

Presentation of 2007 annual results

I. Introduction

Ernest-Antoine Seillière, Chairman of the Supervisory Board

The Supervisory Board met yesterday to approve the year's financial statements. To the Executive Board, it expressed its great satisfaction with the performance of the Group's subsidiaries in 2007. The results that will be presented today reflect their vigor, their dynamism and the strength of their market positions. We also looked into the situation of our investment in Saint-Gobain. Together, the Supervisory Board and the Executive Board gave deep thought to the acquisition before taking the major decision to acquire a position as the principal shareholder of one of France's largest industrial groups. By viewing this asset in the context of our Group's long-term investment strategy, we are fully consistent with our vocation. We are, of course, aware that this investment came at a time when the international economy is in disarray. But we are convinced that this investment is both legitimate and constructive for our Group.

Our principal shareholder – 950 members of the Wendel family – represented by an 18-member Council was thoroughly informed of the project and the circumstances of the investment in Saint-Gobain, and has given its full backing. If our share price has fallen in recent months, the Wendel family considers that this decline calls for a strengthening of its position in the Group. It is to this end that it decided, in particular, to set up a borrowing of a limited amount. As you can see, there is perfect harmony between Wendel's principal shareholder, the Supervisory Board and the Executive Board at a time in the history of our Group that holds much promise for the future.

At the Annual Shareholders' Meeting, we will present a resolution to request the renewal of three of the members of Wendel's Supervisory Board: François de Wendel, François de Mitry and Jean-Marc Janodet, the Group's former Chief Financial Officer. We also propose the appointment to the Supervisory Board of a new independent director, Frédéric Lemoine, Chairman of the Supervisory Board of Areva.

II. Results of the year 2007

Jean-Bernard Lafonta, Chairman of the Executive Board

1. Year's highlights

The year 2007 was marked by sustained business volume and good results. In a context that deteriorated as of the summer of 2007 with regard to the financial markets, we demonstrated that we were capable of remaining flexible and mobile, while maintaining the fundamental tenets of our strategy.

We organized Bureau Veritas's IPO in October 2007 in a market environment that was already difficult. The IPO was negotiated at the high end of the price range proposed by Wendel, confirming the operation's success. Wendel pocketed 1.2 billion euros in cash on this occasion. We have great ambitions for Bureau Veritas – our goal is to double its size and increase its net income by 15% to 20% per year over the next five years.

We acquired a position as Saint-Gobain's principal shareholder. It seemed to us that we could play a significant role in this high-quality group, while finding opportunities to increase the value of our investment at prices that are not so high as in private equity, a sector in which valuations had become excessive with high levels of financial leverage.

We also pursued our efforts to optimize Group activities, by selling assets for 200 million euros, in particular Oranje-Nassau's real estate activities and our 2% equity interest in Neuf Cegetel. Finally, our subsidiaries reported average organic growth of 7%, and 30 acquisitions were conducted during the year, for a total of 760 million euros.

In March 2008, the Group thus comprises companies of which Wendel is the controlling or principal shareholder, like Saint-Gobain. Business results were very satisfactory at all of the Group's companies, with net income from subsidiaries up 13%. Altogether, net income, Group share, including non-recurring income, stood at 879 million euros.

Non-recurring income was made up of non-recurring capital gains of 796 million euros on the IPO of Bureau Veritas. The group also reported 151 million euros in capital gains on financial assets. The accounts included a cost of 345 million euros for the Saint-Gobain operation. Saint-Gobain will be accounted for, by the equity method, as of 2008. It is a long-term investment and we will only declare capital gains or losses when we sell the shares.

2. Performance of subsidiaries

a. Bureau Veritas

In 2007, Bureau Veritas reported strong organic growth (+ 10%) and a 16% increase in adjusted operating income – an excellent performance. Bureau Veritas's share price has done well since the IPO, in a turbulent market environment. There were significant external acquisitions in 2007, representing a total of 260 million euros in net sales, with the acquisition of ECA in Spain and of CCI in Australia. These developments will have their full effect in 2008.

b. Legrand

Legrand reported organic growth of 9% and a 14% increase in recurring adjusted operating income. Organic growth was good in all geographic regions. In France and Italy, Legrand's performance was remarkable, although volume growth decreased in 2007. The success was particularly due to the impact of the product lines launched in 2006 and 2007. The share of emerging countries became significant (25% of net sales). Growth was positive in North America (+ 2%), in spite of a more difficult environment in the new residential sector, thanks to the good performance of energy conservation products.

Legrand's margin improved by 60 basis points, reflecting comprehensive efforts to boost gains in productivity. Allied with higher selling prices, this enabled the Company to offset the increase in energy and raw materials costs.

c. Materis

Materis reported organic growth of 7% and a 10% increase in adjusted operating income. Organic growth was sustained by a positive impact in all market segments. The share of emerging countries was here significant, as this segment accounted for almost 20% of net sales. Materis made 11 acquisitions representing a total of 68 million euros in net sales.

d. Stallergènes

As in previous years, Stallergènes reported strong organic growth (+16%) in 2007, with a rise in adjusted operating income of 19%. Market authorization has been requested for the Company's Oralair tablets, and German authorities are currently studying the file. We plan to optimize Stallergènes's commercial development and form a partnership with a pharmaceutical laboratory that will contribute to this optimization, once market authorization has been granted.

e. Editis

Editis reported organic growth of 2.5% and a 16% increase in adjusted operating income. This performance (achieved while Editis lost the Larousse and Dalloz distribution contracts) resulted from publishing developments in literature and education that have enabled the company to outperform the book market by 2% to 3% in recent years. It was also decided to amplify Editis's distribution capacity, through the acquisition of small companies (thereby creating positive leverage) or the signing of marketing contracts with other market players. There have been rumors about Editis. We have, in fact, received interested inquiries from French and European groups, with financing arrangements that seem to be solid. Our responsibility as a shareholder is to examine the interest and relevance they represent for Editis and for Wendel in light of the performance and prospects we consider Editis will achieve. From this point of view, Editis generates a return on capital employed of 15% to 20%. We foresee similar potential in the future.

f. Deutsch

Deutsch reported organic growth of 4%, in line with our expectations. Wendel acquired this specialist in high-performance connectors, which equip aircraft, missiles, offshore platforms and heavy vehicles, in June 2006. The group was then made up of independent companies, and one of Wendel's first tasks was to organize Deutsch as a global entity, organized in two divisions. Commercial synergies were also explored.

These efforts implied investment costs in 2007. We also made selective major acquisitions in 2007: LADD (the exclusive distributor of Industry division products in the United States) and Servo, a distributor of connectors for automobile sports vehicles.

Deutsch's operating income remained stable, while the operating margin declined approximately 150 basis points. With the various programs launched, we expect margin gains of approximately 300 basis points in the next two years. The beginning of 2008 is in line with expectations.

g. Stahl

Stahl reported contrasting results. Wendel introduced a new management team at Stahl at the beginning of 2007, a change that can be seen in the results, with a still lackluster first half, followed by strong growth in the second half. Adjusted operating growth rose 26% and organic growth was 3%.

h. Oranje-Nassau

Oranje-Nassau increased its oil production by 8%, in particular as a result of the startup of the Buzzard oil field. Oranje-Nassau also reported significant capital gains when it sold all its real estate assets. The price of a barrel of oil remained constant in euros between 2006 and 2007, with an average price of 52.90 euros per barrel. We signed an agreement to acquire an equity interest in the Devon oil field in Gabon for USD 206 million. The transaction should be finalized once the Gabonese companies have given their approval.

i. Saint-Gobain

We acquired a position as the principal shareholder of Saint-Gobain, and within three months, we came to an agreement with the Board of Saint-Gobain on the terms of our participation in the company's governance. We talked about strategy and worked on areas in which there is potential for improvement. Our requests (for example, for the creation of a Strategic Committee) were granted, and it was agreed that for a period of two years, we would limit the expression of double voting rights to 34% of the votes cast during the Shareholders' Meetings to be held in 2010 and 2011.

An in-depth analysis of Saint-Gobain's fundamentals and potential was undertaken, in particular on the basis of more than 500 interviews with customers, partners and competitors of Saint-Gobain in France and internationally. We also analyzed the group's historical operating and financial performance in the last 20 years, comparing Saint-Gobain with its competitors and the best practices in the market. Since the end of 2007, there has been a convergence of views between Wendel and Saint-Gobain in the following strategic areas:

- refocus on the residential market, which particularly implies the sale of glass packaging activities, a divestment that, from our point of view, should take place under good price conditions;
- development in emerging countries, where the markets are the most dynamic;
- strong growth products, especially energy conservation products;
- operational excellence, particularly through a reduction in operating expense, centralized procurement and industrial excellence.

Other potential should certainly be examined, in particular sourcing policies, productivity, pricing strategies and the management of capacities, as well as the optimization of the organization and structures.

As of March 26, 2008, Wendel held 20.6% of Saint-Gobain's capital, i.e. 77.2 million shares. By the terms of the governance agreement that was signed, Wendel may increase its equity interest to 21.5% of the capital. The financing arrangements were structured to allow Wendel to increase its interest to that level, while optimizing its risk profile, in particular via the acquisition of puts for 400 million euros, with maturities scheduled in 2011 and 2012. These financial instruments make it possible to protect 40% of the investment. Wendel's own resources committed in this investment total 1.6 billion euros. For the rest, long-term net bank financing with no recourse on Wendel in the amount of 4.3 billion euros was set up. This financing is adapted to Wendel's long-term strategy by reason of its three- to five-year maturity. It is without recourse on Wendel and is comprised of 2 billion euros in net financing without margin calls, since coverage is provided by the puts acquired, and by 2.3 billion euros in net financing with margin calls. Up to now, the maximum level of residual margin calls stands at 1.5 billion euros, in the rather unlikely hypothesis, I'm sure you will agree, of a drop in the share price of Saint-Gobain to 0. To meet any margin calls, Wendel has sound and liquid assets, with, on the one hand, available cash reserves of 1.3 billion euros and holdings in listed companies valued at 3.4 billion euros, as well as a syndicated loan not yet drawn down in the amount of 1.25 billion euros.

3. Wendel's strategy and performance

Our shareholding business produces its effect over time. We base it on convictions, in terms of industrial strategy, applied to companies whose potential and market positions we appreciate. When we believe we can play a positive role in the development of certain companies, we are interested in investing in such firms.

We have diversification objectives, both geographically and in terms of businesses. France now accounts for 31% of the Group's overall net sales. We also have objectives in terms of financial discipline, with goals of creating value over the long term (five to ten years), and we strive to allocate long resources to these investments, which produce results over time. Lastly, we are concerned to maintain a high level of liquidity. We currently have available cash resources of 1.6 billion euros for listed assets that represent approximately 6 billion euros.

The Group's development over the last five years illustrates how strictly financial equilibrium was maintained during this period. Between 2002 and 2007, we made acquisitions for a total of 3.8 billion euros and we sold holdings worth 3.6 billion euros. Our balance sheet is sound, mainly owing to strict financial discipline: long fixed-income debt (maturities 2011 to 2017), 30% less borrowing (definition given in the slide) in the last five years. We improved the conditions of the syndicated loan we have with ten banks instead of eight previously, for a total amount increased to 1.25 billion euros.

Wendel's net asset value is now 113 euros per share, based on an unchanged method of calculation. Valuation by the sum of the parts, based on analysts' consensus for each listed asset (Bureau Veritas, Legrand, Stallergènes, Saint-Gobain) would be 125 euros.

Despite a decline in our share price since last summer, our performance remains good. We have multiplied Wendel's share price by slightly more than three in five years, while the CAC 40 stock market index grew 60% (representing outperformance of 14% per year). In the last five years, our share price has risen 278% (representing average annual growth of 31%), one of the best performances in our sector.

4. Objectives

We still plan to double the Group's net asset value by 2012. We also want to ensure an average increase in the dividend of 15% over a period of five years.

At the coming Wendel Shareholders' Meeting of June 9, 2008, we propose an ordinary dividend of 2 euros. We will not propose any exceptional dividend.

III. Questions from the audience

From the audience

I would like to have some additional information about Editis. Aside from the financial criteria, could other criteria have influenced your decision, in particular criteria concerning the promotion of the French language, generally speaking?

Jean-Bernard Lafonta

Three criteria guide us in this arena. The first is financial and industrial; we are primarily committed to Editis's development. With Alain Kouck, we have defined a growth strategy with several priorities (development of digital activities, acquisition of small publishers and amplification of their development, internationalization of Editis). It is on the basis of these issues that we appreciate the interest of any possible transaction involving Editis.

From the audience

I have difficulty understanding how a long-term investor can come to cover a part of his investment just because he's concerned that something might happen. Did the bankers ask you to secure a part of your assets?

In addition, when was the decision to buy puts taken, and at what price were these shares covered?

Jean-Bernard Lafonta

We set up protection that corresponded to the structure of the financing that had been negotiated. We tried to optimize the risk profile associated to the financing with regard to Wendel's balance sheet and the liquidity of this balance sheet, whereas we used structured financing for unlisted investments. We always seek to identify an optimal equilibrium in the breakdown and structure of these different types of financing. We do this for every investment.

We do not disclose information on the specific ways our hedging operations are carried out. On the other hand, as we mentioned, the cost of setting up such protection was 400 million euros.

From the audience

Have any other groups expressed interest in Editis, in addition to Planeta? Also, what Group sectors might contribute to the objective of return on capital employed that you indicated?

Jean-Bernard Lafonta

Interest was expressed by several groups that wanted us to keep their identity confidential. As for the second question, Editis's net income represented a return of approximately 15% of the equity Wendel invested. Now, we believe that we are able to amplify the growth Editis has achieved in spite of the loss of two major contracts (Larousse and Dunod-Dalloz).

From the audience

Have you committed yourselves not to divest your holding in Legrand this year?

Jean-Bernard Lafonta

I indicated that the rumors were unfounded. With KKR, we share the same point of view on Legrand's potential, and the rumors we have heard in the last few days have no basis in reality. Undoubtedly, it is in the interest of certain market traders to spread rumors. Legrand's results are now 30% to 40% higher than their level at the time of the IPO. Now, Legrand's share price is barely higher than the IPO price. Without a doubt, Legrand's current valuation does not therefore correspond to what a long-term investor may expect. Also, Legrand's profile seems more solid today than it was at the time of the IPO. In our opinion, Legrand can now generate organic margin growth over time of more than 3% or 4%, in particular with the increased weight of emerging countries (25%) in its net sales.

From the audience

How much did the coverage cost in the Saint-Gobain operation?

Jean-Bernard Lafonta

The protection cost 400 million euros.

From the audience

What are your intentions concerning Oranje-Nassau, which is the only Group structure that is not indebted, and which represents approximately half of unlisted assets?

Jean-Bernard Lafonta

Oranje-Nassau represents 15% to 20% of our unlisted assets and generated some 125 million euros in operational cash flow in 2007. We have a policy to cover the per-barrel price of oil that is rather conservative, and this leads us to cover 50% to 70% of future production in the next three or four years. We calculate the current and future valuation of production through the operating cash flow of 125 million euros we receive.

From the audience

Given the date set in April, the year 2008 marks a stage in Legrand's shareholder pact, thus enabling Wendel to adapt its position. In addition, you acquired double voting rights. What percentage of voting rights do you now hold in Legrand?

With regard to Saint-Gobain, you cannot avoid the AMF regulation that will require you to launch a takeover bid if you cross the threshold of 34% of voting rights, if you are the only ones to have double voting rights. You will therefore probably be obliged to launch a takeover bid within two years.

Jean-Bernard Lafonta

To answer your first question, KKR and Wendel have a reciprocal right of first offer, which continues to exist. In the years to come, we can, theoretically, stop a sale by the other partner. This will have no practical impact, for the right of first offer is primordial in this type of pact.

As to the double voting rights, I can tell you that Wendel and KKR would have 75% of the voting rights, after counting the double voting rights. But that has no practical impact on our reasoning, in terms of the level of equity interest in Legrand.

With regard to Saint-Gobain, the only part that counts is what we represent in voting rights. The double voting rights put us at approximately 32% of all of Saint-Gobain's voting rights, at least according to our calculation, which is below the threshold that triggers a takeover bid.

From the audience

What would happen if another shareholder reached the threshold of 11%?

Jean-Bernard Lafonta

We considered that if another shareholder held approximately half of our interest (which is up to 21.5% of the capital), this would constitute a new significant factor that would lead us to regain complete freedom over our whole equity interest. The commitments we made would then be null.

From the audience

The operation involving Saint-Gobain would seem to confirm the fact that this group was far from being well managed up to now. In any case, the strategy you presented for this company does not seem to include any really new factors. Could you confirm this?

Jean-Bernard Lafonta

We bought at acquisition prices that represent multiples of approximately 6.5 times EBITDA and less than 12 times net income. That does not seem unreasonable. Our action does not imply a negative appreciation of the work done by Saint-Gobain's management; the identification of potential is in no way synonymous with a negative appreciation of the work done up to the present. Saint-Gobain is a group of great quality, in terms of market positions, capacity to generate cash flow and the quality of its management. There is potential of various sorts, concerning, for example, the significance of emerging countries (which now account for only 15%) or the competitive position of certain activities. You can observe that Saint-Gobain's products are essentially local products, which are not transported. More generally, the history of an industrial group never stops, whatever the quality of its management team. I even believe that the greater a group's quality, the more potential it has.

From the audience

You have gone quite far in terms of leverage, a decision that has been sanctioned by the rating agencies. What commitments can you make to stabilize this situation and can you tell us something about your conversations with these agencies?

Jean-Bernard Lafonta

Let me first remind you that Wendel's balance sheet is by far the most liquid balance sheet we have had in recent years, and S&P clearly underlines this fact.

1. Remember, our cash reserves currently total almost 1.6 billion euros compared with levels of 300 million euros to 600 million euros in the past. This is not just the result of chance. We have always considered that liquidity is a priority. That is why we have always pre-financed our maturities and sold assets before making new acquisitions, a strategy we can but congratulate ourselves on at the present time.
2. In addition to our cash, we have 3.4 million euros in liquid assets and a bank loan of 1.25 billion euros not yet drawn down.

The way we structured our financing on Saint-Gobain is in line with our long-term investment policy in our equity holdings and our desire to optimize the risk for Wendel, specifically:

1. *Long-term investment policy*: financing is adapted to the length of our investments. The Saint-Gobain financing has maturities of 2011/ 2012;

2. *Optimization of Wendel's risk*: of the 4.3 billion euros in Saint-Gobain financing, 2 billion euros are without margin calls and protected by coverage, and 2.3 million euros represent financing with margin calls.

We would like to remind you as well of our financial policy objectives, of which S&P has been informed:

1. to monitor in real time fluctuations in the ratio of net debt / gross asset value, which we want to maintain under 30%. Let me repeat that, once again, this ratio illustrates Wendel's prudence in terms of financial policy, since this ratio is well below the covenants we have on our unused bank loan;
2. to monitor the trend in Wendel's value for the years 2011-2017; this second point leads us, at least once a year, to undertake a detailed analysis of all the business plans drawn up by our subsidiaries and their development prospects, and from this to deduce a forward-looking estimate of the Group's value that seems reasonable. This leads us to reflect on the limits of the consolidated entity.

From the audience

Have you modified the method used to calculate net asset value, and can you indicate the amount counted for Editis?

Jean-Bernard Lafonta

We do not communicate the specifics of the net asset value line by line, and there has been no change in method.

From the audience

A rapid calculation of the ratio of net debt to gross asset value, corrected for what is currently pledged, produces a ratio of slightly more than 30%. Have you made a commitment concerning the level of your BBB- rating, it being noted that Wendel's debt is essentially fixed-income?

Jean-Bernard Lafonta

We work over the long term to respect our ratios and maintain strong liquidity, in line with our financial policy and the characteristics of an investment grade company.

We are in regular contact with S&P, which is aware of the principles and objectives of our financial policy. Naturally, *in fine*, the rating decisions are S&P's, and I point out that this has no impact on the cost and availability of our financing.

From the audience

Have you met with the agencies and made commitments to them?

Jean-Bernard Lafonta

As I just said, we have regular contacts with S&P. They are aware of the principles and objectives of our financial policy.

From the audience

You have set up protection in the amount of 400 million euros. One could imagine that the protection is activated. What is its current value?

Jean-Bernard Lafonta

We do not communicate the value of such protection, but in fact, it varies on the basis of instantaneous market values. The simplest way to reason is to consider that we now have a 60% exposure to a decrease (we could say that we have protected 40% of our investment), and full exposure to an increase in the value of the investment.

From the audience

Saint-Gobain's debt schedule does not appear in the table of bond maturities in slide 40. Why?

Jean-Bernard Lafonta

It is debt without recourse, and the table only lists debt with recourse on Wendel.

I thank you all for your participation.