 2009, Wendel held 52% of Bureau Veritas (net of treasury shares) and remained the majority shareholder.

Sale proceeds	€275.0 million
Book value of shares sold	€154.4 million
(including reversal of translation adjustments)	
Selling costs	-€2.2 million
Gain on sale, net of selling costs	€118.4 million

The gain on sale was recognized in the "Other operating income and expenses" line of the 2009 income statement.

1.8.2.3 Sale of Oranje-Nassau Groep's oil and gas business

In May 2009, Oranje-Nassau Groep sold all of its oil and gas activities. The divestment generated a net gain of €346.3 million:

Sale proceeds	€601.6 million
Impact of selling costs and premiums paid to the Dutch executives of Oranje-Nassau (net of tax)	-€15.8 million
Book value of shares sold (including reversal of translation adjustments)	€239.5 million
Gain on sale, net of selling costs	€346.3 million

After payment of selling costs, premiums paid to the executives of Oranje-Nassau and repayment of Oranje-Nassau's bank debt, the transaction increased the Wendel Group's available cash by €510 million.

In accordance with IFRS 5, all items on the income statement related to the oil and gas business from the beginning of fiscal year 2009 until the divestment date are presented under the "Net income from discontinued operations" of the 2009 income statement, along with the gain on the sale.

1.8.2.4 Sale of a block of 15 million shares (5.7% of share capital) of Legrand (products and systems for low-voltage installations

In November 2009, Wendel sold 15 million Legrand shares at €18.50 per share. As a result of this transactions, Wendel held 25% of Legrand (net of treasury shares). Proceeds from the sale totaled €277.5 million, excluding expenses.

Sale proceeds	€277.5 million
Book value of shares sold (including reversal of translation adjustments)	€114.2 million
Selling costs	-€1.7 million
Gain on sale, net of selling costs	€161.6 million

The gain on sale was recognized in the "Share of net income from equity-method investments" line of the 2009 income statement.

1.9 Related parties

Wendel's related parties are:

- Saint-Gobain, Legrand and Helikos, which are accounted for by the equity method;
- Members of Wendel's Supervisory Board and Executive Board; and
- Wendel-Participations, which is the Group's control structure.

1.9.1 Saint-Gobain

During the 2010 fiscal year, Wendel received €89.8 million in dividends from Saint-Gobain. This dividend was paid in the form of 3.1 million newly issued Saint-Gobain shares. At December 31, 2010, these shares were reclassified under assets and operations held for sale, in accordance with Wendel's decision to sell them in 2011 (see section on changes in scope of consolidation).

Some Saint-Gobain subsidiaries undertake transactions with Wendel Group subsidiaries. These transactions are carried out at market prices.

1.9.2 Legrand

During the 2010 fiscal year, Wendel received €45.9 million in dividends from Legrand.

1.9.3 Helikos

Helikos is a special purpose acquisition company whose sole purpose is to invest in an unlisted German "*Mittelstand*" company (see "Changes in scope of consolidation"). Wendel is the project's main promoter and, as such, assists Helikos in identifying an acquisition candidate, performing due diligence, negotiating and closing the transaction. For this purpose, Wendel was paid €107 thousand by Helikos.

1.9.4 Members of the Supervisory Board and Executive Board

The amount of compensation due with respect to fiscal year 2010 to the two members of Wendel's Executive Board came to €3,157 thousand. The value of options and performance shares granted during fiscal year 2010 to Executive Board members came, respectively, to €1,290 thousand and €274 thousand.

Compensation paid in 2010 to the Supervisory Board totaled €774.2 thousand, including €657.5 thousand in Wendel directors' fees and compensation paid to the Chairman of the Supervisory Board, €33.3 thousand in directors' fees paid to certain members of the Supervisory Board by Wendel-Participations for serving on its

Board, and €78.5 thousand paid by Wendel subsidiaries to certain members of the Supervisory Board for serving on their Boards.

Wendel's liabilities in the event of departure of Executive Board members are described in the section of the annual report dealing with compensation of corporate officers.

Executive Board members co-invested in Materis, Deutsch, Stahl and VGG (see a description of the mechanisms of co-investment in "Participation of managers in Group investments", below).

1.9.5 Wendel-Participations

Wendel-Participations is owned by about 950 members of the Wendel family, including both individuals and legal entities. It owns about 34% of Wendel's share capital.

There is no significant economic or financial relationship between Wendel-Participations and Wendel, other than dividends received and the following agreements:

- an agreement governing the use of the "Wendel" name and a license agreement governing the "WENDEL Investissement" brand; and
- agreements with Wendel-Participations regarding technical assistance and leasing of premises.

1.10 Participation of managers in Group investments

1.10.1 Participation of Wendel managers in Group performance

To involve Wendel Group managers in its value creation, co-investment mechanisms have been set up to allow them to invest their personal funds in the same assets in which the Group invests. This gives managers a personal stake in the risks and rewards of these investments.

The system described below applies to new transactions undertaken by Wendel between 2006 and 2008. Another system will be set up for new investments made from 2011 on.

In 2006, the Executive Board, after authorization of the Supervisory Board upon the recommendation of its Governance Committee, had set up a system of co-investment applicable to any new transaction in which the Group assumed an economic risk on a listed or unlisted company, based on the following general principles:

(i) the individuals invested, alongside the Group and based on a proposal from the Company, an amount equivalent to no more than 0.5% of the total sums invested by Wendel;

(ii) the individuals financed their co-investment on their own;

(iii) the co-investments conferred a right to 10% of the capital gain (on 0.5% of the investments), provided that Wendel has obtained a minimum annual return of 7% and a total capital gain of 40% on its investment. Otherwise, the senior managers would lose the amounts they have invested. The 7% minimum profitability threshold is measured with respect to the original value and date of the investments. The 40% capital gain threshold on Wendel's investment in listed companies applies only after an initial period of 2.5 years following the investment;

(iv) rights associated with co-investments would vest over a period of four years in five tranches of 20% each (20% at the investment date, then 20% at each anniversary date).The members of the management team agreed that in the event of their departure they would sell their unvested rights upon request, at their initial value;

(v) the capital gain will be realized at the time of divestment, or in the absence of divestment at the end of 10 years, on the basis of an appraiser's opinion.

Co-investment mechanisms were set up on Saint-Gobain and the Group's unlisted companies, i.e., Materis, Deutsch, Stahl and VGG.

<u>Saint-Gobain</u>

As of December 31, 2008, €7 million was co-invested in Saint-Gobain by senior managers and certain corporate officers who were present at Wendel when the mechanism was set up.

All managers concerned and still present in the Group have considered that this co-investment is lost, by virtue of the return that Wendel must realize before they can claim any distribution. Accordingly, in 2010 they sold all their units to a Wendel Group entity for the token price of one euro, thus writing off their entire investment. Losses amounted to €5,999 for Ernest-Antoine Seillière, Chairman of the Supervisory Board; €1,312,499 for Bernard Gautier, an Executive Board member; and €1,255,599 for Jean-Bernard Lafonta, former Executive Board Chairman, who sold the rest of his units in 2010.

Materis, Deutsch, Stahl and VGG

As of December 31, 2008, €3.9 million was co-invested in the Group's unlisted companies – Materis, Deutsch, Stahl and VGG – by senior managers and certain corporate officers present at Wendel when the mechanism was set up. This amount fell to €3.1 million after divestments in 2009 by the former Chairman of the Executive Board and in 2009 and 2010 by other senior managers who have left the Group. The co-investment was made through the Winvest International venture capital investment company.

In 2009 and 2010, the Grouped invested in Materis, Deutsch and Stahl as part of their respective debt restructurings. As reported at the Annual Meeting of June 4, 2010, only those senior managers still present at Wendel (and, hence, in a position to contribute to the development of these subsidiaries) were offered an opportunity to make an additional co-investment. This additional co-investment was authorized by Supervisory Board on July 7, 2010, on the recommendation of its Governance Committee.

These managers and executives reinvested €1,482,916 in Winvest International, including €300,000 by Frédéric Lemoine and €184,257 by Bernard Gautier. This additional co-investment was made on the basis of the initial value of Winvest International shares and not the net carrying value provided for in Winvest International's prospectus. Due to the difficult economic environment, net carrying value was below initial value and the par value of the shares. Upon the recommendations of the Governance Committee and the Executive Board, the Supervisory Board decided not to use net carrying value, because it would have resulted in an anti-dilutive effect for the 2010 co-investors and very significant dilution for the former senior managers who did not take part in this additional co-investment, as they were no longer with the Group. The value chosen fell within the fair value range determined by an independent appraiser.

For this additional co-investment, four sub-funds were set up within Winvest International, one for each of the companies (Materis, Deutsch, Stahl and VGG), in accordance with the original plan and the Luxembourg law of October 24, 2008.

The senior managers involved, including Executive Board members, have entered into sale and purchase commitments with Wendel, which detail and implement the general principles described above. These commitments will be exercised in the event of either the departure of a senior manager or a liquidity event (i.e., divestment, IPO, or expiration of the 10-year period) affecting one of the companies (Materis, Stahl, Deutsch and VGG).

At December 31, 2010, the amounts that senior executives have invested in Winvest International since its inception were equivalent to about 0.5% of the amounts invested by the Wendel Group and came to €4.6

million, including €734,257 by Bernard Gautier, €300,000 by Frédéric Lemoine and €160,000 by Ernest-Antoine Seillière. No non-executive corporate officer has co-invested since 2006.

The co-investment mechanism set up in 2006 was suspended in June 2009 for new transactions, and no new co-investment has since been made in a new portfolio company.

1.10.2 Participation of subsidiaries' managers in the performance of their companies

Group subsidiaries and associates have set up various mechanisms to allow senior managers to participate in the performance of each entity.

For listed subsidiaries and associates (Bureau Veritas, Legrand and Saint-Gobain), these mechanisms consist in stock-option and/or bonus share plans.

For unlisted subsidiaries (Deutsch, Stahl and Materis), the participation policy is based on a co-investment mechanism through which these executives may invest significant sums alongside Wendel and under which their profit profile depends on the internal rate of return (IRR) achieved by Wendel in the investment concerned.

The managers receive a return in excess of Wendel's only when a certain profitability threshold has been met (ranging from 7% to 15%).

Managers run the risk of losing all or part of the significant sums they have invested, depending on the value of the investment at maturity.

Wendel and the executives hold a variety of financial instruments to implement these co-investment mechanisms and to determine the manner in which they share risks. These instruments include ordinary shares, index-based or preferred shares, fixed-rate bonds, stock options, etc.

These investments mature either when a liquidity event occurs (divestment or IPO) or, if no such event takes place, at a specific point in time (six to 14 years after the initial investment by Wendel, depending on the company).

1.10.3 Impact of co-investment mechanisms for Wendel

If the business plans of the companies related to the co-investments described in sections 4.10.1 and 4.10.2 are realized, there could be a dilutive impact of 10-15% on Wendel's ownership interest in these companies by 2013-2015.

1.11 Risk management

1.11.1 Managing equity market risk

1.11.1.1 Value of investments

Group assets are mainly investments in which Wendel is the main or controlling shareholder. Some are listed (Saint-Gobain, Bureau Veritas and Legrand), and others are unlisted (Materis, Deutsch and Stahl). The Group also holds minority shareholdings whose amounts are relatively insignificant (VGG and Helikos).

The value of these investments is based mainly on:

- their financial performance;
- their prospects for business development and profitability;
- their ability to identify risks and opportunities in their environment;
- equity market trends, directly in the case of listed companies and indirectly in the case of unlisted companies, whose valuations may be influenced by market parameters.

Growth in Wendel's Net Asset Value depends on its managers' capacity to select, buy, develop and then resell companies able to distinguish themselves as leaders in their sectors.

Wendel makes its decisions on the basis of its investment teams' expertise and in-depth strategic, accounting and financial, legal, tax and environmental due diligence. These processes identify the operating, competitive, financial and legal opportunities and threats likely to have an impact on the value of an investment.

Wendel monitors and analyzes each company's operating and financial performance and the risks to which they are subject, alongside the managers of the companies, during regular in-depth reporting meetings or meetings of these companies' governance entities. In addition, knowledge sharing with the management team makes it possible to develop true sectoral expertise and thus to prepare an analysis of future prospects at regular intervals. This regular review also enables Wendel to better analyze developments in each investment and play its role of core shareholder.

Wendel's company-specific approach is supplemented at the Group level through an overall analysis of the distribution of Wendel's subsidiaries and investments by economic activity, in order to ensure sufficient diversification, not only sectorally, but also from the point of view of competitive positioning and of the resilience of the companies to economic hardship.

Nevertheless, there is a risk that the subsidiary's economic results will not meet Wendel's expectations. This risk is significant amid the current high volatility on the financial markets and the after-effects of the global recession, which continues to generate much uncertainly on economic trends.

The financial structure of LBO investments (Materis, Deutsch and Stahl) accentuates the risk on their valuation. While leverage makes high internal rates of return (IRR) possible on these investments, it also exacerbates financial difficulties in the event of a significant slowdown in economic activity by restricting their access to liquidity and in subjecting them to the risk that financial covenants will trigger accelerated maturity of their financial debt (see "Liquidity risk"). Moreover, the financial crisis has shown that banks' own difficulties (e.g., access to liquidity, prudential ratios) could create obstacles in refinancing the debt of these companies. To forecast and manage the risk incurred by these companies' financial structure, cash flow and financial covenant forecasts are prepared regularly, based on various scenarios, in order to prepare, if necessary, targeted solutions to ensure their long-term survival and to create value. Moreover, Wendel and its subsidiaries are in close contact with bank lenders, in order to more effectively manage the restrictions on these financing agreements. This was how the financial restructurings of Materis, Deutsch and Stahl were successfully executed in 2009 and 2010, demonstrating Wendel's ability to manage and anticipate LBO restrictions and preserve the value expected from its investments.

The value of these investments is therefore subject to the risk that their financial performance and prospects for business development and profitability will be undermined by difficulties created by their organization, financial structure, economic sector and/or the global economic environment. It is also subject to financial market risk, and equity market risk in particular. However, Wendel is a long-term shareholder with no short-term demands on the value of its assets at a specific point in time, even though it monitors NAV trends very closely.

1.11.1.2 Equity derivatives

Wendel may use equity or index derivatives to hedge its investment portfolio.

To protect against a decline in the share price of Saint-Gobain, Wendel has purchased put options on a portion of its investment in the company. These protections are part of its arrangement to finance its Saint-Gobain investment without being subject to collateral calls (see "Liquidity situation, bank covenants"). Wendel has also sold put options with the same strike prices as some of the put options it bought. The combination of these two positions constitutes a net protection of the value of some of the Saint-Gobain shares held. As of the end of 2009, Wendel had sold some of these puts, thereby increasing its exposure to fluctuations in Saint-Gobain's share price (i.e., shares held less net protection) from almost 64% to nearly 75%. During 2010, Wendel continued to sell down its put options, thereby raising its exposure to fluctuations in Saint-Gobain's share price to more than 81% of shares held as of June 30, 2010, then to more than 92% at December 31, 2010 (see Note 8D "Derivatives"). In March 2011, Wendel sold some more of the put options (see "Subsequent events").

1.11.1.3 Financial investments indexed to equity markets

As part of its cash management (see "Managing liquidity risk"), Wendel uses liquid financial investments, a small portion of which are indexed to equity markets (equity funds). This small portion is therefore exposed to equity market risk. Such investments, which offer higher expected yields than cash instruments, but also greater risk of loss in value, are monitored regularly by the Chief Financial Officer and the Executive Board.

1.11.1.4 Equity market risk

Equity market risk relates to:

- Consolidated and equity-method securities whose recoverable values used for impairment tests are based on market parameters, such as the discount rate used in calculating "value in use" or the market price used in calculating "fair value";
- The 3.1 million Saint-Gobain shares classified under assets and operations held for sale and valued at the closing share price, i.e., €121 million (see "Changes in scope of consolidation"). A +/-5% change in Saint-Gobain's share price would have a +/-€6 million impact on the income statement;
- puts on Saint-Gobain shares, recognized at their market value on the balance sheet. When Saint-Gobain's share price declines, the value of the hedges increases, generating a gain in the income statement, and vice versa. As an indication, at December 31, 2010, a +/-5% change in the price of Saint-Gobain's shares (the asset underlying these financial instruments) would have an impact of about -/+€12 million on the income statement (see Note 8D "Derivatives");
- Short-term financial investments indexed to the equity markets, the total value of which was €62 million at December 31, 2010. Such investments are classified under current financial assets, and any change in their fair value is recognized on the income statement. A +/-5% variation in the equity markets would have an impact of about +/-€3 million on the value of these investments and in the income statement;
- collateral calls on Eufor group financing. These depend on the share price of the shares serving as collateral. Collateral calls may have an impact on Wendel's level of available cash; they are described under "Managing liquidity risk" related to Eufor group financing;
- the covenants under Wendel's syndicated credit line, which are based on the ratios between financial debt and asset values; they are described under "Managing liquidity risk". At December 31, 2010, there were no outstandings under this line of credit;
    - The level of financial leverage of Wendel and its holding companies (i.e., net debt/assets), which is a key indicator in the cost of bond financing (and in some cases, bank financing) that Wendel may call on. This indicator is also monitored by Standard & Poor's, which has been mandated by Wendel to rate its financial structure and bond borrowings. See the "Managing liquidity risk".

In millions of euros	Gross book value (Group share)	Accumulated impairment (Group share)	Net book value (Group share)	Market value (closing share price)	Impact on market value of a 5% decline in share price	Note	Impact on net income		
							of a Change of +/-5% in share price	of a -/+ 0.5% change in the discount rate applied to the value of future cash flows	of a +/-0.5% change in perpetual growth rate used to calculate future cash flows
Equity-method investments									
Saint-Gobain	4,883.2	0.0	4,883.2	3,457.8	-172.9	4	NA (1)	+ 0 / -25	0 / 0
Legrand	429.8	0.0	429.8	1,558.3	-77.9	4	0.0	NA (4)	NA (4)
Consolidated investments									
Bureau Veritas	1,002.5	NA (3)	1,002.5	3,193.0	-159.6	1	0.0	NA (4)	NA (4)
Materis	-73.0	NA (3)	-73.0	NA	NA	1			
Materis shareholder loan (2)	195.5	0.0	195.5						
			122.5				NA	0 / 0	0 / 0
Deutsch	-116.3	NA (3)	-116.3	NA	NA	1			
Deutsch shareholder loan (2)	337.2	0.0	337.2						
			220.9				NA	0 / 0	0 / 0
Stahl	-0.5	NA (3)	-0.5	NA	NA	1			
Stahl shareholder loan (2)	60.3	0.0	60.3						
			59.8				NA	0 / 0	0 / 0
Financial instruments									
Net Saint-Gobain protection (puts)	83.3	NA	83.3	83.3	+ 12	8	-/+ 12	NA	NA
Financial investments									
Short-term financial investments indexed to the equity markets	61.9	NA	61.9	61.9	-3.1		+/- 3.1	NA	NA
Assets and operations held for sale									
Saint-Gobain	121.0	NA	121.0	121.0	-6.0	15	+/-6.0	NA	NA

(1) The impairment test is based on value in use (discounted future cash flows). See Note 4 “Equity-method investments”.

(2) Eliminated in consolidation.

(3) Impairment losses on goodwill are irreversible.

(4) The recoverable value used for impairment tests on these investments is the market share price (fair value).

1.11.2 Managing liquidity risk

1.11.2.1 Wendel

Wendel's cash needs arise from investments, debt service, overheads, dividends and collateral calls on Eufor financing (see mechanisms below). These needs are covered by asset rotation, bank and bond financing and by dividends received from subsidiaries and associates.

1.11.2.1.1 Managing financial maturities

Financing risk is linked to the availability of bond and bank borrowings, as well as financial leverage of Wendel and holding companies (net debt/assets). The latter depends, among other things, on asset values and is thus subject to equity market risk (see "Managing equity market risk").

To manage this risk, Wendel's seeks to align the maturities of its bond financing and Eufor group bank financing (Saint-Gobain investment) with its long-term investor profile. Wendel therefore secures medium to long-term financing and extends existing maturities when market conditions allow and when Wendel management deems it necessary to do so.

In 2010, as in 2009, Wendel successfully issued a new bond (see Note "Financial debt"), thus demonstrating its ability to manage its financial maturities effectively. Proceeds from the 2016 bond issued allowed it to pay off a portion of its bank debt with collateral calls (financing the Saint-Gobain investment) maturing in 2012-2013. This extended the average maturity of Wendel's financing and that of its holding companies and streamlined its financial structure by moving it towards bond debt without financial covenants and away from bank debt with collateral calls.

Wendel can also use the opportunity of asset disposals to reduce financial leverage by paying off some of its financial debt.

1.11.2.1.2 Cash monitoring

Cash holdings (including short-term financial investments) are displayed on a monthly chart showing the changes during the month and the month-end position, which is systematically presented to the Executive Board. The chart also gives a breakdown between pledged and unpledged cash, details on various cash and other short-term financial investment vehicles, as well as details on counterparties. Another chart is drawn up, showing the cash flows expected over the coming months and years. This helps determine when financing will be needed on the basis of various scenarios.

1.11.2.1.3 Monitoring the impact of collateral calls on available cash

Collateral calls on Eufor group financing (of the Saint-Gobain investment) are triggered by the value of securities pledged as collateral. Collateral call mechanisms are described under "Managing liquidity risk" pertaining to Eufor group financing. The level of available cash therefore depends on trends in the shares of Saint-Gobain and other securities pledged as collateral under these financing arrangements.

Wendel simulates collateral calls on the basis of movements in the price of Saint-Gobain and other listed shares pledged as collateral and pairs the results with Wendel's cash flow forecasts. This makes it possible to analyze the impact of Saint-Gobain's share price on Wendel's liquidity.

1.11.2.1.4 Cash investment vehicles

Cash and short-term investment vehicles consist primarily in short-term bank deposits and low-volatility, money-market mutual funds (classified under "Cash and cash equivalents"), as well as short-dated bonds, financial institution funds and equity and diversified funds (classified under "Other financial assets"). These investments are valued daily (or in rare cases, weekly). Amounts allocated to more volatile funds, potentially generating higher returns, represent an insignificant portion of cash and short-term financial investments. The net asset values of these more volatile funds are monitored formally on a weekly basis. In allocating cash to the various types of investments, Wendel takes into account the compatibility of their term with its debt repayment obligations and those of its holding companies. The breakdown in cash and short-term financial investments is presented under "Liquidity situation" as relates to Wendel.

1.11.2.2 Operating subsidiaries

Financial debt of subsidiaries is without recourse to Wendel.

The management of each operating subsidiary is responsible for the cash, debt and liquidity risk of that entity.

Cash and debt levels are reported regularly to Wendel. Bank covenants are subject to forecasts for the coming year and over the lifetime of the business plan several times a year and any time an event occurs that could have a material impact on them. These forecasts and calculations of covenant compliance are reported regularly to Wendel.

1.11.3 Liquidity situation, bank covenants

1.11.3.1 Wendel and its holding companies

1.11.3.1.1 Liquidity situation of Wendel and its holding companies

At December 31, 2010, cash and short-term financial investments held by Wendel and its holding companies (excluding operating subsidiaries) were as follows:

In millions of euros	Available	Pledged	Total
Money-market funds [1]	718	20	738
Bank accounts and bank certificates of deposit [1]	19	589	608
Short-dated bonds issued by industrial or service groups [2]	51		51
Diversified, equity or bond funds [2]	119		119
Financial institution funds [2]	247		247
Total	**1,154**	**609[3]**	**1,763**

(1) Classified under cash and cash equivalents

(2) Classified under current financial assets

(3) Pledged under Eufor group financing (structure that holds the Saint-Gobain investment).

Wendel also has a €1.2 billion undrawn line of credit with maturities in September 2013 (€950 million) and September 2014 (€250 million).

1.11.3.1.2 Maturities of debt with recourse to Wendel

At December 31, 2010, gross debt with recourse to Wendel consisted in a total of €2,834.8 million in Wendel bonds. €334.8 million of this was due on the first payment date, in February 2011. The other bond repayment dates extend from 2014 to 2017 (see details in Note 11 "Financial debt"). In accordance with Wendel's long-term investment strategy, the average maturity of this debt was 4.6 years as of December 31, 2010 (5.2 years when excluding the bond maturing in 2011).

On July 19, 2010, Standard & Poor's downgraded Wendel's long-term rating from BB with a negative outlook to BB- with a stable outlook. Its short-term B rating was confirmed.

1.11.3.1.3 Impact of debt without recourse to Wendel on its liquidity situation

Debt of operating subsidiaries and the Eufor group (financing of the Saint-Gobain investment) is without recourse to Wendel. As a result, these subsidiaries' liquidity risk affects Wendel only when it chooses to accept it:

- operating subsidiaries: Wendel has no legal obligation to support its operating subsidiaries and associates that might experience cash flow difficulties, nor do the operating subsidiaries have any mutual support obligation. As a result, Wendel's liquidity is affected only if Wendel decides to contribute cash to an operating subsidiary. Such a decision would result from an in-depth analysis of all the constraints to which Wendel is subject, including return on investment, Wendel's own liquidity, additional investment in other subsidiaries and new investments. As part of negotiations between operating subsidiaries and the bank lenders in the first half of 2010, Wendel agreed to make the following investments:
    - Stahl (see "Changes in scope of consolidation" and "Liquidity" with regards to Stahl): under Stahl's financial restructuring, Wendel invested €60 million in this subsidiary in the first quarter of 2010.
    - Deutsch (see "Liquidity" with regards to Deutsch): as part of the agreement between Deutsch and its bank lenders in April 2010, Wendel and the Painvin family (co-shareholders) agreed to invest €27 million and €3 million in Deutsch, respectively, to strengthen its financial structure. In addition, Wendel invested €37 million and the Painvin family €4 million to finance the buyout of minority interests (40%) in LADD, a subsidiary that serves as the exclusive US distributor of Deutsch's industrial division.

- Eufor group (Saint-Gobain investment structure): Wendel responds to the collateral calls on the financing for this group, which therefore have a direct impact on Wendel's liquidity. However, Wendel can decide not to respond to additional collateral calls. In this case, the related financing would be in default and the collateral already provided would be exercised by the bank, but the bank would have no further recourse to Wendel (collateral call mechanisms and security granted as of December 31, 2010 are described under "Liquidity of Eufor group").

1.11.3.1.4 Wendel's liquidity outlook

Wendel has little liquidity risk in 2011, given the level of cash and short-term financial investments available to it (€1,154 million at December 31, 2010, of which €335 million was used to repay the 2011 bond when it matured in February 2011). For the 12 months following the balance sheet date, this level of liquidity allows Wendel to meet its cash needs, fund any Eufor collateral calls triggered by sharp drops on the financial markets and meet the coming financial maturities of Wendel and its holding companies.

1.11.3.1.5 Bonds issued by Wendel - documentation

Bond issues have a change-of-control clause that allows bondholders, under certain conditions, to obtain reimbursement or redemption of their bonds in the event of a change in control of the issuer, in accordance with standard practice on the bond markets. Change of control is understood to mean that one or more persons, other than existing, non-free-float shareholders of the issuer, acting on their own or as a group, come to own 50% of the issuer's share capital and voting rights, provided this change of control leads to a rating downgrade of the issuer.

These bonds are not subject to financial covenants.

1.11.3.1.6 Covenant covering Wendel's syndicated credit line (undrawn as of December 31, 2010)

Wendel has a €1,200 million undrawn syndicated credit line, with a maturities in September 2013 (€950 million) and September 2014 (€250 million). The facility has financial covenants associated with it, based primarily on the market value of Wendel's assets and on the amount of its net debt. As such, the covenants are sensitive to changes in the equity markets.

This net debt figure is based on consolidation of the Group's financial holding companies and does not include the debt of operating companies or that of holding companies set up for the purpose of acquisitions.

Net debt of the Saint-Gobain, Bureau Veritas, Legrand, Materis, Deutsch and Stahl groups, as well as the non-recourse debt related to the acquisition of Saint-Gobain shares, are deducted from gross revalued assets.

These covenants are as follows:

- the net financial debt of Wendel and its financial holding companies must not exceed 50% of gross revalued assets after future tax on unrealized gains and losses (excluding cash);
- the ratio of:

(i) the unsecured gross debt of Wendel and its financial holding companies plus their off-balance sheet commitments that are akin to unsecured debt, less their available cash (not pledged or in escrow), to

(ii) the sum of 75% of the value of the available listed assets (not pledged or in escrow) and 50% of the value of available unlisted assets (not pledged or in escrow), must not exceed 1.

These ratios are tested half-yearly when there are drawdowns under the syndicated credit line. At December 31, 2010, the test showed that Wendel was in compliance with the covenants and could therefore draw down the credit line. At December 31, 2010 and the date that the financial statements were approved, Wendel's cash on hand and short-term financial investments allowed it to forego drawing down this credit line.

The documentation of the syndicated credit line includes a change-of-control clause similar to that for bond issues.

1.11.3.2 Financing of the Saint-Gobain investment (Eufor group)

At December 31, 2010, Eufor's gross debt totaled €3,414.7 million and broke down as follows:

- €2,685.6 million in gross debt subject to collateral calls in the form of cash and/or listed shares (Bureau Veritas and Legrand); and
- €729.1 million in gross debt not subject to collateral calls.

1.11.3.2.1 Financing subject to collateral calls: €2,685.6 million

The value of collateral given by Eufor under this financing (financed Saint-Gobain shares, listed Bureau Veritas and Legrand shares, cash) must remain at the level required under bank agreement covenants, based in turn on the amount of debt. In the event of a decline in this value, the bank demands further collateral; in the event of an increase, a portion of the collateral is freed up. As Wendel finances these collateral calls, its liquidity may therefore be affected by a decline in the price of shares given as collateral for this financing.

As indicated above, this debt is without recourse to Wendel. Wendel can therefore decide not to respond to additional collateral calls. This would put the related financing contract in default, and the bank could then exercise the collateral already provided.

At December 31, 2010, collateral was composed of €1,596 million in financed Saint-Gobain shares (41.4 million shares at the closing share price), €589 million in cash, and €1,619 million in listed shares (Bureau Veritas and Legrand at their closing prices). At the same date, Wendel had €1,154 million in cash on hand and short-term financial investments (€335 million of which was used to redeem the 2011 bond at its February 2011 maturity) and €3,133 million in unpledged Legrand and Bureau Veritas shares (valued at their closing prices), which would enable it to meet additional collateral calls should financial markets fall.

The average maturity of this financing was 3.8 years at December 31, 2010 (see details in Note 11 "Financial debt").

1.11.3.2.2 Financing not subject to collateral calls: €729.1 million

Shares financed by debt not subject to collateral calls (13.4 million shares, or €514 million at the closing prices) and puts purchased on Saint-Gobain (see Note 8D “Financial instruments”) serve as collateral for this financing. The value of collateral given is always at least equal to the amount of financing.

In the event protection and/or securities pledged as collateral on this debt are sold, this debt must be repaid at a level commensurate with the protection and/or shares sold. The same applies in the event that the protection is exercised.

In addition, an initial €20 million was pledged in the form of cash collateral. These financing arrangements mature between December 2011 and March 2012.

1.11.3.2.3 Collateral pledged on Eufor financing

The total value of Saint-Gobain shares financed and serving as collateral (54.8 million shares out of a total of 93 million held at December 31, 2010) was €2,110 million (valued at the closing share price). Cash serving as collateral under the Eufor group financing totaled €609 million at December 31, 2010. The total value of shares subject to collateral calls (Bureau Veritas and Legrand, valued at closing shares) was €1,619 million. Lastly, the puts that Wendel purchased on Saint-Gobain were pledged as collateral for the financing arrangement not subject to collateral calls.

1.11.3.2.4 Available lines of credit

The Eufor group has two undrawn lines of credit (total available credit: €900 million) available for the financing or refinancing of Saint-Gobain shares. These lines of credit can be used to refinance existing Eufor financing arrangements, to finance the acquisition of new Saint-Gobain shares or to finance available Saint-Gobain shares not already linked to a financing arrangement (38.1 million shares worth €1,469 million at December 31, 2010). Maturities are 2013 (€100 million), 2014 (€500 million) and 2015 (€300 million); see Note 11 “Financial debt”.

1.11.3.3 Bureau Veritas financial debt

This debt is without recourse to Wendel.

At December 31, 2010, the gross face value of Bureau Veritas’ financial debt was €1,298 million (including accrued interest and excluding issuing costs; see details on maturity dates in Note 11 “Financial debt”). Its cash totaled €225 million. Bureau Veritas also had the following undrawn lines of credit lines:

- €125 million available from the loan maturing in 2012 and 2013;
- in June 2010, Bureau Veritas set up a five-year, €200 million line of credit with French financial institutionals (maturing June 2015). At December 31, 2010, €50 million had been drawn on this French private placement, and €150 million was therefore available. This potential drawdown ability gives Bureau Veritas the flexibility it needs to finance its acquisitions strategy.

The bank loans and French and US private placement agreements require compliance with the following ratios:

- an interest cover ratio, i.e. EBITDA divided by net interest expense, of more than 5.5;
- a leverage ratio, i.e., the ratio between net consolidated debt and EBITDA, of less than 3 (3.25 for the US private placement agreement maturing in 2018-2020).

These ratios are calculated on a rolling 12-month basis, twice per year, at June 30 and December 31.

At December 31, 2010, Bureau Veritas was in compliance with these ratios.

Moreover these financing agreements contain standard clauses that restrict Bureau Veritas' ability to grant security, contract or grant loans, pledge collateral, undertake acquisitions, divestments, mergers or restructuring, and to make certain types of investments. They also call for total or partial accelerated maturity should certain events take place and include change-of-control clauses. The US private placement agreements contain a make-whole clause that is exercisable in the event of default. In addition to repaying principal and accrued interest, Bureau Veritas might be required to indemnify these lenders based on a comparison between interest due at the fixed rate over the remaining years and the yield curve for US government bonds over the same maturity. Change of control is not an event of default under the US private placement agreements.

Bureau Veritas has always complied with the terms of these agreements and met the obligations related to them.

1.11.3.4 Materis bank debt

This debt is without recourse to Wendel.

At December 31, 2010, the gross face value of Materis' bank debt was €1,870 million (including accrued interest, and excluding issuance costs and shareholder loans; see details on maturity dates in Note 11 "Financial debt"), and its cash totaled €67 million.

At December 31, 2010, Materis was subject to the following covenants:

- the ratio of LTM (last-12-month) EBITDA to net cash interest expense, must be greater than 1.65 as of December 31, 2010. This minimum rises to 3.20 at June 30, 2015. This ratio is calculated on a rolling 12-month basis.
- the ratio of net consolidated debt (excluding shareholders' loans) to LTM EBITDA must be below 9.95 at December 31, 2010. This maximum falls to 4.92 at December 31, 2016;
- the ratio of after-capex cash flow and dividends (plus available cash up to €35 million) to debt service (cash interest plus principal repayment), must be higher than 1. This ratio is calculated on a rolling 12-month basis.

These financial covenants are tested every quarter.

In 2010, capex was restricted to €75 million plus 4.5% of the net sales of companies acquired in the meantime and any postponed capex). Beginning 2011 and until 2016, the limit will be 4.5% of consolidated sales (plus any postponed capex).

As of December 31, 2010 Materis was in compliance with these covenants.

The credit agreements entered into by Materis contain certain standard restrictions for this type of LBO credit line. Certain transactions, such as mergers, exit from Wendel's tax consolidation group, asset disposals, collateral, acquisitions, additional debt, payment of dividends, share buybacks, or shareholder changes, are prohibited, restricted or require the prior consent of the lending banks.

1.11.3.5 Deutsch bank debt

This debt is without recourse to Wendel.

At December 31, 2010, the gross face value of Deutsch's bank debt was €482 million (including accrued interest, and excluding issuance costs and shareholder loans; see details on maturity dates in Note 11 "Financial debt"). Its cash amounted to €57 million.

In April 2010 Wendel successfully completed the Deutsch debt renegotiations with the near-unanimous support of senior (99.9%) and mezzanine (100%) creditors. Wendel and Deutsch obtained the following amendments from the lenders:

- better financial flexibility for Deutsch. Based on a new business plan, the covenants were completely redefined. Mezzanine debt was transformed into quasi-equity instruments, with maturity rescheduled to 2018, interest capitalized and collateral eliminated;
- increased flexibility on future acquisitions with an increase in the amount of investments authorized in China, India and Brazil.

As part of the restructuring, Wendel invested €27 million and its co-shareholder, the Painvin family, €3 million, to strengthen the company's financial structure. In addition, shareholders paid €2 million in 2009 interest on the mezzanine debt and bought second-lien debt with a nominal value of $8 million for €3 million. Under the restructuring plan this second-lien debt was converted into a shareholder's loan that is senior to the mezzanine debt.

Concurrently, Wendel paid €37 million and the Painvin family €4 million to buy out the 40% minority shareholders of LADD, the subsidiary that is the exclusive US distributor of Deutsch's industrial division.

Shareholders made these investments in the form of shareholder loans that are subordinated to senior and second-lien bank debt but senior to mezzanine debt.

This renegotiation was accompanied by an amendment fee and an increase in spreads (for the second-lien debt, the additional spread is capitalized, while for the mezzanine debt all interest is capitalized). Meanwhile, an additional payment will be made to mezzanine bondholders provided Wendel achieves a certain minimum multiple on its entire investment.

After this agreement, the covenants as of December 31, 2010 were as follows:

- the ratio of consolidated net debt (excluding shareholders' loan and mezzanine debt) to LTM EBITDA (proforma to reflect the LADD acquisition), must be less than or equal to 7.95 (this ceiling falls to 3.5 at December 31, 2015);
- the sum of cash and undrawn lines of credit must be greater than USD 35 million. If necessary, this covenant may be complied with after the fact through a cash injection from shareholders. Moreover, Deutsch may replace it with the following covenant: the ratio of (i) after-capex cash flow and dividends to (ii) debt service (debt interest plus principal repayment) must be greater than or equal to 1 (calculated on a rolling 12-month basis). This change can be made only once;
- the ratio of LTM EBITDA to net interest expense must be greater than or equal to 1.9 at December 31, 2010. This minimum rises to 2.95 at December 31, 2015. This ratio is calculated on a rolling 12-month basis.

These financial covenants are tested every quarter.

Moreover, capex must not exceed USD 29.25 million in 2010 (this ceiling rises to $50.30 million in 2016).

Deutsch was in compliance with these covenants as of December 31, 2010.

The financial restructuring allowed Deutsch to comply with new obligations to its creditors, thus eliminating the risk of accelerated forestalling a demand for early repayment of bank debt. As a result, bank debt was reclassified from current liabilities to non-current liabilities.

The credit agreements entered into by Deutsch contain certain standard restrictions for this type of LBO credit line. Certain transactions, such as mergers, exit from Wendel's tax consolidation group, asset disposals, collateral, acquisitions, additional debt, loan guarantees or capital increases between group entities, payment of dividends, share buybacks, or shareholder changes, are prohibited, restricted or require the prior consent of the lending banks.

1.11.3.6 Stahl bank debt

This debt is without recourse to Wendel.

At December 31, 2010, the gross face value of Stahl's bank debt was €202 million (including accrued interest, and excluding issuance costs and shareholder loans; see details on maturity dates under Note 11 "Financial debt"). Cash came to €21 million.

Stahl's financial restructuring was completed in late February 2010 with the unanimous support of borrowers:

- Wendel reinvested €60 million and raised its stake from 46% to 91.5%;
- Mezzanine and second lien creditors forgave their €99 million in debt in exchange for:

    - 6.1% of Stahl's shares and shareholder loans; and
    - a portion of the capital gain that Wendel achieves in the event that it exits this investment, provided its capital gain exceeds a pre-defined threshold.
- Stahl was able to buy back some of its discounted senior debt, thanks to the cash injection from Wendel;
- The bank covenants were adjusted to the reality of the economic situation and the new business plan developed as part of the restructuring.

There were no covenant tests as of December 31, 2010. Financial covenants on Stahl's senior debt will be tested beginning in 2011 and will be as follows:
- March 31, 2011: the ratio of consolidated net debt (excluding shareholder's loan) to LTM (last 12-month) EBITDA must be less than or equal to 6.70 (this ceiling falls to 5.00 on September 30, 2014). This ratio will be tested quarterly;
- March 31, 2011: the ratio of LTM EBITDA to net interest cover must be greater than or equal to 2.55 (this minimum ratio rising to 3.05 on September 30, 2014). This ratio is calculated on a rolling 12-month basis and will be tested quarterly;
- June 30, 2011: the ratio of (i) after-capex cash flow and dividends, to (ii) debt service (interest plus principal repayment) must be greater than or equal to 1.40 until December 31, 2014. This ratio is calculated on a rolling 12-month basis and will be tested half-yearly;
- In 2011: capex must not exceed €11 million (this ceiling will rise to €14 million in 2014). This ratio will be tested annually.

Stahl's financial restructuring allowed it to comply with its new covenants, and there is no longer any risk of accelerated maturity of bank debt. The bank debt has therefore been classified under non-current liabilities.

The terms of Stahl's bank debt provides for the normal restrictions for this type of LBO credit. Certain transactions, such as mergers, asset disposals, collateral, acquisitions, additional debt, dividends, share buybacks, and shareholder changes, are prohibited, limited or require the prior consent of the bank lenders.

1.11.4 Managing interest-rate risk

Each subsidiary manages its interest-rate exposure by taking into account the restrictions imposed by its financing agreements (notably in the case of LBO-type financing). Wendel nonetheless tracks the Group's overall position. Simulations of sensitivity of financing costs to interest-rate trends are nonetheless analyzed regularly and, in any case, whenever an event occurs that is likely to have an impact on interest-rate exposure. On the basis of these analyses, Wendel and its subsidiaries may decide to set up swaps, caps, collars or any other derivative for hedging purposes.

As of December 31, 2009, the Wendel Group's interest-rate exposure was limited.

In billions of euros	Fixed rate	Capped rate	Floating rate
Gross debt	2.9		7.5
Cash and short-term investments			-2.4
Impact of derivatives	2.6	1.4	-4.0
Interest-rate exposure	**5.5**	**1.4**	**1.1**
	69%	*18%*	*13%*

The notional value of derivatives is weighted by the duration for which they hedge interest-rate risk over the 12 months of fiscal year 2010.
As of December 31, 2010, the Wendel Group's interest-rate exposure remained limited.

In billions of euros	Fixed rate	Capped rate	Floating rate
Gross debt	3.3		6.9
Cash and short-term investments*	-0.3		-1.7
Impact of derivatives	2.9	1.3	-4.2
Interest-rate exposure	**5.9**	**1.3**	**0.9**
	72%	16%	11%

* excluding financial investments not sensitive to interest rates: €0.1 billion.

The notional value of derivatives is weighted by the duration for which they hedge interest-rate risk over the 12 months of fiscal year 2011.

Derivatives serving as interest-rate hedges are described in Note 8-D.

A +/- 100 basis point change in the interest rates to which the consolidated Group's interest-rate exposure is indexed would have an impact in the region of -€16/+14 million on net financial expense before tax over the 12 months after December 31, 2010, assuming net financial debt at December 31, 2010, interest rates on this date and taking into account the maturities of interest-rate hedging derivatives.

1.11.5 Managing credit risk

Each operating subsidiary has set up a policy to monitor its customer credit risk, and the receivables for which a risk exists are subject to write-down. At the closing date, owing to the Group's geographical and sector diversification, there was no significant concentration of credit risk in trade receivables.

Cash and short-term investments of Wendel and its holding companies are placed mainly with top-rated financial institutions. For financial investments in short-term bonds, financial institution funds or equity/diversified funds, an in-depth analysis is carried out on the signature risk. Cash and short-term financial investments are monitored regularly to measure Wendel's exposure to each of the counterparties. However, given the high amount of cash and short-term financial investments at December 31, 2010 (see section on the liquidity of Wendel and its holding companies), significant amounts could be placed with the same financial institution.

Derivative contracts are entered into with top-rated financial institutions.

1.11.6 Managing currency risk

Companies controlled by Wendel operate in a number of countries and, as a result, derive a share of their earnings in currencies other than the euro.

1.11.6.1 Bureau Veritas

Because of the international nature of its businesses, Bureau Veritas is exposed to currency risk in several currencies other than the euro.

In 2010, more than half of its net sales were in currencies other than the euro, including 16% in US dollars, 6% in Australian dollars, 5% in Hong Kong dollars, 5% in yuan and 3% in pounds sterling. No other currency individually accounted for more than 5% of Bureau Veritas' net sales. The trend is a result of the strong growth of Bureau Veritas' businesses outside the euro zone and notably in US dollars or dollar-zone currencies. However, as a general rule, natural hedges are in place, as services are supplied locally and costs are therefore proportional to income in most countries where Bureau Veritas operates. As a result, Bureau Veritas has limited exposure to currency risk from transactions in various currencies.

A +/-5% fluctuation in the US dollar against the euro would have had an impact of +/-1.0% on Bureau Veritas' 2010 operating income. A +/-5% fluctuation in the Hong Kong dollar would have had an impact of +/-0.5% on Bureau Veritas' 2010 operating income. The combined impact on operating income would have totaled +/-€7 million.

In addition, Bureau Veritas' multi-currency financing enables it to borrow in local foreign currencies. If it deems it necessary, Bureau Veritas can therefore hedge certain commitments by pegging its financing costs to operating revenues in the currencies concerned.

The USPP loan (see Note 11 “Financial debt”) is denominated in US dollars and pounds sterling, currencies that are different from the operating currency of the entity that contracted the loan. In order to protect against currency risk on the income statement and to convert the debt synthetically into euros, the USPP loan has been hedged through a cross-currency swap (see Note 8-D “Derivatives”). Similarly, a portion of the bank debt tranche amortizable in USD has been synthetically converted into euros.

Finally, the impact on income before tax of a +/-5% fluctuation in the US dollar on USD-denominated financial assets and liabilities held by entities having a non-USD operating currency is -€7.5/+9.5 million.

1.11.6.2 Deutsch

As Deutsch operates mainly in the United States, its operating currency is the US dollar. Deutsch estimates that more than 65% of its income from ordinary activities (excluding goodwill allocation and non-recurring expenses) derives from this currency. A +/-5% fluctuation in the value of the US dollar against the euro would have had an impact of less than +/-€3 million on adjusted operating income in Wendel's accounts.

Deutsch has financial debt of about €180 million, denominated in US dollars and carried by a company whose operating currency is the euro. Therefore, in the event of a +/-5% fluctuation in the dollar's value vs. the euro, a translation impact of about -/+€10 million would be recognized in net financial income.

1.11.6.3 Stahl

In 2010, 55% of Stahl's net sales were in currencies other than the euro, including 24% in US dollars and 9% in Singapore dollars. A +/-5% fluctuation in the US dollar and in currencies correlated to it vs. the euro would have had an impact of about +/-5% on 2010 income from ordinary activities (excluding goodwill allocation and non-recurring expenses), or an impact of about +/-€2 million. Stahl also had financial debt of about €148.7 million, denominated in US dollars and carried by a company whose operating currency is the euro. Hence, in the event of a +/-5% fluctuation in the dollar's value to the euro, a translation impact of about -/+€7.4 million would be recognized in net financial expense.

1.11.6.4 Materis

The US dollar's impact on Materis' operating income is limited. it is related to the Materis group's presence in the United States and to certain raw-material purchases. in 2010, a +/-5% fluctuation in the value of the US dollar would have had an immaterial impact on income from ordinary activities.

1.12 Notes to the balance sheet

NOTE 1. GOODWILL

In millions of euros	12.31.2010		
	Gross amount	Impairment	Net amount
Bureau Veritas	479.6	-	479.6
Deutsch	378.6	82.1	296.5
Materis	899.5	225.4	674.2
Stahl	24.1	-	24.1
Subsidiaries of Bureau Veritas	1,345.8	16.4	1,329.3
Subsidiaries of Deutsch	7.8	-	7.8
Subsidiaries of Materis	150.3	-	150.3
Total	**3,285.6**	**323.9**	**2,961.8**

In millions of euros	12.31.2009		
	Gross amount	Impairment	Net amount
Bureau Veritas	480.4		480.4
Deutsch	359.4	70.0	289.4
Materis	899.5	221.1	678.4
Stallergenes	0.9	-	0.9
Stahl	-	-	-
Subsidiaries of Bureau Veritas	848.7	16.6	832.2
Subsidiaries of Deutsch	7.2	-	7.2
Subsidiaries of Materis	136.4	-	136.4
Subsidiaries of Stallergenes	33.4	-	33.4
Total	**2 766.1**	**307.6**	**2 458.4**

In millions of euros	2010	2009
Net at beginning of year	2,458.4	2,607.6
Business combinations (1)	442.2	17.5
Divestment of Stallergenes	-34.3	-
Sale of Bureau Veritas shares	-	-93.9
Sale of Oranje-Nassau oil & gas businesses	-	-41.5
Impact of changes in currency translation adjustments and other	104.0	64.0
Impairment for the year (2)	-8.5	-95.4
Net at end of year	**2,961.8**	**2,458.4**

(1) This item includes (see "Changes in scope of consolidation"):

- Bureau Veritas acquisitions generated €417 million in goodwill, of which +€389.6 million related to Inspectorate;
- Materis' acquisition of a.b.e. construction chemicals (+€1.6 million);
- The +€24.1 million takeover of Stahl.

(2) Includes -€1.7 million related to Bureau Veritas and -€6.8 million related to a Deutsch division.

Goodwill impairment tests

The tests set out below are based on Wendel's assessment of the facts and circumstances existing at the balance sheet date, as well as information available at the date the financial statements were approved on situations existing at the end of December 2010. The uncertain global economic picture has complicated forecasting, and actual amounts could therefore be different from the forecasts made under these tests. If so, value in use may also be different from that determined on the basis of assumptions and estimates at the end-December 2010 balance sheet date.

<u>Impairment test on Bureau Veritas goodwill</u>

The consolidated book value of Bureau Veritas shares (€17.8 per share) as of the end of 2010 was far below fair value (closing share price: €56.7 per share). As a result, there was no need to use value in use for the impairment test, and no impairment has been recognized.

<u>Impairment test on Materis goodwill</u>

Materis' impairment tests on its own Cash Generating Unit (CGU) led to no additional impairment in 2010.

As Materis constitutes a CGU in Wendel's accounts, an IAS 36 test was also performed on this subsidiary. The value in use determined by Wendel for this test was the discounted value of future cash flows. The business plan assumptions used were prepared by Wendel on the basis of business plans drawn up by Materis for each of its CGUs and the latest information available on the underlying markets. A discount rate of 8.3% was used (vs. 8% in 2009), and a long-term growth rate of 2.25% was applied to post-business plan cash flows (same rate as in 2009). Materis' value in use, calculated thus by Wendel, was above its book value at December 31, 2010, and Wendel recognized no impairment. In addition, Wendel's analysis of the test's sensitivity to the discount rate and to the long-term growth assumption showed there would be no impairment in the event that these parameters fluctuated by +0.5% and -0.5%, respectively. For an impairment loss to be recognized at the Wendel level, a discount rate over 9.7% would be necessary; moreover, even a significant reduction in the long-term growth rate would not result in an impairment loss.

<u>Impairment test on Deutsch goodwill</u>

Deutsch's impairment tests on its own CGUs at December 31, 2010 led to the recognition of a €6.8 million loss in goodwill in one of those CGUs. In accordance with Wendel's accounting principles, this loss has been retained at the level of Wendel's consolidated accounts.

As Deutsch constitutes a CGU in Wendel's accounts, an IAS 36 test was also performed on Deutsch at the level of Wendel's consolidated accounts. The value in use determined by Wendel for this test was the discounted value of future cash flows. The business plan assumptions used were prepared by Wendel on the basis of business plans drawn up by Deutsch for each of its CGU and the latest information available on the underlying markets. A discount rate of 9% was used (same rate as in 2009), and a long-term growth rate of 2.5% was applied to post-business plan cash flows (same rate as in 2009). Deutsch's value in use, calculated thus by Wendel, was above its book value at December 31, 2010, and Wendel recognized no impairment in addition to that recognized by Deutsch. In addition, Wendel's analysis of the test's sensitivity to the discount rate and to the long-term growth assumption showed there would be no impairment in the event that these parameters fluctuated by +0.5% and -0.5%, respectively. For an impairment loss to be recognized at the Wendel level, a large change in the discount rate or long-term growth rate would be necessary.

Impairment test on Stahl goodwill

As Stahl constitutes a CGU in Wendel's accounts, an IAS 36 test was also performed on this subsidiary. The value in use determined by Wendel for this test was the discounted value of future cash flows. The business plan assumptions used were prepared by Wendel on the basis of business plans drawn up by Deutsch for each of its CGU and the latest information available on the underlying markets. A discount rate of 10.3% was used and a long-term growth rate of 2.0% was applied to post-business plan cash flows. Stahl's value in use, calculated thus by Wendel, was above its book value at December 31, 2010, and Wendel recognized no impairment. In addition, Wendel's analysis of the test's sensitivity to the discount rate and to the long-term growth assumption showed there would be no impairment in the event that these parameters fluctuated by +0.5% and -0.5%, respectively. For an impairment loss to be recognized at the Wendel level, a large change in the discount rate or long-term growth rate would be necessary.

Stahl considers for its own accounts that its activity constitutes a single CGU. As a result, Stahl's test on its own activity is similar to Wendel's test on Stahl.

NOTE 2. INTANGIBLE ASSETS

In millions of euros	12.31.2010		
	Gross amount	Amortization and provision	Net amount
Amortizable assets			
Internally generated	**4.8**	**4.0**	**0.8**
Acquired			
Concessions, patents and licenses	99.1	14.2	85.0
Customer relationships (1)	1,257.3	587.7	669.7
Software	111.9	77.7	34.2
Other intangible assets	29.9	17.4	12.5
	1,498.3	**696.9**	**801.3**
Assets of indefinite useful lives			
Acquired			
Brands (2)	836.2	15.7	820.4
	836.2	**15.7**	**820.4**
Total	**2,339.3**	**716.7**	**1,622.6**

In millions of euros	12.31.2009		
	Gross amount	Amortization and provision	Net amount
Amortizable assets			
Generated internally	**4.4**	**3.7**	**0.7**
Acquired			
Concessions, patents and licenses	53.8	10.9	43.0
Customer relationships (1)	1,030.5	485.1	545.4
Software	104.2	67.2	37.0
Other intangible assets	27.7	13.4	14.3
	1,216.2	**576.6**	**639.7**
Assets of indefinite useful lives			
Acquired			
Brands (2)	813.8	14.7	799.1
	813.8	**14.7**	**799.1**
Total	**2,034.4**	**595.0**	**1,439.5**

In millions of euros	2010	2009
Amount at beginning of year	**1,439.5**	**1,509.7**
Acquisitions	12.2	14.6
Internally generated assets	0.9	0.8
Impact of business combinations (3)	250.6	-
Impact of currency translation adjustments and other	41.1	24.6
Amortization and impairment losses for the year	-121.7	-110.2
Amount at end of year	**1,622.6**	**1,439.5**
of which		
Bureau Veritas	579.8	468.2
Deutsch	192.3	195.0
Materis	769.0	769.6
Stallergenes	-	6.7
Stahl	81.2	-
Wendel and holding companies	0.3	-
Total	1,622.6	1,439.5

(1) Customer relationships have been recognized mainly upon €236.0 million in acquisitions by Materis and €153.7 million by Deutsch in 2006 and upon the €436.0 million takeover of Bureau Veritas in 2004. In 2010, the main changes related to Bureau Veritas (€145.7 million, due mainly to the acquisition of Inspectorate) and the consolidation of Stahl (€51.6 million).

(2) As of December 31, 2010, "Brands" related mainly to the following, in net value: Bureau Veritas (€197.5 million), Materis (€587.3 million) and Deutsch (€27.8 million).

(3) The impact of business combinations included mainly the impact of Bureau Veritas' acquisition of Inspectorate and the takeover of Stahl.

NOTE 3. PROPERTY, PLANT AND EQUIPMENT

In millions of euros	12.31.2010		
	Gross amount	Depreciationand provisions	Net amount
Land	99.7	5.7	94.0
Buildings	365.9	171.7	194.2
Plant, equipment and tooling	1,129.7	701.3	428.4
Other property, plant and equipment	556.7	347.3	209.3
Assets under construction	62.5	-	62.5
Total	**2,214.5**	**1, 226.0**	**988.4**

In millions of euros	12.31.2009		
	Gross amount	Depreciation and provision	Net amount
Land	78.0	4.5	73.5
Buildings	304.7	148.3	156.3
Plant, equipment and tooling	924.6	575.5	349.1
Other property, plant and equipment	512.0	302.5	209.5
Assets under construction	58.7	-	58.7
Total	**1,878.0**	**1, 030.8**	**847.1**

In millions of euros	2010	2009
Amount at beginning of year	847.2	1 061.6
Acquisitions (1)	170.5	130.0
Disposals	-7.9	-8.1
Changes related to operations held for sale or sold (2)	-56.4	-213.2
Impact of business combinations (3)	158.4	4.0
Impact of currency translation adjustments	25.8	6.1
Depreciation and provisions recognized during the year	-149.1	-133.4
Amount at end of year	**988.4**	**847.1**
of which		
Bureau Veritas	281.1	208.2
Deutsch	84.7	96.3
Materis	517.7	477.9
Stallergenes	-	56.4
Stahl	96.9	-
Wendel and holding companies	8.0	8.3
Total	988.4	847.1

(1) In 2010: mainly at Bureau Veritas (€70.3 million) and Materis (€82.1 million).

(2) In 2010: divestment of Stallergenes.

(3) In 2010: mainly Stahl (€97.7 million) and Bureau Veritas (€55.9 million).

NOTE 4. EQUITY-METHOD INVESTMENTS

In millions of euros	12.31.2010	12.31.2009
Saint-Gobain	4 ,883.2	4 ,364.9
Legrand	429.8	467.5
Stahl	-	0.0
Helikos	15.2	-
Investments of Bureau Veritas	0.5	0.7
Investments of Materis	3.3	3.1
Investments of Stahl	2.2	-
Total	**5 ,334.1**	**4, 836.2**

The change in equity-method investments broke down as follows:

In millions of euros	2010
Amount at beginning of year	4,836.2
Saint-Gobain shares subscribed as part of the dividend payment in shares (1)	89.8
Share in net income for the year	
Saint-Gobain	116.0
Legrand	99.2
Helikos	-5.6
Other	0.4
Dividends for the year	-135.7
Impact of changes in currency translation adjustments	195.9
Sale of Legrand shares	-119.1
Reversal of Saint-Gobain impairment provision	407.9
Other (2)	-150.8
Amount at 12/31/2010	**5,334.1**

(1) See “Changes in scope of consolidation”.

(2) Includes the reclassification of Saint-Gobain shares held for sale; see “Changes in scope of consolidation”.

Additional information on Saint-Gobain:

The 93 million Saint-Gobain shares held at the 2010 balance sheet date were recognized as follows:

- €89.8 million was recognized as equity-method investments (IAS 28) and subjected to an impairment test based on a valuation of discounted cash flows (IAS 36, see below);
- The 3.1 million shares received as the 2010 Saint-Gobain dividend, which were accounted for by the equity method at June 30, 2010, were reclassified at December 31, 2010 as assets and operations held for sale, in accordance Wendel’s decision to sell them in 2011 (see “Changes in scope of consolidation”). They were valued at the closing share price (€38.5 per share).

In millions of euros	12.31.2010	12.31.2009
Book values (100%)		
Total assets (Saint-Gobain)	43,997	43,023
Impact of the revaluation of acquired assets and liabilities	4,996	5,467
Residual goodwill (excluding goodwill in Saint-Gobain’s balance sheet)	5,720	3,333
Minority interests	364	302
Total liabilities	25,765	26,809
	2010	**2009**
Net sales (1)	40,119	37,786
Operating income	3,117	2,216
Business income	2,524	1,240
Recurring net income	1,335	617
Net income, group share	1,129	202
Impact of the revaluation of acquired assets and liabilities	-471	-471

(1) Growth of 6.2% in 2010, including organic growth of 1.9%.

Additional information on Legrand:

In millions of euros	12.31.2010	12.31.2009
Book values (100%)		
Total assets (Legrand)	6,064.7	5,614.4
Goodwill adjustment (Wendel)	-525.5	-522.9
Minority interests	5.4	5.2
Total liabilities	3,328.7	3,220.0
	2010	**2009**
Net sales (1)	3,890.5	3,577.5
Adjusted operating income (2)	784.1	578.8
Operating income	757.6	524.1
Net income, group share	418.3	289.8

(1) Growth of 8.7% in 2010, including organic growth of 3.6%.

(2) Operating income restated for accounting items linked to the acquisition of Legrand France in 2002.

Additional information on Helikos

In millions of euros	12.31.2010
Book values (100%)	
Total assets (Helikos)	205.2
of which cash in escrow	202.0
Total liabilities	15.6
of which "public" warrants	13.0
	2010
Net income, group share (1)	-5.6

(1) Costs incurred by the Helikos IPO were recognized as a deduction from shareholders' equity in the consolidated accounts of Helikos. These costs are recognized on Wendel's consolidated Income statement.

Impairment tests of equity-method investments

No indication of impairment was identified on Legrand, as its book value (€8.4 per share) was far below its fair value (share price at the balance sheet date: €30.48). As a result, no impairment was recognized.

An impairment test was carried out on the Saint-Gobain shares, as their carrying amount in the consolidated accounts, calculated according to the equity method, was higher than their market value. The test was based on Wendel's assessment of the facts and circumstances existing at the balance sheet date, as well as information available at the date the financial statements were approved on situations existing at December 31, 2010. The uncertain global economic picture has complicated forecasting and the actual amounts could ultimately be different from the projections resulting from this test. If so, the investment's value in use may also be different from the value determined on the basis of assumptions and estimates as of December 31, 2010.

In accordance with IAS 36, recoverable value was determined as the higher of (1) fair value, i.e., the share price at the balance sheet date (€38.5 per share, or €3,458 million for 89.8 million Saint-Gobain shares accounted for under the equity method) or (2) value in use, i.e., the discounted value of future cash flows.

Wendel has performed this discounted cash flow valuation. The five-year business plan assumptions used in calculating value in use were prepared by Wendel on the basis of publicly available information, including research on the sector published by leading forecasters, Wendel's internal analyses and studies carried out by Wendel. The assumptions underlying the business plan (including trends in underlying markets, price effects, etc.) reflect Saint-Gobain's operating position brought on by the decline in construction markets and the downturn in the economic environment in 2008 and 2009, as well as prospects for the recovery in these underlying markets. In accordance with IAS 36, these assumptions do not include a strategic acquisition, or any scenario under which Saint-Gobain would divest its packaging business. Lastly, the assumptions used in calculating post-business plan cash flows (i.e., growth in sales and normative profitability) are based on an analysis of the historical performances of Saint-Gobain's activities over more than 20 years.

The long-term growth rate applied to post-business plan cash flows is the same as that used at December 31, 2009: 2%. The discount rate used is identical to that used at December 31, 2009: 8%. It was based mainly on market parameters (i.e., risk-free rate, market premium, and beta) and took into account risks specific to the business plan.

The impairment loss recognized in previous fiscal years amounted to €4.5 per share, or €407.9 million. Value in use calculated at December 31, 2010 was slightly above €60 per share and was higher than gross carrying value. As a result, the impairment recognized in previous fiscal years was written back in full, thus generating €407.9 million in consolidated net income. At December 31, 2010, the carrying amount of the 89.8 million Saint-Gobain shares accounted for under the equity method was therefore €4,883.3 million, or €54.4 per share.

A sensitivity analysis shows that if the discount rate were 0.5% higher, only €383 million of the provision would be reversed, and consolidated net income would then be below €25 million. Conversely, a reduction of 0.5% in the long-term growth assumption would have no impact on the amount of the provision to be reversed. For value in use to be equal to the gross carrying amount (i.e., €54.4 per share), the discount rate would have to be increased to 8.45% or the long-term growth rate reduced to 1.35%. Finally, the model as a whole is sensitive to the assumptions of the five-year business plan.

NOTE 5. INVENTORIES

	12.31.2010			12.31.2009
In millions of euros	**Gross amount**	**Provisions**	**Net amount**	**Net amount**
At:				
Deutsch	117.2	22.0	95.2	63.0
Materis	272.2	16.2	256.0	220.5
Stahl	47.0	3.3	43.7	-
Stallergenes	-	-	-	18.9
Total	**436.4**	**41.5**	**394.9**	**302.5**

NOTE 6. ACCOUNTS RECEIVABLE

In millions of euros	12.31.2010			12.31.2009
	Gross amount	Provisions	Net amount	Net amount
At:				
Bureau Veritas	894.2	76.6	817.6	712.1
Deutsch	72.4	3.4	69.0	59.2
Materis	369.0	32.9	336.1	317.2
Stahl	69.6	4.0	65.6	-
Stallergenes	-	-	-	22.7
Wendel and holding companies	0.4	0.2	0.2	0.6
Total	**1,405.5**	**117.1**	**1,288.4**	**1,111.9**

Trade receivables and related accounts due not subject to any impairment came to the following, for the most significant subsidiaries:

- Bureau Veritas: €343.1 million at December 31, 2010 vs. €312.4 million at December 31, 2009, of which €101.0 million and €95.7 million, respectively, was more than three months past due;
- Materis: €83.1 million at December 31, 2010 vs. €71.9 at December 31, 2009, of which €20.3 million and €19.1 million, respectively, was more than three months past due.

NOTE 7. CASH AND CASH EQUIVALENTS

In millions of euros	12.31.2010	12.31.2009
	Net amount	Net amount
Pledged cash and cash equivalents of Wendel and holding companies classified under non-current financial assets (1)	609.2	682.3
Unpledged cash and cash equivalents of Wendel and holding companies classified under current financial assets	736.7	1481.2
Cash and cash equivalents of Wendel and holding companies (2)	**1,345.9**	**2,163.5**
Bureau Veritas	225.0	147.0
Deutsch	57.0	51.3
Materis	67.2	56.9
Stallergenes	-	22.4
Stahl	20.9	-
Cash and cash equivalents of subsidiaries classified under current financial assets	**370.0**	**277.6**
Total	**1,715.9**	**2,441.1**

(1) Cash collateral granted to banks as part of the financing of the Eufor group. See “Off-balance-sheet commitments” and “Managing liquidity risk”.

(2) In addition to this cash, there were €417 million in short-term financial investments at December 31, 2010 (see “Liquidity situation of Wendel”).

NOTE 8. FINANCIAL ASSETS AND LIABILITIES (EXCLUDING FINANCIAL DEBT AND OPERATING RECEIVABLES AND PAYABLES)

Financial assets

In millions of euros	Method of recognition for changes	Level	12.31.2010	12.31.2009
Pledged cash and cash equivalents of Wendel and holding companies- A	Income statement (1)	1	609.2	682.3
Unpledged cash and cash equivalents of Wendel and holding companies – A	Income statement (1)	1	736.7	1, 481.2
Short-term financial investments of Wendel	Income statement (1)	2	354.3	15.0
Assets held until maturity	Amortized cost	1	62.7	0.0
Cash and short-term financial investments of Wendel and holding companies			**1,762.9**	**2,178.5**
Cash and cash equivalents of subsidiaries- A	Income statement (1)	1	370.0	277.6
Assets available for sale – B	Shareholders' equity (2)	3	8.0	12.2
Financial assets at fair value through profit or loss	Income statement (1)	1	2.3	3.4
Loans – C	Amortized cost	N/A	16.3	19.3
Deposits and guarantees	Amortized cost	N/A	30.8	22.4
Derivatives - D	Income statement (1) / Shareholders' equity (2)	see D	266.1	367.3
Other	Income statement (1)	1	29.5	29.0
Total			**2,485.8**	**2,909.6**
of which non-current financial assets			***861.6***	***1,112.9***
of which current financial assets			***1,624.2***	***1,796.6***

Financial liabilities

In millions of euros	Method of recognition	Level	12.31.2010	12.31.2009
Derivatives - D	Income statement (1) / Shareholders' equity (2)	see D	253.8	204.6
Other	N/A	N/A	24.2	12.1
Total			**278.0**	**216.7**
of which non-current financial liabilities			***139.6***	***149.3***
of which current financial liabilities			***138.5***	***67.4***

(1) Change in fair value through profit or loss

(2) Change in fair value through shareholders' equity

The presentation of financial assets and liabilities reflects the hierarchy used to determine the fair value of financial instruments, in accordance with the March 2009 amendment to IFRS 7. Details of this classification can be found under "Accounting principles".

Details of financial assets and liabilities:

A -Cash and cash equivalents (pledged and unpledged): pledged cash and cash equivalents are presented as non-current financial assets as they were not immediately available (see Note 7 "Cash and cash equivalents").

B - Assets available for sale at December 31, 2010 corresponded essentially to €5.6 million in investment fund shares held by Oranje-Nassau.

C - Loans corresponded to €15.1 million in loans to VGG.

D - Derivatives:

In millions of euros		12.31.2010		12.31.2009	
	Level	Assets	Liabilities	Assets	Liabilities
Net protection (puts) on Saint-Gobain shares – not qualifying for hedge accounting (1)	2	227.2	143.9	(2) 341.7	
-Derivatives on securities – not qualifying for hedge accounting	3			7.8	
-Commodity derivatives – hedging of cash flows	2		0.0		0.8
Interest rate swaps – hedging of cash flows (3)	2	30.5	84.9	13.2	181.5
Interest rate swaps - not qualifying for hedge accounting (3)	2	6.6	23.5	3.8	22.3
Other derivatives – not qualifying for hedge accounting	2	1.8	1.5	0.8	0.1
Total		**266.1**	**253.8**	**367.3**	**204.6**
of which:					
Non-current portion		172.7	126.9	353.3	148.4
Current portion		93.4	126.9	14.0	56.2

(1) Protection is described in the note below.

(2) At December 31, 2009 protections consisted of a €476.1 million long position and a €134.4 million short position.

(3) The swaps are described in the note below.

Protection on Saint-Gobain shares (puts):

To hedge the risk of a decline in Saint-Gobain's share price, Wendel has purchased put options on a portion of the shares that it owns (13.4 million puts purchased as of at December 31, 2010 valued at €227.2 million). Wendel also wrote put options (6.1 million puts as of December 31, 2010 valued at -€143.9 million). The maturities of the purchased puts extend from December 2011 to March 2012, and of the written puts from September 2011 to March 2012.

The written puts have the same strike prices as some of the purchased puts. The combination of these two positions constitutes a net protection on the value of a portion of the Saint-Gobain shares held. After the sale of puts in late 2009, this net protection covered nearly 25% of the shares held at December 31, 2009, vs. 36% previously. Additional puts were sold in 2010, thus reducing the net protection to 19% of the shares held at June 30, 2010, and 7.8% of the shares held at December 31, 2010.

When Saint-Gobain's share price declines, the value of the net protection rises, and vice versa. This net protection therefore neutralizes the economic impact of a decline in Saint-Gobain's share price on the covered portion of shares held when this share price is below the strike price, which was the case at December 31, 2010. Nevertheless, these derivatives did not qualify as hedges under accounting standards, as the underlying assets were accounted for under the equity-method. At December 31, 2010, a +/- 5% change in Saint-Gobain's share price would have led to a change in the value of this net protection of about -/+€12 million, recognized on the income statement.

The book value of this protection is based on a mathematical model used to value options, which takes into account the market parameters prevailing at the balance sheet date, including share price, volatility, liquidity of the underlyings and transaction size. This value is €15 million below the value that would be produced by a mathematical model that ignores transaction size parameters.

In 2010, net protection generated a €46.7 million gain, which was recognized on the income statement, as follows:

- sale of almost 15.1 million puts in 2010 at a sale price of €305.1 million (allocated to repaying €819.3 million in bank debt not subject to collateral calls), compared with a carrying value at the beginning of the fiscal year of €245.1 million, resulting in a gain of €60.1 million. The gain compared to the premium paid when the puts were set up was €158 million.
- Change in value of net protection held: -€13.4 million.

  IFRS prohibits valuing the protection on the same basis as the underlying investments, which are accounted for by the equity method. The protection is valued, in accordance with IAS 39, on the basis of markets parameters prevailing on the balance sheet date, whereas the underlying shares are valued, in accordance with IAS 28, by the equity method and are subject to impairment tests based on discounted cash flow valuations (IAS 36). Hence, applying these accounting standards generates a distortion in measurements, which affects the income statement.

The purchased puts have been pledged against the portion of the Saint-Gobain financing that is not subject to collateral calls.

Interest rates swaps:

The value of interest rate swaps is calculated by the counterparties on the basis of the yield curve at the balance sheet date and the present value of cash flows expected from the contracts. Wendel's finance department verifies the consistency of these calculations.

Notional amount	Characteristics (1)	Qualified as	Start (1)	Maturity (1)	12.31.2010	12.31.2009
	Sign convention: (+) asset (-) liability					
Hedging of bonds carried by Wendel						
	Hedging of the bond maturing in February 2011		pre-closing	02-2011	0.4	2.0
€100M	Pay 3.98% against 4.21%		pre-closing	05-2016	1.2	1.4
€300M	Pay 12-month Euribor +0.93% between 1.70% and 2.60%. 3.40% if < 1.70% and 3.53% if > 2.60%. Against 3.49%		pre-closing	08-2017	1.1	0.4
					2.7	3.8
Hedging of Eufor's bank debt (2)						
€2,000M	Pay 3.88% against Euribor	Hedge	pre-closing	10-2011	-61.0	
€100M	Pay 4.17% against Euribor		pre-closing	12-2012	-5.6	
€800M	Pay 1.73% against Euribor	Hedge	01-2011	01-2014	-	
					-66.6	-123.7
Hedging of subsidiaries' debt						
€50M	Pay 3.47% against Euribor		pre-closing	06-2013	-2.2	
€100M	Pay 3.85% against Euribor	Hedge	pre-closing	03-2011	-0.7	
€70M	Pay 4.64% against Euribor	Hedge	pre-closing	04-2013	-5.1	
€50M	4.49%-4.98% interest rate collar on Euribor	Hedge	pre-closing	06-2012	-2.4	
€166M	2.09%-3.01% interest rate collar on Euribor		01-2011	01-2013	-2.5	
€200M	1.13%-2.70%% interest rate collar on Euribor		01-2011	01-2013	-0.7	
€50M	2.15%-2.90% interest rate collar on Euribor		pre-closing	12-2012	-0.8	
€200M	3.30% cap on Euribor		04-2011	04-2013	0.3	
€400M	2.79% cap on Euribor		05-2011	05-2013	1.2	
€200M	2.63% cap on Euribor		07-2011	07-2013	0.8	
€100M	2.48% cap on Euribor		10-2011	10-2013	0.7	
€250M	Pay 2.53% against Euribor	Hedge	01-2011	01-2012	-3.5	
€50M	Pay 1.51% against Euribor	Hedge	01-2011	01-2013	-0.3	
$120M	Pay 5.50% against Libor		pre-closing	07-2011	-2.6	
$95M	3.75% on Libor		12-2011	12-2014	0.8	
€15M	3.50% cap on Euribor		03-2012	12-2014	0.2	
€12.3M	Pay 4.45% against Euribor		pre-closing	03-2012	-0.6	
$95M	Pay 5.14% against Libor		pre-closing	12-2011	-3.1	
Other derivatives					-4.6	
					-25.1	-53.2
	Cross currency swaps (3)	Hedge			17.8	-13.7
Total					**-71.2**	**-186.8**

(1) The positions in this table are aggregations of similar contracts. Their characteristics are therefore weighted averages.
(2) These swaps hedge the risk of a fluctuation in interest rates related to Eufor group floating-rate financing. Their value is -€66.6 million. New swaps were set up in the first half of 2010 (with €1 billion in notional value); €800 million in notional value have a deferred start date, such that the hedging period of these new swaps follows on the maturity of certain current swaps to extend the overall current hedging period (€2.1 billion in notional value). These new swaps have been qualified as cash flow hedges, and changes in their fair value are therefore recognized under shareholders' equity. The change in value of all swaps qualified as hedges and recognized under shareholders' equity is +€51.7 million for fiscal year 2010. The change in fiscal year 2010 recognized in the income statement on non-qualified instruments or on partially-effective hedges was +€5.4 million.
(3) Bureau Veritas: a currency hedge was set up on USPP debt (see Note 11 "'Financial debt") denominated in US dollars and pounds sterling, as well as on part of the US dollar-denominated amortizable tranche of bank debt, so as to convert the debt into euros. The change in value of these instruments is recognized under shareholders' equity and transferred to the income statement over the duration of the debt.

NOTE 9. SHAREHOLDERS' EQUITY

Number of shares outstanding:

	Par value	Total number of shares	Treasury shares
At 12.31.2009	€4	50,436,175	571,005
At 12.31.2010	€4	50,501,779	1,078,387

Treasury shares:

There was no change in the number of shares held for the purposes of the liquidity contract, i.e., 100,000 shares at December 31, 2010 (unit cost: €66.91 per share).

As of December 31, 2009, 471,005 treasury shares were held to cover stock options that had been awarded as of this date.

At December 31, 2010, Wendel held 978,387 of its shares outside of the context of the liquidity contract. These treasury shares are allocated to covering awards of stock options, bonus shares and performance shares.

2.14% of total share capital was held in treasury at December 31, 2010.

Main items in the statement of recognized profit (loss):

	Assets available for sale	Qualified hedges	Deferred taxes	**Total group share**	**Minority interests**	**Total shareholders' equity**
At 12.31.2008	10.0	-143.9	-2.0	**-135.9**	**-13.0**	**-148.9**
Change in fair value during the year	-2.3	36.9	-11.2	**23.4**	13.2	**36.6**
Amount recognized on the income statement	0.0	-35.1	17.5	**-17.5**	0.0	**-17.5**
At 12.31.2009	7.7	-142.1	4.3	**-130.1**	**0.2**	**-129.8**
Change in fair value during the year	2.3	51.3	-5.0	**48.5**	35.1	**83.6**
Amount recognized on the income statement	-5.5	51.7	0.1	**46.2**	-0.2	**46.1**
Other	-	-11.6	-	**-11.6**	-	**-11.6**
At 12.31.2010	4.4	-50.7	-0.6	**-46.9**	**35.2**	**-11.7**

Minority interests

In millions of euros	**12.31.2010**	**12.31.2009**
Bureau Veritas group	500.7	340.2
Deutsch group	-3.4	25.3
Materis group	1.3	2.7
Stallergenes group	-	55.3
Stahl group	-0.3	-
Other	10.4	2.9
Total	**508.7**	**426.5**

NOTE 10. PROVISIONS

Provisions:

In millions of euros	**12.31.2010**	**12.31.2009**
Provisions for liabilities and charges	155.0	161.7
Employee benefits	164.6	131.2
Total	**319.6**	**292.9**
Of which non-current	*312.1*	*280.8*
Of which current	*7.5*	*12.2*

Details on provisions for liabilities and charges:

In millions of euros	**12.31.2009**	**Additions**	**Reversals: used provisions**	**Reversals: unused provisions**	**Impact of discounting**	**Business combinations / disposals**	**Translation adjustments, reclassifications**	**12.31.2010**
Wendel and holding companies (1)	33.2	5.8		-9.3			-0.0	29.6
Bureau Veritas (2)								
Claims and litigation	70.1	10.9	-4.4	-12.1	1.1	9.2	-0.1	74.7
Other	32.7	14.2	-15.4	-8.6		2.7	0.9	26.5
Deutsch	6.9	1.6	-3.8	-0.2			0.2	4.7
Materis								
Restructuring	4.4	0.9	-0.5				0.1	4.8
Claims and litigation	3.9	0.7	-2.0				-0.2	2.4
Other	9.0	3.9	-3.1				0.4	10.2
Stallergenes	1.5					-1.5		
Stahl								
Restructuring		0.3	-0.6			0.9	0.0	0.7
Claims and litigation			-0.1	-0.1		0.5	0.0	0.4
Other			-0.3			1.4	0.1	1.2
Total	**161.7**	38.2	-30.2	-30.3	1.1	13.1	1.3	**155.0**
- of which current	**12.2**							**7.5**

In millions of euros	12.31.2008	Additions	Reversals: used	Reversals: unused	Impact of discounting	Business combinations / disposals	Translation adjustments, reclassifications	12.31.2009
Wendel and holding companies	18.0	16.1		-1.0				33.2
Bureau Veritas								
Claims and litigation	63.3	13.5	-2.2	-7.2	0.1	2.8	-0.2	70.1
Other	24.6	21.6	-6.6	-8.0			1.1	32.7
Deutsch	7.3	2.6	-2.9				-0.1	6.9
Materis								
Restructuring	8.2	0.1	-2.3				-1.6	4.4
Claims and litigation	2.9	0.6	-0.9				1.3	3.9
Other	11.0	2.9	-6.0			0.1	0.9	9.0
Oranje-Nassau Groep								
Dismantling of oil & gas installations	105.0					-105.0		
Other	2.5					-2.5		
Stallergenes	2.1	0.5	-1.1					1.5
Total	**244.9**	58.0	-22.0	-16.2	0.1	-104.6	1.5	**161.7**
- of which current	**9.3**							**12.2**

(1) These provisions cover litigation, a polluted land clean-up risk, and a fine inflicted by the AMF sanctions commission.

The Odile Jacob publishing house has initiated litigation against the company in the Commercial Court, seeking to cancel Wendel's acquisition and subsequent resale of the Editis group. No provision has been set aside for this litigation.

(2) In the normal course of its activities, Bureau Veritas is party to various disputes and legal actions that aim to invoke its professional liability as service providers. While Bureau Veritas pays the greatest attention to risk control and the quality of its services, some of those services may give rise to claims and litigation cases that it may lose. Provisions have been set aside on the expenses that may result from such litigation.

Provisions for liabilities and charges on the December 31, 2010 balance sheet included the following main claims:

- Terminal 2E of Paris-Roissy CDG airport;
- A claim relating to the construction of a hotel and retail complex in Turkey;
- A claim pertaining to the accident of a Gabon Express plane.

On the basis of available insurance guarantees and provisions set aside by Bureau Veritas, and based on the information currently available, the Company believes that these claims will not have a significant adverse impact on the Group's consolidated financial statements.

Employee benefits:

In millions of euros	12.31.2010	12.31.2009
Defined-benefit plans	74.6	51.9
Retirement bonuses	64.3	57.7
Other	25.7	21.6
Total	**164.6**	**131.2**
Of which non-current	*164.6*	*131.2*
Of which current	-	-

Of which:

	12.31.2010	12.31.2009
Bureau Veritas	102.7	88.0
Deutsch	14.2	12.6
Materis	31.2	27.3
Oranje-Nassau Groep	1.5	0.7
Stallergenes	-	2.1
Stahl	14.2	-
Wendel and holding companies	0.8	0.6
	164.6	*131.2*

The change in provisions for employee benefits broke down as follows for 2010:

Commitments	12.31.2009	Service costs	Actuarial gains and losses	Benefits paid	Interest cost	Curtailment and settlement	Business combinations	Translation adjustments and other	12.31.2010
Defined benefit plans	160.6	4.6	18.1	-7.7	10.7		84.9	-3.9	267.3
Retirement bonuses	86.4	6.4	4.9	-8.6	4.0	0.5	0.3	-2.8	91.2
Other	27.6	2.4	1.8	-2.3	1.3	0.0	0.2	0.3	31.2
	274.6	*13.4*	*24.7*	*-18.6*	*16.0*	*0.5*	*85.4*	*-6.4*	*389.7*

Partially funded plan assets	12.31.2009	Return on assets	Employer contributions	Amounts used	Actuarial gains and losses	Business combinations	Translation adjustments and other	12.31.2010
Defined-benefit plans	108.7	5.6	4.8	3.0	2.6	70.2	-2.3	192.6
Retirement bonuses	28.7	1.5	-0.5				-2.7	26.9
Other	6.1	0.4			-0.9			5.6
	143.4	*7.5*	*4.4*	*3.0*	*1.6*	*70.2*	*-5.0*	*225.1*
Provision for employee benefits	*131.2*							*164.6*

The change in provisions for employee benefits broke down as follows for 2009:

Commitments	12.31.2008	Service costs	Actuarial gains and losses	Benefits paid	Interest cost	Curtailment and settlement	Business combinations	Translation adjustments and other	12.31.2009
Defined benefit plans	147.7	4.0	12.7	-4.6	7.0	0.3	-0.0	-6.3	160.6
Retirement bonuses	81.0	5.8	8.6	-9.0	4.3	0.0	0.6	-4.9	86.4
Commitments	25.6	2.1	0.8	-1.8	1.0	0.1		-0.3	27.6
	254.3	*11.8*	*22.1*	*-15.4*	*12.3*	*0.4*	*0.5*	*-11.4*	*274.6*

Partially funded plan assets	12.31.2008	Return on assets	Employer contributions	Amounts used	Actuarial gains and losses	Business combinations	Translation adjustments and other	12.31.2009
Defined-benefit plans	100.5	3.1	4.7	7.1	-2.1		-4.6	108.7
Retirement bonuses	26.2	1.4	1.5	-0.0	0.5	0.0	-1.0	28.7
Other	5.9	0.2			-0.1			6.1
	132.6	*4.7*	*6.2*	*7.1*	*-1.6*	*0.0*	*-5.6*	*143.4*
Provision for employee benefits	*121.7*							*131.2*

Liabilities on defined-benefit plans broke down as follows:

	12.31.2010	12.31.2009
Fully unfunded liabilities	70.8	62.5
Partially or fully funded liabilities	318.9	212.1
Total	**389.7**	**274.6**

Assets of defined-benefit plans at December 31, 2010 broke down as follows:

	2010
Insurance company funds	40%
Equity instruments	22%
Debt instruments	27°%
Cash and other	10°%

Expenses recognized on the income statement:

Since January 1, 2006, Wendel has chosen to apply the option allowed under IAS19.93A and recognize actuarial differences directly in shareholders' equity (see "Accounting principles").

	2010	2009
Expenses recognized on the income statement with respect to defined-benefit plans		
Service costs	13.4	11.8
Interest cost	14.3	12.3
Expected return on plan assets	-7.6	-4.7
Past service costs	0.5	0.1
Impact of plan curtailments or settlements	0.8	-1.3
Total	**21.5**	**18.3**
Expenses recognized on the income statement with respect to defined-contribution plans (1)	51.9	47.7

(1) Primarily at Bureau Veritas.

Wendel

The retirement plan set up in 1947 by "Les Petit-fils de François de Wendel et Cie", which has since become Wendel, is a defined-benefit plan that was closed to new entrants on December 31, 1998. It still covers employees who worked at the Company prior to that date, provided they retire while employed by the Company. Its main actuarial assumptions were as follows: a discount rate of 3.5%, an inflation rate of 1.5%, a salary increase rate between 1.5% and 3% depending on the categories, and an employee turnover rate that is proportional to age.

Bureau Veritas:

Employee benefits at Bureau Veritas included the following defined-benefit plans:

- Pension plans, most of which have been closed for several years. Pension plans are generally unfunded, with the exception of a very limited number of plans funded by contributions paid to insurance companies and valued on the basis of actuarial calculations;
- Retirement bonuses;
- Long-service medals.

The main actuarial assumptions used in France to calculate these commitments are as follows: a discount rate of 4.3% and a salary increase rate between 2% (France, Germany and Netherlands) and 3.4% (United Kingdom).

Materis:

Retirement bonuses: calculated mainly on the basis of employees' seniority when they retire. These plans concern France, the United States, Belgium, Portugal, Italy, Brazil and South Africa. Actuarial assumptions vary from one country to another. The main assumptions are a discount rate between 4.75% (Europe) and 10.75% (Brazil), an inflation rate between 2% (Europe) and 5.40% (South Africa), a salary increase rate between 2% (Europe) and 7% (Brazil), and a return on assets between 4.50% (Europe) and 13.9% (Brazil).

Deutsch:

The defined-benefit plans in place at Deutsch correspond mainly to retirement bonuses and long-service medals, particularly in France.

The main actuarial assumptions used are a discount rate of about 5.5%, and an average inflation rate of 2.75%.

Stahl:

Stahl employee benefits in the Netherlands, Italy, the United Kingdom, the United States and Mexico concern the following defined-benefit plans:

- partially funded retirement plans;
- retirement bonuses, particularly in Italy;
- long-service medals.

The main actuarial assumptions used are a discount rate of 4.8% and an average inflation rate of 1.9%.

NOTE 11. FINANCIAL DEBT

In millions of euros	Currency	Coupon rate	Effective interest rate (2)	Maturity	Repayment	Overall amount	Amounts used 12.31.2010	Amounts used 12.31.2009
Wendel								
2011 bonds	EUR	5.0000%	5.16%	02-2011	at maturity		334.8	466.2
2014 bonds	EUR	4.8750%	4.93%	11-2014	at maturity		400.0	400.0
2014 bonds - tranche 2	EUR	4.8750%	8.78%	11-2014	at maturity		300.0	300.0
2015 bonds	EUR	4.8750%	4.91%	09-2015	at maturity		400.0	400.0
2016 bonds	EUR	4.8750%	5.02%	05-2016	at maturity		400.0	400.0
2016 bonds - tranche 2	EUR	4.8750%	6.14%	05-2016	at maturity		300.0	
2017 bonds	EUR	4.3750%	5.73%	08-2017	at maturity		300.0	300.0
2017 bonds - tranche 2	EUR	4.3750%	4.46%	08-2017	at maturity		400.0	400.0
Syndicated credit line	EUR	Euribor+margin		09-2013	revolving credit	€950M		
	EUR	Euribor+margin		09-2014	revolving credit	€250M		
Amortized cost of obligations							-89.3	-85.2
Accrued interest	EUR						40.0	55.7
							2,785.5	**2,636.7**
Eufor - financing of the Saint-Gobain investment								
Bank borrowings	EUR	Euribor+margin		07-2013, 03-2014, 12-2014	amortizing revolving credit		800.0	800.0
Bank borrowings	EUR	Euribor+margin		12-2011, 03-2012	amortizing		729.1	1,548.4
Bank borrowings (1)	EUR	Euribor+margin		06-2014, 06-2015	amortizing		455.0	455.0
Bank borrowings (1)	EUR	Euribor+margin		06-2015	at maturity		800.0	800.0
Bank borrowings (1)	EUR	Euribor+margin		04-2013/2014/2015	amortizing		630.6	930.6
Bank borrowings	EUR	Euribor+margin		11-2013, 05-2014, 11-2014	amortizing revolving credit	€300M		
Bank borrowings (1)	EUR	Euribor+margin		06-2014, 06-2015	amortizing	€600M		
Other financial debt	EUR							7.0
Accrued interest							25.4	11.2
							3,440.1	**4,552.1**
Holding companies								
Minority shareholder loans							10.7	12.2
							10.7	**12.2**
Bureau Veritas								
Bank borrowings	USD	Libor+margin		05-2013	amortizing		153.4	199.2
Bank borrowings	EUR	Euribor+margin		05-2013	amortizing		8.4	11.7
Bank borrowings	EUR	Euribor+margin		05-2012/2013	revolving credit		150.0	145.0
Bank borrowings	GBP	Libor+margin		05-2012/2013	revolving credit	€550M	52.3	27.0
Bank borrowings	USD	Libor+margin		05-2012/2013	revolving credit		222.7	
Bank borrowings	EUR	Euribor+margin		10-2012	at maturity		150.0	150.0
French private placement	EUR	Euribor+margin		06-2015	at maturity	€200M	50.0	
US private placement	EUR	Fixed		07-2019	at maturity		184.1	
US private placement	USD	Fixed		07-2018, 07-2020	amortizing		199.1	184.6
US private placement	GBP	Fixed		07-2018, 07-2020	amortizing		73.2	70.9
Deferred issuance costs							-3.8	-2.8
Other borrowings							55.2	40.6
							1,294.6	**826.3**
Deutsch								
Bank borrowings (mezzanine)	EUR	Euribor+margin		06-2018	at maturity		33.5	31.6
Bank borrowings (mezzanine)	USD	Libor+margin		06-2018	at maturity		16.2	31.6
Bank borrowings (second lien)	USD	Libor+margin		12-2015	at maturity		38.9	41.6
Bank borrowings (revolving credit)	USD	Libor +margin		06-2013	revolving credit	$40M		19.4
Bank borrowings (revolving credit)	EUR	Euribor +margin		06-2013	revolving credit			6.5
Bank borrowings (senior)	EUR	Euribor+margin		12-2013, 06-2014	at maturity		31.4	40.8
Bank borrowings (senior)	USD	Libor+margin		12-2013, 06-2014	at maturity		121.5	112.7
Bank borrowings (senior)	GBP	Libor+margin		12-2013, 06-2014	at maturity		23.0	22.3
Bank borrowings (senior)	EUR	Euribor+margin		12-2014, 06-2015	at maturity		34.7	34.7
Bank borrowings (senior)	USD	Libor+margin		12-2014, 06-2015	at maturity		141.9	131.6
Bank borrowings (acquisition)	USD/GBP	Libor+margin		06-2013	amortizing		37.5	43.3
Deferred issuance costs							-6.8	-7.5
Shareholder loans							32.9	22.4
Other borrowings and accrued interest							5.9	12.4
							510.8	**543.4**
Materis								
Bank borrowings (mezzanine)	EUR	Euribor+margin		04-2016	at maturity		341.8	310.1
Bank borrowings (second lien)	EUR	Euribor+margin		10-2015	at maturity		140.0	140.0
Bank borrowings (senior)	EUR	Euribor+margin		04-2013	at maturity		169.2	188.8
Bank borrowings (senior)	EUR	Euribor+margin		04-2014	at maturity		387.7	395.4
Bank borrowings (senior)	EUR	Euribor+margin		04-2015	at maturity		421.1	421.1
Bank borrowings	EUR	Euribor+margin		04-2013	at maturity	€145M	108.4	116.5
Bank borrowings (revolving credit)	EUR	Euribor+margin		04-2013	revolving credit	€125M	49.0	34.8
Bank borrowings (acquisition)	EUR	Euribor+margin		04-2013	at maturity	€150M	127.7	136.5

Bank borrowings (acquisition 2)	EUR	Euribor+margin	04-2014, 04-2015	amortizing	€100M	25.3	
Deferred issuance costs						-33.6	-42.3
Shareholder loans						44.2	39.0
Other borrowings and accrued interest						99.7	71.1
						1,880.6	**1,811.1**
Stahl							
Bank borrowings (second lien)	USD	Libor+margin	12-2017	at maturity		48.1	
Bank borrowings (senior)	USD	Libor+margin	12-2014	amortizing		103.1	
Bank borrowings (senior)	EUR	Euribor+margin	12-2014	amortizing		44.3	
Bank borrowings (revolving credit)	USD	Libor+margin	11-2014	revolving credit	$36M	4.5	
Deferred issuance costs						-1.8	
Shareholder loans						4.0	
Other borrowings and accrued interest						2.0	
						204.1	
Stallergenes	EUR	Floating					**17.6**
						10,126.5	**10,399.5**
Of which non-current						9,235.7	9,697.5
Of which current						890.8	702.0

(1) To enable repayment of the funds, these facilities were extended by the banks as combined financial instruments that are contractually and indissociably linked. The combination of these instruments is equivalent to a conventional bank loan.

(2) Effective interest is calculated by including issue premiums and bank issuance fees.

Main transactions in 2010

Wendel

In late October 2010, Wendel successfully issued bonds with a nominal value of €300 million, bearing interest at 4.875% and maturing on May 26, 2016. The issue price was 94.777%, and net proceeds were €284.3 million. The overall financing cost is 6%. Proceeds from the bond issue were used for early repayment of bank debt subject to collateral calls and maturing in 2012-2013 (financing the investment in Saint-Gobain). This extended the average debt maturity of Wendel and its holding companies and simplified the financial structure by shifting towards bond debt without financial covenants and away from bank borrowings subject to collateral calls. These newly issued bonds form a single series with the existing €400 million 2016 bond, and bring total 2016 maturities to €700 million.

As part of its cash management, Wendel bought back €131.4 million in nominal value of 2011 bonds for €134.4 million. The €3 million difference between the buyback price and nominal value was recognized as a financial expense. These buybacks resulted in a €4.8 million reduction in the coupon to be paid on this bond between the buyback dates and the bond's February 2011 maturity date. The repurchased bonds were cancelled in accordance with the issue's legal documentation. The residual nominal amount of the 2011 bond was €334.8 million at December 31, 2010 and was repaid on maturity on February 16, 2011.

Eufor (Saint-Gobain investment financing structure)

Bank borrowings not subject to collateral calls are collateralized by the Saint-Gobain shares they finance and by puts purchased on Saint-Gobain. Divestment of puts therefore triggers early repayment of debt not subject to collateral calls, in proportion to the number of puts sold. Hence, as part of the divestment of Saint-Gobain in 2010 (see Note 8-D "Financial assets and liabilities"), €819.3 million in bank debt not subject to collateral calls was repaid, i.e., all June and September 2011 maturities and part of the December 2011 maturity. This repayment was made possible in part by the proceeds on the sales of these puts (€305.1 million), with Wendel covering the rest in cash. Following the transaction, bank debt not subject to collateral calls contracted for financing Saint-Gobain shares came to €729.1 million. Maturities on bank debt not subject to collateral calls now extend from December 2011 to March 2012.

Wendel used the proceeds from its October 2010 bond issue (see above) for early repayment of €300 million in 2012-2013 bank debt subject to collateral calls.

Bureau Veritas

Bureau Veritas' debt increased between December 31, 2009 and December 31, 2010 mainly because the company resumed acquisitions in 2010, including Inspectorate in the second half of the year. In 2010, Bureau Veritas borrowed €184.1 million under a US private placement maturing in 2019. In June 2010, Bureau Veritas also set up a five-year, €200 million line of credit maturing in June 2015 with French institutionals, of which €50 million had been drawn as of the 2010 balance sheet date.

Deutsch

Bank debt was reclassified under non-current liabilities. See "Risk management" with respect to Deutsch's liquidity situation.

Stahl

Since the February 2010 takeover of Stahl as part of its financial restructuring, Stahl has been fully consolidated and its debt is therefore included on the consolidated balance sheet.

Breakdown in debt by currency

In millions of euros	12.31.2010	12.31.2009
Euro (1)	9,180.6	9,843.7
Other	945.9	555.8

(1) The Bureau Veritas USPP, with tranches in pounds sterling and US dollars, as well as a part of the USD-denominated bank debt, have been synthetically converted into euros and are therefore included under the "Euro" category (see Note 8-D "Derivatives").

Financial debt maturity schedule

In millions of euros	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Wendel nominal value	-336	-1,100	-1,400	-2,836
Eufor nominal - with collateral calls	-	-2,686	-	-2,686
- without collateral calls (1)	-304	-425	-	-729
Wendel and Eufor interest (2)	-338	-792	-63	-1,192
Subsidiaries – nominal value	-194	-2,714	-896	-3,804
- interest (2)	-177	-405	-467	-1,049
TOTAL	**-1,349**	**-8,121**	**-2,827**	**-12,297**

Interest is calculated on the basis of the yield curve prevailing on December 31, 2010.

(1) Maturities on Saint-Gobain purchased puts are aligned with maturities on debt not subject to collateral calls. Their carrying amount is €227.2 million (see Note 8-D "Derivatives").
(2) Interest on debt and interest-rate hedges. This figure does not include interest earned on invested cash.

Market value of gross financial liabilities

The fair value of bond debt is the market price on December 31, 2010. LBO borrowings (Deutsch, Materis and Stahl) were valued on the basis of quotes received from top-tier banks. For Eufor borrowings, book value was considered representative of market value, given the specific structure, the variable interest-rate indexation and the level of collateral.

In millions of euros	12.31.2010	12.31.2009
Wendel	2,746.8	2,408.6
Eufor (Saint-Gobain investment financing structure)	3,440.1	4,552.2
Operating subsidiaries	3,656.4	2,620.1
Total	**9,843.3**	**9,580.9**

NOTE 12. TRADE PAYABLES

In millions of euros	12.31.2010	12.31.2009
At:		
Bureau Veritas	225.0	179.9
Deutsch	28.2	19.4
Materis	252.7	237.5
Stahl	29.5	-
Stallergenes	-	28.0
Wendel and holding companies	5.5	7.2
Total	**540.9**	**472.0**

NOTE 13. OTHER CURRENT LIABILITIES

In millions of euros	12.31.2010	12.31.2009
Other borrowings		
Bureau Veritas	423.7	361.1
Deutsch	26.7	22.3
Materis	160.7	134.5
Stahl	25.5	-
Stallergenes	-	19.8
Wendel and holding companies	15.4	16.4
	652.0	**554.2**
Deferred revenue (1)	**91.3**	**95.4**
Total	**743.3**	**649.6**

(1) Mainly at Bureau Veritas.

NOTE 14. CURRENT AND DEFERRED TAXES

Current taxes

In millions of euros	12.31.2010	12.31.2009
Current tax assets		
Bureau Veritas	21.3	16.4
Deutsch	0.6	0.7
Stahl	2.7	-
Stallergenes	-	6.8
Wendel and holding companies	5.5	7.0
	30.0	**30.9**
Current tax liabilities		
Bureau Veritas	81.4	53.3
Deutsch	3.8	1.2
Materis	1.6	3.9
Stahl	0.8	-
Stallergenes	-	1.1
Wendel and holding companies	-	0.2
	87.5	**59.7**

Deferred taxes

In millions of euros	12.31.2010	12.31.2009
Deferred tax assets		
Bureau Veritas	74.2	66.3
Deutsch	2.0	17.7
Materis	45.5	48.1
Stahl	7.6	-
Stallergenes	-	2.3
Wendel and holding companies	0.4	0.2
	129.8	**134.7**
Deferred tax liabilities		
Bureau Veritas	145.7	137.3
Deutsch	7.9	26.2
Materis	405.0	405.6
Stahl	22.2	-
Stallergenes	-	2.8
Wendel and holding companies	-	-
	580.9	**571.9**
Net deferred taxes	**-451.1**	**-437.1**

The change in deferred taxes is as follows:

In millions of euros	2010	2009
Amount at the beginning of the year	**-437.1**	**-433.9**
Changes recognized on the income statement	52.8	36.9
Changes recognized in shareholders' equity	-3.2	-70.8
Translation adjustments	-1.8	-3.2
Business combinations	-61.8	37.5
Other	-	-3.6
Amount at end of year	**-451.1**	**-437.1**

NOTE 15. ASSETS AND OPERATIONS HELD FOR SALE

In millions of euros	12.31.2010	12.31.2009
Saint-Gobain shares	121.0	-
At Stahl	4.9	-
Total	**125.9**	**-**

Assets and operations held for sale consist mainly of Saint-Gobain shares received as the 2010 dividend and which Wendel decided to sell in 2011. See "Changes in scope of consolidation" with respect to Saint-Gobain.

1.13 Notes to the income statement

NOTE 16. NET SALES

In millions of euros	2010	2009	% change	Organic growth
Bureau Veritas	2,929.7	2,647.8	10.6%	2.8%
Deutsch	422.6	321.3	31.5%	27.2%
Materis	1,854.7	1,703.5	8.9%	4.9%
Stahl	284.0	-	-	-
Consolidated net sales	**5,491.0**	**4,672.7**	**17.5%**	**5.2%**
Stahl (12-month contribution)	330.1	253.5	30.2%	24.1%
Total including Stahl in 2009 and 2010	**5,537.1**	**4,926.2**	**12.4%**	**6.2%**

Breakdown of consolidated net sales		
Sales of goods	2,556.0	2,030.3
Sales of services	2,935.0	2,642.4
Consolidated net sales	**5,491.0**	**4,672.7**

NOTE 17. OPERATING EXPENSES

In millions of euros	2010	2009
Purchases and external charges	2,441.1	2,014.7
Personnel costs	2,060.5	1,821.7
Tax	84.3	89.7
Other operating expenses	20.5	4.4
Depreciation and amortization	264.6	235.6
Net additions to provisions	-3.9	19.5
Total	**4,867.1**	**4,185.6**

R&D costs recognized as expenses at:

In millions of euros	2010	2009
Deutsch	1.1	0.3
Materis	20.9	19.4
Stahl	3.0	-

Average number of employees at consolidated companies:

	2010	2009
Bureau Veritas	47,969	39,067
Deutsch	2,928	2,547
Materis	9,488	8,902
Stahl	1,159	-
Wendel and holding companies	72	76

NOTE 18. INCOME FROM ORDINARY ACTIVITIES

In millions of euros	2010	2009
Bureau Veritas	420.5	366.4
Deutsch	60.5	12.2
Materis	165.4	166.2
Stahl	20.3	-
Wendel and holding companies	-42.3	-55.9
Income from ordinary activities	**624.5**	**489.0**

NOTE 19. OTHER OPERATING INCOME AND EXPENSES

In millions of euros	2010	2009
Net gains (losses) on disposals of property, plant and equipment and intangible assets	-3.5	5.5
Net gains (losses) on disposals of consolidated investments (1)	-8.9	118.4
Restructuring costs	-11.4	-21.0
Impairment of assets (2)	-15.9	-95.4
Other income and expenses	-6.5	-34.1
Total	**-46.2**	**-26.6**

(1) In 2009: net gain on the sale of 10% of Bureau Veritas.

(2) In 2010: €14.2 million in asset impairment at Deutsch.

In 2009: asset impairment at Materis (€30.0 million) and Deutsch (€63.4 million).

NOTE 20. FINANCE COSTS, NET

In millions of euros	2010	2009
Income from cash and cash equivalents		
Interest generated by cash and cash equivalents (1)	11.3	26.9
	11.3	26.9
Finance costs, gross		
Interest expense	-520.5	-566.3
Interest expense on the minority portion of shareholder loans	-9.9	-7.6
Deferral of debt issuance costs and premiums (calculated using the effective interest method)	-22.2	-20.5
	-552.5	-594.5
Total	**-541.2**	**-567.6**

(1) Includes €8.4 million at the level of Wendel and its holding companies. An additional €16.2 million in income on short-term investments is recognized under "Other financial income and expenses", comprising total income of €24.6 million in 2010 on cash and short-term financial investments of Wendel and its holding companies.

NOTE 21. OTHER FINANCIAL INCOME AND EXPENSES

In millions of euros	2010	2009
Gains (losses) on disposals of assets available for sale	2.0	2.3
Dividends received from non-consolidated companies	5.2	3.6
Income on interest-rate, currency and equity derivatives (1)	71.4	-229.3
Interest on other financial assets	6.1	10.9
Net currency exchange gains/losses	17.0	-8.1
Impact of discounting	-7.8	-7.5
Gain on buyback of discounted debt	11.0	2.4
Other	-7.1	17.6
Total	**97.7**	**-208.1**

(1) In 2010 includes the gain or loss on sale and the change in fair value of protection acquired to hedge a decline in the share price of Saint-Gobain (+€46.7 million, vs. -€225.2 million in 2009). See Note 8-D "Financial assets and liabilities".

NOTE 22. TAX EXPENSE

In millions of euros	2010	2009
Current tax	-180.1	-118.5
Deferred tax	52.8	39.1
Total	**-127.3**	**-79.4**

The CVAE portion of the new CET tax, which replaced the French business license tax (*taxe professionnelle*) in 2010 was recognized as an income tax, in accordance with IAS 12 and the January 14, 2010 statement of the French National Accounting Board.

This reclassification under income tax had an impact of €17.0 million in 2010.

The difference between the Group's effective income tax rate and the standard income tax rate applicable in France broke down as follows:

	2010
Standard corporate tax in France	34.43%
Impact of:	
Transactions subject to reduced tax rates or foreign tax rates	-38.79%
Uncapitalized tax losses generated in the current year and use of existing, uncapitalized tax losses of Wendel and holding companies	74.89%
Uncapitalized tax losses generated in the current year and use of existing, uncapitalized tax losses of operating subsidiaries	17.77%
CVAE tax	12.64%
Other	-6.39%
Effective tax rate	**94.55%**

The effective income tax rate is the ratio of income tax expense recognized on the income statement to the sum of operating income, net finance cost and other financial income and expenses.

NOTE 23. NET INCOME FROM EQUITY-METHOD INVESTMENTS

In millions of euros	2010	2009
Net income including impact of goodwill allocation		
Saint-Gobain	116.0	-50.1
Legrand	99.2	88.7
Stahl	-	-2.3
Helikos	-5.6	-
Other companies	0.4	-0.1
Sale of Legrand shares	225.9	161.6
Impact of Legrand dilution	-0.2	9.2
Impairment of equity-accounted Saint-Gobain shares (1)	373.4	-225.4
Impact of dilution on the Saint-Gobain investment	0.8	-782.2
Total	**809.8**	**-800.6**

(1) In 2010, this line item reflected a reversal in the impairment provision (see Note 4) and the impact of recognizing Saint-Gobain share dividends under assets and operations held for sale (see "Changes in scope of consolidation" with respect to Saint-Gobain).

NOTE 24. NET INCOME FROM DISCONTINUED ACTIVITIES AND ACTIVITIES HELD FOR SALE

In millions of euros	2010	2009
Gain (loss) on divestments		
Stallergenes	300.2	-
Oranje Nassau Groep – oil & gas businesses	-	346.3
	300.2	**346.3**
Share in net income for the year from discontinued activities		
Stallergenes	26.6	22.2
Oranje Nassau Groep – oil & gas businesses	-	15.7
Bureau Veritas companies	-	0.4
	26.6	**38.3**
Total	**326.7**	**384.6**

NOTE 25. NET INCOME

In millions of euros	2010	2009
Consolidated companies:		
Wendel and holding companies	88.5	-432.8
Oranje-Nassau Groep	-	360.5
Bureau Veritas	266.7	225.4
Deutsch	-16.1	-74.6
Stahl	-3.9	-
Materis	-27.8	-108.9
Stallergenes	26.6	22.2
	334.1	**-8.2**
Share in net income from equity-method investments (see Notes 4 and 23)	809.8	-800.6
	1,143.9	**-808.8**
Minority interests (see Note 9 and "Segment information")	141.6	109.4
Net income, Wendel share	**1,002.3**	**-918.3**

NOTE 26. EARNINGS PER SHARE

In euros and millions of euros	2010	2009
Net income, Group share	1,002.3	-918.3
Impact of dilutive instruments on subsidiaries	-6.4	-3.0
Diluted earnings	**995.9**	**-921.3**
Average number of shares, net of treasury shares	49,707,545	50,153,196
Potential dilution due to Wendel stock options (1)	565,666	-
Diluted number of shares	**50,273,211**	**50,153,196**
Basic earnings per share (in euros)	20.16	-18.31
Diluted earnings per share (in euros)	19.81	-18.37
Basic earnings per share from continuing operations (in euros)	13.88	-25.74
Diluted earnings per share from continuing operations (in euros)	13.60	-25.80
Basic earnings per share from discontinued operations (in euros)	6.28	7.43
Diluted earnings per share from discontinued operations (in euros)	6.21	7.43

(1) Using the treasury share method, it is assumed that the cash received from the exercise of dilutive instruments is used to buy shares and partially neutralize the dilution. The potential dilution is thus the net impact.

1.14 Notes on changes in cash position

NOTE 27. ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In millions of euros	2010	2009
By Bureau Veritas	77.3	65.3
By Deutsch	13.0	11.4
By Materis	86.7	53.4
By Stahl	4.3	0.0
By Stallergenes	0.0	14.4
By Wendel and holding companies	1.1	1.0
Total	**182.4**	**145.4**

NOTE 28. ACQUISITION OF EQUITY INVESTMENTS

In millions of euros	2010	2009
Helikos (1)	22.3	-
Saint-Gobain	-	115.9
By Bureau Veritas (2)	583.0	37.0
By Materis (3)	25.3	5.6
By Deutsch (4)	30.2	-
Other shares	0.9	2.0
Total	**661.7**	**160.5**

(1) IPO investment in Helikos. See “Changes in scope of consolidation”.

(2) Acquisitions by Bureau Veritas, mainly Inspectorate.

(3) Acquisitions by Materis, mainly a.b.e. construction chemicals.

(4) Deutsch’s buyout of minority interests in its LADD subsidiary. See “Changes in scope of consolidation”.

NOTE 29. DIVESTMENTS

In millions of euros	2010	2009
Sale of Stallergenes	357.7	-
Sale of Legrand block	344.9	275.8
Oranje-Nassau Groep – Energy division	-	582.0
Sale of Bureau Veritas block	-	272.8
Sales by Bureau Veritas	6.8	15.5
Other	0.2	0.3
Total	**709.7**	**1,146.3**

NOTE 30. IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION AND ACTIVITIES HELD FOR SALE

In 2010, this item corresponded mainly to the consolidation of Stahl (€14.9 million) and the divestment of Stallergenes (€22.4 million). In 2009 it reflected the divestment of Oranje-Nassau’s oil & gas activities, which occurred during the first half of 2009.

NOTE 31. CHANGES IN OTHER FINANCIAL ASSETS AND LIABILITIES AND OTHER

In 2010, this line item included:

- cash that Wendel contributed to Stahl for its financial restructuring: €60 million (see “Changes in scope of consolidation”);
- -€390 million in Wendel’s short-term financial investments (classified under current financial assets; see the section on Wendel’s liquidity situation); and
- +€305 million in proceeds from the sale of Saint-Gobain protection (see Note 8-D “Derivatives”).

In 2009 this item included €193.5 million in proceeds from the sale of protection and €65.5 million in proceeds from the sale of Saint-Gobain share warrants.

NOTE 32. DIVIDENDS RECEIVED FROM EQUITY-METHOD OR NON-CONSOLIDATED COMPANIES

Dividends received in 2010 included €45.9 million from Legrand in 2010 (€56.4 million in 2009) and from funds held by Oranje Nassau Groep (€5.1 million).

The Saint-Gobain dividend was received in the form of shares (see “Changes in scope of consolidation”) and had no impact on Group cash.

The €3.3 million dividend from Stallergenes is presented under changes in scope of consolidation, while Bureau Veritas’ €47.3 million was eliminated upon consolidation.

NOTE 33. NET CHANGE IN BORROWINGS AND OTHER FINANCIAL LIABILITIES

In millions of euros	2010	2009
New borrowings at:		
Wendel bond issue (net of issuance costs) (1)	282.5	146.2
Eufor group (Saint-Gobain investment structure)	0.0	106.6
Bureau Veritas	744.6	105.8
Deutsch	7.9	10.8
Materis	200.0	165.0
Oranje-Nassau Groep	-	4.0
Stahl	4.3	-
Other Wendel holding companies	-	11.1
	1,239.4	**549.4**
Borrowings repaid at:		
Wendel - Capgemini 2% bond	-	279.0
Wendel - Redemption of 2011 bond (1)	134.4	21.0
Eufor group (Saint-Gobain investment structure) (1)	1,119.2	1,024.9
Bureau Veritas	304.5	334.4
Deutsch	58.7	12.9
Materis	198.0	226.7
Oranje-Nassau Groep	-	101.0
Stallergenes	-	1.4
Stahl	8.4	-
Other Wendel holding companies	3.2	-
	1,826.5	**2,001.3**
Total	**-587.1**	**-1,451.9**

(1) See Note 11 “Financial debt”.

1.15 Segment information

The income statement is broken down between “net income from business sectors” and non-recurring items.

Net income from business sectors

Net income from business sectors is the Group’s “recurring” income. It consists of net income from investments and from holding companies and excludes non-recurring items and the impact of goodwill, as defined below:

- “Net income from investments” is defined as the net income of companies under exclusive control (full consolidation: Bureau Veritas, Materis, Stallergenes until its divestment in November 2010, Deutsch and Stahl, effective when Wendel took control on March 1, 2010) and Wendel’s share in the net income of associates accounted for under the equity method (Saint-Gobain, Legrand and Stahl until the date when Wendel took control) before non-recurring items and the impact of goodwill allocation.
- “Net income from holding companies” includes the overheads of Wendel and holding companies, Oranje-Nassau for its holding company activities, effective July 2009, excluding the Energy division, the cost of net debt set up to finance Wendel and its holding companies, the cost of financing the Eufor group (the Saint-Gobain investment structure) and income tax related to these items. It includes amounts recognized at the level of Wendel and at that of all consolidated financial holding companies (excluding acquisition holding companies and operating subsidiaries).

Non-recurring income

“Non-recurring income” includes, for the entire scope of consolidation, the net after-tax amounts not linked to the operating activity of subsidiaries and associates or to the recurring operations of Wendel and its holding companies:

- capital gains and losses on divestment of assets;
- restructuring costs considered exceptional;
- exceptional legal disputes, notably those that are not linked to operating activities;
- interest income and expenses on shareholders’ loan, as these are linked to the financial structure used to realize the investment in the subsidiaries and associates. These items do not usually give rise to a settlement in cash prior to divestment. The tax impact related to these items is considered recurring if it is a structural one;
- changes in fair value;
- impairment losses on assets, and in particular on the value of goodwill;
- currency impact on financial liabilities;

- financial restructuring expenses and the income and expenses related to the extinguishing of debt;
- any other significant item unconnected with the Group's recurring operations.

Impact of goodwill allocation

The impact of goodwill on the income statement derives from the revaluation of assets and liabilities carried out at the time of the acquisition (or from changes to them within 12 months after the transaction). The affected items are primarily:

- inventories and work in progress;
- property, plant and equipment;
- intangible assets, including brands and contracts; and
- the related deferred taxes.

These accounting items modify net income from investments, by disconnecting the income statement from the cash flows deriving from the business activity of those companies (because the accounting entries relate to the companies' acquisition prices and not their business activities).

Income statement by operating segment for fiscal year 2010

	Bureau Veritas	Materis	Deutsch	Stallergenes	Stahl	Equity-method investments			Holding companies	Total
						Saint-Gobain	Legrand	Stahl		
Net income from business sectors										
Net sales	**2,929.7**	**1,854.7**	**422.6**		**284.0**					**5 491.0**
EBITDA		**250.5**	**100.2**		**47.1**					
Adjusted operating income (1)	**490.5**	**191.0**	**85.0**		**39.7**					
Other recurring operating items			(3.0)		0.1					
Operating income	**490.5**	**191.0**	**82.0**		**37.8**				**(40.3)**	**760.9**
Finance costs, net	(34.8)	(139.9)	(28.8)		(15.3)				(314.6)	**(533.5)**
Other financial income and expenses	(10.8)	(1.2)	2.8						16.2	**7.1**
Tax expense	(122.4)	(30.4)	(7.6)		(7.2)				(0.6)	**(168.2)**
Share of net income from equity-method investments	(0.1)	0.2			0.4	235.3	114.7		0.0	**350.5**
Net income from discontinued operations and operations held for sale				26.6					(0.0)	**26.5**
Recurring net income from business sectors	**322.3**	**19.6**	**48.4**	**26.6**	**15.6**	**235.3**	**114.7**	-	**(339.3)**	**443.3**
Recurring net income from business sectors, minority interests	158.7	5.7	7.7	14.4	1.3	-	-	-	0.2	**188.0**
Recurring net income from business sectors, Group share	**163.6**	**13.9**	**40.8**	**12.2**	**14.3**	**235.3**	**114.7**	-	**(339.5)**	**255.3**
Non-recurring income										
Operating income	(81.4)	(36.5)	(44.5)		(23.1)				2.9	**(182.6)**
Net financial income		(16.1)	(24.8)		(1.1)				124.8	**82.9**
Tax expense	25.6	5.4	4.8		5.0					**40.8**
Share of net income from equity-method investments						289.4	(15.8)		185.7	**459.3**
Net income from discontinued operations and operations held for sale									300.2	**300.2**
Non-recurring net income	**(55.8)**	**(47.2)**	**(64.5)**	-	**(19.1)**	**289.4**	**(15.8)**	-	**613.7**	**700.6**
of which:										
- Non-recurring items	**(6.0)**	**(30.4)**	**(39.1)**	-	**(6.5)**	**5.9**	**(11.6)**	-	**648.2** (2)	**560.6**
- Impact of goodwill allocation	**(48.1)**	**(16.8)**	**(18.7)**	-	**(12.6)**	**(83.0)**	**(4.2)**	-	-	**(183.3)**
- Asset impairment	**(1.7)**	-	**(6.8)**	-	-	**366.4**	-	-	**(34.5)** (3)	**323.4**
Non-recurring net income, Group share	**(28.9)**	**(35.7)**	**(58.0)**	-	**(17.5)**	**289.4**	**(15.8)**	-	**613.6**	**747.0**
	-	-	-	-	-	-	-	-	-	-
Consolidated net income	**266.6**	**(27.6)**	**(16.1)**	**26.6**	**(3.5)**	**524.7**	**99.0**	-	**274.4**	**1,143.9**
Consolidated net income, minority interests	131.9	(5.9)	1.2	14.4	(0.3)				0.3	**141.6**
Consolidated net income, Group share	**134.7**	**(21.7)**	**(17.3)**	**12.2**	**(3.2)**	**524.7**	**99.0**		**274.1**	**1,002.3**

(1) Before impact of goodwill allocations, non-recurring items and management fees.

(2) Includes a €300.2 million gain on the sale of Stallergenes, €225.9 million from the sale of the Legrand block of shares, and a €46.7 million gain on the sale of and changes in fair value on Saint-Gobain protection (puts).

(3) Includes the reversal of the impairment provision (see Note 4) and the impact of recognizing Saint-Gobain share dividends under assets and operations held for sale (see section “Changes in scope of consolidation” with respect to Saint-Gobain), as well as the -€41.4 million asset impairment recognized by Saint-Gobain.

Income statement by business sector for fiscal year 2009

	Bureau Veritas	Materis	Oranje-Nassau Groep (Energy)	Deutsch	Stallergenes	Equity-method investments			Holding companies	Total
						Saint-Gobain	Legrand	Stahl		
Net income from business sectors										
Net sales	**2,647.8**	**1,703.5**		**321.3**						**4 672.7**
EBITDA		**238.3**		**58.8**						
Adjusted operating income [(1)]	**433.2**	**184.9**		**37.0**						
Operating income before R&D	**N/A**	***N/A***		***N/A***						
R&D										
Other recurring operating items	0.0	2.0		(3.2)						
Operating income	**433.2**	**186.9**	**(1.3)**	**33.8**					**(49.7)**	**602.9**
Finance costs, net	(44.0)	(153.0)	(0.6)	(37.2)					(326.5)	**(561.3)**
Other financial income and expenses	(17.1)	(1.2)	(0.2)	(2.3)					(8.0)	**(28.7)**
Tax expense	(94.1)	(32.3)	0.2	(2.5)					(0.1)	**(128.9)**
Share of net income from equity-method investments	0.1	(0.2)				115.0	115.7			**230.6**
Net income from discontinued operations and operations held for sale	0.4		15.7	0.0	22.2					**38.3**
Recurring net income from business sectors	**278.5**	**0.1**	**13.8**	**(8.2)**	**22.2**	**115.0**	**115.7**	**-**	**(384.3)**	**152.9**
Recurring net income from business sectors, minority interests	131.3	0.8	-	2.4	12.0	-	-	-	0.1	**146.5**
Recurring net income from business sectors, Group share	**147.3**	**(0.7)**	**13.8**	**(10.5)**	**10.2**	**115.0**	**115.7**	**-**	**(384.4)**	**6.4**
Recurring net income										
Operating income	(77.0)	(91.0)	(0.6)	(70.5)					98.5	**(140.6)**
Net financial income		(28.8)	1.4	(9.7)					(148.6)	**(185.6)**
Tax expense	24.0	10.6	(0.4)	13.7					1.6	**49.4**
Share of net income from equity-method investments						(1,172.8)	(17.8)	(2.3)	161.6	**(1,031.2)**
Net income from discontinued operations and operations held for sale			346.3							**346.3**
Non-recurring net income	**(53.0)**	**(109.2)**	**346.7**	**(66.5)**	**-**	**(1,172.8)**	**(17.8)**	**(2.3)**	**113.1**	**(961.7)**
of which:										
- Non-recurring items	**(4.0)**	**(32.3)**	**346.7**[(2)]	**(31.1)**	**-**	**(794.7)** [(3)]	**(4.8)**	**(2.3)**	**113.1**[(5)]	**(409.4)**
- Impact from goodwill	**(47.0)**	**(13.5)**	**-**	**(15.8)**	**-**	**(87.8)**	**(8.1)**			**(172.2)**
- Asset impairment	**(1.9)**	**(63.4)**	**-**	**(19.6)**	**-**	**(290.2)** [(4)]	**(5.0)**			**(380.1)**
Recurring net income, Group share	**(28.6)**	**(94.2)**	**346.7**	**(68.9)**	**-**	**(1,172.8)**	**(17.8)**	**(2.3)**	**113.1**	**(924.6)**
Consolidated net income	**225.5**	**(109.1)**	**360.5**	**(74.6)**	**22.2**	**(1,057.7)**	**97.9**	**(2.3)**	**(271.2)**	**(808.8)**
Consolidated net income, minority interests	106.8	(14.2)		4.8	12.0				0.1	109.4
Consolidated net income, Group share	**118.7**	**(94.9)**	**360.5**	**(79.4)**	**10.2**	**(1,057.7)**	**97.9**	**(2.3)**	**(271.2)**	**(918.3)**

(1) Before the impact of goodwill allocation, non-recurring items and management fees.

(2) Includes a €346.3 million gain from the divestment of Oranje-Nassau oil & gas assets.

(3) Includes a €782.2 million dilution loss on Saint-Gobain.

(4) Includes €225.4 million in impairment on Saint-Gobain assets recognized at Wendel and €64.9 million recognized at Saint-Gobain.

(5) Includes:

- €118.4 million gain on the sale of the Bureau Veritas block of shares;
- €161.6 million gain on the sale of the Legrand block of shares;
- €225 million loss on the sale of and changes in the fair value of Saint-Gobain protection (puts);
- €65.5 million gain from the sale of Saint-Gobain share warrants;
- €26.2 million negative adjustment to the fair value of VGG.

Cash flow statement by business segment for fiscal year 2010

In millions of euros	Bureau Veritas	Deutsch	Materis	Stallergenes	Stahl	Wendel and holding companies	Eliminations and non allocated	Group total
Net cash flows from operating activities, excluding tax	534.2	61.7	218.3	-	28.3	-39.9	-	802.6
Net cash flows from investing activities, excluding tax	-648.8	-42.8	-102.9	-22.4	-49.3	699.2	-47.3	-214.3
Net cash flows from financing activities, excluding tax	314.1	-13.4	-84.4	-	46.3	-1,479.7	47.3	-1,169.8
Net cash flows related to taxes	-136.9	-4.0	-24.4	-	-5.4	2.7	-	-168.1

Cash flow statement by business segment for fiscal year 2009

In millions of euros	Bureau Veritas	Deutsch	Materis	Oranje-Nassau Energy	Staller-genes	Wendel and Holding companies	Eliminations and non-allocated	Group total
Net cash flows from operating activities, excluding tax	528.7	81.3	217.7	-4.3	42.1	-40.2	-	825.2
Net cash flows from investing activities, excluding tax	-72.0	-13.0	-60.7	464.4	-16.0	891.0	-43.3	1,150.6
Net cash flows from financing activities, excluding tax	-353.2	-44.8	-148.2	-97.4	-4.7	-1,518.1	43.3	-2,123.1
Net cash flows related to taxes	-110.1	-3.5	-14.8	-1.6	-8.4	0.7	-	-137.7

1.16 Additional information

1.16.1 Off-balance-sheet commitments

At December 31, 2010, no commitment is likely to have a significant impact on the Group's financial position, other than those mentioned below.

Collateral and other security given in connection with financing

	12.31.2010	12.31.2009
(i) Pledge by Materis Parent (Materis group) of shares of the principal companies of the Materis group and of certain bank accounts and trade receivables as collateral for the repayment of the debt owed by the Materis group	1,869.9	1,814.4
(ii) Pledge by Deutsch Group of shares of the principal companies of the Deutsch group and of certain bank accounts, trade receivables and assets as collateral for the repayment of debt owed by the Deutsch group	432.9	528.5
(iii) Pledge by Stahl Group SA of shares of the principal companies of the Stahl group and of certain bank accounts, trade receivables and assets as collateral for the repayment of debt owed by the Stahl group	202.0	-
(iv) Pledge of listed shares in connection with the Saint-Gobain investment financing structure (market value) (1)	3,729.0	4,547.3
(v) Collateral given in connection with financing not subject to collateral calls and relative to hedging transactions (1)	227.2	476.1
(vi) Pledge of cash in connection with the Saint-Gobain investment financing structure (1)	609.2	653.0
(vii) Other security given in connection with the Eufor group financing	-	232.6
(viii) Other	2.6	39.5
Total	7,072.7	8,291.4

(1) These items are detailed under "Managing liquidity risk" with respect to Eufor group liquidity.

Guarantees given as part of asset disposals

	12.31.2010	12.31.2009
Commitments given in connection with asset disposals Tax guarantees given in connection with the divestment of Oranje-Nassau Groep oil & gas activities, expiring in May 2016 (there were no guarantees of environmental risk or site remediation costs connected with this divestment) and guarantees given in connection with the sale of Editis in 2008, expiring in January 2012.	353.1	353.1

Off-balance-sheet commitments given related to operating activities

		12.31.2010	12.31.2009
(i)	Market counter-guarantees	69.8	66.7
(ii)	Other commitments given		
	by Bureau Veritas	49.7	50.1
	by Materis	48.7	51.4
	by Deutsch	3.1	5.9
		101.5	107.4
Total		171.3	174.1

Off-balance-sheet commitments received related to operating activities

	12.31.2010	12.31.2009
Other engagements received	7.0	7.0

Shareholders' agreements

As of December 31, 2010, the Wendel Group was party to numerous agreements governing its relations with its co-shareholders in Materis, Deutsch and Stahl, whether financial investors or the managers of these companies, under mechanisms that enable managers to benefit from the performance of their company (as described in "Participation of subsidiaries' managers in the performance of their companies").

These agreements include various clauses related to:

- governance (composition of governing bodies and rights to information);
- terms of share transfers (lock-up periods, pre-emptive rights);
- exit terms in the event of divestment (tag-along and drag-along rights) or IPO;
- executive departures (commitment to sell to Wendel Group in the event the subsidiary executive resigns and/or commitment to buy from certain executives in certain special cases);
- liquidity in certain situations, including in the absence of a sale or IPO beyond a certain period of time (6-14 years after Wendel's investment, depending on the company).

As part of these agreements and of those entered into with Wendel managers as part of co-investment mechanisms, the Wendel Group may be contractually required at certain pre-set dates to buy back the shares held by manager/co-investors of Wendel and investments in Materis, Deutsch and Stahl. This would be the case if no liquidity event (i.e., divestment or IPO) occurred prior to these dates. The value applied to these buyback commitments would be market value, as determined by an appraiser, or a calculation based on an operating income multiple. At December 31, 2010, on the basis of the value of investments included in the calculation of net asset value at that date, the value of the portion of the investment by minorities subject to the same risk and return conditions as Wendel was €70 million. The value of the co-investment of Wendel, Materis, Deutsch and Stahl managers having dilutive effects on the Wendel Group's ownership interest (notably the index-based or preferred shares, or stock options) was €32 million. These amounts vary with the value of each investment. They may therefore be lower (or nil) or higher (see "Participation of subsidiaries' managers in the performance of their companies").

Stahl co-shareholders' earn-out rights on capital gains

See "Changes in scope of consolidation" with respect to the Stahl restructuring.

Leasing

Apart from the transactions described below, no finance lease is likely to have a significant impact on Wendel's financial position.

Finance leases (contracts under which the Group retains the risks and rewards of ownership of the leased item)

Amount of future rents under finance leases:

In millions of euros	12.31.2010	12.31.2009
Due in more than 5 years	9.6	2.4
Due in 1 to 5 years	3.9	8.9
Due in less than 1 year and accrued interest	1.1	0.9
Total	14.6	12.2

Operating leases (contracts under which the Group does not retain the risks and rewards of ownership of the leased item)

Amount of future rents under operating leases:

In millions of euros	12.31.2010	12.31.2009
Due in more than 5 years	74.5	84.7
Due in 1 to 5 years	212.0	152.0
Due in less than 1 year and accrued interest	101.4	64.7
Total	388.0	301.5

Future rents relate mainly to Bureau Veritas (€237.9 million).

1.16.2 Unavailable assets

	12.31.2010		
In millions of euros	**Consolidated value of unavailable assets**	**Total of balance sheet line item**	**As a % of balance sheet line item**
	-		
Intangible assets	**-**	**1,622.6**	0.0%
Property, plant and equipment	**-**	**988.4**	0.0%
Bureau Veritas	9.8		
Eufor group (Saint-Gobain investment financing structure) (1) (2)	836.5		
Non-current financial assets	**846.3**	**861.6**	98.2%
Equity-method investments (1) (3)	**3,175.8**	**5,334.1**	59.5%
Other non-current assets	-	**3,091.5**	
Total non-current assets	**4,022.1**	**11,898.2**	**33.8%**

(1) These assets become available once Eufor group financing matures.

(2) Including cash and cash equivalents of €609.2 million.

(3) Consolidated value (Legrand and Saint-Gobain shares pledged as collateral. See “Off-balance-sheet commitments”).

Certain other assets eliminated in consolidation, such as shares in consolidated companies or intra-Group receivables have been pledged to banks as collateral. These assets are as follows:

- Some shares of Materis group companies have been pledged to banks as collateral on €1,869.9 million in loans;
- As part of the Deutsch group financing arrangement set up at in late June 2006, shares of the main Deutsch group companies were pledged to banks as collateral on €432.9 million in loans;
- As part of the Stahl group financing arrangement, shares in the main Stahl group companies were pledged to banks as collateral on €202.0 million in loans;
- Bureau Veritas group shares pledged under Eufor group financing (see “Liquidity risk” with respect to Eufor group financing).

1.16.3 Stock options and bonus shares

The total expense related to stock options or other share-based compensation for fiscal year 2010 was €21.0 million vs. €7.5 million in 2009.

In millions of euros	2010	2009
Stock options at Wendel	2.1	0.4
Grant of bonus shares at Wendel	2.2	0.1
Stock options at Bureau Veritas	1.7	1.6
Grant of bonus shares at Bureau Veritas	10.1	5.0
Stock appreciation rights at Bureau Veritas	0.9	0.1
Deutsch	2.9	0.4
Stahl	1.1	-
Total	**21.0**	**7.5**

New stock-option grants in 2010 were as follows:

Wendel

Pursuant to the authorization given by shareholders at their June 5, 2009 Annual Meeting:

- options giving the right to subscribe to 7,000 shares were granted on February 8, 2010 with a strike price of €41.73 and a 10-year life. These stock options are subject to gradual vesting over three years, by annual tranche of one-third of the total grant, with the first tranche vesting at the end of the first year. These options have been valued at €5.77 each. The expense is spread out on the basis of the maturity schedule of the vesting rights.
- options giving the right to acquire 353,177 shares were granted on June 4, 2010, with a strike price of €44.32 and a 10-year life. These stock options are subject to (i) a performance condition, i.e., a 5% annual increase in NAV; and (ii) gradual vesting over three years by annual tranche of one-third of the total grant, with the first tranche vesting at the end of the first year. These options have been valued using a binomial model, based on the following main assumptions: a risk-free rate of 3.27% and volatility of 36%; staff turnover is considered to be zero. The illiquid nature of these stock options has been taken into account in this model, which is usually applied to options that can be freely traded on a market. These options have been valued at €7.37 each. The expense has been spread out on the basis of the maturity schedule of the vesting rights.
- 83,450 bonus shares were granted on January 12, 2010. They have been valued at €40.66 per share.
- 10,500 bonus shares were granted on May 17, 2010. They have been valued at €41.67 per share.
- 151,362 performance shares were granted on June 4, 2010. Vesting is subject to a performance condition, i.e., a 5% annual increase in NAV and a 10.25% increase over two years. These performance shares have been valued at €12.18 per share, based on a binomial mathematical model using the same assumptions as those used to value the stock options granted on June 4, 2010.

Instruments granted to employees and not exercised or vested were as follows:

Stock options	Number of options outstanding at 12.31.2009	Options granted in 2010	Options cancelled in 2010	Options exercised in 2010	Adjustment	Number of options outstanding 12.31.2010	Number of exercisable options	Exercise price (€)	Average exercise price (€)	Average residual life
Purchase-type options	201,601	7,000		-14,811		193,790	64,966	22.58 and 41.73	23.50	8.4 years
Purchase-type options subject to performance conditions	200,000	353,177	-400			552,777		22.58 and 44.32	36.45	8.5 years
Subscription-type options	217,723		-30,922	17,718		169,083	169 083	24.59 to 90.14	57.75	4.1 years
Subscription-type options subject to performance conditions	1,210,700		-41,900			1,168,800		18.96 to 132.96	87.08	7.2 years

Bonus shares and performance shares	Shares granted at 12.31.2009	Awards during the fiscal year	Options exercised / vested	Cancellations	Shares granted as of 12.31.2010	Grant date
Bonus shares	1,820		-1,820			06/09/2008
	6,900	-	-	-200	6,700	07/162009
	-	83,450	-	-500	82,950	01/122010
	-	10,500	-	-	10,500	05/172010
Performance shares	-	151,362	-	-800	150,562	06/04/2010
	8,720	245,312	-1,820	-1,500	**250,712**	

Bureau Veritas

In July 2010, Bureau Veritas granted 244,200 stock options with an exercise price of €46.31. To qualify for the grant, the beneficiary must have completed three years of service. There is also a performance condition based on 2010 adjusted operating income. The options have a lifetime of eight years from the grant date. Their average fair value per option of options granted during the fiscal year was €9.79. They were valued using the Black & Scholes model, with the following assumptions: volatility of 26%, a risk-free rate of 1.59%, and an estimated life of four years.

In 2010, Bureau Veritas granted 456,100 bonus shares subject to certain employment and/or performance conditions. The weighted average fair value of bonus shares granted in 2010 was €43.47 per share.

The instruments granted and not exercised or vested were as follows:

Stock options	Number of options outstanding at 12.31.2009	Options granted in 2010	Options cancelled in 2010	Options exercised in 2010	Adjustment	Number of options outstanding 12.31.2010	Number of exercisable options	Exercise price (€)	Average exercise price (€)	Average residual life
Bureau Veritas	2,674,837	244,200	-102,500	-172,177	-	2,644,360	29,460	6.19 to 46.31	21.65	4.9 years

Bonus shares	Shares granted as of 12.31.2010	Grant date
Employees and executives	137,650	06/09/2008
	226,250	06/09/2008
	339,400	07/03/2009
	456,100	07/23/2010
Employees	71,150	12/13/2007
Executives	55,000	09/22/2008
	1,285,550	

Stock appreciation rights			Number of options (share equivalents)	
Start date	Expiration date	Exercise price per share	2010	2009
December 13, 2007 plan	12.12.2013	30.20	57,344	62,054
Number of options at December 31			**57,344**	**62,054**

Deutsch

In December 2010, Deutsch granted 7,922,760 stock options (out of a theoretical maximum of 10,000,000) with an exercise price of €1 and a four-year life. This plan replaced a previous plan implemented in 2006 and the previous co-investment mechanisms in Deutsch. Vesting is subject to the beneficiary's presence in the company and Wendel's realization of a minimum return on its entire investment in Deutsch. The options have been valued at €4.9 million using the Monte Carlo model. The cancelled plan was valued at €1.6 million on the same date. The valuation difference between the two plans will be spread out over the new plan's vesting period.

Stock options	Number of options outstanding at 12.31.2009	Options granted in 2010	Options cancelled in 2010	Options exercised in 2010	Adjustment	Number of options outstanding 12.31.2010	Number of exercisable options	Exercise price (€)	Average exercise price (€)	Average residual life
Deutsch 2006 plan	2,647,832		-2,647,832					-	-	-
Deutsch 2010 plan		7,922,760				7,922,760		1.00	1.00	4 years

1.17 Subsequent events

1.17.1 Sale of a 21.8 million block of Legrand shares in March 2011

On March 4, 2011, Wendel and KKR successfully placed 40 million Legrand shares (15.2% of the share capital) at a price of €28.75 per share. At this time Wendel sold about 21.8 million shares (equal to 8.3% of Legrand's share capital) for €627 million. This generated a capital gain of about €430 million. The transaction left Wendel with about 11.1% of Legrand's share capital and about 17.8% of its voting rights. In light of their respective interests in Legrand after this deal, KKR and Wendel plan to reduce their representation on Legrand's board of directors from three to two directors each. Given this board representation, Legrand will continue to be accounted for by the equity method in Wendel's consolidated accounts.

1.17.2 Call options written on Saint-Gobain shares

As part of the process of monetizing the 3.1 million Saint-Gobain shares received as the 2010 dividend (subscription price: €28.58 per share), Wendel has written call options covering all of these shares. These options expire prior to the end of the first half of 2011. Wendel received a €3.5 million premium for the call options, which may require Wendel to sell these shares at a higher price than the price on the day the financial statements were approved, if the options are exercised by the counterparty.

1.17.3 Acquisition of Parcours, an independent vehicle leasing specialist in France

In March 2011, Wendel signed a contract to become the majority shareholder in Parcours, via Oranje-Nassau Développement. Wendel will invest €107 million, entirely in equity, with no additional debt, for 95% of Parcours' share capital. The rest will be held by Parcours managers. The acquisition of Parcours is expected to close in the second quarter of 2011.

1.17.4 Disposals of Saint-Gobain puts in March 2011

2.8 million put options on Saint-Gobain shares were sold in March 2011. The €47.5 million in proceeds on the sale were applied to the repayment of €155 million in debt not subject to collateral calls, with the balance deriving from Wendel's cash holdings. Wendel now holds 10.5 million puts and has €574 million in borrowings not subject to collateral calls. The number of puts issued by Wendel remains at 6.1 million. This transaction raised Wendel's exposure on its 93.0 million Saint-Gobain shares from 92.2% to 95.2%.

1.18 List of main consolidated companies at December 31, 2010

Method of consolidation	% interest, net of treasury shares	Company name	Country	Business segment
FC	**100.00**	**Wendel**	**France**	**Management of shareholdings**
FC	39.61	Butterfly management	France	"
FC	100.00	Coba	France	"
FC	99.52	Compagnie de Butterfly	France	"
FC	100.00	Compagnie Financière de la Trinité	France	"
FC	100.00	Eufor	France	"
FC	100.00	Hirvest 1	France	"
FC	100.00	Hirvest 2	France	"
FC	100.00	Hirvest 3	France	"
FC	100.00	Hirvest 4	France	"
FC	100.00	Hirvest 5	France	"
FC	100.00	Hirvest 6	France	"
FC	100.00	Hirvest 7	France	"
FC	100.00	Sofiservice	France	"
FC	100.00	Winbond	France	"
FC	100.00	Winvest 11	France	"
FC	100.00	Winvest 14	France	"
FC	100.00	Xevest holding	France	"
FC	100.00	Xevest1	France	"
FC	100.00	Xevest 2	France	"
FC	99.52	2MWIN	Luxembourg	"
FC	100.00	Froeggen	Luxembourg	"
FC	100.00	Grauggen	Luxembourg	"
FC	100.00	Hourggen	Luxembourg	
FC	100.00	Ireggen	Luxembourg	"
FC	100.00	Jeurggen	Luxembourg	"
FC	99.36	Karggen	Luxembourg	"
FC	99.52	Luxconnecting Parent	Luxembourg	"
FC	90.11	LuxButterfly	Luxembourg	"
FC	97.24	Materis Investors	Luxembourg	"
FC	99.52	Stahl Lux 1	Luxembourg	"
FC	97.44	Stahl Lux 2	Luxembourg	"
FC	100.00	Trief Corporation	Luxembourg	"
FC	100.00	Truth 2	Luxembourg	"
FC	87.41	Waldggen	Luxembourg	"
FC	100.00	Winvest Conseil	Luxembourg	"
FC	100.00	Winvest Part 6	Luxembourg	"
FC	99.52	Winvest International	Luxembourg	"
FC	99.52	Win Securitization 2	Luxembourg	"
E	6.75/88.00[1]	Helikos SE	Luxembourg	"
FC	100.00	Oranje-Nassau Groep	Netherlands	"
FC	100.00	Legron	Netherlands	"
FC	99.52	Stahl Group BV	Netherlands	"
FC	100.00	Sofisamc	Switzerland	"
FC	100.00	Wendel Japan	Japan	"
FC	**51.87**	**Bureau Veritas**	**France**	**Certification and verification**
FC	**75.53**[2]	**Materis Parent**	**Luxembourg**	**Specialty chemicals for construction**
FC	**89.46**[2]	**Deutsch Group**	**France**	**High-performance connectors**
FC	**91.46**[2]	**Stahl Group**	**Netherlands**	**High-performance coatings and leather treatment products**
E	**19.49**	**Legrand S.A.**	**France**	**Products and systems for low-voltage installations**
E	**17.08**[3]	**Saint-Gobain**	**France**	**Production, transformation and distribution of**

construction materials

(1) See “Changes in scope of consolidation” with respect to Helikos.

(2) Interest rates: see “Accounting principles”.

(3) See “Changes in scope of consolidation” with respect to Saint-Gobain.

FC: Full consolidation. Wendel exercises exclusive control over these companies.

E: Equity-method investment. Wendel exercises significant influence over these companies.

4.19 Statutory Auditor's report

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2010

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.

This report also includes information relating to the specific verification of information given in the Group's management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

WENDEL
89, rue Taitbout
75009 Paris
France

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2010, on:

- the audit of the accompanying consolidated financial statements of Wendel;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at December 31, 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to:

- Note 4 to the consolidated financial statements related to the investments in associates which describes the impairment test methodology for the interests held in Saint-Gobain, performed in accordance with IFRS and based on the value in use of this investment and particularly the following points:
    - the value in use of the interest in Saint-Gobain was assessed by the Company as at December 31, 2010. For the purposes of this assessment, the facts and circumstances existing at the balance sheet date were taken into account as well as the information available at the date of approval of the financial statements. This assessment led to a complete reversal in the income statement of the impairment loss previously booked for an amount of € 407.9 million;
    - because of the uncertainties inherent to the global economy outlook, the forecasts are difficult and the actual amounts could be at variance from the forecasts used in the context of the impairment test performed. It is therefore possible that the value in use of the interest held in Saint-Gobain might be different from that determined on the basis of the assumptions and estimates applied at December 31, 2010;
    - the sensitivity to a +/- 0.5% change in the discount rate and the sensitivity to a +/- 0.5% change in the long-term growth rate.
- Note 8 to the consolidated financial statements related to financial assets and liabilities (excluding financial debt and operating receivables and payables) which describes the accounting for derivatives used as “protection” against a fall in the market price of Saint-Gobain shares and indicates that these instruments are valued in accordance with IAS 39 on the basis of the fair value at the balance sheet date, including some market parameters and their impact on the financial statements.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

<u>Accounting estimates</u>

In preparing its financial statements, your Company makes estimates and assumptions concerning, in particular, the value of certain assets, liabilities, income and expenses. The accounting estimates used in the preparation of the consolidated financial statements for the year ended December 31, 2010 were made in a context in which, since 2008, the uncertainties with regard to the outlook for the global economy make forecasting difficult, as described in the Note "Accounting principles - Use of estimates" to the consolidated financial statements.

It is in this specific context that at December 31, 2010 the Company carried out impairment tests on goodwill, intangible assets with indefinite useful lives and equity-method investments, in accordance with the methods described in the Notes to the consolidated financial statements "Accounting principles - Measurement rules", Note 1 "Goodwill - Goodwill impairment tests", and Note 4 "Equity-method investments - Impairment tests of equity-method investments".

We reviewed the methods applied to implement these impairment tests and verified that the above-mentioned notes provide appropriate disclosure. In particular, with regard to the impairment test on Saint-Gobain shares which resulted in an impairment loss reversal of €407.9 million for 2010, we reviewed the assumptions and estimates applied by the Company to determine the value in use of the investment.

Accounting principles

We reviewed the accounting treatment applied by your Company for preparing its consolidated financial statements with respect to the co-investment mechanisms of the management team. We verified that the Notes to the consolidated financial statements "Accounting principles - Accounting treatment of participation of Wendel executives in Group investments", "Participation of managers in Group investments" and "Additional information - Off-balance-sheet commitments – Shareholders' agreements" provide appropriate disclosure in this regard.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verification

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the Group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris-La Défense, March 22, 2011

The Statutory Auditors
(French original signed by)

PricewaterhouseCoopers Audit	Ernst & Young Audit
Etienne Boris	Jean-Pierre Letartre