

# Presentation of semiannual results

## Introduction

Ernest-Antoine Seillière  
Chairman

Ladies and Gentlemen,

Welcome to WENDEL Investissement. I thank you for coming in such large numbers to attend the presentation of our semiannual results.

We welcome, too, a new member of the Executive Board, Bernard Gautier, who, after a career as an entrepreneur, worked in several consulting firms before joining Bain & Co. As far as I am concerned, I have taken some distance from day-to-day operations, since I am now the Chairman of the Supervisory Board.

The results we present today will not displease you. As you will see, the whole Group reported satisfactory performance and seems to be headed for further growth.



## Main events

Jean-Bernard Lafonta  
Chairman of the Executive Board



### I. Acquisitions

At the end of the year, we indicated that we intended to give priority to the development of our business sectors. In the first half, we made a certain number of acquisitions, through Legrand, Bureau Veritas, Editis and Oranje-Nassau, for a total of 330 million euros.

These acquisitions allow us to prepare for future growth. Although they may have a slightly negative impact on margins, they are perfectly in line with our ambition to consolidate the group in the next five years.

### II. Strengthened investment capacity

We sold most of our residual equity interest in Valeo and initiated the disposal of Wheelabrator Allevard. This transaction should be finalized at the end of September or the beginning of October for an enterprise value of 415 million euros, a sum that represents a cash entry of approximately 320 million euros for Wendel. The selling price of Wheelabrator Allevard was calculated at 8.7 times EBITDA for the fiscal year 2004, whereas the average valuation of comparable companies is only 6.6 times EBITDA. Given the respective potential of our companies, it seems reasonable to take advantage of the market situation to dispose of Wheelabrator Allevard, which presents interesting development prospects for the buyer.

Finally, we sold six million Valeo shares, at an average unit price of 37.20 euros, including dividends received, which represented a satisfactory selling price.

Overall, we strengthened our investment capacity by almost 600 million euros and we benefited from favorable conditions in the bond market to launch a 12-year bond issue in the amount of 300 million euros at a rate of slightly more than 4%.

At the end of September, the Group has majority equity interests in five companies: Legrand, Oranje-Nassau, Stallergènes, Bureau Veritas and Editis, and non-strategic holdings in Valeo, CapGemini, Neuf Telecom and bioMérieux.

## Consolidated results in the first half of 2005

Jean-Bernard Lafonta  
Chairman of the Executive Board

### I. Consolidated results of the WENDEL Investissement Group

Net income from business sectors increased significantly to 131 million euros. Net income stood at 150 million euros.

### II. Net income from business sectors

Net income from business sectors was up significantly as a result of the consolidation of 99% of Bureau Veritas. Each of our subsidiaries reported very satisfactory progress. Net income from business sectors rose 34%. The loss reported by Editis was fully anticipated and was linked to the seasonal nature of the publishing business. Operating results were remarkable at Editis, rising sharply in a rather lackluster book publishing market.

## Performance of business sectors

Jean-Bernard Lafonta  
Chairman of the Executive Board

### I. Bureau Veritas

Jean-Bernard Lafonta



With Bureau Veritas, we have defined growth objectives for the next five years. The three main players in this market have a relatively small share of the world market, and therefore we have major consolidation potential that has led us to decide to speed up the process of external growth

Since acquisitions initially have a negative impact on the margin, we target a slight improvement in the margin over the next five years. This is an ambitious goal given the volume of acquisitions that will be made.

As for Bureau Veritas's organization and human resources, we aim to move harmoniously forward, from one stage to the next, in order to transform this solid firm into a major world group.

The results of Bureau Veritas are in line with objectives. Net sales were up 12%. The margin remained constant. The main explanation for the rise in the contribution of Bureau Veritas to Wendel's results is that our equity interest in the company increased from 33.9% to 99.2%.

The 12% growth in net sales was divided in a balanced manner between organic growth of 6% and significant acquisitions.

In the first half, Bureau Veritas racked up 115 million euros in acquisitions. The principal transactions were with Clayton Group Services Inc. in the United States and Casella Consulting Ltd. in the United Kingdom. Today, with a little more than 200 million euros in net sales in the United States, Bureau Veritas is the leader in this market, which has considerable potential. America now accounts for more than 20% of Bureau Veritas' net sales, while Asia and the Middle East also weigh in for significant amounts.

Moreover, by increasing our equity interest in Bureau Veritas, we modified corporate governance. We introduced three independent members to the Supervisory Board to benefit from external expertise. And in addition to the classic committees, we created a committee to monitor risks, a prime area given the nature of the activities in which Bureau Veritas is involved.

## II. Legrand

Legrand remains on the right track, with organic growth of 6.9%, and overall growth of 6.5%. The company made several acquisitions in the first half. It maintained its operating margin in spite of the significant rise in the price of raw materials in the last 12 months.

We consider the results of this company satisfactory. Organic growth is very positive in most geographic regions. It exceeds market growth in France and Italy, and at 10.2% is especially strong in the United States, illustrating the capacity of Legrand's teams to win market share in developing markets, often by introducing new product lines.

## III. Editis

In September 2004, Editis announced its intention to regain its leadership in France and in French-speaking markets, through organic growth as well as external growth. In a relatively lackluster publishing market, Editis reported a remarkable performance, with organic growth of 9%.

The acquisition of Le Cherche Midi publishing house, which was finalized in June, rounds out Editis' publishing offering. Editis reported a 25% increase in operating income, in line with expectations. To reinforce the distribution platform, 20 new contracts have been signed since September 2004. This will make it possible to offset the programmed departure of Larousse and Dalloz.

Net sales at Editis totaled 320 million euros. Its financial debt increased owing to a rise in working capital requirements (seasonal nature of the business) and its operating margin was up 50 basis points, in line with our expectations. Because of the seasonal character of the business, most of the working capital requirements are concentrated in August and 70% of the year's operating income is recorded in the second half.



Alain Kouck and Bernard Gautier

Alain Kouck, Chairman of Editis

The first objective of the development plan we launched in 2004 was to replace Larousse and university publishing activities, which were taken over by the Lagardère Group. Our plan is based on four priorities:

- to focus on internal growth;
- to sign distribution contracts;
- to make acquisitions ;
- to master the break even point.

Today, we are a year ahead of schedule vis-à-vis our forecasts for replacement activities. As for bestsellers, we benefited from the good performance of our publishers, particularly in general literature. The schoolbook sector is also in good shape.

In addition, we acquired Le Cherche Midi in order to bolster Editis' overall offering in general literature. This acquisition, which took place in June, also enables us to engage in a new activity, since Le Cherche Midi is active in corporate book publishing, a sector that is not very well known, but that is very profitable.

#### IV. Oranje-Nassau

Jean-Bernard Lafonta

Oranje-Nassau reported very good results, mainly reflecting the increased price of oil. As production declines, the result of the energy sector grows.

We acquired Edinburgh Oil & Gas, which has an equity interest in a large oil field, called Buzzard, which is located in the North Sea. This transaction increased Oranje-Nassau's

reserves by approximately 50%. This 130 million euro investment is expected to generate a profit of approximately 15%, before any leverage.

## V. Stallergènes

The results of Stallergènes increased to a very satisfactory extent. Net sales were up more than 20%, and the company's margins rose significantly, in spite of the significant investment in research and development.

### Investment capacity

Jean-Bernard Lafonta  
Chairman of the Executive Board

The Group's investment capacity was bolstered through the sale of Valeo and Wheelabrator Allevard shares and stands at 1.3 billion euros, thus enabling us to look for investments in the 4 to 5 billion euro range on the basis of enterprise value.

Nevertheless, we are not bound by any restriction in order to conduct investments. At 17% of gross asset value, our net debt remains less than the ceiling of 30% we set for Wendel. This allows us to have ready cash on the balance sheet without, however, adversely affecting our prospects for a return on investment.

### Net asset value

Jean-Bernard Lafonta  
Chairman of the Executive Board

The Group's net asset value stood at slightly more than 4 billion euros, or 75 euros per share. Listed assets now account for only 7%. If we were to float Legrand, this percentage would rise to approximately 25%, in line with our initial objectives. The 7% level also allows us to invest part of our available cash in listed assets we find attractive.

Since the creation of Wendel, the discount has been totally eliminated. Our share price is currently around 85 euros, a figure that probably corresponds to a premium vis-à-vis our current net assets.

Our share price rose twice as fast as net assets over the last three years, as a result of the elimination of the discount. We will certainly have difficulties maintaining such a pace of growth in the coming three years.

## Prospects

Jean-Bernard Lafonta  
Chairman of the Executive Board

The objectives we defined in 2002 are still valid. We plan to make investments of a significant size, representing amounts of more than 100 million euros in equity. We also plan to maintain the structure of our balance sheet, with 25% liquid securities and 75% non-liquid securities. Moreover, we have gone far beyond our five-year performance goal of 15% per year.

We consider that the current environment continues to offer attractive opportunities. As you are aware, we are extremely selective. We are also sufficiently confident in the quality of the Group today to offer our shareholders an internal rate of return (IRR) of more than 15%.

As for short- and medium-term prospects, we want to remain a shareholder of Legrand, but we have always expressed our wish to float this company between 2005 and 2007, if market conditions are favorable. This environment seems to us to have improved in the last few months. If conditions remain satisfactory, we will float Legrand in 2006, while continuing to hold a significant equity interest in the company.



## Questions from the audience



### From the audience

You referred to the situation of Bureau Veritas, which operates in a growth market in which you make acquisitions. It is possible to imagine a change in the balance among the three leaders in this market?

Jean-Bernard Lafonta

These three companies are relatively complementary. Given the global networks they operate, their alliance would certainly present an interest, but it would be a risky and difficult undertaking, since they are very big. In addition, we have many external growth opportunities with a lower risk profile and a more attractive price. This question could certainly be envisaged when the market is more consolidated.

### From the audience

Traditionally, you divest before you invest. Does the recent sale of Valeo shares signal that an investment is forthcoming? Also, you have recently recruited two people with experience in the new technologies sector. Do you plan to invest in this sector?

Jean-Bernard Lafonta

We try to take divestment or investment decisions independently of one another. Moreover, we consider that the fact of holding an investment over the long term procures a competitive advantage over time. We decided to sell Valeo because in this company, we were not in a position to be a full-fledged shareholder. Our sale of Wheelabrator Allevar

came after 40 years as a shareholder in this company, whose current market share (60% of the world market) limits future industrial development.

We naturally study acquisition projects that create value and we will, obviously, make acquisitions in the coming months.

With regard to recruitment, the young generations are, in fact, more familiar with new technologies, and we do not restrict ourselves to leveraged LBOs. Our principal value added resides in our capacity to support the development of a project, while assuming the industrial risks we perceive.

### From the audience

Could you speak in more detail about the exceptional distribution of a dividend? Are treasury shares cancelled? Is it possible to envisage a further simplification of corporate structure between Wendel Participation and Wendel Investissement ?

### Jean-Bernard Lafonta

First of all, our dividend policy is both regular and progressive, and in addition we make exceptional payouts when our cash reserves make it possible to do so.

Then, we will probably cancel our treasury shares at the end of 2006, unless we decide to use some of them to pay for an acquisition.

Finally, the simplification of shareholding structures will certainly occur when appropriate, but there is no urgency in this regard.

### From the audience

Can we expect a significant revaluation of your equity interest in Oranje-Nassau, reflecting the rise in the price of oil?

## Jean-Bernard Lafonta

We make a point not to modify our valuation techniques. Oranje-Nassau's cash flows are quite significant with regard to the valuation of our equity interest in this company, but we cannot anticipate the trend in the price of oil over the next 15 years.



## From the audience

You could increase the valuation of Oranje-Nassau's reserves, and if required, lower their valuation at a later date, if the price of oil falls in the coming years.

## Jean-Bernard Lafonta

As far as the trend in the price of oil is concerned, we base our calculations on prudent assumptions, and this leads to valuations that certain people may consider low because their approach is different.

## From the audience

If Legrand were floated on the stock exchange, to what extent might you consider diluting your equity interest? What is your arbitrage policy with regard to CapGemini? Could you remind us how much was paid for this acquisition?

## Jean-Bernard Lafonta

Our equity interest in CapGemini is valued at approximately 80 million euros, a sum that represents 2% of our net asset value. We will sell our stake in this company when the share price matches the intrinsic value we have determined. Moreover, I can tell you that this investment produced an IRR of approximately 15% per year in the last 20 years.

As for your first question, we wish to keep a significant number of our Legrand shares, because this company has considerable potential. The flotation will have an impact on the degree of liquidity of our equity interest, and not on its weight in our net asset value.

From the audience

Is your priority to boost the value of Neuf Telecom to sell it or to seek an investment?

Jean-Bernard Lafonta

We hold only 2.9% of the capital of Neuf Cegetel, making our position a relatively passive one.

From the audience

Why didn't you sell your CapGemini shares when the share price was at its high point?

Jean-Bernard Lafonta

Like other people, we were not fully aware in 2000/2001 of the existence of a speculative bubble.

From the audience

All the figures are presented according to IFRS, except those of Editis. Would the presentation of the results of this company according to IFRS have had an impact on the loss reported?

Jean-Bernard Lafonta

The results of Editis were presented to high yield bond investors according to French GAAP. To be consistent, we wanted to present the same figures here today. This has no significant impact on the nature of Editis' operating performance.

Jean-Michel Ropert

Net income according to IFRS is two million euros less than net income according to French GAAP in 2004 and 2005.

Jean-Bernard Lafonta

The choice of accounting standards thus has no influence on the evaluation of operating performance and, therefore, on the intrinsic value of Editis.

## From the audience

Might you decide to increase your equity interest in Neuf Telecom?

Jean-Bernard Lafonta

That all depends on the conditions. If you know someone who is selling at a good price, I'd like to meet him!

