WENDEL

2018

Consolidated Financial Statements

as of December 31

MORE THAN 310 YEARS OF HISTORY

Contents

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BALANCE SHEET – STATEMENT OF CONSOLIDATED FINANCIAL POSITION

Assets

In millions of euros	Note	31.12.2018	31.12.2017
Goodwill, net	6 and 7	3 339,8	3 575,0
Intangible assets, net	6 and 8	1 903,9	2 181,8
Property, plant & equipment, net	6 and 9	1 330,0	1 406,1
Non-current financial assets	6 and 13	717,0	1 383,3
Pledged cash and cash equivalents	6 and 12	0,5	0,7
Equity-method investments	6 and 10	551,7	534,3
Deferred tax assets	6	208,3	195,2
Total non-current assets		**8 051,2**	**9 276,4**
Assets of operations held for sale	**23**	**118,0**	**20,5**
Inventories	6	452,9	481,1
Trade receivables	6 and 11	1 889,0	1 897,5
Other current assets	6	326,2	347,7
Current income tax payable	6	74,9	85,0
Other current financial assets	6 and 13	306,5	422,5
Cash and cash equivalents	6 and 12	3 098,4	1 905,3
Total current assets		**6 147,9**	**5 139,1**
Total assets		**14 317,1**	**14 435,9**

In accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, a portion of the investment in Allied Universal and the investment in PlaYce have been reclassified as “Assets and liabilities of operations held for sale” as of December 31, 2018.

Equity and Liabilities

In millions of euros	Note	12/31/2018	31.12.2017
Share capital		185,1	185,0
Share premiums		50,9	48,7
Retained earnings& other reserv es		1 879,0	1 730,5
Net income for the period – Group share		45,3	200,0
		2 160,3	**2 164,2**
Non-controlling interests		1 146,1	1 092,5
Total shareholders'equity	14	**3 306,4**	**3 256,7**
Prov isions	6 and 15	443,5	465,1
Financial debt	66 and 16	5 631,8	6 416,2
Other non-current financial liabilities	6 and 13	456,7	575,9
Deferred tax liabilities	6	510,2	595,6
Total non-current liabilities		**7 042,2**	**8 052,8**
Liabilities of operations held for sale	**23**	**0,0**	**17,1**
Prov isions	6 and 15	64,3	59,4
Financial debt	66 and 16	1 667,8	712,7
Other current financial liabilities	6 and 13	212,4	289,9
Trade payables	6	902,6	900,7
Other current liabilities	6	1 014,4	1 039,1
Current income tax payable	6	107,0	107,5
Total current liabilities		**3 968,5**	**3 109,3**
Total equity and liabilities		**14 317,1**	**14 435,9**

The notes to the financial statements are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

In millions of euros	Note	2018	2017
Net sales	6 and 17	8 389,2	8 075,8
Other income from operations		16,2	15,3
Operating expenses		-7 638,1	-7 372,5
Gains/losses on divestments		-11,0	-3,6
Asset impairment		-59,1	-23,1
Other income and expense		-21,2	-12,6
Business income	***6 and 18***	**676,0**	**679,3**
Income from cash and cash equivalents		-4,1	-35,2
Finance costs, gross		-269,1	-381,9
Finance costs, net	*6 and 19*	*-273,2*	*-417,1*
Other financial income and expense	6 and 20	11,5	68,6
Tax expense	6 and 21	-173,9	-186,1
Net income (loss) from equity-method investments	6 and 22	-131,5	41,2
Net income before income from discontinued operations and operations held for sale		**108,8**	**186,0**
Net income from discontinued operations and operations held for sale	23	171,6	348,2
Net income		**280,4**	**534,1**
Net income - non-controlling interests		235,1	334,1
Net income, Group share		**45,3**	**200,0**

In euros	Note	2018	2017
Basic earnings per share	24	1,00	4,41
Diluted earnings per share	24	0,98	4,24
Basic earnings per share from continuing operations	24	-2,76	-0,24
Diluted earnings per share from continuing operations	24	-2,75	-0,33
Basic earnings per share from discontinued operations	24	3,75	4,65
Diluted earnings per share from discontinued operations	24	3,73	4,58

In accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, the following results have been reclassified to a single line in the income statement, “Net income from discontinued operations and operations held for sale”:

- Income from the sale of CSP Technologies and its contribution for 2018 and 2017 (see note 2 "Changes in scope of consolidation").
- Income from the sale of Mecatherm and its contribution for 2018 and 2017 (see note 2 "Changes in scope of consolidation").
- Income from the sale of Nippon Oil Pump and its contribution for 2018 and 2017 (see note 2 "Changes in scope of consolidation").

The notes to the financial statements are an integral part of the consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	2018 Gross amounts	2018 Effect of taxes	2018 Amounts Net amounts	2017 Gross amounts	2017 Effect of taxes	2017 Amounts Net amounts
Items recyclable in net income						
Currency translation reserves [1]	-72,6	-	-72,6	-431,3	-	-431,3
Gains and losses on derivatives qualifying as hedges [2]	-45,1	3,4	-41,6	106,3	0,5	106,8
Earnings previously recognized in shareholders' equity taken to the income statement	-	-	-	-	-	-
Items non-recyclable in net income				-	-	-
Actuarial gains and losses	6,9	-1,3	5,7	-16,3	4,4	-12,0
Gains and losses on financial assets through other comprehensive income [3]	-265,7	-	-265,7	-87,1	-	-87,1
Other	-	-	-	-	-	-
Income and expenses recognized directly in shareholders' equity (A)	**-376,4**	**2,2**	**-374,2**	**-428,4**	**4,8**	**-423,5**
Net income for the period (B)			280,4			534,1
Total income and expenses recognized for the period (A) + (B)			**-93,7**			**110,6**
Attributable to:						
- shareholders of Wendel			-261,1			-66,5
- non-controlling interests			167,4			177,0

(1) This item includes the contribution of Bureau Veritas in the negative amount of €62 million
(2) Of which -€35.0 million related to the change in *the fair value* of cross-currency swaps recorded by Wendel (see note 5 – 5.1 "Managing currency risk – Wendel").
(3) The main impact relates to changes in the fair value of Saint-Gobain shares in the negative amount of €237.9 million and the Multi-Color shares held by Constantia Flexibles in the negative amount of €29.8 million from January 1, 2018 to March 31, 2018, date from which they were accounted for by the equity method (see note 13-3 "Breakdown of financial assets and liabilities").

The notes to the financial statements are an integral part of the consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY

In millions of euros	Number of shares outstanding	Share capital	Share premiums	Treasury shares	Retained earnings& other reserves	Cumulative translation adjustments	Group share	Non-controlling interests	Total shareholders’ equity
Shareholders’ equity as of December 31, 2016	**45 646 253**	**188,4**	**36,3**	**-249,3**	**2 249,5**	**32,9**	**2 257,7**	**1 039,4**	**3 297,2**
Income and expenses recognized directly in shareholders’ equity (A)		-	-	-	23,1	-289,6	-266,5	-157,1	-423,5
Net income for the period (B)		-	-	-	200,0	-	200,0	334,1	534,1
Total income and expenses recognized for the period (A) + (B)(1)		**-**	**-**	**-**	**223,2**	**-289,6**	**-66,5**	**177,0**	**110,6**
Dividends paid (2)					-107,3		-107,3	-163,3	-270,6
Movements in treasury shares	-167 219	-3,8		-45,5			-49,3		-49,3
Capital increase									
- exercise of stock options	89 275	0,4	10,8				11,2		11,2
- company savings plan	15 499	0,1	1,6				1,7		1,7
Share-based payments					16,1	-	16,1	10,4	26,5
Changes in scope (3)					137,8	27,0	164,8	201,8	366,6
Other (4)					-64,2	-	-64,2	-172,9	-237,1
Shareholders’ equity as of December 31, 2017	**45 583 808**	**185,0**	**48,7**	**-294,8**	**2 455,1**	**-229,8**	**2 164,2**	**1 092,5**	**3 256,7**
First-time application of IFRS 9					-6,2		-6,2	-12,0	-18,2
Adjusted shareholders’ equity as of January 1, 2018	**45 583 808**	**185,0**	**48,7**	**-294,8**	**2 448,9**	**-229,8**	**2 157,9**	**1 080,5**	**3 238,5**
Income and expenses recognized directly in shareholders’ equity (A)		-	-	-	-289,9	-16,6	-306,4	-67,7	-374,2
Net income for the period (B)		-	-	-	45,3	-	45,3	235,1	280,4
Total income and expenses recognized for the period (A) + (B) (1)		**-**	**-**	**-**	**-244,5**	**-16,6**	**-261,1**	**167,4**	**-93,7**
Dividends paid (2)					-120,5		-120,5	-169,3	-289,8
Movements in treasury shares	-343 672	-		-61,0			-61,0		-61,0
Capital increase									
- exercise of stock options	7 276	-	0,4				0,4		0,4
- company savings plan	20 155	0,1	1,9				2,0		2,0
Share-based payments					18,8		18,8	15,0	33,8
Changes in scope (3)					238,5	14,1	252,6	76,5	329,1
Other (4)					171,2	-	171,2	-24,0	147,2
Shareholders’ equity as of December 31, 2018	**45 267 567**	**185,1**	**50,9**	**-355,8**	**2 512,3**	**-232,2**	**2 160,3**	**1 146,1**	**3 306,4**

(1) See "Statement of comprehensive income".

(2) In 2018, Wendel paid a cash dividend of €2.65 per share, for a total of €120.5 million. In 2017, Wendel paid a dividend of €2.35 per share, for a total of €107.3 million.

(3) In 2018, changes in the scope of consolidation included €301.9 million in income in Group share from the sale of Bureau Veritas shares (€400 million at 100%), and the negative amount of €50 million related to Wendel's buyback of 4.8% of Stahl's share capital from its co-shareholder Clariant. In 2017, this item included the sale of Bureau Veritas shares for €52.2 million (Group share) and a change of €183 million related to the Stahl BASF transaction. The changes in scope of consolidation are broken down in note 2 “Changes in scope of consolidation”.

(4) Other changes include the impact of minority *puts*, notably the extinguishment of the minority *put* granted to Clariant on Stahl of €137 million, recognition by Stahl of the minority *put* granted to BASF, and the Bureau Veritas minority *puts* (see note 34 "Off-balance-sheet commitments").

The notes to the financial statements are an integral part of the consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	Note	2018	2017
Cash flows from operating activities			
Net income		280,6	534,1
Share of net income/loss from equity-method investments		131,5	-41,0
Net income from discontinued operations and operations held for sale		-171,6	-347,2
Depreciation, amortization, provisions and other non-cash items		466,3	502,6
Expenses on investments and divestments		9,9	45,1
Cash flow from companies held for sale		21,7	-9,2
Gains/losses on divestments		10,1	2,8
Financial income and expense		261,7	359,7
Taxes (current & deferred)		173,9	178,3
Cash flow from consolidated companies before tax		1 184,1	1 225,2
Change in working capital requirement related to operating activities		27,3	-117,3
Net cash flows from operating activities, excluding tax	**6**	**1 211,4**	**1 107,9**
Cash flows from investing activities, excluding tax			
Acquisition of property, plant & equipment and intangible assets	25	-299,6	-301,1
Disposal of property, plant & equipment and intangible assets	26	13,3	12,7
Acquisition of equity investments	27	-232,7	-515,1
Disposal of equity investments	28	614,8	1 927,1
Impact of changes in scope of consolidation and of operations held for sale	29	-8,7	27,6
Changes in other financial assets and liabilities	30	136,7	-195,0
Dividends received from equity-method investments and unconsolidated companies	31	20,4	20,5
Change in working capital requirements related to investment activities		-30,7	13,4
Net cash flows from investing activities, excluding tax	**6**	**213,5**	**990,0**
Cash flows from financing activities, excluding tax			
Proceeds from issuance of shares		2,4	12,8
Contribution of non-controlling shareholders		19,9	-5,4
Share buybacks:			
- Wendel		-61,0	-49,3
- Subsidiaries		-37,4	-48,7
Transaction with non-controlling interests	32	350,0	98,9
Dividends paid by Wendel		-120,6	-107,3
Dividends paid to non-controlling shareholders of subsidiaries		-169,2	-163,3
New borrowings	33	971,2	729,3
Repayment of borrowings	33	-658,4	-2 465,1
Net finance costs		-258,4	-329,0
Other financial income/expense		-23,3	-100,0
Change in working capital requirements related to financing activities		-11,0	-47,2
Net cash flows from financing activities, excluding tax	**6**	**4,2**	**-2 474,4**
Cash flows related to taxes			
Current tax expense		-237,4	-239,1
Change in tax assets and liabilities (excl. deferred taxes)		13,6	-6,5
Net cash flows related to taxes	**6**	**-223,8**	**-245,6**
Effect of currency fluctuations		-12,5	-34,0
Net change in cash and cash equivalents		**1 192,8**	**-656,1**
Cash and cash equivalents at beginning of period		1 906,0	2 562,0
Cash and cash equivalents at the end of the period	**6 and 12**	**3 098,9**	**1 905,9**

The principal components of the consolidated cash flow statement are detailed in Notes 25 et seq.

Details on the cash and cash equivalents accounts and how they are classified on the consolidated balance sheet are shown in note 12 “Cash and cash equivalents”.

In accordance with IFRS 5, the cash flows of companies sold are kept in each of the cash flow categories until these companies are reclassified to "Discontinued operations and operations held for sale". Cash as of the sale date was reclassified to "Impact of changes in scope of consolidation and of operations held for sale".

- CSP Technologies’ contribution to the main cash flow categories for 2018 is as follows:

In millions of euros	31/12/2018
Net cash flows from operating activities, excluding tax	13,5
Net cash flows from investing activities, excluding tax	-9,5
Net cash flows from financing activities, excluding tax	-7,6
Net cash flows related to taxes	-3,6

- Mecatherm's contribution to the main cash flow categories for 2018 is as follows:

In millions of euros	31/12/2018
Net cash flows from operating activities, excluding tax	7,8
Net cash flows from investing activities, excluding tax	-3,6
Net cash flows from financing activities, excluding tax	-11,0
Net cash flows related to taxes	-0,4

- Nippon Oil Pump's contribution to the main cash flow categories for 2018 is as follows:

In millions of euros	31/12/2018
Net cash flows from operating activities, excluding tax	4,7
Net cash flows from investing activities, excluding tax	-10,0
Net cash flows from financing activities, excluding tax	-1,8
Net cash flows related to taxes	-1,8

The notes to the financial statements are an integral part of the consolidated financial statements.

GENERAL PRINCIPLES

Wendel is a European company with an Executive Board and a Supervisory Board, governed by European and French laws and regulations that are, or will be, in force. The Company is registered in the Paris Trade and Company Register (*Registre du commerce et des sociétés*) under 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, in order to accelerate their growth and development.

As of December 31, 2018, the Wendel Group was primarily comprised of:

- fully consolidated operating companies: Bureau Veritas (35.8% net of treasury shares), Cromology (89.7%) which in turn is composed of the *holding companies* Materis and Cromology, Stahl (67.5%), Constantia Flexibles (60.6%) and Tsebo (64.7%) as well as Mecatherm (98.6%), CSP Technologies (98.3%) and Nippon Oil Pump (98.3%) until their sale date (see note 2 "Changes in scope of consolidation");
- operating companies accounted for by the equity method: IHS (21.3%), Allied Universal (33.5%), PlaYce (40.0%) which is classified as "Assets and liabilities of operations held for sale" and Multi-Color (equity interest owned by Constantia Flexibles); and
- Wendel and its fully *consolidated* holding companies.

The consolidated financial statements of the Wendel Group cover the 12-month fiscal year from January 1 to December 31, 2018 and are expressed in millions of euros. They include:

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

Each accounting item in these financial statements includes the contribution of all of the Group's fully consolidated companies. However, each of Wendel's subsidiary companies is managed independently under the responsibility of its own executive management. It is therefore important to analyze subsidiaries' individual performance using relevant aggregate accounting data for their respective business activities. Aggregate data for each fully-consolidated subsidiary are presented in note 6 "Segment information", which shows the contribution of each subsidiary to the income statement, balance sheet, and cash flow statement. Aggregate accounting data for equity-method investments are set out in note 10 "Equity-method investments". An analysis of the Group's overall performance by business activity is provided in note 6 "Segment information", which details recurring net income by business activity and non-recurring net income. There is no financial recourse between the different operating subsidiaries or from the operating subsidiaries to Wendel and its holding companies (see note 5-2.2.2 "Impact of liquidity risk of subsidiaries on Wendel"). The debt positions of the fully-consolidated subsidiaries, and of Wendel and its holding companies, are presented individually in note 5-2 "Managing Liquidity Risk".

These financial statements were finalized by Wendel's Executive Board on March 13, 2019 and will be submitted for shareholders' approval at the Shareholders' Meeting.

NOTES

NOTE 1. ACCOUNTING PRINCIPLES

Wendel's consolidated financial statements for the fiscal year ended December 31, 2018 have been prepared in accordance with IFRS (International Financial Reporting Standards) principles and methods as adopted by the European Union on December 31, 2018, in accordance with Regulation no. 1606/2002 of the European Council and the European Parliament pertaining to the application of international accounting standards, adopted on July 19, 2002.

With the exception of the new standards and interpretations that became mandatory for fiscal years beginning on or after January 1, 2018, the accounting principles used are the same as those used in preparing the annual consolidated financial statements for the year ended December 31, 2017, corresponding to the IFRS reference as adopted by the European Union, which is available on the EU Commission website:

https://ec.europa.eu/info/law/international-accounting-standards- regulation-ec-no-1606-2002/amending-and-supplementary-acts/ acts-adopted-basis-regulatory-procedure-scrutiny-rps_en

With the exception of IFRS 9 and IFRS 15 described below, no new standards, interpretations or amendments with mandatory application for fiscal years beginning on or after January [1], 2018 have been adopted by the European Union as of June 30, 2018.31

Note 1 - 1. Standards, interpretations and amendments to existing standards that were mandatory in 2018

The Group has adopted standards and texts applicable from the fiscal year beginning on January 1, 2018. These standards, interpretations and amendments are listed below:

1. IFRS 9 Financial instruments

IFRS 9 "Financial instruments" was adopted by the European Union on November 22, 2016, and replaces IAS 39. It has primarily the following three components:

- **Classification and measurement of financial assets and** liabilities: the standard requires financial assets to be classified in accordance with their nature, the characteristics of their contractual cash flows and the business model followed for their management;
- **Impairment**: IFRS 9 establishes the principles and methodology to be applied in measuring and recognizing expected credit losses on financial assets, loan commitments and financial guarantees;
- **Hedge accounting**: the new standard aims to achieve a better alignment between hedge accounting and risk management by ushering in a more risk-based approach.

The Group has retrospectively applied IFRS 9 as of January [1], 2018 without restating the comparative data for 2017.

The main effects on the consolidated financial statements are summarized as follows for each of the three components of the new standard:

Classification and measurement of financial assets and liabilities

As regards the classification and measurement of equity instruments not held for trading purposes, the Group has chosen to recognize them at fair value through profit or loss or other comprehensive income, reflecting their strategic and long-term nature.

Securities not meeting the definition of an equity instrument, such as units held in funds, have been reclassified as financial assets at fair value through profit or loss.

The impacts as of January 1, 2018 are as follows:

In millions of euros	In accordance with IAS 39	In accordance with IFRS 9
Assets av ailable for sale	1 023,2	
Financial assets at fair v alue through profit or loss		36,8
Financial assets at fair v alue through other comprehensiv e income		986,4

As of January 1, 2018, securities recognized at fair value through other comprehensive income were mainly Wendel's stake in Saint-Gobain (€650.8 million), Constantia Flexibles' stake in Multi-Color (€211.2 million) (consolidated using the equity method from April 1, 2018) and Saham (€121.6 million) (investment sold in March 2018).

Moreover, the IASB clarified the accounting treatment of changes in debts not resulting in derecognition in October 2017. The original effective interest rate (EIR) must now be maintained and the adjustment of the amortized cost of the debt is recognized through profit or loss. Analysis of all outstanding debts having undergone one or more immaterial changes in the past led the Group to record an impact of €2.6 million in opening shareholders' equity following the clarification from the IASB.

Impairment:

The impact of the change to the standard is an increase in impairment. This increase is attributable to the recognition of anticipated impairment losses for credit risk as of the initial recognition of the receivables, or from the effective date of loans or financial guarantees. The main items concerned are trade receivables, with an additional impairment loss of €27.6 million as of January 1, 2018 on a total gross amount of €1,990.7 million. The impact is recognized in opening shareholders' equity.

Hedge accounting:

The principles relating to hedge accounting have not been substantially modified by the new standard, and accordingly no impact has been recorded in this respect.

Summary of the main effects of IFRS 9 on the consolidated financial statements as of January 1, 2018:

In millions of euros	12/31/2017	IFRS 9 impacts	01.01.2018
Non-current assets	9 276,4		9 276,4
Inventories	481,1		481,1
Trade receivables	1 897,5	-27,6	1 869,9
Other current assets	875,7	6,8	882,5
Cash and cash equivalents	1 905,3		1 905,3
TOTAL ASSETS	**14 435,9**	**-20,8**	**14 415,1**
Shareholders' equity – Group share	2 164,2	-6,2	2 157,9
Non-controlling interests	1 092,5	-12,0	1 080,5
Total shareholders'equity	**3 256,7**	**-18,2**	**3 238,5**
Provisions	524,6		524,6
Financial debt	7 128,9	-3,5	7 125,4
Other liabilities	3 525,7	0,9	3 526,6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**14 435,9**	**-2,6**	**14 433,3**

2. IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued a new standard governing revenue recognition. Under the new standard, revenue must be recognized when the customer obtains control of the goods or services sold for an amount that reflects what the entity expects to receive for such goods and services.

For activities comprising the sales of goods and services of the Group's subsidiaries, the transfer of control occurs at the same time as the transfer of the risks and rewards of ownership. Moreover, the analysis conducted by Bureau Veritas of contracts benefiting from an enforceable right to payment or meeting the non-reperformance condition for the services rendered as of the closing date did not call into question the application of the percentage-of-completion method.

The Group opted for the retrospective method with a cumulative effect as of the date of first application.

The analysis conducted by the Group's various subsidiaries did not reveal any significant divergence with the Group's policies applied in the financial statements for the fiscal year. Futhermore, the impacts of the application of this standard do not have a material impact on Wendel's consolidated financial statements.

Note 1 - 2. Standards, interpretations and amendments to existing standards not applied early in the 2018 financial statements

In general the Group has not opted for early adoption of standards and interpretations applicable to accounting periods beginning on or after January 1, 2019, whether or not they were adopted by the European Commission. In particular, the Group has not applied the amendments and standards presented below, to fiscal year 2018, which might more particularly concern it:

- IFRS 16 "Leases", mandatory for annual periods beginning on or after January 1, [2019]. In January 2016, the IASB issued a new standard on lease accounting. The application of this standard will

result in the recognition in the balance sheet of all lease commitments, without distinction between "operating leases" and "finance leases".
Impact analysis work related to the transition is being finalized, using the modified retrospective method.

In view of the amount of off-balance sheet commitments related to operating leases disclosed in note 34-7.2 "Operating leases", their impact on the Group's debt as of 2019, in application of IFRS 16, is expected to range from €503 million to €585 million.

- IFRIC 23 "Uncertainty over Income Tax Treatments", which complements the provisions of IAS 12 "Income Taxes", sets out the procedures for assessing and recognizing uncertainties relating to income taxes. The Group does not expect the application of this interpretation to have a material impact on opening shareholders' equity as of January 1, 2019.

Note 1 - 3. Method of consolidation

The companies over which Wendel has exclusive control are fully consolidated. Companies over which Wendel has significant influence or joint control have been accounted for using the equity method. Net income of acquired subsidiaries is consolidated from their acquisition date, while net income of divested subsidiaries is consolidated up to their divestment date or closest reporting date.

Note 1 - 4. Financial statements used as the basis for consolidation

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

- the consolidated financial statements for the year ended December 31, 2018 of Bureau Veritas, Constantia Flexibles, Cromology, IHS, Allied Universal, Stahl, Tsebo and PlaYce;
- the consolidated financial statements of CSP Technologies for the period from January 1ST, 2018 to June 30, 2018;
- the consolidated financial statements of Mecatherm for the period from January 1ST , 2018 to June 30, 2018;
- the consolidated financial statements of Nippon Oil Pump for the period from January 1ST, 2018 to June 30, 2018;
- for all other companies, their individual financial statements for the 12-month fiscal year ended December 31, 2018.

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 2018 are presented in note 2 "Changes in scope of consolidation". The main subsidiaries consolidated as of December 31, 2018 are presented in note 38 "List of principal consolidated companies".

Note 1 - 5. Business combinations

IFRS 3 "Business combinations", and IAS 27 "Consolidated and separate financial statements", revised, applicable since January 1, 2010, affect the accounting for transactions that lead to the taking of control, or partial sales that lead to a loss of control. Specifically:

- ancillary transaction costs are recognized in operating income for the period; price adjustments are initially recognized at their fair value, and future fluctuations in their value are recognized in operating income;
- when control is obtained (or lost) the percentage previously held (or remaining) is revalued at fair value and recognized in profit or loss;
- when control is obtained, non-controlling interests are recognized either in proportion to their share in the fair value of the assets and liabilities of the acquired entity, or at their fair value. A proportion of goodwill is also allocated to non-controlling interests at that time. This choice is made on a case-by-case basis for each acquisition;
- purchases and sales of shares in controlled companies that do not lead to the assumption or loss of control are recognized as transfers between the Group share of consolidated shareholders' equity and the share held by non-controlling interests. There is no impact on profit or loss;
- non-controlling interests may become negative because since net income or loss of a subsidiary is allocated between the Group share and the non-controlling interests' share, according to their respective equity interests.

As a result, in the event of a takeover in an entity in which the Group already has an investment, the transaction is analyzed as a dual operation. On the one hand, as a divestment from the entire investment previously held with recognition of the gain on consolidated investments, and on the other hand, as an acquisition of all the shares with recognition of goodwill on the entire investment. In the event of a partial divestment with loss of control (but with a non-controlling investment retained) the transaction breaks down into a divestment and an acquisition: divesting from the entire investment with a calculation of a consolidated investment gain plus the acquisition of a non-controlling interest which is then recorded at its fair value.

Note 1 - 6. Commitments to buy non-controlling interests of consolidated subsidiaries

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

As of December 31, 2018, in the absence of any specific IFRS guidance, this financial liability was offset:

- firstly, by eliminating the carrying amount of the corresponding non-controlling interests;
- secondly, by a decrease in shareholders' equity, Group share: the difference between the estimated exercise price of the purchase commitments granted and the carrying amount of non-controlling interests is recorded as a deduction from the Group share of consolidated reserves. This balance is adjusted at the end of each accounting period to reflect changes in the estimated exercise price of the purchase commitments and the carrying amount of the non-controlling interests.

This has no impact on the consolidated income statement, barring subsequent changes to standards and interpretations.

Note 1 - 7. Intercompany 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.

Note 1 - 8. Conversion of the financial statements of foreign companies for which the functional currency is not the euro

Wendel presents its financial statements in euros.

The balance sheets of foreign companies whose functional currency is not the euro have been converted into euros at the exchange rate prevailing at the closing date, and their income statements converted at the average exchange rate for the fiscal year or consolidation period. The discrepancy between the opening and closing balance sheets, as well as that resulting from the application of these exchange rates are carried in consolidated reserves under "translation adjustments" until the assets and liabilities and all the foreign currency operations related to them are sold or liquidated. In this case currency translation differences are written back either on the income statement if the operation leads to a loss of control, or directly as a change in shareholders' equity in the case of a change in non-controlling interests without a loss of control.

The principal exchange rates used in the consolidated financial statements are as follows:

	Closing rate		Average rate	
	31 December 2018	Dec. 31, 2017	2018	2017
EUR/USD	1.1450	1.1993	1.1804	1.1270

Note 1 - 9. 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 finalized. They are established on the basis of the past experience of the management of the Group or its subsidiaries 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 uncertainty has complicated forecasting, and actual amounts could therefore be different from the forecasts.

Estimates and assessments made in order to prepare these financial statements concern in particular, for the most significant elements, goodwill, impairment tests on goodwill and equity-method investments, provisions, deferred taxes, derivatives, valuation of purchase commitments of non-controlling interests, and the treatment of co-investments.

Note 1 - 10. Measurement rules

Note 1 - 10.1 Goodwill

Goodwill represents the difference between the cost of acquiring a company and the Group's share of the fair value of its net assets, liabilities, and identifiable contingent liabilities on the date of acquisition. The identifiable assets and liabilities of the acquired company that meet the IFRS recognition criteria are recognized at their fair value at the date of the acquisition. 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 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 "Business combinations" provides that goodwill may be applied to non-controlling 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 impairment may include a significant or prolonged decline in the share price of a listed company, a shortfall in net income compared with the budget or a deterioration in the sector environment in which a company operates. For impairment tests, goodwill is broken down by cash-generating units (CGU). Each operating subsidiary (Bureau Veritas, Constantia Flexibles, Cromology, Stahl, and Tsebo) corresponds to a CGU. Goodwill impairment losses are recognized on the income statement under "Assets impairment" and cannot be reversed.

Whenever an operating subsidiary identifies an impairment loss on a CGU recognized within its scope of consolidation (and not recognized at the level of the Wendel Group), this loss is maintained at the level of Wendel's consolidation, with this being the case even if the analysis conducted by Wendel on 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 carrying amount of these companies and therefore not presented separately (IAS 28 "Investments in Associates and Joint Ventures", s.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 writeback, the portion of the impairment pertaining to goodwill is also written back. Impairment losses and the gain or loss on divestments and dilution are recognized in the income statement under "Net income from equity-method investments".

Impairment tests on goodwill and equity-method investments are described in notes 7 "Goodwill" and 10 "Equity-method investments".

Note 1 - 10.2 Intangible assets

3. Brands of the Bureau Veritas, Cromology and Tsebo 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. The brands are considered as having an indefinite useful life as there is no foreseeable time limit on their potential to generate cash flow. They are therefore not amortized but are tested for impairment on an annual basis.

The brands of the Bureau Veritas Group's subsidiaries have been amortized over a period of 5-15 years. Only those brands identified at the Wendel Group level when Wendel acquired control of Bureau Veritas are considered to have an indefinite life.

4. Contracts and customer relationships of the Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo 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 Wendel assumed control, taking into account contract renewals where such renewals are considered probable based on historical statistical data. These contracts and client relationships are therefore amortized over the period used for the calculation of each contract category (from 5 to 23 years, depending on the contract and subsidiary).

Note 1 - 10.3 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 amortized over the asset's estimated useful life.

Note 1 - 10.4 Property, plant and equipment

Property, plant & 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 the assets concerned, in particular borrowing costs that are directly attributable to the acquisition or production of the property, plant equipment during the accounting period prior to being brought into service.

Property, plant & equipment other than land and investment properties are depreciated on a straight-line basis over a period corresponding to their probable useful life. The depreciation basis for property, plant & 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 useful life duration utilized for buildings is from 10 to 50 years; and, from 3 to 10 years, for industrial facilities as well as for equipment and tooling.

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.

Note 1 - 10.5 Impairment of property, plant & equipment and intangible assets

In accordance with IAS 36 “Impairment of assets”, the value in use of property, plant & equipment, and intangible assets 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 “Assets impairment”.

Note 1 - 10.6 Financial assets and liabilities

Financial assets include investments in unconsolidated companies, operating receivables, debt securities, marketable securities, derivatives, and cash. Financial liabilities include borrowings, other funding sources and bank overdrafts, derivatives, operating liabilities, and certain liquidity commitments on the Group’s shares held by certain co-shareholders (see note 34-5 “Shareholder agreements and co-investment mechanisms”).

In accordance with the principles of IFRS 9 “Financial Instruments”, financial assets are recognized and measured either at fair value through profit or loss, at fair value through other comprehensive income or at amortized cost. The classification and measurement is based on the characteristics of the instrument and the management objective for which the relevant assets were acquired.

1. Financial assets at fair value through profit or loss

Equity instruments held for trading purposes or for which the Group has elected not to use the “fair value through other comprehensive income” classification are measured at fair value through profit or loss.

This category mainly includes the Group’s interests in uncontrolled companies.

2. Financial assets at fair value through other comprehensive income

IFRS 9 permits the irrevocable election at initial recognition to present changes in the fair value of an equity instrument not held for trading through other comprehensive income. The choice is made for each individual instrument and for each new acquisition depending on the Group’s management intention.

Equity instruments recognized under this heading are mainly investments in companies that are not controlled by the Group and for which the equity classification has been chosen in view of their strategic and long-term nature.

At initial recognition, these assets are measured at fair value, which generally corresponds to their acquisition cost plus transaction costs. At closing dates, for publicly traded instruments, the fair value is determined based on the share price on the closing date. For unlisted securities, fair value is measured using valuation models based primarily on the most recent market transactions, discounted dividend or cash flow streams, or the value of net assets.

Unrealized gains and losses on these financial assets are recognized directly in equity until the financial asset is sold or cashed in, at which time the accumulated gain or loss is transferred to consolidation reserves and is not reclassified in the income statement. Dividends from such investments are recognized in profit or loss unless the dividend clearly represents the recovery of a portion of the investment cost.

3. Financial assets measured at amortized cost

Financial assets are measured at amortized cost if they are held solely with a view to collecting contractual cash flows serving to repay principal and meet interest payments on the outstanding principal.

They consist of loans and receivables related to investments, deposits and guarantees, trade receivables and other current receivables. These financial assets are shown in the balance sheet under “Non-current financial assets”, “Trade receivables” and “Other current financial assets”. They are initially recognized at fair value and then at amortized cost calculated using the effective interest rate method. Net gains and losses on loans and receivables correspond to interest income and provisions.

4. Financial liabilities

With the exception of derivative instruments and financial liabilities relating to liquidity commitments on the Group’s shares held by certain co-shareholders (see note 34-5 “Shareholder agreements and co-investment mechanisms”), all borrowings and other financial liabilities are stated at amortized cost using the effective interest method.

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 net investments in operations in a foreign market help offset fluctuations in value due to translation into the reporting currency used by the parent company in its consolidated financial statements. 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 inception; and if
- 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 in the balance sheet. Changes in the fair value of 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;

- In a similar way to cash flow hedges, changes in the fair value of the derivative financial instrument are recognized net of tax in other comprehensive income for the effective portion attributable to the hedged currency risk and in profit or loss for the ineffective portion of the derivative. Cumulative gains and losses in shareholders' equity are recognized on the income statement when the foreign business is sold.

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

Note 1 - 10.7 Methods of measuring the fair value of financial instruments

In accordance with the amendment to IFRS 7 "Financial instruments: Disclosures" (March 2009), the tables in note 13 "Financial assets and liabilities" present the Group's assets and liabilities that are measured at fair value, based on their method of measurement. These methods are defined as follows:

- level 1: unadjusted, listed prices of identical instruments on an active market;
- level 2: observable data other than the listed prices referred to in level 1, 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 2018, there were no transfers between levels 1 and 2, or transfers to or from level 3, of fair value measurements of financial instruments.

Note 1 - 10.8 Inventories

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

Note 1 - 10.9 Cash and cash equivalents and pledged cash and cash equivalents accounts

Cash is comprised of cash at banks.

In accordance with IAS 7 "Statement of cash flows", 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 a change in value. Cash equivalents include euro-denominated, money-market mutual funds and deposit accounts with initial maturities 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 assets, as they are not immediately available.

Note 1 - 10.10 Provisions

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", a provision is recognized 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 recognized 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 expense”.

Note 1 - 10.11 **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 projected unit credit 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 recorded under shareholders’ equity as soon as they are recognized.

Note 1 - 10.12 **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 future earnings 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 tax group were recognized as assets on the balance sheet.

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, unless:

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

Deferred taxes are recorded using the liability method. According to this method the assets and liabilities of deferred taxes are recognized according to their estimated future tax impact resulting from discrepancies between the book value of the assets and liabilities existing in the consolidated financial statements and their respective tax base. Deferred tax assets and liabilities are valued by applying the tax rate that will be in effect during the year in which temporary differences are expected to be recovered or settled. The effect of any change in tax rates on deferred tax assets and liabilities is recognized in income for the period in which the rate changes apply.

Note 1 - 10.13 **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. Divestment gains or losses therefore have no impact on income for the fiscal year.

Note 1 - 10.14 **Assets held for sale and businesses being divested**

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 is highly probable. Depreciation on these assets ceases when the asset has been classified as held for sale, and a provision is recognized if the asset's residual carrying amount exceeds its likely realizable value, reduced for selling costs.

A business is considered as being divested when it meets the criteria of assets 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 includes, where applicable, any divestment gains or losses or any impairment losses recognized for the business.

Note 1 - 10.15 **Revenue recognition**

The recognition of revenue from contracts with customers reflects both the percentage of completion of the performance obligations corresponding to the transfer to a customer of control of a good or service and the amount that reflects the sum that the entity expects to receive as consideration for those goods or services.

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 reliably 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 a forecast negative margin, provisions are recognized immediately for the entire contract. The application of IFRS 15 as of January 1, 2018 did not call into question the existing accounting system, as contracts either benefit from an enforceable right to payment or satisfy the non-reperformance requirement for services performed as of the closing date.

Note 1 - 10.16 **Translation of currency transactions**

Transactions denominated in foreign currencies are translated into euros using the exchange rates prevailing 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 of receivables and payables 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 portion is immediately recognized on the income statement.

Note 1 - 10.17 Stock subscription and stock purchase option plans

In accordance with IFRS 2 “Share-based payments”, the Group recognizes an 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 offsetting entry being recognized under consolidated shareholders’ equity. The expense is spread out over the options’ vesting period.

In 2018, as in previous fiscal years, Wendel’s plans were valued by an independent appraiser.

Note 1 - 10.18 Accounting treatment of mechanisms for the participation of management teams in the Group’s investments

The co-investment mechanisms described in note 4 “Participation of managers in Group investments” take the form of ownership by managers of various financial instruments, such as ordinary shares, index-based or preferred shares, warrants, 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 performance and cumulative 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 as part of a disposal or an IPO, or as cash under liquidity commitments by the Wendel Group after the lapse of a predetermined period.

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

When it is estimated the investments are most likely to be redeemed as equity instruments, the managers’ initial investment is accounted for as non-controlling interests in proportion to their share of the total investment. On redemption, the dilution created by the sharing of the investments’ value reduces Wendel’s capital gain. When the beneficiaries invest less than the fair value of the instruments subscribed or acquired, the initial benefit is recognized as an expense in the income statement.

When the investments are most likely to be redeemed in cash, under Wendel’s repurchase commitments after the expiration 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. In addition, these co-investors are not considered minority shareholders from an accounting standpoint. Rather, their investment is consolidated in the Group’s net income and consolidated reserves.

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.

Wendel believes that, regarding the main co-investments in place in the Group as of December 31, 2018, the most likely outcome will be a divestment of the relevant investments or an IPO. Liquidity commitments under minority puts and *co*-investments, as well as the corresponding amounts recorded in financial liabilities, are set out in note 34 - 5 “Shareholder agreements and co-investment mechanisms”.

Note 1 - 11. Rules of presentation

Note 1 - 11.1 Presentation of the balance sheet

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; or
- it is held primarily for the purpose of being traded; or
- it is expected to be realized within 12 months after the balance sheet closing date; or
- it is cash or cash equivalent asset 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:

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

Note 1 - 11.2 Presentation of the income statement

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

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

1. Income taxes: treatment of the CVAE tax

According to Wendel’s analysis, the CVAE tax on value added meets the definition of an income tax, as defined in IAS 12.2 “Income taxes”. IFRIC has effectively specified that in order to be included in the scope of IAS 12, a tax must be based on a net amount of income and expenses and this amount may be different from net accounting income. Wendel finds that the CVAE has the characteristics indicated in this conclusion, inasmuch as the value added constitutes the intermediate level of profit systematically used, in accordance with French tax rules, to determine the amount due under the CVAE.

The CVAE tax is therefore presented in the “Tax expense” line.

2. Taxes: treatment of the CICE tax credit

According to Wendel’s analysis, the Employment Competitiveness Tax Credit (CICE) does not meet the definition of an income tax, as defined in IAS 12.2 “Income taxes”. Wendel therefore deducts the CICE tax credit from personnel costs.

The CICE tax credit is presented within “Operating expenses”.

Note 1 - 11.3 Earnings 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 earnings per share are 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 that method, it is assumed that the cash received from the exercise of dilutive instruments will 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.

NOTE 2. CHANGES IN SCOPE

Note 2 - 1. Changes in scope of consolidation in 2018

The scope of consolidation of Wendel Group is set out in note 38 “List of principal consolidated companies as of December 31, 2018.”

Note 2 - 1.1 Disposal of the investment in Saham Group recognized in financial assets

On March 8, 2018, Wendel sold its shares in the Saham group’s holding company for $155 million (i.e. €133 million at the exchange rate of the payment of the sale price after taking into account foreign exchange hedges). This sale was finalized on October 11, 2018 following the effective completion of the sale of the insurance division of Saham to Sanlam. Wendel also benefits until October 11, 2020 from an earn-out equivalent to 13.3% of capital gains on any disposal of the remaining businesses of Saham Group (Customer relationship centers, Real estate, Healthcare and Education) at a valuation greater than certain predefined thresholds. As reminder, in 2013, Wendel invested €100 million in this group holding for 13.3% of the capital. This investment was recognized in financial assets with changes in fair value recognized in equity; in accordance with IFRS 9 “Financial Instruments”, the cumulative changes in fair value since the investment are not reclassified to the income statement, and the sale therefore has no impact on profit or loss despite the capital gain realized on the investment.

Note 2 - 1.2 Sale of CSP Technologies

On August 28, 2018, Wendel finalized the sale of CSP Technologies to AptarGroup, Inc. for a net cash amount of $342 million, or €303 million (for 100% of the capital).

CSP Technologies’ results were recognized in “Net income from discontinued operations and operations held for sale” until June 30, 2018, the company’s closest closing date to the disposal, in the amount of €(6.4) million. The net gain from this divestment was recognized under the same item in the income statement in the amount of €108.8 million. CSP Technologies’ contribution to the 2017 results presented for comparison has also been reclassified to this item.

For information, CSP Technologies’ revenue amounted to $136 million in 2017, and its adjusted operating income to $27 million.

Note 2 - 1.3 Sale of Mecatherm

On September 27, 2018, Wendel finalized the sale of Mecatherm to Unigrains for a net amount of €88 million (for 100% of the capital).

Mecatherm’s results were recognized in “Net income from discontinued operations and operations held for sale” until June 30, 2018, the company’s closest closing date to the disposal, in the amount of €1.1 million. The net gain from this divestment was recognized under the same item in the income statement in the amount of €11.2 million. Mecatherm’s contribution to the 2017 results presented for comparison has also been reclassified to this item.

For information, Mecatherm's revenue amounted to $84 million in 2017, and its recurring EBITDA to $7 million.

Note 2 - 1.4 Sale of Nippon Oil Pump Co, Ltd (NOP)

On November 28, 2018, Wendel finalized the sale of Nippon Oil Pump Co, Ltd. to Citic Capital Japan Partners III, L.P. for a net amount of ¥12,000 million or €92 million (for 100% of the capital).

Nippon Oil Pump's results were recognized in "Net income from discontinued operations and operations held for sale" until June 30, 2018, the company's closest closing date to the disposal, in the amount of €0.7 million, after the discontinuation of depreciation in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." The net gain from this divestment was recognized under the same item in the income statement in the amount of €54.7 million. Nippon Oil Pump's contribution to the 2017 results presented for comparison has also been reclassified to this item.

For information, Nippon Oil Pump's revenue amounted to ¥6,132 million in 2017, and its recurring EBITDA to ¥1,349 million.

Note 2 - 1.5 Sale of 4.73% of the capital of Bureau Veritas

On October 30, 2018, Wendel sold 20,920,503 Bureau Veritas shares, representing 4.73% of the capital of that company for €400 million. Notwithstanding the sale, Wendel still exercises exclusive control over the Bureau Veritas group, and the corporate governance structure is unchanged. This investment therefore remains fully consolidated.

The gain on disposal amounted to €301.9 million and is recognized as a change in equity in accordance with the provisions of IFRS 10 "Consolidated Financial Statements", as the transaction did not result in a loss of control.

Note 2 - 1.6 Acquisition of 4.8% of the capital of Stahl

At the end of 2018, Wendel acquired 4.8% of Stahl from its co-shareholder Clariant for €50 million. In accordance with IFRS 10 "Consolidated Financial Statements", the impact is recognized in equity.

Note 2 - 1.7 **Principal changes in scope of consolidation of subsidiaries and associates**

1. Changes in scope of consolidation of the Bureau Veritas group

During 2018, Bureau Veritas carried out the following acquisitions:

- Lubrication Management SL, a Spanish lubricant oil company with revenue of approximately €4 million in 2017;
- EMG Corporation, a firm specializing in technical valuation, construction project management, asset management assistance and real estate transaction management in the United States. It reported revenue of approximately €70 million in 2017;
- Permulab Sdn. Bhd., a leading player in laboratory testing services in the food, water and environment sectors in Malaysia.

The total acquisition price of companies acquired by Bureau Veritas in 2018 was €131.4 million, and the total goodwill recognized on these companies was €63.6 million.
The 2018 annual net sales of the companies acquired during 2018 is approximately €95.8 million and the operating income before amortization of the intangible assets resulting from the business combination is approximately €16.1 million.

2. Changes in scope of consolidation of the Constantia Flexibles group (flexible packaging)

In 2018, Constantia Flexibles acquired Indian company Creative Polypack, a specialist in flexible film-based packaging for the food and domestic hygiene industries. The net sales of this company for the 2017-2018 fiscal year are estimated at approximately €75 million.

Furthermore, in March 2018, Constantia Flexibles' representation on Multi-Color's Board of Directors was increased from one to two members out of a total of nine, which gives Constantia Flexibles significant influence. Since April 1, 2018, Multi-Color securities have accordingly been accounted for using the equity method.

3. Changes in scope of consolidation of the Allied Universal group

The Allied Universal group finalized the acquisition of U.S. Security Associates ("USSA") for approximately $1 billion on October 26, 2018. Wendel's contribution amounted to $78 million, bringing its net investment to approximately $378 million.

This acquisition made Allied Universal a company with annual revenue of approximately $7 billion and a workforce of over 200,000 security professionals. The acquisition also significantly enhances Allied Universal's global revenue footprint in the United States and its service capabilities to customers, while expanding it into Canada, Central America and the United Kingdom.

The provisional goodwill recognized by Allied Universal as a result of this transaction was $371 million, reflecting the recognition of $533 million of intangible assets (primarily customer relationships).

The impact of this transaction on the percentage interest held by Wendel is negligible, and the governance remains unchanged: the company continues to be accounted for in accordance with the principles of IAS 28 "Investments in Associates".

Changes in scope of consolidation in 2017

The principal changes in scope during 2017 were as follows:

- First-time consolidation of the Tsebo group;
- Sale of 21.7 million Saint-Gobain shares, representing 3.9% of the capital in a total amount of €1,085 million. This transaction resulted in the recognition of the sale of all Saint-Gobain shares that were accounted for under the equity method (including those still held), the recognition of a capital gain of €84 million recorded in "Share of net income of associates" and the recognition at the market price of retained Saint-Gobain shares on the consolidated balance sheet under "Financial assets measured at fair value through other comprehensive income";
- Sale of 2.8 million Bureau Veritas shares acquired in November 2016, which it did not intend to keep over the long term. This transaction enabled the Group to make a gain of €12.4 million, which in accounting terms, taking into account the weighted average cost of Bureau Veritas shares, translates as a capital gain of €52 million recorded in equity; and
- Total sale of the Group's interest in Exceet for €16.6 million, which generated a loss on disposal of €(0.4) million.

NOTE 3. RELATED PARTIES

Wendel's related parties are:

- IHS, Allied Universal, and PlaYce, which are accounted for by the equity method;
- the members of Wendel's Executive Board and Supervisory Board; and
- Wendel-Participations, which is the Group's control structure.

Note 3 - 1. Members of the Supervisory Board and Executive Board

Compensation paid by Wendel for 2018 to the Chairman of the Executive Board and the member of the Executive Board amounts to €3,892.9 thousand. The value of the stock options and performance shares granted to them in 2018 was €3,473.9 thousand as of the date of their allocation.

Compensation paid to members of the Supervisory Board in 2018 totaled €1,167 thousand, including €1,070 thousand in Wendel SE directors' fees and compensation paid to the Chairman of the Supervisory Board, and €97 thousand in directors' fees paid to certain members of the Supervisory Board by Wendel-Participations for serving on its Board. These amounts do not include the salary of the employee representative on Wendel's Supervisory Board, who does not receive Wendel SE director's fees.

The Company's commitments in favor of André François-Poncet, in the event of his departure, are as follows:

- In the event of his removal from office in 2019, for each month of service, benefits equal to his monthly fixed compensation at the time of termination.
- In the event of his removal from office in 2020, for each month of service, to benefits equal to his monthly fixed compensation at the time of termination, up to a maximum of 24 months' fixed compensation.
- In the event of his resignation or removal from office following the loss of control by Wendel-Participations SE of control of Wendel, 36 months' fixed compensation as existing at the time of departure.

The Company's commitments to Bernard Gautier, member of the Executive Board, in the event of his departure, are as follows:

- end-of-contract severance pay, representing a maximum of one year of fixed salary and variable pay on achieved objectives, as allocated by the Supervisory Board;
- end-of-appointment severance pay, representing a maximum of one year of fixed salary and variable pay on achieved objectives, as allocated by the Supervisory Board, subject to certain conditions.

In accordance with Wendel's policy of associating managers with the Group's investments, the management team takes part in the co-investment mechanisms described in note 4-1 "Participation of managers in Group investments").

Note 3 - 2. Wendel-Participations

Wendel-Participations is owned by 1,169 Wendel family individuals and legal entities. Wendel-Participations held a 37.69% stake in Wendel SE as of December 31, 2018, representing 51.06% of voting rights exercisable and 50.32% of the theoretical voting rights.

There are no other economic or financial relationships between Wendel-Participations and Wendel besides those related to the holding of shares and the following agreements:

- a service delivery agreement entered into for the implementation of the provisions of the Sapin 2 Law on the prevention of corruption and for the implementation of CBCR reporting;
- a memorandum of understanding on the use of the "Wendel" family name and a license agreement governing the use of the "WENDEL Investissement" brand; and
- agreements regarding technical assistance and leasing of premises to Wendel-Participations.

NOTE 4. PARTICIPATION OF MANAGERS IN GROUP INVESTMENTS

The accounting principles applied to co-investment mechanisms are described in note 1-10.18 "Accounting treatment of mechanisms for the participation of management teams in the Group's investments".

Note 4 - 1. Participation of Wendel managers in Group investments

To give its managers a stake in the Group's value creation, Wendel has set up co-investment programs 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. Several programs co-exist, depending on the date of Wendel's initial investment. Certain rules are common to all programs:

i) the amount of the co-investment is no more than 0.5% of the amount invested by Wendel and the managers; the co-investments correspond to the disbursements made by each manager and are concurrent with the Wendel investments;

ii) if a liquidity event (as defined in paragraph (iii) below) occurs, the managers have, depending on the particular case, either the same rights and obligations as the Wendel Group in relation to the capital gain or loss incurred (pari passu co-investment), or different rights and obligations (accelerated co-investment). In the latter case, if Wendel achieves a predefined return, the managers have the right to a greater share of the gain than their shareholding;

iii) a liquidity event is defined as a full divestment of a portfolio company, a change in control, or divestment of more than 50% of the shares held by the Wendel Group, or the listing of the company concerned on a stock exchange. The liquidity extended to co-investors may be either the total amount or an amount proportional to the investment sold;

iv) in the absence of a liquidity event before the end of the co-investment program (eight to twelve years after the initial investment), a cash payout is offered to co-investors, in one or more tranches. The valuation of the portfolio company is systematically performed by an internationally renowned independent expert, and managers’ rights and obligations are calculated in accordance with the rules set out in paragraph (ii) above;

v) co-investors’ rights vest gradually over a period of several years. In the event of their departure before a liquidity event or, in the absence of such event, before the end of the program, the managers must sell (or in certain cases have the option to sell) their unvested rights to the Wendel Group at its request and at their initial value, and, in certain cases, their vested rights, under predetermined financial conditions; cases of departure are governed by symmetrical purchase and sale undertakings.

In addition, co-investments deriving from small investments can be aggregated and paid up at the end of the year. Accordingly, payment of co-investments that together represent less than €100,000 for all managers (corresponding to Wendel investments of less than €20 million) can be deferred until a cumulative threshold of €250,000 is reached. If this threshold is not reached at least once a year, payment must nevertheless be made.

2006-2008 program

Co-investments in the companies or shareholdings initially acquired by Wendel between 2006 and 2008 have all been unwound, either as a result of disposals of the relevant companies (in the case of Deutsch and Van Gansewinkel Groep), the absence of prospects of return for co-investors (Saint-Gobain) or the end of the program (December 31, 2016) (Stahl and Materis).

2011-2012 program

Co-investments related to acquisitions made by Wendel between 2011 and 2012 (and to potential subsequent reinvestments made by Wendel in these companies) are therefore governed by the principles set out at the beginning of note 4-1 and by the following specific rules:

i) 30% of the amounts invested by the co-investors are invested under the same terms and conditions as Wendel (pari passu co-investment);

ii) the remaining 70% confer a right, if a liquidity event occurs, to 7% of the capital gain (carried interest), provided that Wendel has obtained a minimum return of 7% per annum and a cumulative return of 40% on its investment; otherwise, the co-investors lose any right to a capital gain, as well as the amount invested, on this fraction of co-investment;

iii) if Wendel has not fully divested the company in question or listed it on a stock exchange, a three-stage payment is offered to the co-investors within a period of eight years after the Wendel Group's initial investment: the potential capital gain is realized after eight years on one-third of the amounts invested by co-investors; similarly, the potential gain on the other two-thirds is realized after 10, then 12 years if no full divestment or IPO has taken place in the meantime.

iv) the rights of co-investors vest gradually over a period of four years, in five tranches of 20% per annum, of which 20% at the investment date.

Under these principles, the managers invested personally alongside Wendel in Parcours, Mecatherm, and IHS. These co-investments were made through Oranje-Nassau Développement SA SICAR, created in 2011, and currently divided into three sub-funds corresponding to each of these three companies.

The co-investment in Parcours was unwound at the end of 2016 following the sale of the Company to ALD Automotive, a subsidiary of Société Générale Group. In 2018, the buyer triggered the liability guarantee, and the co-investors paid their share of it.

The co-investment in Mecatherm was unwound at the end of 2018 following the sale of that company to Unigrains. The sale resulted in a loss for Wendel and the co-investors. In particular, Bernard Gautier, a member of the Executive Board, realized a capital loss of €60,000.

<u>2013-2017 program</u>

The co-investment mechanism was amended in 2013, on the initiative of the Supervisory Board, in order to introduce a pooled share and, in certain cases, to raise the Group's minimum return condition. These amendments were set for the four years of the Executive Board's term. Co-investments related to acquisitions made by Wendel in new companies between April 2013 and April 2017 are therefore governed by the principles set out at the beginning of note 4-1 and by the following specific rules:

i) 35% of the amount co-invested gives the right, if a liquidity event occurs, to 3.5% of the capital gain realized on each of the investments of the period, on the condition that Wendel's return is at least 10% per annum (carried interest deal by deal); if this return is not achieved, the co-investors lose any right to a gain on 35% of their investment, as well as 35% of the amount invested; a three-stage payment determined by an expert is offered to co-investors 8, 10 and 12 years after Wendel's initial investment in the absence of a total sale or IPO (see 2011-2012 program)

ii) 35% of the amount co-invested gives the right to 3.5% of the capital gain realized on each of the investments of the period, on the condition that Wendel's return, calculated for all of these investments as a whole, is *at* least 7% per annum (pooled carried interest); if this return is not achieved, the co-investors lose any right to a gain on 35% of their investment, as well as 35% of the amount invested; in the absence of a total sale or IPO, the pooled potential capital gain will be allocated equally in 2024 and 2025 (the investments remaining in the portfolio being valued by an independent expert in every case);

the remaining 30% is co-invested pari passu with Wendel, 15% on a deal-by-deal basis and 15% on a pooled basis;

iv) as the co-investors freely agreed to participate in the 2013-2017 co-investment program for a certain proportion of total co-investments, they are required to invest at this level in all of the investments of the period with respect to the pooled portion (carried interest and pari passu); failing which, the co-investor concerned loses all of his/her rights to the pooled capital gain for the non-invested portion and his/her previous investment, except for cases of force majeure where the co-investor will simply be diluted;

v) co-investors who have met their commitment to co-invest in the pooled portion may invest the same amount on a deal-by-deal basis (carried interest and pari passu), without obligation.

iv) the rights of co-investors vest gradually over a period of four years, in five tranches of 20% per annum, of which 20% at the investment date; it should be noted that, for pooled carried interest rights, the term is calculated from the first investment of the period.

In addition, the share of the Executive Board’s co-investment has been fixed at one-third of the total co-investment, comprising 60% and 40%, respectively, from the former Chairman and the other member of the Executive Board.

Co-investments are made in euros. In the case of foreign currency investments the euro exchange rate is adjusted to that applying on the day of the SICARs’ capital increase, taking into account any exchange rate hedges.

In accordance with these principles, Wendel’s managers have invested in a personal capacity along with the Group in Saham, Nippon Oil Pump, CSP Technologies, Constantia Flexibles, Allied Universal and Tsebo. These co-investments were made through two Luxembourg venture capital companies, Expansion 17 SCA SICAR and Global Performance 17 SCA SICAR, which were incorporated in 2013. Expansion 17 SCA SICAR, in which co-investments are made on a deal-by-deal basis, is divided into six sub-funds corresponding to each of the six companies; Global Performance 17 SCA SICAR, in which pooled co-investments are made, has only one sub-fund for all investments from 2013 to 2017.

In 2018, co-investments in Saham, Nippon Oil Pump and CSP Technologies were unwound as a result of the disposals of those three companies. With regard to pooled co-investments, (i) for the pari passu portion, the co-investors (including Bernard Gautier, a member of the Executive Board), will receive the repayment of their contributions and their share of the gain in proportion of their equity interest, and (ii) for the carried part, the results of these transfers will be taken into account in calculating, at the end of the program and on the overall investments over the period, the overall return and, where applicable, the capital gain accruing to the co-investors. Regarding the deal-by-deal portion of the co-investment:

- As the sale of Saham did not achieve the minimum return, the co-investors realized a loss; in particular, Bernard Gautier realized a capital loss of €22,000;
- As the sale of Nippon Oil Pump achieved the minimum return, the co-investors will receive, in the second quarter of 2019, an amount of approximately €2 million, including €309,981 for Bernard Gautier,
- As the sale of CSP Technologies also achieved the minimum return, the co-investors are expected to receive, at the end of a lock-up period of five years from the date of their investment, an amount of approximately €3.8 million, including €545,047 for Bernard Gautier.

As of December 31, 2018, financial liabilities have been recognized in respect of the settlement of the deal-by-deal co-investments. A provision has also been recognized for the contribution of these three shareholdings to the value paid to managers in respect of the pooled co-investments.

In October 2018, Wendel and the co-investors reinvested in Allied Universal to fund its acquisition of U.S. Security Associates. In this context and through SICAR Expansion 17 and Global Performance 17, Bernard Gautier, a member of the Management Board, reinvested €45,000.

2018-2021 program

In the absence of any investments in 2017, and with the arrival of a new Chairman of the Executive Board on January 1, 2018, a new co-investment program has been drafted for investments in new companies between 2018 and April 2021 (expiry date of the current term of office of the members of the Executive Board). It is governed by the principles set out in the preamble to note 4-1 and by the following special rules:

i) 20% of the total amount invested, if a liquidity event occurs, gives the right to 2% of the capital gain realized on each of the investments during the period, provided that Wendel's return is at least 8% (carried interest deal by deal);

ii) 80% of the total amount co-invested gives the right to 8% of the capital gain calculated on all investments made during the period, provided that Wendel's return, calculated on all of these investments, is at least 7% (pooled carried interest);

iii) in the absence of an event giving rise to total liquidity, liquidity for the balance will be offered to the co-investors in three tranches of one-third each in 2026, 2028 and 2030; a valuation will then be performed each time, if the shares are listed, on the basis of the share price of its shares, otherwise, on the basis of an independent appraisal;

iv) if a liquidity event occurs, the co-investors are entitled to the repayment of their contributions pari passu with Wendel and (a) if the minimum return is reached, to the share of the capital gain referred to in (i) or (ii) above, depending on the case, or (b) if that return is not achieved, their share of any capital gain pari passu with Wendel;

v) as the co-investors freely agreed to participate in the 2018-2020 co-investment program in a certain proportion of total co-investments, they are required to invest at this level in all of the investments of the period with respect to the pooled portion (carried interest and pari passu); failing which, the co-investor concerned loses all of his/her rights to the pooled capital gain for the non-invested portion and 20% of his/her previous investment, except for cases of force majeure where the co-investor will simply be diluted;

vi) co-investors who have met their commitment to co-invest in the pooled portion may invest the same amount on a deal-by-deal basis, without obligation.

vii) the rights of co-investors vest gradually over a minimum period of five years, in five tranches of 20% per annum, i.e. 20% on each anniversary date of the investment; it should be noted that, for pooled carried interest rights, the term is calculated from the first investment of the period.

In addition, the share of the Executive Board's co-investment has been set at 12.4% (i.e. 4% for the Chairman of the Executive Board and 8.4% for the other member of the Executive Board) of the total co-investment, of which 90% pooled and 10% deal by deal.

Co-investments are made in euros. In the case of foreign currency investments the euro exchange rate is adjusted to that applying on the day of the SICARs' capital increase, taking into account any exchange rate hedges.

At the closing date, no investment had been made in application of these principles.

Note 4 - 2. Participation of subsidiaries' managers in the performance of their companies

Various mechanisms exist in Wendel Group subsidiaries to allow senior managers to participate in the performance of each entity.

For listed subsidiaries (*Bureau Veritas*), these mechanisms comprise subscription and purchase type stock option plans, and performance share plans.

Moreover, for unlisted subsidiaries (Constantia Flexibles, Cromology, Stahl and Tsebo), the policy of giving managers a stake in the company's performance is based on a co-investment system whereby managers co-invest significant amounts alongside Wendel. These investments present a risk for the co-investors/managers in that they run the risk of losing all or part of the significant sums they have invested, depending on the value of the investment at maturity.

These mechanisms are generally composed in part of a pari passu investment, which gives a return profile identical to that achieved by Wendel, and in part *of a* ratchet investment, which offers a gain profile differentiated according to performance criteria such as the Internal Rate of Return (IRR) achieved by Wendel. Accordingly, for this part, co-investor managers only receive a higher return than Wendel when Wendel has obtained a predefined return.

These co-investment mechanisms and the sharing of risk between Wendel and the manager co-investors are represented by a variety of financial instruments held by Wendel and the manager co-investors. These instruments include ordinary shares, index-based or preferential shares, fixed-rate bonds, warrants, etc. The *ratchet* portions may also be structured as bonus systems linked to the relevant entity's performance, or to the profitability of Wendel Group's investment in the entity.

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 (depending on the Company, between seven and 13 years after the initial investment by Wendel).

In addition, most equity-accounted investments (Allied Universal and IHS) have also implemented co-investment schemes for managers or performance share plans and/or stock option plans that may have a dilutive effect on Wendel's ownership of those companies.

Note 4 - 3. Impact of co-investment mechanisms for Wendel

At the end of 2018, the dilutive impact of these co-investment mechanisms on Wendel's percentages of ownership in the stakes in question was between 0 and 1 percentage points. This calculation is based on the value of the stakes calculated for the Group's Net Asset Value as of December 31, 2018.

NOTE 5. MANAGING FINANCIAL RISKS

Note 5 - 1. Managing equity risk

Note 5 - 1.1 Value of investments

Wendel's assets are mainly investments in which it is the main or controlling shareholder. These assets are listed (Bureau Veritas and Saint-Gobain) and unlisted (Constantia Flexibles, Cromology, Stahl, IHS, Allied Universal and Tsebo).

The value of these investments is based mainly on:

- their economic and 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.

Beyond these market parameters, growth in Wendel's Net Asset Value (NAV, aggregate defined in the annual financial report) 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/financial, legal, tax and environmental analyses. 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 operational review 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 principal shareholder.

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

Nevertheless, there is a risk that the subsidiary's economic results will not meet Wendel's expectations.

Additionally, the financial and debt structure of certain unlisted investments (Cromology, IHS, Allied Universal and Tsebo) accentuates the valuation risk of these investments. 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 the access of the companies in question to liquidity and by subjecting them to the risk that financial covenants will trigger accelerated maturity of their financial debt (see note 5-2 “Managing liquidity risk”). Moreover, the 2009 financial crisis has shown that banks’ own difficulties (e.g. access to liquidity, prudential ratios) could make refinancing the debt of these companies more difficult. To prevent 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.

The value of these investments is therefore subject to the risk that their economic and financial performance and prospects for business development and profitability will be undermined by difficulties related to their organization, financial structure, economic sector and/or the global economic environment. The value of investments 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.

Note 5 - 1.2 **Short-term financial investments indexed to equity markets**

As part of its cash management (see note 5-2 “Managing liquidity risk”), and in light of equity market volatility, in 2018 Wendel disposed of all its short-term financial investments indexed to equity markets (equity funds).

Note 5 - 1.3 **Equity market risk**

As of December 31, 2018, equity market risk related chiefly to:

- consolidated and equity-method investments, whose “recoverable values” used for impairment tests are based on market parameters, including, and depending on the case, the discount rate used in calculating “value in use” or the market price used in calculating “fair value” (see the impairment tests in notes 7 “Goodwill” and 10 “Equity-method investments”);
- Saint-Gobain shares recognized in financial assets are carried at the market price on the reporting date. Changes in the fair value of these securities are recognized in equity; in accordance with IFRS 9 “Financial instruments”, cumulative changes in value recognized in equity are never reclassified to the income statement. As of December 31, 2018, the value of these securities was €412.8 million and a loss of €238 million was recognized in equity over the period. A +/-5% variation in the share price of this investment would have an impact of +/-€20.6 million in equity;
- Investments by Wendel Lab, whose total value was €42 million at the end of December 2018. They are recognized at fair value, with changes recognized on profit or loss; a +/-5% variation in their value would therefore result in an impact of +/-€2 million in net financial expense;
- the optional component (sale of a call option) of bonds exchangeable for Saint-Gobain shares (see note 16 “Financial debt”). As of December 31, 2018, this component was carried at fair value under liabilities at close to zero, compared with €33 million as of December 31, 2017. The change was due to the fall in the Saint-Gobain share price and the approaching maturity of the bond; it is recognized in net financial income (expense). In August 2018, Wendel purchased a call option from a bank, with the same characteristics as the optional component of the bond exchangeable for Saint-Gobain shares, thereby neutralizing in full the risk associated with the

optional component of the exchangeable bond. It is recognized in assets for an amount close to zero, and the change in fair value since the purchase was recognized in net financial income (expense) for a negative €4 million. The exchangeable bond thus synthetically became a straight bond in the amount of €500 million, maturing at end-July 2019. A +/-5% variation in the Saint-Gobain share price would have a non-material impact on the fair value of these instruments;

- Minority buy-out commitments (also referred to as minority puts) and liquidity commitments of co-investments granted by Wendel and its holding companies recognized as financial liabilities. Their value is based on the fair value of the relevant investment, or, in other cases, is determined by a contractual formula based on a fixed multiple of operating margin. As of December 31, 2018, the total of these financial liabilities was €284.4 million, including the minority put granted by Stahl on BASF's interest in that company (see note 13 "Financial assets and liabilities"). When the buy-out price is based on fair value, it is most often estimated using the calculation method used for Net Asset Value (as described in the Group's annual financial report), i.e. the application of peer multiples as multipliers of the operating margin of the investments in question in order to estimate the enterprise value. In the event of a 5% increase in the operating margins of the stakes in question, the total amount of the minority buy-out commitments and liquidity commitments for the co-investments granted by Wendel and its holding companies and the buy-out commitment granted by Stahl to BASF would increase by €20 million. This change would be recognized mainly in retained earnings & other reserves. Other Group investments also granted minority puts (see note 13 "Financial assets and liabilities");
- The Wendel syndicated loan covenants, which are based on ratios of financial debt to the value of assets, are described in note 5 - 2.4 "Financing agreements and covenants of Wendel and its holding companies". As of end-2018, this facility was not drawn and Wendel was in compliance with these covenants;
- The degree of financial leverage of Wendel and its holding companies (i.e. net debt/assets), a key indicator of the cost of bond and bank financing, which Wendel may seek to access. This indicator is also tracked by the Moody's and Standard & Poor's rating agencies, which Wendel has retained to rate its financial structure and bonds.

Note 5 - 2. Managing liquidity risk

Note 5 - 2.1 Liquidity risk of Wendel and its holding *companies*

Wendel needs cash to make investments, service debt and pay operating expenses and dividends. These needs are covered by cash available, asset rotation, bank and bond financing, and by dividends received from subsidiaries and associates.

1. Position and monitoring of cash and short-term financial investments

1.1. Cash position and short-term financial investments

As of December 31, 2018, the cash and short-term financial investments of Wendel and its holding companies (excluding operating subsidiaries) amounted to €2,090 million and consisted mainly of €1,523 million in euro money market funds, €284 million in financial institution funds and €283 million in bank accounts and deposits denominated chiefly in euros.

1.2. Monitoring cash and short-term financial investments

Every month cash & equivalents (including short-term financial investments) and cash flow are displayed on a chart summarizing the changes during the month and the month-end position. This chart is presented to the Executive Board on a monthly basis. It also details the various cash and short-term financial investment vehicles utilized, as well as counterparty information. Finally, another chart indicating the expected cash flows over the coming months and years is prepared on a regular basis and used to determine when financing needs will arise under various scenarios.

Cash investment vehicles consist of short-term bank deposits and low-volatility, money-market mutual funds (classified under “Cash and cash equivalents”), funds managed by financial institutions, and equity, bond and diversified funds (classified under “Other financial assets”). These investments are valued daily (or in some cases weekly). Amounts allocated to more volatile funds, potentially generating higher returns, represent an insignificant portion of cash and short-term financial investments. In choosing 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.

2. Position and management of debt maturities and refinancing

At December 31, 2018, gross debt (excluding operating subsidiaries) consisted of bonds (including bonds exchangeable for Saint-Gobain shares) for a total amount of €2,519.4 million after repayment of €350 million due in April 2018. Bond maturities are spread between July 2019 and February 2027, and the average maturity is 3.8 years.
Wendel also has an undrawn €750 million syndicated loan maturing in October 2023 following the one-year maturity deferral agreed by the banks at end-2018. This facility continues to have an option for a further one-year maturity deferral, subject to the banks’ agreement. Its financial covenants were respected (see note 5 – 2.4.2 “Wendel’s syndicated loan – documentation and covenants”). This undrawn line of credit notably enables Wendel to secure the repayment, if necessary, of the closest maturities and to have enough flexibility to take advantage of investment opportunities. Moreover, in the context of currency risk management (see note 5-5 “Managing currency risk”), €800 million in bond debt was converted into dollar-denominated debt through the use of derivatives (cross-currency swaps).
The financial rating agencies recognized the ongoing improvement in Wendel's financial structure by upgrading it. At the date of the closing of the consolidated financial statements, Wendel’s long-term rating from Standard & Poor’s was BBB “stable” outlook, and the short-term rating A-2. Similarly, Moody’s rated Wendel for the first time in September 2018, assigning it a rating of Baa2 "stable" outlook with a short-term rating of P-2.

2.1. Managing debt

To manage debt maturities, Wendel must find the necessary resources to cover the repayment of its financial obligations at their maturity. These resources can derive from available cash, asset rotation, the drawdown of the available credit line or new financing. This latter resource may be limited by:

- the availability of bank and bond lending sources, which has been restricted by financial market volatility, banks' access to liquidity, and pressure from financial institution regulators;
- the level of financial leverage of Wendel and its holding companies (i.e. net debt/assets ratio), which is a key credit risk indicator tracked by Wendel's lenders and by the financial rating agencies, which rate Wendel's financial structure. Likewise, the syndicated loan is subject to financial covenants that are based principally on the market value of Wendel's assets and on the amount of net debt (see note 5 – 2.4.2 "Wendel's syndicated loan – documentation and covenants"). Leverage depends in particular on asset values and is therefore subject to equity market risk (see note 5 - 1.3 "Equity market risk"); and
- a potential financial rating downgrade for Wendel from the financial rating agencies.

To manage refinancing risk, Wendel seeks to align the maturities of its bond and bank financing with its long-term investor outlook. 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.

Note 5 - 2.2 Liquidity risk of operating subsidiaries

1. Managing the liquidity risk of operating subsidiaries

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

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

2. Impact of liquidity risk of subsidiaries on Wendel

Debt of operating subsidiaries is without recourse to Wendel. As such, the liquidity risk of these subsidiaries affects Wendel only when Wendel chooses to accept it. Wendel has no legal obligation to support operating subsidiaries experiencing cash flow difficulties. Similarly, subsidiaries are not bound by any mutual support undertakings. As a result, Wendel's liquidity would only be affected if Wendel decided 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. In this respect, in March 2018 Wendel injected €25 million in cash into Cromology, providing that company with financial leeway vis-à-vis its bank covenants. Nevertheless, the financial position of said company continued to deteriorate throughout 2018 and the management of Cromology was forced to ask for the bank covenants to be waived at end-September and end-December 2018. It also opened negotiations with its lenders to find a financial structure that would allow Cromology to turn around its operations. Changes in the economic and financial situation of subsidiaries can also have an impact on Wendel's liquidity via the amount of dividends they pay to Wendel. Similarly, changes in the economic and financial position of subsidiaries has an impact on their value, however, this value is taken into account in calculating Wendel's financial leverage (see note 5-1.3 "Equity market risk").

Note 5 - 2.3 Wendel's liquidity outlook

The next significant financial maturity is the repayment of the bond exchangeable for Saint-Gobain shares in July 2019 in the amount of €500 million; depending on the level of the Saint-Gobain share price, it may be partially or totally redeemed with the Saint-Gobain shares held by the Group. This is followed by the bond maturity of September 2019 in the amount of €212 million. Wendel's liquidity risk over the 12 months following the reporting date is low given its high level of cash and short-term financial investments, and its available undrawn syndicated credit line.

Note 5 - 2.4 Financing agreements and covenants of Wendel and its holding companies

1. Bonds issued by Wendel – documentation

These bonds are not subject to financial covenants, but carry standard clauses for this type of debt instrument (prohibition or restriction on the pledging of assets as collateral to certain types of lenders, accelerated maturity should Wendel default on a payment beyond certain thresholds, change of control clause, etc.).

2. Wendel's syndicated loan – documentation and covenants (undrawn as of December 31, 2018)

The syndicated loan has financial covenants associated with it, based primarily on the market value of Wendel's assets and on the amount of its net debt.

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. The net debt taken into account corresponds to Wendel bonds and the syndicated loan, when drawn, reduced by cash.

Net debt of the Group subsidiaries is deducted from the gross revalued assets of these subsidiaries inasmuch as it is without recourse to Wendel.

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:
  - 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
  - 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 one.

These ratios are tested half-yearly when there are drawdowns under the syndicated loan line. As of December 31, 2018 Wendel was in compliance with all covenants.

The syndicated loan agreement carries standard covenants for this type of debt instrument (prohibition or restriction on the pledging of assets as collateral to certain types of lenders, accelerated maturity should Wendel default on a payment beyond certain thresholds, change of control clause, etc.).

Note 5 - 2.5 Financial debt of operating subsidiaries– documentation and covenants

1. Bureau Veritas' financial debt

This debt is without recourse to Wendel.

As of December 31, 2018, Bureau Veritas' gross financial debt was €3,154.7 million, and its cash balance was €1,046.3 million. Bureau Veritas also has a confirmed and undrawn line of credit in a total amount of €600 million.

The financial covenants applicable as of December 31, 2018 were met:

- the ratio of adjusted net financial debt to consolidated EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization and Provisions) adjusted for the last 12 months of any acquired entity must be less than 3.25. As of December 31, 2018, this ratio was 2.34;
- the ratio of adjusted consolidated EBITDA of the last 12 months of any acquired entity to net finance costs must be greater than 5.5. As of December 31, 2017, this ratio was 10.95.

2. Constantia Flexibles' financial debt

This debt is without recourse to Wendel.

As of December 31, 2018, the notional amount of Constantia Flexibles' gross financial debt amounted to €530.7 million (including accrued interest and excluding issuance costs). Its cash balance was €16.4 million (plus deposits pledged as collateral in the amount of €61.5 million).

Under the applicable financial covenants, the ratio of net financial debt to LTM EBITDA must be less than 3.75 (this threshold may be temporarily increased to 4.5 as a result of acquisitions). This covenant was met as of December 31, 2018.

The documentation related to Constantia Flexibles' debt contains the standard restrictions for this type of credit facility. Certain transactions, such as mergers, asset divestments, granting collateral, acquisitions, additional debt, payment of dividends, share buybacks, or changes in ownership structure are prohibited, restricted, or require prior approval of the lenders.

3. Cromology's financial debt

This debt is without recourse to Wendel.

At end-2018, Cromology's bank debt was €336 million (including accrued interest, and excluding deferred issuance costs and shareholder loan). Its cash balance was €83.4 million.

The deterioration of the financial situation at Cromology led it to enter into negotiations with its lenders at end-2018 to seek a debt restructuring in keeping with its financial position and on the basis of the operational recovery plan put together by that company's management.

The documentation related to this debt contains the standard restrictions for this type of credit facility. Certain transactions, such as asset divestments, granting collateral, acquisitions, additional debt, and payment of dividends are prohibited, restricted, or require the prior approval of the lenders.

4. Stahl's financial debt

This debt is without recourse to Wendel.

As of December 31, 2018, Stahl's gross bank debt was €543.0 million (including accrued interest, and excluding issuance costs). Its cash balance was €127.3 million.

At end-2018, the ratio of consolidated net debt to LTM EBITDA was required to be less than or equal to 3.6 (3.5 from June 30, 2019). The covenant was met as of December 31, 2018.

The documentation related to Stahl's debt contains the standard restrictions for this type of credit facility. Certain transactions, such as mergers, asset divestments, granting collateral, acquisitions, additional debt, payment of dividends, share buybacks, or changes in ownership structure are prohibited, restricted, or require prior approval of the lenders.

5. Tsebo's financial debt

This debt is without recourse to Wendel.

As of December 31, 2018, Tsebo's gross bank debt was €120.4 million (including accrued interest and excluding issuance costs). It is denominated in South African rand. Its cash balance was €16.9 million. The financial covenants apply to the Mauritian parent company, to the South African scope and to a limited number of other African companies. They are tested twice annually, at end-June and end-December. These are as follows:

- the ratio of LTM EBITDA to the amount of interest paid was required to be greater than or equal to 2.00 as of end-December 2018 (this minimum ratio rises to 2.25 in 2020);
- the ratio of consolidated net debt to LTM EBITDA was required to be less than or equal to 4.00 as of end-December 2018 (this maximum ratio falls to 3.5 in 2019); and
- the ratio of operating cash flow to interest expense must be greater than 1.05.

These covenants were met as of end-December 2018.

The documentation related to Tsebo's debt contains the standard restrictions for this type of credit facility. Certain transactions, such as mergers, asset divestments, granting collateral, acquisitions, additional debt, payment of dividends, share buybacks, or changes in ownership structure are prohibited, restricted, or require prior approval of the lenders.

Note 5 - 3. Managing interest rate risk

As of December 31, 2018, the exposure of the Wendel Group (Wendel, its holding companies, and fully-consolidated operating subsidiaries) to interest rates was limited.

In billions of euros	Fixed rate	Capped rate	Floating rate
Gross debt	5,5		1,8
Cash and short-term financial investments [(1)]	-0,3		-3,1
Impact of derivatives	0,3	1,0	-1,3
Interest-rate exposure	**5,5**	**1,0**	**-2,5**
	139%	*25%*	*-64%*

The notional amount of derivative instruments was weighted by the portion of the 12 months following December 31, 2018 during which they will hedge interest rate risk.

A +100 basis point change in the interest rates on which the interest rate exposure of the consolidated Group is indexed would have an impact of around +€24 million on net finance income before tax over the 12 months after December 31, 2018, based on net financial debt as of December 31, 2018, interest rates on that date, and the maturities of existing interest rate hedging derivatives. This positive impact on a rate increase is the effect of a very significant Group cash position (exposed to floating rates) and a number of financing measures incorporating floor rates that make them insensitive to part of the rate increase.

As of December 31, 2017, the exposure of the Wendel Group (Wendel, its holding companies, and fully-consolidated operating subsidiaries) to interest rates was also limited.

In billions of euros	Fixed rate	Capped rate	Floating rate
Gross debt	5,1		2,0
Cash and short-term financial investments [(1)]	-0,3		-1,9
Impact of derivatives	0,3	0,4	-0,7
Interest-rate exposure	**5,1**	**0,4**	**-0,6**
	104%	*8%*	*-12%*

1) Excluding €0.1 in short-term financial investments not sensitive to interest rates.

Note 5 - 4. Managing credit risk

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

The cash and financial investments of Wendel and its holding companies are placed essentially with top-ranking financial institutions. Given the overall amount of cash and short-term financial investments as of December 31, 2018 (see note 5-2 “Managing liquidity risk”), significant amounts could be placed with the same financial institution. Derivative contracts are entered into with top-ranking financial institutions.

Note 5 - 5. Managing currency risk

Note 5 - 5.1 Wendel

Certain Group investments operate in several countries and, as a result, derive a share of their earnings in currencies other than the euro, notably the US dollar. The investments with the greatest exposure to the US dollar are Bureau Veritas, Constantia Flexibles, Stahl, IHS and Allied Universal. Owing to the exposure of part of those assets to the US dollar, Wendel has decided to convert part of its bond debt into that currency through the use of derivatives. As such, €800 million in euro-dollar cross-currency swaps were established in 2016. This hedge will limit the impact of changes in the euro-dollar exchange rate on the Group's net asset value. These instruments, carried at fair value, have been qualified as net investment hedges for accounting purposes. As a result, changes in fair value related to change in the euro-dollar exchange rate are recognized in equity (impact of negative €35 million in 2018). A 5% increase in the value of the US dollar against the euro would have a negative impact of €39 million in equity in respect of cross-currency swaps. Changes in the spread between European and US interest rates are recognized in net financial income (expense), along with the cost of these foreign exchange hedges.

Note 5 - 5.2 Bureau Veritas

Due to the international nature of its activities, Bureau Veritas is exposed to currency risk arising from the use of several foreign currencies even though natural hedges may exist due to the fact that many of the entities where services are supplied locally have corresponding costs and revenues.

Currency risk from operations

For the Bureau Veritas' activities in local markets, costs and revenues are mainly expressed in local currency. For the Bureau Veritas activities related to global markets, a portion of revenue is denominated in US dollars.

The share of US dollar-denominated consolidated revenue in 2018 for countries with a functional currency other than USD or currencies correlated to the USD was 9%.

Accordingly, a 1% fluctuation of the USD against any currency would have an impact of 0.1% on the Bureau Veritas' consolidated revenue.

Conversion risk

Since the presentation currency of the financial statements is the euro, Bureau Veritas must convert into euros the income and expenses in currencies other than the euro when preparing the financial statements. This conversion is carried out at the average rate for the period. As a result, changes in the exchange rate of the euro against other currencies affect the amount of the items concerned in the consolidated financial statements, even if their value remains unchanged in their original currency.

In 2018, over 71% of the Group's revenue was the result of the consolidation of the financial statements of entities with a functional currency other than the euro:

- 19.5% of revenue come from entities where the USD or a currency correlated to the USD (including the Hong Kong dollar) is the functional currency;
- 11.3% of revenue come from entities where the functional currency is the Chinese yuan;
- 4.0% of revenue come from entities where the functional currency is the Canadian dollar;
- 3.9% of revenue come from entities where the functional currency is the Australian dollar;
- 3.9% of revenue come from entities where the functional currency is the pound sterling;
- 3.2% of revenue come from entities where the functional currency is the Brazilian real.
- The other currencies, taken individually, did not represent more than 4%.

Accordingly, a 1% fluctuation of the euro against the US dollar and the currencies correlated to it would have had an impact of 0.195% on the Bureau Veritas' 2018 consolidated revenue and 0.198% on its 2018 operating result.

Note 5 - 5.3 **Constantia Flexibles**

In 2018, 36% of Constantia Flexibles' revenue was generated in currencies other than the euro, including 11% in US dollars. A +/-5% fluctuation in the US dollar, or in currencies correlated to it, against the euro would have had an impact of around +/-1.0% on Constantia Flexibles' 2018 income from ordinary activities before depreciation, amortization and provisions (excluding goodwill allocation and non-recurring expenses), or less than €+/-1.8 million.

Note 5 - 5.4 **Stahl**

In 2018, 56% of Stahl's revenue is in currencies other than the euro, including 31% in US dollars, 11% in Chinese yuan, 6% in Indian rupees and 3% in Brazilian reals. A +/-5% fluctuation in the US dollar, or in currencies correlated to it, against the euro would have had an impact of around +/-5% on Stahl's 2018 income from ordinary activities before impairment and amortization (excluding goodwill allocation and non-recurring expenses), or +/-€10 million.

In addition, Stahl has financial debt of €543 million, the majority of which is denominated in US dollars (€527 million) and carried by a company with the euro as its functional currency. Therefore, a +/-5% fluctuation in the US dollar's value against the euro would result in the recognition of a currency impact of about -/+€27 million in net finance income/expenses.

Note 5 - 5.5 **Tsebo**

Tsebo operates chiefly in South Africa, but its financial statements are presented in dollars. In 2018, 97% of Tsebo's revenue were the result of the consolidation of the financial statements of entities with a functional currency other than the dollar, of which 77% in South African rand. A +/-5% fluctuation in the value of the dollar against the South African rand would have an impact of around €1.3 million in income from ordinary activities before impairment and amortization for 2018 (excluding goodwill allocation and non-recurring expenses) in Wendel's financial statements in euros.

Tsebo's bank debt is denominated in South African rand in the amount of €112 million. It is carried by a company whose functional currency is the South African rand. As such, changes in exchange rates have no effect on the net income.

Note 5 - 6. Managing commodity risk

The main Group investments most exposed to the risk of changes in commodity prices are Cromology, Stahl and Constantia Flexibles.

Cromology's raw material and packaging purchases represented approximately €167 million in 2018. Over this period, commodities as a whole rose 4.1%, this increase being driven by the 14% increase in the price of titanium dioxide, a key component in paint manufacturing in 2018. Titanium dioxide accounts for approximately one-quarter of Cromology's purchases. Over the same period, selling prices rose 2.9%, offsetting the rise in commodity prices in absolute terms. Cromology continually works to optimize its purchases by approving new suppliers, and by developing new formulations for its products. Moreover, for the first time in more than a year, titanium dioxide prices have begun to fall.

Stahl purchased around €408 million of commodities in 2018. A 10% increase in the price of the commodities used by Stahl would have led to a theoretical increase in the cost of these raw materials of around €41 million on a full-year basis. Stahl nevertheless considers that, circumstances permitting, a short-term increase in the sales price of its products would offset the overall effect of such raw material price increases.

Constantia Flexibles purchased around €771 million of commodities in 2018. A 10% increase in the price of the raw materials used by Constantia Flexibles would have led to a theoretical increase in the cost of these raw materials of around €77 million on a full-year basis. Constantia Flexibles has a policy of protecting itself against fluctuations in aluminum prices through hedging contracts. Moreover, the company believes that an increase in the sales price of its products would offset the overall effect of such increases in the short term.

NOTE 6. SEGMENT INFORMATION

The analysis of the income statement by operating segment is split between "net income from operating segments", non-recurring items and effects related to goodwill.

Net income from operating segments

Net income from operating segments 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, Constantia Flexibles, Cromology, Stahl and Tsebo, as well as CSP Technologies, disposed of in August 2018, Mecatherm, disposed of in September 2018, and Nippon Oil Pump, disposed of in November 2018), and Wendel's share in the net income of investments accounted for under the equity method (Allied Universal, IHS and PlaYce) before non-recurring items and effects related to the allocation of goodwill;

- the net income of holding companies incorporates the general and administrative expenses of Wendel *and its* holding companies, the cost of the net borrowings put in place to finance Wendel and its holding companies, and the tax expense and income connected with these items. The amounts shown are those recognized at the level of Wendel and all of its *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 or ordinary activities of subsidiaries and associates or to the recurring operations of Wendel and its holding companies:

- capital gains and losses from the divestment of assets;
- restructuring costs considered exceptional;
- exceptional legal disputes, notably those that are not linked to operating activities;
- interest income and expenses on shareholder loans, as these are linked to the structure of the financial instruments used to invest 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 inasmuch as it has a structural impact on the tax to be paid;
- 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 extinguishing 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 in allocation within 12 months of the transaction). The affected items are primarily:

- inventories and work-in-progress;
- property, plant & equipment;
- intangible assets, including brands and contracts;
- 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).

Note 6 - 1. Income statement by business sector for 2018

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	Other	Equity-method investments: IHS	Equity-method investments: Allied Universal	Wendel &holding companies	Total Group
Net income from operations										
Net sales	**4 795,5**	**1 538,3**	**665,1**	**866,9**	**523,4**	**-**			**-**	**8 389,2**
EBITDA(1)	**N/A**	**186,5**	**29,0**	**196,8**	**32,7**	**N/A**				
Adjusted operating income (1)	**758,0**	**104,3**	**6,6**	**179,4**	**27,7**	**-**		**-0,2**		
Other recurring operating items	-	-2,0	-1,8	-4,7	-0,8	-1,1		-		
Business income	**758,0**	**102,3**	**4,8**	**174,7**	**26,9**	**-1,1**		**-0,2**	**-69,0**	**996,5**
Finance costs, net	-82,5	-18,1	-17,2	-29,4	-15,4	-		-	-99,0	**-261,6**
Other financial income and expense	-10,7	-2,4	-0,1	1,3	0,9	-		-	18,4 (2)	**7,5**
Tax expense	-221,6	-6,3	7,9	-36,3	-5,1	-		-7,0	-0,5	**-268,9**
Share in net income of equity-method investments	0,5	7,7	-0,1	-	0,2	-	5,8	19,1	-	**33,1**
Net income from discontinued operations and operations held for sale	-0,0	-	-0,5	-	-	6,0	-	-	-	5,6
Recurring net income from operations	**443,7**	**83,2**	**-7,2**	**110,3**	**7,4**	**5,0**	**5,8**	**11,9**	**-150,0**	**512,1**
Recurring net income from operations - non-controlling interests	279,3	34,0	-0,5	41,1	5,4	0,1	0,0	0,1	-	**359,4**
Recurring net income from operations - Group share	**164,5**	**49,2**	**-6,5**	**69,2**	**2,0**	**4,9**	**5,7**	**11,8**	**-150,0**	**152,7**
Non-recurring income										
Business income	-120,8	-51,6	-107,8	-39,5	-10,1	-	-	-	9,3	**-320,5**
Net financial expense	-	-12,1	-97,1	-24,9	2,1	-	-	-	124,4	**-7,6**
Tax expense	32,2	13,8	16,3	16,2	2,7	-	-	13,7	-	**95,0**
Share in net income of equity-method investments	-	-42,3	-	-	-	-	-39,5	-82,8	-	**-164,6**
Net income from discontinued operations and operations held for sale	-	3,2	-	-	-	-11,9	-	-	174,7	**166,1**
Non-recurring net income	**-88,6**	**-88,9**	**-188,7**	**-48,1**	**-5,2**	**-11,9**	**-39,5**	**-69,1**	**308,4**	**-231,6**
of which:										
- Non-recurring items	-32,4	-18,3	-135,2	-27,4	1,3	-6,6	-39,5	-14,4 (3)	308,4	**35,9**
- Impact of goodwill allocation	-56,2	-31,4	-0,4	-20,7	-6,5	-5,3	-	-54,7	-	**-175,3**
- Asset impairment	-	-39,2 (4)	-53,1	-	-	-	-	-	-	**-92,3**
Non-recurring net income - non-controlling interests	-55,3	-35,0	-17,9	-18,6	-2,5	-0,2	-0,2	-0,3	5,8	**-124,3**
Non-recurring net income -Group share	**-33,3**	**-53,9**	**-170,7**	**-29,6**	**-2,7**	**-11,7**	**-39,3**	**-68,8**	**302,6**	**-107,4**
Consolidated net income	**355,1**	**-5,7**	**-193,9**	**62,2**	**2,2**	**-6,9**	**-33,8**	**-57,2**	**158,4**	**280,4**
Consolidated net income - non-controlling interests	224,0	-1,0	-18,5	22,5	2,8	-0,1	-0,1	-0,3	5,8	**235,1**
Consolidated net income - Group share	**131,1**	**-4,7**	**-175,4**	**39,6**	**-0,6**	**-6,8**	**-33,6**	**-57,0**	**152,6**	**45,3**

(1) Before the impact of goodwill allocation, non-recurring items and management *fees*.
(2) This €18.4 million corresponds to dividends received from Saint-Gobain.
(3) This item notably includes the gains on the disposal of CSP Technologies of €108.8 million, Mecatherm of €11.2 and Nippon Oil Pump of €54.4 million, proceeds of €33.3 million from the revaluation of the optional component (sale of a call option) of bonds exchangeable for Saint-Gobain shares and a €9.6 million gain in the fair value of the euro-dollar cross-currency swap component (see note 5-3 "Managing interest rate risk").
(4) This impairment loss related to Multi-Color, which is accounted for under the equity method

The contribution to the 2018 income statement of the entities that were disposed of or are in the process of being disposed of by business sector was as follows:

In millions of euros	Mecatherm	CSP Technologies	Nippon Oil Pump	PlaYce	Companies sold or held for sale§
Net income from operations					
Net sales	-	-	-	-	-
EBITDA[(1)]	-	-	-	-	-
Adjusted operating income [(1)]	-	-	-	-	-
Other recurring operating items	-0,4	-0,6	-0,1	-	-1,1
Business income	**-0,4**	**-0,6**	**-0,1**	**-**	**-1,1**
Finance costs, net	-	-	-	-	-
Other financial income and expense	-	-	-	-	-
Tax expense	-	-	-	-	-
Share in net income of equity-method investments	-	-	-	-	-
Net income from discontinued operations and operations held for sale	2,4	3,2	1,5	-1,0	**6,0**
Recurring net income from operations	**2,0**	**2,5**	**1,4**	**-0,9**	**5,0**
Recurring net income from operations - non-controlling interests	-	0,0	0,0	-	**0,1**
Recurring net income from operations - Group share	**2,0**	**2,5**	**1,4**	**-0,9**	**4,9**
Non-recurring income					
Business income	-	-	-	-	-
Net financial expense	-	-	-	-	-
Tax expense	-	-	-	-	-
Share in net income of equity-method investments	-	-	-	-	-
Net income from discontinued operations and operations held for sale	-1,5	-9,6	-0,8	-	**-11,9**
Non-recurring net income	**-1,5**	**-9,6**	**-0,8**	**-**	**-11,9**
of which:					
- Non-recurring items	-0,8	-5,7	-0,0	-	**-6,6**
- Impact of goodwill allocation	-0,7	-3,8	-0,8	-	**-5,3**
- Asset impairment	-	-	-	-	-
Non-recurring net income - non-controlling interests	-	-0,2	-	-	**-0,2**
Non-recurring net income -Group share	**-1,5**	**-9,4**	**-0,8**	**-**	**-11,7**
Consolidated net income	**0,5**	**-7,0**	**0,6**	**-0,9**	**-6,9**
Consolidated net income - non-controlling interests	-	-0,1	-	-	**-0,1**
Consolidated net income - Group share	**0,5**	**-6,9**	**0,6**	**-0,9**	**-6,8**

Note 6 - 2. Income statement by business sector for 2017

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	Equity-method investments In millions of euros Saint-Gobain	IHS	Allied Universal	Wendel &holding companies	Other	Total Group
Net income from operations											
Net sales	**4 689,4**	**1 487,5**	**704,6**	**733,3**	**461,0**	**-**	**-**	**-**	**-**	**-**	**8 075,8**
EBITDA(1)	**N/A**	**188,2**	**49,0** (2)	**171,3**	**27,0**	-	-	-	-	**-**	-
Adjusted operating income (1)	**745,5**	**110,4**	**29,2**	**155,1**	**22,4**	**-**	**-**	**-0,1**	**-**	**-**	**-**
Other recurring operating items	-	-2,0	-1,8	-9,5	-0,8	-	-	-	-	-2,0	-
Business income	**745,5**	**108,4**	**27,5**	**145,6**	**21,6**	**-**	**-**	**-0,1**	**-62,6**	**-2,0**	**983,8**
Finance costs, net	-86,8	-59,8	-21,4	-25,1	-14,8	-	-	-	-144,8	-	**-352,7**
Other financial income and expense	-17,0	-1,4	4,0	-6,8	-0,2	-	-	-	17,8 (3)	-	**-3,6**
Tax expense	-204,5	-17,8	3,5	-29,7	-5,1	-	-	0,7	8,7	-	**-244,1**
Share in net income of equity-method investments	0,6	-0,2	-0,3	-	0,7	40,7	4,1	11,4	-	0,8	**57,8**
Net income from discontinued operations and operations held for sale	-	53,7	-5,8	-	-	-	-	-	-	15,8	**63,7**
Recurring net income from operations	**437,8**	**82,9**	**7,5**	**84,0**	**2,2**	**40,7**	**4,1**	**11,9**	**-180,8**	**14,7**	**505,0**
Recurring net income from operations - non-controlling interests	268,0	39,9	0,3	24,9	2,5	-	-	0,1	-	0,2	**335,9**
Recurring net income from operations - Group share	**169,8**	**43,1**	**7,2**	**59,1**	**-0,4**	**40,7**	**4,1**	**11,9**	**-180,8**	**14,5**	**169,0**
Non-recurring income											
Business income	-139,2	-66,3	-14,1	-35,0	-39,9	-	-	-	-10,0	-	**-304,5**
Net financial expense	-	-49,4	-77,7	60,6	-4,4	-	-	-	78,6	-	**7,8**
Tax expense	45,8	12,9	7,4	-6,2	-0,3	-	-	-1,6	-	-	**58,1**
Share in net income of equity-method investments	-	-	-	-	-	-4,7	-43,4	-48,1	(4) 83,8	-4,2	**-16,6**
Net income from discontinued operations and operations held for sale	-8,5	307,9	-	-	-	-	-	-	-	-15,0	**284,4**
Non-recurring net income	**-101,9**	**205,1**	**-84,5**	**19,4**	**-44,5**	**-4,7**	**-43,4**	**-49,7**	**152,4**	**-19,2**	**29,1**
of which:											
- Non-recurring items	**-51,5**	**242,3** (5)	**-89,3**	**36,6**	**-17,0**	**-4,7**	**-43,4** (7)	**-42,5**	**152,4**	**1,8**	**184,7**
- Impact of goodwill allocation	**-50,4**	**-37,2**	**4,8**	**-17,2**	**-6,3**	**-**	**-**	**-7,2**	**-**	**-0,2**	**-113,6**
- Asset impairment	**-0,0**	**-**	**-**	**-**	**-21,2** (6)	**-**	**-**	**-**	**-**	**-20,9**	**-42,1**
Non-recurring net income - non-controlling interests	-60,3	80,4	-8,0	4,3	-17,7	-	-0,4	-0,2	-	0,1	**-1,9**
Non-recurring net income -Group share	**-41,6**	**124,7**	**-76,4**	**15,1**	**-26,8**	**-4,7**	**-43,0**	**-49,4**	**152,4**	**-19,3**	**31,0**
Consolidated net income	**335,9**	**288,1**	**-76,9**	**103,4**	**-42,4**	**36,0**	**-39,3**	**-37,7**	**-28,4**	**-4,5**	**534,1**
Consolidated net income - non-controlling interests	207,7	120,3	-7,7	29,2	-15,2	-	-0,3	-0,2	-	0,2	**334,1**
Consolidated net income - Group share	**128,2**	**167,8**	**-69,2**	**74,2**	**-27,2**	**36,0**	**-38,9**	**-37,6**	**-28,4**	**-4,8**	**200,0**

(1) Before the impact of goodwill allocation, non-recurring items and management *fees*.
(2) Cromology's EBITDA is now presented after changes in impairment losses on current assets.
(3) This €17.8 million corresponds to dividends received from Saint-Gobain after the date of deconsolidation.
(4) This +€83.8 million resulted mainly from the sale of Saint-Gobain shares.
(5) This amount includes the income from the divestment of the "Labels" division for €318.9 million.
(6) This item notably includes -€17.8 million in impairment losses on Mecatherm and -€21.2 million in impairment losses recognized by Tsebo for its "Security" division.
(7) This item includes +€27.3 million of dilution effect on IHS and an exchange loss of €-68.3 million (offset by a change in the same amount in translation reserves).

The detail of Oranje-Nassau Développement’s contribution to the 2017 income statement by business sector is as follows:

In millions of euros	Mecatherm	CSP Technologies	Nippon Oil Pump	exceet	PlaYce	Other
Net income from operations						
Net sales	-	-	-	-	-	-
EBITDA (1)	-	-	-	-	-	-
Adjusted operating income (1)	-	-	-	-	-	-
Other recurring operating items	-0,5	-1,3	-0,2	-	-	-2,0
Business income	**-0,5**	**-1,3**	**-0,2**	**-**	**-**	**-2,0**
Finance costs, net	-	-	-	-	-	-
Other financial income and expense	-	-	-	-	-	-
Pre-tax income, including management fees	-	-	-	-	-	-
Tax expense	-	-	-	-	-	-
Share in net income of equity-method investments	-	-	-	0,8	-	**0,8**
Net income from discontinued operations and operations held for sale	3,9	6,3	6,0	-	-0,3	**15,8**
Recurring net income from operations	**3,4**	**5,0**	**5,8**	**0,8**	**-0,3**	**14,7**
Recurring net income from operations - non-controlling interests	0,0	0,1	0,1	-	-	**0,2**
Recurring net income from operations - Group share	**3,3**	**4,9**	**5,7**	**0,8**	**-0,3**	**14,5**
Non-recurring income						
Business income	-	-	-	-	-	-
Net financial expense	-	-	-	-	-	-
Tax expense	-	-	-	-	-	-
Share in net income of equity-method investments	-	-	-	-4,2	-	**-4,2**
Net income from discontinued operations and operations held for sale	-20,4	7,1	-1,6	-	-	**-15,0**
Non-recurring net income	**-20,4**	**7,1**	**-1,6**	**-4,2**	**-**	**-19,2**
of which:						
- Non-recurring items	**-1,7**	**3,4**	**-0,1**	**0,2**	**-**	**1,8**
- Impact of goodwill allocation	**-0,9**	**3,7**	**-1,6**	**-1,4**	**-**	**-0,2**
- Asset impairment	**-17,8**	**-**	**-**	**-3,1**	**-**	**-20,9**
Non-recurring net income - non-controlling interests	-	0,1	-	-	-	**0,1**
Non-recurring net income -Group share	**-20,4**	**7,0**	**-1,6**	**-4,2**	**-**	**-19,3**
Consolidated net income	**-17,0**	**12,0**	**4,1**	**-3,4**	**-0,3**	**-4,5**
Consolidated net income - non-controlling interests	-	0,2	-	-	-	**0,2**
Consolidated net income - Group share	**-17,0**	**11,8**	**4,1**	**-3,4**	**-0,3**	**-4,8**

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

Note 6 - 3. Balance sheet by business sector as of December 31, 2018

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	PlaYce	IHS	Allied Universal	Wendel &holding *companies*	Total Group
Goodwill, net	2 383,5	468,1	176,3	129,7	182,1	-	-	-	-	3 339,8
Intangible assets, net	832,1	493,4	185,7	269,5	123,2	-	-	-	-	1 903,9
Property, plant & equipment, net	471,1	613,1	75,4	143,0	14,6	-	-	-	12,7	1 330,0
Non-current financial assets	109,8	74,2	4,9	1,6	2,8	-	-	-	523,6	717,0
Pledged cash and cash equiv alents	-	-	-	-	-	-	-	-	0,5	0,5
Equity-method inv estments	5,0	148,4	1,3	-	2,4	-	261,7	132,8	-	551,7
Deferred tax assets	135,3	21,8	34,0	14,9	1,8	-	-	-	0,4	208,3
Total non-current assets	**3 936,9**	**1 819,1**	**477,8**	**558,7**	**326,9**	**-**	**261,7**	**132,8**	**537,3**	**8 051,2**
Assets of discontinued operations and operations held for sale	**0,0**	**-**	**-**	**1,2**	**-**	**24,8**	**-**	**92,0**	**-**	**118,0**
Inv entories and work-in-progress	19,9	233,0	75,6	116,4	8,1	-	-	-	-	452,9
Trade receiv ables	1 408,8	161,1	108,2	151,1	59,4	-	-	-	0,4	1 889,0
Other current assets	186,3	35,2	64,3	18,2	14,1	-	-	0,2	7,9	326,2
Current income tax payable	49,8	12,9	-	11,2	0,8	-	-	-	0,2	74,9
Other current financial assets	17,8	2,2	-	1,0	-	-	-	-	285,4	306,5
Cash and cash equiv alents	1 046,3	16,4	84,7	127,3	16,8	-	-	0,9	1 806,1	3 098,4
Total current assets	**2 728,9**	**460,8**	**332,8**	**425,1**	**99,2**	**-**	**-**	**1,1**	**2 100,0**	**6 147,9**
Total assets										**14 317,1**
Shareholders' equity – Group share										2 160,3
Non-controlling interests										1 146,1
Total shareholders'equity										**3 306,4**
Prov isions	290,7	64,6	48,8	24,0	-	-	-	-	15,4	443,5
Financial debt	2 655,8	503,9	14,1	475,3	109,0	-	-	-	1 873,8	5 631,8
Other current financial liabilities	131,7	28,4	-0,0	123,5	2,9	-	-	-	170,2	456,7
Deferred tax liabilities	178,4	153,9	96,7	27,2	34,8	-	-	19,1	-	510,2
Total non-current liabilities	**3 256,5**	**750,8**	**159,6**	**650,0**	**146,7**	**-**	**-**	**19,1**	**2 059,4**	**7 042,2**
Liabilities of discontinued operations and operations held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prov isions	-	61,0	3,1	0,2	-	-	-	-	-	64,3
Financial debt	499,0	25,2	324,3	58,8	8,6	-	-	-	751,9	1 667,8
Other current financial liabilities	130,3	63,7	-	2,9	0,1	-	-	-	15,5	212,4
Trade payables	390,0	251,7	85,3	105,8	58,6	-	-	0,2	10,9	902,6
Other current liabilities	792,8	57,7	86,0	38,1	22,4	-	-	-	17,3	1 014,4
Current income tax payable	71,2	25,7	-	9,0	0,9	-	-	-	0,2	107,0
Total current liabilities	**1 883,2**	**485,1**	**498,7**	**214,7**	**90,7**	**-**	**-**	**0,2**	**795,8**	**3 968,5**
Total equity and liabilities										**14 317,1**

Note 6 - 4. Balance sheet by business sector as of December 31, 2017

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Mecatherm	CSP Technologies	Tsebo	Nippon Oil Pump	PlaYce	IHS	Allied Universal	Wendel &holding companies	Total Group
Goodwill, net	2 337,0	460,4	211,6	128,6	66,3	152,4	202,1	16,7	-	-	-	-	3 575,0
Intangible assets, net	837,7	508,6	212,2	290,8	65,1	101,3	145,1	20,8	-	-	-	0,0	2 181,8
Property, plant & equipment, net	486,3	574,0	81,9	141,3	5,7	77,2	14,5	11,8	-	-	-	13,5	1 406,1
Non-current financial assets	119,7	281,7	6,2	2,4	0,8	0,3	3,0	1,7	-	-	-	967,6	1 383,3
Pledged cash and cash equivalents	-	-	-	-	-	0,2	-	-	-	-	-	0,4	0,7
Equity-method investments	4,6	0,8	1,4	-	-	-	5,1	-	25,3	281,2	215,9	-	534,3
Deferred tax assets	138,4	11,8	28,6	13,5	-	-	2,4	-	-	-	-	0,5	195,2
Total non-current assets	**3 923,8**	**1 837,2**	**541,8**	**576,6**	**137,9**	**331,3**	**372,3**	**51,0**	**25,3**	**281,2**	**215,9**	**982,0**	**9 276,4**
Assets and operations held for sale	**1,2**	**-**	**17,9**	**1,3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**20,5**
Inventories and work-in-progress	19,8	215,4	91,1	107,4	8,4	23,7	7,7	7,5	-	-	-	-	481,1
Trade receivables	1 364,9	152,3	116,3	158,4	11,4	16,2	59,9	15,9	-	-	-	2,3	1 897,5
Other current assets	188,3	40,2	61,4	28,2	2,8	2,0	11,2	0,3	-	-	3,8	9,6	347,7
Current income tax payable	52,7	5,0	-	12,0	-	0,4	2,4	-	-	-	-	12,6	85,0
Other current financial assets	24,2	14,3	-	0,3	-	-	-	-	-	-	-	383,7	422,5
Cash and cash equivalents	364,3	64,7	43,3	41,1	7,2	6,9	21,7	8,6	-	-	0,3	1 347,2	1 905,3
Total current assets	**2 014,2**	**491,9**	**312,2**	**347,3**	**29,7**	**49,2**	**103,0**	**32,2**	**-**	**-**	**4,1**	**1 755,3**	**5 139,1**
Total assets													**14 435,9**
Shareholders' equity – Group share													2 164,2
Non-controlling interests													1 092,5
Total shareholders'equity													**3 256,7**
Provisions	299,7	64,0	41,9	23,8	4,3	0,2	-	6,9	-	-	-	24,4	465,1
Financial debt	2 240,0	505,4	309,5	528,7	-	145,0	119,8	23,4	-	-	-	2 544,5	6 416,2
Other current financial liabilities	126,8	60,1	0,2	118,6	0,8	7,1	4,5	1,7	-	-	-	256,0	575,9
Deferred tax liabilities	194,3	156,5	107,9	31,4	14,4	17,1	41,2	7,6	-	-	25,2	0,1	595,6
Total non-current liabilities	**2 860,9**	**785,9**	**459,5**	**702,4**	**19,5**	**169,4**	**165,5**	**39,6**	**-**	**-**	**25,1**	**2 825,0**	**8 052,8**
Liabilities held for sale	**1,0**	**-**	**16,1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**17,1**
Provisions	-	52,7	0,8	0,1	5,6	-	-	0,0	-	-	-	0,1	59,4
Financial debt	209,0	18,9	2,6	42,1	22,9	1,3	7,0	3,2	-	-	-	405,8	712,7
Other current financial liabilities	123,9	18,9	-	2,7	-	-	3,4	-	-	-	-	141,1	289,9
Trade payables	372,6	254,3	104,9	78,2	8,6	6,9	64,1	6,0	-	-	0,1	5,1	900,7
Other current liabilities	747,0	70,0	98,4	40,6	20,6	9,9	24,1	2,8	-	-	3,7	21,9	1 039,1 (1)
Current income tax payable	73,6	21,9	0,0	7,5	-	2,2	0,2	1,7	-	-	0,0	0,4	107,5
Total current liabilities	**1 526,0**	**436,8**	**206,6**	**171,2**	**57,8**	**20,4**	**98,8**	**13,6**	**-**	**-**	**3,8**	**574,3**	**3 109,3**
Total equity and liabilities													**14 435,9**

Note 6 - 5. Cash flow statement by business segment for 2018

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	Mecatherm	CSP Technologies	Nippon Oil Pump	Allied Universal	*Wendel &holding companies*	Eliminations and unallocated	Group Total
Net cash flows from operating activities, excluding tax	864,6	138,5	-2,9	217,7	16,6	7,8	13,5	4,7	4,0	-53,1	-	1 211,5
Net cash flows from investing activities, excluding tax	-274,4	-131,9	-17,8	-35,3	-6,2	-3,6	-9,5	-10,0	-67,6	1 119,8	-	563,5
Net cash flows from financing activities, excluding tax	285,5	-38,5	66,1	-74,3	-11,3	-11,0	-7,6	-1,8	66,3	-619,2	-	-345,8
Net cash flows related to taxes	-185,1	-16,1	-3,9	-21,4	-2,4	-0,4	-3,6	-1,8	-0,2	11,1	-	-223,8

Note 6 - 6. Cash flow statement by business segment for 2017

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	Mecatherm	CSP Technologies	Nippon Oil Pump	Allied Universal	*Wendel &holding companies*	Eliminations and unallocated	Group Total
Net cash flows from operating activities, excluding tax	752,8	199,9	36,5	100,9	28,3	11,1	32,8	11,0	-0,8	-64,6	-	1 107,9
Net cash flows from investing activities, excluding tax	-312,4	661,9	-21,0	-153,5	6,7	-1,6	-19,5	-1,0	-	844,6	-14,2	990,0
Net cash flows from financing activities, excluding tax	-959,9	-894,7	-17,7	-198,0	-2,3	-3,7	-8,4	-3,7	-	-400,2	14,2	-2 474,4
Net cash flows related to taxes	-182,4	-23,7	-1,3	-20,4	-10,8	-0,6	-0,4	-3,0	0,7	-3,7	-	-245,6

NOTES ON THE BALANCE SHEET

The accounting principles applied to the aggregates on the balance sheet are described in note 1-11.1 “Presentation of the balance sheet”.

NOTE 7. GOODWILL

The accounting principles applied to goodwill are described in note 1-10.1 “Goodwill”.

	31.12.2018		
In millions of euros	Gross amount	Impairment	Net amount
Bureau Veritas	2 524,9	-141,3	2 383,5
Constantia Flexibles	468,1	-	468,1
Cromology	403,7	-227,3	176,3
Stahl	129,7	-	129,7
Tsebo	201,5	-19,4	182,1
TOTAL	**3 727,9**	**-388,0**	**3 339,8**

	31.12.2017		
In millions of euros	Gross amount	Impairment	Net amount
Bureau Veritas	2 483,0	-146,0	2 337,0
Constantia Flexibles	460,4	-	460,4
Cromology	403,3	-191,7	211,6
Stahl	128,6	-	128,6
Oranje-Nassau Dév eloppement	494,9	-57,6	437,4
TOTAL	**3 970,3**	**-395,3**	**3 575,0**

The principal changes during the year were as follows:

In millions of euros	2018	2017
Net amount at beginning of period	3 575,0	3 669,3
Changes in scope (1)	-160,5	133,8
Impact of changes in currency translation adjustments and other	-39,2	-189,1
Impairment for the year (2)	-35,5	-39,0
Net amount at end of period	**3 339,8**	**3 575,0**

(1) This item mainly includes the effect of the disposal of CSP (-€150.9 million), Mecatherm (-€66.2 million) and Nippon Oil Pump (-€7 million) offset by the impact of the acquisitions of EMG by Bureau Veritas in the US (€45.9 million) and Polypack by Constantia Flexibles (€9.5million).

(2) A €35.5 million impairment loss was recognized by Cromology.

Note 7 - 1. Goodwill impairment tests

In accordance with accounting standards, goodwill for each CGU (Cash Generating Unit) is tested for impairment as soon as there is any indication that its value may be impaired, and at least once per year on December 31 (see the Accounting principles section, note 1-10.1 “Goodwill”). The Group's CGUs consist of the fully consolidated investments at December 31, 2018: Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo.

The tests described 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 on which the financial statements were finalized on the positions existing at December 31, 2018. Forecasts are inherently uncertain and actual amounts could therefore be significantly different from the forecasts made under these tests. If so, values in use may also be different from those determined on the basis of assumptions and estimates at the end-December 2018 closing date.

The tests are performed in accordance with IAS 36 “Impairment of assets”. They consist in comparing the carrying value of subsidiaries and associates with their recovery value (the highest between value the fair value and the value in use).

Note 7 - 1.1 Goodwill impairment tests at Bureau Veritas (listed company)

The carrying amount of the Bureau Veritas shares at year-end 2018 (€4.6 per share, or €725 million for the shares held) was significantly below their fair value (closing share price: €17.80 per share, or €2,781 million for the shares held). As a result, there was no need to apply value in use for the impairment test, and no impairment has been recognized.

Note 7 - 1.2 Goodwill impairment tests of unlisted subsidiaries: Constantia Flexibles, Cromology, Stahl and Tsebo

The values in use determined by Wendel for these tests were based on discounted future cash flows. The business plans used were prepared by Wendel on the basis of those drawn up by the subsidiaries, and using the latest information available on the underlying markets. For each subsidiary, the value calculated for Wendel’s share of the capital (including shareholder loans where appropriate) is compared to the carrying amount (share of shareholders’ equity increased, where appropriate, for shareholder loans eliminated on consolidation).

The tests performed at end-2018 did not result in the recognition of any impairment losses.

Conversely, the tests performed by Cromology on its own CGUs resulted in the recognition of a €35.5 million impairment loss on the goodwill of its French operations and a €24.4 million impairment loss on the assets (excluding goodwill) of its Italian operations (€17.6 million net of deferred tax). In accordance with the Group's accounting principles, these impairment losses are reflected in Wendel's consolidated financial statements.

The description of the tests on unlisted investment is as follows:

In millions of euros		Constantia Flexibles	Cromology	Stahl	Tsebo
Net book value before test (Group share)		636	131	80	84
Depreciation recognized in 2017 after test (Group share)		-	-	-	
Net book value after test (Group share)		636	131	80	84
Duration of business plan		4 ans	4 ans	5 ans	5 ans
Discount rate	rate as at 12/31/2018	8,0%	8,0%	9,0%	13,0%
	rate as at 12/31/2017	8,0%	8,0%	9,0%	13,0%
	profit/loss impact in case of 0.5% increase	-	-45	-	-14
	profit/loss impact in case of 0.5% decrease	-			
	threshold at which the value in use becomes less than the carrying amount	10,8%	0,081	28,7%	15,7%
Post-business plan growth	rate as at 12/31/2018	2,0%	2,0%	2,0%	5,5%
	rate as at 12/31/2017	2,0%	2,0%	2,0%	5,5%
	profit/loss impact in case of 0.5% decrease	-	-34	-	-7
	profit/loss impact in case of 0.5% increase	-	42,00	-	8
	threshold at which the value in use becomes less than the carrying amount	<0	0,018	<0	<0
Post-business plan operating margin rate	Profit/loss impact of a 1% reduction in the operating margin rate	-	-36	-	-18

NOTE 8. INTANGIBLE ASSETS

The accounting principles applied to intangible assets are described in notes 1-10.2 "Intangible assets", 1-10.3 "Other intangible assets" and 1-10.5 "Impairment of property, plant & equipment and intangible assets".

The details by subsidiary are presented in note 6 “Segment information”.

	31.12.2018		
In millions of euros	Gross amount	Amortization and provision	Net amount
Amortizable assets			
Internally generated	**183,4**	**-36,2**	**147,2**
Acquired			
Concessions, patents, and licenses	173,6	-58,9	114,7
Customer relationships	1 915,9	-755,2	1 160,7
Software	701,3	-615,1	86,2
Other intangible assets	59,7	-82,1	-22,4
Intangible assets in progress	31,0	-	31,0
	2 881,6	**-1 511,3**	**1 370,3**
With indefinite useful life			
Brands	**442,9**	**-56,6**	**386,3**
TOTAL	**3 508,0**	**-1 604,1**	**1 903,9**

	31.12.2017		
In millions of euros	Gross amount	Amortization and provision	Net amount
Amortizable assets			
Internally generated	**74,2**	**-26,6**	**47,6**
Acquired			
Concessions, patents, and licenses	214,8	-101,4	113,4
Customer relationships	2 499,2	-1 102,8	1 396,4
Software	248,4	-155,0	93,4
Other intangible assets	63,6	-41,1	22,5
Intangible assets in progress	16,5	-	16,5
	3 042,5	**-1 400,3**	**1 642,2**
With indefinite useful life			
Brands	**525,8**	**-33,9**	**491,9**
TOTAL	**3 642,5**	**-1 460,7**	**2 181,8**

The principal changes during the year were as follows:

In millions of euros	2018	2017
Amount at beginning of the period	**2 181,8**	**2 238,8**
Acquisitions	52,8	42,8
Internally generated assets	5,3	15,7
Variations due to operations held for sale	-178,9	0
Changes in scope (1)	82,6	176,2
Impact of currency translation adjustments and other	-31,7	-86,2
Amortization and impairment losses for the year	-208,0	-205,5
Amount at end of the year	**1 903,9**	**2 181,8**

(1) In 2018, the changes in scope of consolidation mainly comprised the €60.6 million in acquisitions by Bureau Veritas and the €22 million acquisition of Creative Polypack by Constantia Flexibles.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

The accounting principles applied to property, plant & equipment are described in notes 1-10.4 "Property, plant and equipment" and 1-10.5 "Impairment of property, plant and equipment and intangible assets".

The details by subsidiary are presented in note 6 “Segment information”.

	31.12.2018		
In millions of euros	Gross amount	Amortization and provision	Net amount
Land	114,7	-1,7	113,0
Buildings	424,3	-150,1	274,2
Plant, equipment, and tooling	1 796,0	-1 058,1	737,9
Other property, plant & equipment	462,2	-332,3	129,9
Assets under construction	75,1	-	75,1
TOTAL	**2 872,3**	**-1 542,3**	**1 330,0**

	31.12.2017		
In millions of euros	Gross amount	Amortization and provision	Net amount
Land	120,6	-2,1	118,5
Buildings	445,0	-154,2	290,8
Plant, equipment, and tooling	1 788,1	-987,6	800,5
Other property, plant & equipment	465,7	-332,0	133,7
Assets under construction	62,6	-	62,6
TOTAL	**2 882,0**	**-1 475,9**	**1 406,1**

The principal changes during the year were as follows:

In millions of euros	2018	2017
Amount at beginning of the period	1 406,1	1 635,9
Acquisitions (1)	241,3	261,0
Divestments	-12,9	-13,1
Changes in scope (2)	28,4	-161,1
Changes due to operations held for sale	-93,5	-
Impact of currency translation adjustments and other	-11,9	-74,8
Depreciation and provisions recognized during the year	-227,5	-241,8
Amount at end of the year	**1 330,0**	**1 406,1**

(1) Acquisitions concern mainly Bureau Veritas for €100.9 million and Constantia Flexibles for €97.5 million.
(2) The changes in scope of consolidation mainly included the €19.7 million acquisition of Creative Polypack by Constantia Flexibles.

NOTE 10. EQUITY-METHOD INVESTMENTS

The accounting principles applied to equity-method investments are described in note 1-3 "Methods of consolidation".

In millions of euros	31.12.2018	31.12.2017
IHS	261,7	281,2
Allied Universal	132,8	215,9
PlaYce	-	25,3
Investments of Constantia Flexibles	148,4	0,8
Investments of Bureau Veritas	5,0	4,6
Investments of Tsebo	2,4	5,1
Investments of Cromology	1,4	1,4
TOTAL	**551,7**	**534,3**

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

In millions of euros	2018
Amount at beginning of the period	**534,3**
Share in net income for the period	
IHS	-31,2
Allied Universal	-63,7
PlaYce	-0,9
Other	5,2
Dividends for the period	-1,5
Impact of changes in currency translation adjustments	20,7
Investment in Allied Universal	63,4
Consolidation of Multi Color	181,3
Impairment of Multi Color	-39,2
Allied Universal IFRS 5 reclassification	-92,0
Playce IFRS 5 reclassification	-24,8
Changes in scope	-0,8
Other	0,9
Amount at close	**551,7**

Note 10 - 1. Additional information on IHS

The main IHS accounting data (at 100%) are the following (including the impact of the goodwill recognized on acquiring the equity).

In millions of euros	31.12.2018	31.12.2017
Carrying values at 100%		
Total non-current assets	2 498,3	2 418,9
Total current assets	842,1	931,5
Goodwill *adjustment* (Wendel)	61,0	58,2
Total assets	**3 401,5**	**3 408,6**
Non-controlling interests	-	-
Total non-current liabilities	1 676,4	1 753,5
Total current liabilities	500,8	339,4
Total liabilities and shareholders' equity	**2 177,2**	**2 092,8**
including cash and cash equivalents	*553,2*	*538,8*
including financial debt	*1 657,4*	*1 651,7*

In millions of euros	2018	2017
Net sales	989,6	982,2
EBIT	173,7	223,6
Financial result, excluding foreign exchange	-175,7	-121,5
Currency impact on financial liabilities	-70,5	-331,2
Adjustment for prior financial years	-33,7	34,0
Net income	-146,1	-320,6

Wendel has been informed that certain accounts belonging to IHS Nigeria Limited, INT Towers Limited and IHS Towers NG Limited domiciled in Nigerian banks have been blocked at the end of 2017.

In November 2018, all the accounts that had been blocked by EFCC were released. The cash in question was presented under non-current assets at end-2017.

Note 10 - 2. Additional information on Allied Universal

The main Allied Universal accounting data (at 100%) are listed below (including the impact of the goodwill recognized on acquiring the equity).

In millions of euros	31.12.2018	31.12.2017
Carrying values at 100%		
Total non-current assets	3 798,8	2 916,7
Total current assets	1 106,8	790,7
Goodwill *adjustment* (Wendel)	-247,7	-178,6
Impact of the revaluation of acquired assets and liabilities	243,6	321,4
Total assets	**4 901,4**	**3 850,3**
Non-controlling interests	1,9	1,5
Total non-current liabilities	3 802,1	2 732,1
Total current liabilities	526,0	466,5
Total liabilities and shareholders' equity	**4 330,0**	**3 200,0**
including cash and cash equivalents	*25,9*	*3,8*
including financial debt	*3 445,9*	*2 517,9*

In millions of euros	2018
Net sales	4 937,4
Operating income	137,4
Business income	96,6
Net income – Group share	-119,1
Impact of the revaluation of acquired assets and liabilities	-72,2

At December 31, 2018, 40% of the investment in Allied Universal was reclassified under assets held for sale (see note 37 "Subsequent events").

Note 10 - 3. Additional information on Multi-Color

The main Multi-Color accounting aggregates (at 100%) are listed below (including the impact of the goodwill recognized on acquiring the equity).

In millions of euros	12/31/2018
Carrying values at 100%	
Total non-current assets	1 911,1
Total current assets	480,0
Impact of the revaluation of acquired assets and liabilities (Wendel)	502,9
Total assets	**2 893,9**
Non-controlling interests	2,3
Total non-current liabilities	1 509,1
Total current liabilities	249,0
Total liabilities and shareholders' equity	**1 760,3**
including cash and cash equivalents	45,2
including financial debt	1 348,0

In millions of euros	12/31/2018
Net sales	1 472,2
Business income	143,7
Recurring net income – Group share	63,8
Impact of the revaluation of acquired assets and liabilities (Wendel)	**-10,9**

Multi-Color was accounted for under the equity method as from Q2 2018 (see note 2- 1.7 "Principal changes in scope of consolidation of subsidiaries and associates").

Note 10 - 4. Impairment testing of equity-method investments

No impairment test was performed on IHS and Allied Universal because no indication of impairment was identified on these investments.

However, the sharp fall in the Multi-Color share price in Q4 was taken as a relevant external indicator of impairment. In accordance with IAS 36 "Impairment of assets", the Group therefore performed an impairment test.

The value in use of $50 per share was taken as the recoverable value. This amount is in line with the offer made for the company in February (note 37 "Subsequent events").

As a result, a €39.2 million impairment loss was recognized for these securities.

NOTE 11. TRADE RECEIVABLES

	31.12.2018			31.12.2017
In millions of euros	**Gross amount**	**Impairment**	**Net amount**	**Net amount**
Bureau Veritas	1 488,8	-79,9	1 408,8	1 364,9
Constantia Flexibles	163,7	-2,6	161,1	152,3
Cromology	115,8	-7,6	108,2	116,3
Stahl	156,5	-5,4	151,1	158,4
Oranje-Nassau Dév eloppement	60,5	-1,1	59,4	103,4
Operating *subsidiaries*	0,4	-0,0	0,4	2,3
TOTAL	**1 985,7**	**-96,7**	**1 889,0**	**1 897,5**

NOTE 12. CASH AND CASH EQUIVALENTS

The accounting principles applied to cash and cash equivalents are described in note 1-10.9 "Cash and cash equivalents pledged and unpledged".

In millions of euros	31.12.2018 Net amount	31.12.2017 Net amount
Pledged cash and cash equivalents of Wendel and *its holding* companies, classified as non-current assets	0,5	0,4
Unpledged cash and cash equivalents of Wendel and its *holding companies* , classified as current assets	1 806,0	1 347,2
Cash and cash equivalents of Wendel and its holding companies (1)	**1 806,5**	**1 347,6**
Pledged cash and cash equivalents of subsidiaries and *other holding* companies, classified as non-current assets	-	0,2
Unpledged cash and cash equivalents of subsidiaries and other holding *companies* , classified as current assets:		
Bureau Veritas	1 046,3	364,3
Constantia Flexibles	16,4	64,7
Cromology	83,4	41,5
Stahl	127,3	41,1
Oranje-Nassau Développement	16,8	44,4
Other *holding companies*	2,2	2,0
Cash and cash equivalents of subsidiaries and other holding *companies*	**1 292,4**	**558,3**
TOTAL	**3 098,9**	**1 905,9**
of which non-current assets	***0,5***	***0,7***
of which current assets	***3 098,4***	***1 905,3***

(1) To this cash was added €283.7 million of short-term financial investments at December 31, 2018 and €381.9 million at December 31, 2017 (see note 5-2.1 "Liquidity risk of Wendel and its holdings"), *recorded* in other current financial assets.

NOTE 13. FINANCIAL ASSETS AND LIABILITIES (EXCLUDING FINANCIAL DEBT AND OPERATING RECEIVABLES AND PAYABLES)

The accounting principles applied to financial assets and liabilities are described in notes 1-10.6"Financial assets and liabilities" and 1-10.7 "Methods of measuring the fair value of financial instruments".

Note 13 - 1. Financial assets

In millions of euros	Accounting method for variations	Level	31.12.2018	31.12.2017
Pledged cash and cash equivalents of Wendel and holdings	Income statement (1)	1	0,5	0,4
Available cash and cash equivalents of Wendel and holdings	Income statement (1)	1	1 806,0	1 347,2
Wendel's short-term financial investments	Income statement (1)	1	283,7	381,9
Cash and short-term financial investments of Wendel and its holding *companies*			**2 090,2**	**1 729,5**
Pledged cash and cash equivalents of subsidiaries	Income statement (1)	1	-	0,2
Cash and cash equivalents of subsidiaries	Income statement (1)	1	1 292,4	558,1
Financial assets at fair value through shareholders' equity - A	Shareholders' equity (2)	1 and 3	414,1	1 023,2
Financial assets at fair value through profit or loss	Income statement (1)	1	57,1	0,1
Loans - B	Amortized cost	N/A	2,2	64,9
Deposits and guarantees	Amortized cost	N/A	96,4	125,6
Derivatives - C	Income statement (1) / Sh equity (2)	See C	61,0	92,2
Other			108,9	117,8
TOTAL			**4 121,3**	**3 711,6**
of which non-current financial assets, including pledged cash and cash equivalents			***717,4***	***1 383,9***
of which current financial assets, including cash and cash equivalents			***3 404,9***	***2 327,7***

(1) Change in fair value through profit or loss.
(2) Change in fair value through shareholders' equity.

Note 13 - 2. Financial liabilities

In millions of euros	Accounting method for variations	Level	31.12.2018	31.12.2017
Derivatives - C	Income statement (1) / Sh equity (2)	See C	25,7	59,1
Minority puts, earn-outs and other financial liabilities of subsidiaries - D	Income statement (1) / Sh equity (2)	3	457,7	442,9
Minority puts, earn-outs and other financial liabilities of Wendel and holding *companies* - E	Income statement (1) / Sh equity (2)	3	185,7	363,8
TOTAL			**669,1**	**865,8**
of which non-current financial liabilities			***456,7***	***575,9***
of which current financial liabilities			***212,4***	***289,9***

(1) Change in fair value through profit or loss.
(2) Change in fair value through shareholders' equity.

Note 13 - 3. Breakdown of financial assets and liabilities

A – As of December 31, 2018, this item mainly includes the stake in Saint-Gobain in the amount of €412.9 million.

The change in the fair value of the Saint-Gobain securities over the year was recorded in consolidated reserves under "Gains and losses on financial assets at fair value through other comprehensive income" for -€237.9 million for Saint-Gobain in line with the accounting principles. A negative variation of €29.8 million in the value of the Multi-Color securities held by Constantia Flexibles was also recognized in other comprehensive income until April 1, the date on which these securities were accounted for using the equity method.

The Saham Group securities were sold in the first half of 2018, see note 2 "Changes in scope of consolidation".

B – Loans: A large portion of the loans held at December 31, 2017 were transferred during the period.

C – Derivatives:

		31.12.2018		31.12.2017	
In millions of euros	Level	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - hedging of cash flows (1)	2	-	-	-	6,7
Interest rate swaps - not qualifying for hedge accounting (1)	2	2,9	5,8	2,4	7,1
Cross-currency swaps - hedging of cash flows (1)	-	50,6	6,7	76,0	-
Optional component of bonds exchangeable for Saint-Gobain shares	2	0,1	-	-	33,3
Other derivatives – not qualifying for hedge accounting	2	7,4	13,2	13,8	12,0
TOTAL		**61,0**	**25,7**	**92,2**	**59,1**
of which non-current portion		***53,2***	***12,6***	***80,4***	***47,1***
of which current portion		***7,8***	***13,1***	***11,8***	***12,0***

(1) See description of *the swaps* in the following note.

D –Minority puts, earn-outs and other financial liabilities of subsidiaries: at December 31, 2018, this amount corresponds in particular to Bureau Veritas for €250.8 million and Stahl for €126.3 million (including the minority put granted to BASF – see note 34-5 "Shareholder agreements and co-investment mechanisms".) and Constantia Flexibles for €78.2 million. It is largely comprised of *minority* put options, deposits and securities received.

E – Minority puts, earn-outs and other financial liabilities of Wendel and holding companies: at December 31, 2018, this amount mainly reflected minority puts granted to the Turnauer Foundation on 50% of its investment in Constantia Flexibles. It also includes liabilities for certain liquidities granted as part of co-investments. See note 34-5 “Shareholder agreements and co-investment mechanisms”.

F – Interest rate swaps and foreign exchange hedges: the value of the 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.

Notional amount	Characteristics (1)	Qualified as	Start (1)	Maturity (1)	31.12.2018	31.12.2017
	Sign convention: (+) assets, (-) liabilities					
Hedging of debt carried by Wendel						
$885m/€800m	Pay 2.23% in US dollars against 0.24% in euros(2)	Hedge	03-2016	11-2022	50,6	76,0
	Other				-	
Hedging of subsidiaries' debt						
€95m	Caps and tunnels on Euribor with maturities between 10/2019 and 02/2020				-	-0,1
$551m	2.25% cap on Libor		Pre-closing	12/2019	0,8	0,5
€180m	Pay 0.75% against Euribor	Hedge	Pre-closing	04-2022	-5,1	-4,8
€400m	2.00% cap against Euribor		Pre-closing	04-2020	2,0	1,9
ZAR 1,850m	Pay 7.72% on Jibar		Pre-closing	May 31, 2021	-0,7	-2,1
	Other (3)				-6,7	-6,8
TOTAL					**40,9**	**64,6**

(1) The positions indicated in this table are aggregations of several similar contracts. The characteristics are therefore weighted averages.
(2) Wendel has established cross-currency swaps to convert €800 million of its bond debt into US dollars (average exchange rate of 1.1058), see note 5-5 “Managing currency risk”.
(3) This amount includes the Bureau Veritas currency hedges that convert debt denominated in sterling into euros.

NOTE 14. SHAREHOLDERS' EQUITY

Note 14 - 1. Number of shares and treasury shares

	Par value	Total number of shares	Treasury shares	Number of shares outstanding
Au 31.12.2017	4 €	46 253 210	669 402	45 583 808
Au 31.12.2018	4 €	46 280 641	1 013 074	45 267 567

The reduction of 27,431 shares is due to:

- the exercise of stock options (7,276 shares);
- subscriptions to the Company savings plan (20,155 shares)

The accounting principles applied to treasury shares are described in note 1-10.13 “Treasury shares”.

As of December 31, 2018, 100,000 shares were held for the purposes of the liquidity contract, unchanged from December 31, 2017.

As of December 31, 2018, Wendel held 913,074 of its shares in treasury outside the context of the liquidity contract (569,402 at December 31, 2017). These treasury shares are primarily allocated to cover stock option exercises and grants of performance shares and the remainder were retained for potential acquisitions.

The net decrease of 343,672 shares was due to:

- the acquisition of 553,576 shares during the year and;
- the sale of 209,904 shares as part of the exercise of stock option plans and the delivery of performance shares.

In total, treasury shares represented 2.19% of the share capital as at December 31, 2018.

Note 14 - 2. Non-controlling interests

In millions of euros	% interest as of December 31, 2018	31.12.2018	31.12.2017
Bureau Veritas Group	64,2%	801,4	717,9
Constantia Flexibles Group	39,4%	265,2	284,6
Cromology Group	9,5%	-27,4	-34,6
Stahl Group	32,5%	20,1	0,1
Tsebo Group	35,3%	103,0	114,6
Other		-16,6	9,9
TOTAL		**1 145,9**	**1 092,5**

NOTE 15. PROVISIONS

The accounting principles applied to provisions are described in notes 1-10.10 “Provisions” and 1-10.11 “Provisions for employee benefits”.

En millions d'euros	31.12.2018	31.12.2017
Prov isions pour risques et charges	200,4	203,0
Av antages accordés aux salariés	307,4	321,6
TOTAL	**507,8**	**524,6**
dont non courant	***443,5***	***465,1***
dont courant	***64,3***	***59,4***

Note 15 - 1. Provisions for risks and contingencies

In millions of euros	31.12.2017	Additions	Reversals: used	Reversals: unused	Impact of discounting	Changes in scope	Currency translation adjustments, reclassifications	31.12.2018
Bureau Veritas								
Disputes and litigation	47,2	3,2	-2,7	-4,3	0,3	0,4	0,2	**44,3**
Other	62,4	20,1	-10,3	-10,0	-	-	-1,3	**60,8**
Cromology	8,6	15,0	-3,8	-0,7	-	0,4	-0,3	**19,1**
Stahl	1,3	-	-	-	-	-	-	**1,4**
Constantia Flexibles	52,8	11,4	-3,2	-	-	-	-	**61,1**
Oranje-Nassau Développement	7,7	0,2	-0,5	-	-	-	-7,5	**-**
Operating subsidiaries	22,9	6,3	-4,7	-10,8	-	-	-	**13,7**
TOTAL	**203,0**	**56,1**	**-25,1**	**-25,8**	**0,3**	**0,8**	**-9,0**	**200,4**
of which current	**59,4**							**64,3**

In millions of euros	31.12.2016	Additions	Reversals: used	Reversals: unused	Impact of discounting	Changes in scope	Currency translation adjustments, reclassifications	31.12.2017
Bureau Veritas								
Disputes and litigation	57,8	4,1	-10,9	-2,2	0,7	-	-2,3	**47,2**
Other	63,8	26,5	-14,6	-10,1	-	2,1	-5,3	**62,4**
Cromology	10,8	2,0	-2,5	-0,3	-	-	-1,4	**8,6**
Stahl	1,0	0,3	-	-	-	-	-	**1,3**
Constantia Flexibles	57,1	3,9	-8,1	-	-	-0,1	-	**52,8**
Oranje-Nassau Développement	9,2	4,3	-5,7	-	-	-	-	**7,7**
Operating subsidiaries	23,7	0,1	-0,9	-	-	-	-	**22,9**
TOTAL	**223,5**	**41,2**	**-42,7**	**-12,6**	**0,7**	**2,0**	**-9,1**	**203,0**
of which current	**66,1**							**59,4**

1. Provisions for risks and contingencies of Bureau Veritas

In the normal course of its activities, Bureau Veritas is party, with respect to certain of its activities, to various disputes and legal actions seeking, among other things, to invoke its professional liability with regard to services. While Bureau Veritas pays the greatest attention to risk control and the quality of its services, some of those services can give rise to claims and result in financial penalties.

Provisions for litigation on contracts changed because developments in ongoing litigation during the year led to changes in estimates. They also reflected new risks that, taken individually, and given Bureau Veritas' insurance coverage, are not material. Provisions have been recognized on the losses that may result from such litigation, after taking into account the amounts covered by the insurance policies.

Accordingly, Bureau Veritas estimated that a total provision of €3.1 million was necessary for certain of these risks in 2018 compared to €4.1 million in 2017, given the development of certain claims.

The calculation of provisions for risks and contingencies as of December 31, 2018 takes into account developments in the exceptional litigation that arose in 2004 in relation to the construction of a hotel and retail complex in Turkey. No amendment was made to the provision for the exceptional litigation that arose in 2004 pertaining to the crash of a Gabon Express flight.

On the basis of the insurance coverage relating to these legal claims, on the information currently available, and after taking into account the opinions of its legal advisors, Bureau Veritas considers that these claims will not have a significant adverse effect on its consolidated financial statements.

In terms of other provisions for risks and contingencies, Bureau Veritas has recognized additional provisions of €20.1 million and has reversed €20.3 million of provisions, giving a net reduction of €0.2 million. The changes over the period, by type of provision, are not material.

With regard to all ongoing tax disputes at both Bureau Veritas SA and other legal entities, Bureau Veritas considers, after taking into account the opinions of its Boards, that the provisions for risks recorded in its financial statements reflect the best estimate of the potential consequences of these disputes.

There are no other government, administrative, legal or arbitration proceedings or investigations (including any proceedings of which Bureau Veritas is aware that are pending or with which Bureau Veritas is threatened) that may have, or have had, during the previous 12 months, significant effects on the financial position or profitability of Bureau Veritas.

2. Provisions for risks and contingencies of Constantia Flexibles

The provisions recognized by Constantia Flexibles mainly include a provision for pending litigation concerning a squeeze out relating *to* Constantia Packaging AG.

3. Provisions for risks and contingencies of Wendel and its holding companies

The principal disputes, claims and risks identified for Wendel and its holding companies are as follows:

- environmental risk concerning potential costs related to the rehabilitation of land which belonged to a Group subsidiary whose operations were discontinued in 1967;
- the legal actions brought by Wendel managers as a result of the unwinding of a mechanism for participating in the Group's performance were concluded either by the withdrawal or rejection of their claims or a stay pending decisions in other individual cases. No provision has been set aside.

Note 15 - 2. Employee benefits

The breakdown by subsidiary was as follows:

In millions of euros	31.12.2018	31.12.2017
Bureau Veritas	185,6	190,1
Constantia Flexibles	64,6	63,9
Cromology	32,7	34,1
Stahl	22,8	22,6
Oranje-Nassau Dév eloppement	-	9,3
Operating *subsidiaries*	1,7	1,6
TOTAL	**307,4**	**321,6**

The change in provisions for employee benefits break down as follows for 2018:

In millions of euros	31.12.2017	Services costs	Actuarial gains and losses	Benefits paid	Interest costs	Curtailment and settlement	Changes in scope	Translation adjustments and other	31.12.2018
Commitments									
Defined-benefit plans	246,8	4,7	-4,9	-9,3	4,0	0,2	-	12,9	254,4
Retirement bonuses	167,2	11,0	-4,4	-11,9	2,2	2,4	0,0	-3,5	162,9
Other	61,8	3,2	-0,5	-5,9	1,5	-0,0	-	-7,9	52,2
TOTAL	**475,7**	**18,9**	**-9,8**	**-27,1**	**7,7**	**2,5**	**0,0**	**1,5**	**469,5**

In millions of euros	31.12.2017	Return on assets	Employer contributions	Actuarial gains and losses	Amounts used		Changes in scope	Translation adjustments and other	31.12.2018
Partially-funded plan assets									
Defined-benefit plans	133,0	2,4	3,6	-2,7	-4,6	-	0,8	9,4	141,9
Retirement bonuses	11,6	0,1	0,7	0,2	-1,5	-	-	0,4	11,4
Other	9,6	0,1	0,1	-0,1	-0,9	-	-	-	8,7
TOTAL	**154,1**	**2,6**	**4,3**	**-2,6**	**-6,9**	**-**	**0,8**	**9,8**	**162,1**
Provisions for employee benefits	**321,6**								**307,4**

The change in provisions for employee benefits break down as follows for 2017:

In millions of euros	12/31/2016	Services costs	Actuarial gains and losses	Benefits paid	Interest costs	Curtailment and settlement	Changes in scope	Translation adjustments and other	12/31/2017
Commitments									
Defined-benefit plans	276,5	6,4	10,7	-12,3	4,9	-0,5	-2,9	-36,1	246,8
Retirement bonuses	164,5	11,1	6,9	-12,4	2,3	1,2	0,7	-7,2	167,2
Other	59,9	4,4	0,7	-3,3	0,8	0,4	-	-1,2	61,8
TOTAL	**501,0**	**21,9**	**18,4**	**-28,0**	**7,9**	**1,2**	**-2,2**	**-44,4**	**475,7**

In millions of euros	12/31/2016	Return on assets	Employer contributions	Actuarial gains and losses	Amounts used		Changes in scope	Translation adjustments and other	12/31/2017
Partially-funded plan assets									
Defined-benefit plans	169,7	3,1	2,5	0,6	-4,8	-	-2,5	-35,6	133,0
Retirement bonuses	13,5	0,1	0,4	0,4	-2,1	-	-	-0,7	11,6
Other	9,9	0,1	0,1	0,3	-0,8	-	-	-	9,6
TOTAL	**193,1**	**3,3**	**3,0**	**1,3**	**-7,7**	**-**	**-2,5**	**-36,4**	**154,1**
Provisions for employee benefits	**308,0**								**321,6**

Liabilities on defined-benefit plans break down as follows:

In millions of euros	31.12.2018	31.12.2017
Unfunded liabilities	202,4	213,6
Partially or fully-funded liabilities	267,1	262,2
TOTAL	**469,5**	**475,7**

Defined-benefit plan assets break down as follows:

	31.12.2018	31.12.2017
Insurance Company funds	0%	0%
Equity instruments	31%	29%
Debt instruments	18%	20%
Cash and other	51%	51%

Expenses recognized on the income statement break down as follows:

In millions of euros	2018	2017
Expenses recognized on the income statement with respect to defined-benefit plans		
Service costs during the year	18,9	21,9
Interest costs	6,8	3,9
Expected return on plan assets	-2,6	-3,3
Past service costs	0,9	4,1
Impact of plan curtailments or settlements	0,0	0,9
Total	**24,0**	**27,5**
Expenses recognized on the income statement with respect to defined-contribution plans	**88,5**	**85,5**

1. Commitment characteristics and actuarial assumptions applied at 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 financed by contributions paid to insurance companies and valued on the basis of periodic actuarial calculations;
- retirement bonuses; and
- long-service awards.

The principal actuarial assumptions used to calculate these commitments are as follows: average discount rate of 2.0%; implicit rate of return on plan assets of 2.9%; average salary increase rate of 3.0% (Germany:

2. Commitment characteristics and actuarial assumptions applied at Constantia Flexibles

Employee benefits for Constantia Flexibles in Germany, Austria, France, Mexico, Turkey, Russia and Spain concern the following defined-benefit plans:

- retirement plans, funded or unfunded;
- retirement bonuses; and
- long-service awards.

The principal actuarial assumptions utilized are discount rates between 1.7% and 8.5%, salary increase rates, included between 2.5% and 7%, and a rate of return on assets of between 1.7% and 8.5%.

3. Commitment characteristics and actuarial assumptions applied at Cromology

Retirement benefits are calculated mainly on the basis of employees’ seniority when they retire. These plans essentially concern France (and to a lesser extent Portugal, Italy, and Switzerland). Actuarial assumptions are determined for each country.
The main assumptions utilized for the European region were as follows: discount rate of between 0.70% and 1.25%, inflation rate of between 0.70% and 1.75%, salary increase rate of between 1.20%, and 3.0%.

4. Commitment characteristics and actuarial assumptions applied at Stahl

Stahl employee benefits in Germany, Italy, the Netherlands, Mexico, the United Kingdom, the United States, India, France, Brazil, Thailand, Indonesia and Switzerland concern the following defined-benefit plans:

- partially-funded retirement plans;
- retirement bonuses; and
- long-service awards.

The main actuarial assumptions were as follows: discount rate of 2.4%, inflation rate of 1.7%, salary increase rate of 0.7%, and return on assets of 3%.

5. Wendel's commitments

In 1947, the company "Les Petits-Fils de François de Wendel" (now Wendel) set up a supplementary pension plan for all employees, regardless of their category, provided they retire while employed by the Company. This plan was closed on December 31, 1998. The supplementary pension plan guarantees each employee beneficiary an overall level of retirement income. This income is expressed as a percentage of end-of-career compensation (fixed + variable excl. extraordinary amounts). It increases in relation to the employee's age and seniority up to a maximum of 65% of this compensation. The pension plan provides for a payout of 60% to a surviving spouse on the date of the employee's retirement, and includes supplements for dependent children.

Benefits financed by the Group under this supplementary plan are calculated by deducting the total amount of pensions financed by Wendel while the employee served in the Group from the guaranteed amount. Since 2005, the Company has been transferring the assets necessary to service pension benefits to an insurance company, which makes payments to the beneficiaries.

At December 31, 2018, 36 retirees and six employees of the Company benefited from the plan.

NOTE 16. FINANCIAL DEBT

Principal changes in 2018 are described in note 5-2 “Managing liquidity risk”.

In millions of euros	Currency	Coupon rate	Effective interest rate [1]	Maturity	Repayment	Total lines	31.12.2018	31.12.2017
Operating *subsidiaries*								
2018 bonds	EUR	6,750%	5,727%	04-2018	at maturity		-	349,8
2019 bonds	EUR	5,875%	5,397%	09-2019	at maturity		212,0	212,0
2019 Saint-Gobain convertible bonds[2]	EUR	0,000%	1,342%	07-2019	at maturity		500,0	500,0
2020 bonds	EUR	1,875%	2,055%	04-2020	at maturity		300,0	300,0
2021 bonds	EUR	3,750%	3,833%	01-2021	at maturity		207,4	207,4
2023 bonds	EUR	1,000%	1,103%	04-2023	at maturity		300,0	300,0
2024 bonds	EUR	2,750%	2,686%	10-2024	at maturity		500,0	500,0
2027 bonds	EUR	2,500%	2,576%	02-2027	at maturity		500,0	500,0
Amortized cost of bonds and of the syndicated loan and deferred issuance costs							-7,4	-13,3
Accrued interest							39,9	56,0
Loans from non-controlling shareholders							73,8	38,3
							2 625,7	**2 950,2**
Bureau Veritas								
2019 bonds	EUR			04-2019	at maturity		200,0	
2021 bonds	EUR	3,125%		01-2021	at maturity		500,0	500,0
2023 bonds	EUR	1,250%		09-2023	at maturity		500,0	500,0
2025 bonds	EUR	1,875%		01-2025	at maturity		500,0	
2026 bonds	EUR	2,000%		09-2026	at maturity		200,0	200,0
Borrowings and debt from lending institutions maturing in less than 1 year – fixed rate							287,3	191,1
Borrowings and debt from lending institutions maturing in less than 1 year – floating rate							11,7	17,9
Borrowings and debt from lending institutions maturing in 1 to 5 years – fixed rate							348,0	591,4
Borrowings and debt from lending institutions maturing in 1 to 5 years – floating rate							298,7	283,6
Borrowings and debt from lending institutions maturing in more than 5 years – fixed rate							309,0	165,0
Borrowings and debt from lending institutions maturing in more than 5 years – floating rate								
							3 154,7	**2 449,0**
Constantia Flexibles								
Bank borrowings	EUR	Euribor+margin		04-2022	at maturity		126,0	126,0
Bank borrowings	EUR	Euribor+margin		06-2022	amortizing		306,0	306,0
Bank borrowings (EUR, RUB, INR, USD, VND)		Euribor+margin and fixed		2015 to 2022	amortizing		77,6	81,1
Deferred issuance costs							-1,6	-2,0
Other borrowings and accrued interest							21,2	13,2
							529,1	**524,3**
Cromology								
Bank borrowings	EUR	Euribor+margin		08-2021	at maturity		243,4	267,0
Revolving							77,0	-
Deferred issuance costs							-	-6,9
Materis shareholder loans							2,4	37,9
Other borrowings and accrued interest							15,6	14,1
							338,4	**312,1**
Stahl								
Bank borrowings	USD	Libor + margin		12-2021	amortizing		234,2	265,6
Bank borrowings	USD	Libor + margin		06-2022	amortizing		292,8	279,5
Bank borrowings (USD, CNY, INR)		Floating rate		2021 to 2022	amortizing		16,0	36,9
Deferred issuance costs							-9,0	-11,6
Other borrowings and accrued interest							0,1	0,3
							534,0	**570,8**
Assets and operations held for sale							**-**	**195,8**
Tsebo								
Bank borrowings	ZAR	Jibar + margin		2022	amortizing		111,8	123,3
Bank borrowings	USD	Libor + margin		2023	amortizing		0,7	2,3
Deferred issuance costs							-2,8	-2,9
Other borrowings and accrued interest	ZAR, GHS, ZMW, SLL						7,9	4,1
							117,6	**126,7**
TOTAL							**7 299,6**	**7 128,9**
of which non-current portion							***5 631,8***	***6 416,2***
of which current portion							***1 667,8***	***712,7***

(2) The effective interest rate is calculated inclusive of issue premiums/discounts and bank issuance fees. For bonds that were issued in several stages, the effective interest rate corresponds to the weighted average of the par value issued.

(3) The holders of bonds exchangeable for Saint-Gobain shares have the right to exchange them for 9,636,399 Saint-Gobain shares, covering the total €500 million in bonds issued. Wendel would then have the option of delivering the securities or their countervalue in cash. This option for bondholders would be used primarily in the event of the Saint-Gobain share price being higher than the price of €51.89 per share. The optional component of the exchangeable bond is recognized as a financial liability at fair value; see note 13-2 “Financial liabilities”. In August 2018, Wendel purchased Saint-Gobain call options with identical characteristics to the bond's optional component, which are recognized under financial assets at fair value (see note 13-3 "Financial assets and liabilities"). The risk of having to deliver Saint-Gobain shares as part of the exchangeable bond is accordingly covered by these options. The transaction carried out in August 2018 means that the bond exchangeable for Saint-Gobain shares effectively became a straight bond.

Note 16 - 1. Financial debt maturity schedule

In millions of euros	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Operating subsidiaries				
- notional amount	-712,0	-780,0	-1 000,0	-2 492,0
- interest (1)	-79,6	-187,9	-63,8	-331,3
Investments:				
- notional amount	-877,4	-2 743,7	-1 011,1	-4 632,1
- interest (1)	-188,0	-295,6	-70,1	-553,7
TOTAL	**-1 857,0**	**-4 007,2**	**-2 144,9**	**-8 009,1**

(1) Interest is calculated on the basis of the yield curve prevailing on December 31, 2018. Interest on debt and interest rate hedges does not reflect interest earned on invested cash.

Note 16 - 2. Market value of gross financial debt

The fair value of bond debt is the market price on December 31, 2018.

In millions of euros	31.12.2018	31.12.2017
Operating subsidiaries	2 655,6	3 145,5
Wendel and holding companies	4 693,7	4 301,0
TOTAL	**7 349,3**	**7 446,5**

NOTES ON THE INCOME STATEMENT

The accounting principles applied to the aggregates on the income statement are described in note 1-11.2"Presentation of the income statement".

NOTE 17. NET SALES

The accounting principles applied to revenue are described in note 1 - 10.15 "Revenue recognition".

In millions of euros	2018	2017	% Change	Organic growth
Bureau Veritas	4 795,5	4 689,4	2,3%	4,0%
Constantia Flexibles	1 538,3	1 487,5	3,4%	1,7%
Cromology	665,1	704,6	-5,6%	-3,4%
Stahl	866,9	733,3	18,2%	2,4% (1)
Tsebo	523,4	461,0	13,5%	7,5%
Consolidated net sales	**8 389,2**	**8 075,8**	**3,9%**	**3,0%**

(1) Organic growth calculated over 12 months.

Consolidated net sales break down as follows:

In millions of euros	2018	2017
Sales of goods	3 066,2	2 925,5
Sales of serv ices	5 323,0	5 150,3
Consolidated net sales	**8 389,2**	**8 075,8**

NOTE 18. BUSINESS INCOME

In millions of euros	2018	2017
Bureau Veritas	637,2	606,3
Constantia Flexibles	50,7	42,1
Cromology	-103,0	13,3
Stahl	135,2	110,5
Tsebo	16,8	-23,9
Operating *subsidiaries*	-59,8	-67,0
Other	-1,1	-2,0
Business income	**676,0**	**679,3**

Note 18 - 1. R&D costs recognized as expenses

In millions of euros	2018	2017
Constantia Flexibles	9,3	9,0
Cromology	4,0	4,9
Stahl	2,5	3,1
Oranje-Nassau Développement	-	3,7

Note 18 - 2. Average number of employees at consolidated companies

	2018	2017
Bureau Veritas	75 428	73 417
Constantia Flexibles	7 676	7 241
Cromology	3 646	3 757
Stahl	2 010	1 939
Oranje-Nassau Développement	37 509	37 667
of which Tsebo	*37 509*	*36 511*
Operating *subsidiaries*	93	97
TOTAL	**126 362**	**124 118**

NOTE 19. FINANCE COSTS, NET

In millions of euros	2018	2017
Income from cash and cash equivalents [(1)]	-4,1	-35,2
Finance costs, gross		
Interest expense	-243,7	-313,6
Interest expense on loans from non-controlling shareholders	-9,0	-8,8
Deferral of debt issuance costs and premiums/discounts (calculated according to the effective interest method [(2)]	-16,4	-59,5
	-269,1	**-381,9**
TOTAL	**-273,2**	**-417,1**

(1) This item includes a negative amount of €11.3 million for Wendel and its holding companies, mainly related to a foreign exchange loss on deposit funds denominated in dollars, to which is added €7.2 million from returns on investments of subsidiaries, representing a total expense of €4.1 million in 2018 (-€5.2 million in 2017).

(2) This item includes a cost of -€47.8 million in 2017 related to the early repayment of Constantia Flexibles' debts following the divestment of its "Labels" division.

NOTE 20. OTHER FINANCIAL INCOME AND EXPENSE

In millions of euros	2018	2017
Gains/losses on disposal of assets available for sale	0,0	1,4
Dividends received from unconsolidated companies [(1)]	19,1	19,6
Net income on interest rate, currency and equity derivatives	30,4	5,4
Interest on other financial assets	1,8	3,2
Net currency exchange gains/losses	-19,8	39,5
Impact of discounting	-7,1	-11,6
Other	-12,9	11,1
TOTAL	**11,5**	**68,6**

(1) Including a dividend of €18.4 million from Saint-Gobain.

NOTE 21. TAX EXPENSE

The accounting principles applied to deferred taxes are described in note 1 - 10.12 “Deferred taxes”.

In millions of euros	2018	2017
Current income tax payable	-232,9	-223,1
Deferred taxes	59,0	37,0
TOTAL	**-173,9**	**-186,1**

The portion of the Tax on the Added Value of Companies (CVAE) is recognized as an income tax, in accordance with IAS 12 and the instruction of the CNC (French National accounting council) of January 14, 2010.

Deferred taxes recognized in the balance sheet result from temporary differences between the carrying amount and tax bases of assets and liabilities on the balance sheet and break down as follows:

In millions of euros	2018	2017
Amount at beginning of year	**-400,3**	**-477,1**
Income and expenses recognized in the income statement	59,0	51,4
Income and expenses recognized in other comprehensive income	2,2	-
Income and expenses recognized in reserves	1,5	4,2
Reclassification under “Operations held for sale”	37	91
Changes in scope	-10,3	-65,3
Currency translation adjustments and other	9,4	-4,5
TOTAL	**-301,9**	**-400,3**

Uncapitalized tax losses amounted to €9,307.4 million for the Group as a whole, of which €8,875.9 million for Wendel and its holding companies.

At December 31, 2018, the changes in deferred taxes on the balance sheet were as follows:

In millions of euros	31.12.2018	31.12.2017
Origin of deferred taxes:		
Post-employment benefits	66,3	65,9
Intangible assets	-476,9	-552,9
Recognized tax-loss carryforwards	65,7	81,3
Other items	43,0	5,4
	-301,9	**-400,3**
of which deferred tax assets	***208,3***	***195,2***
of which deferred tax liabilities	***-510,2***	***-595,6***

The difference between the theoretical tax based on the standard rate of 34.43% applicable in France and the actual income tax expense of Wendel, its holding companies and its operating subsidiaries broke down as follows:

In millions of euros	Operating *subsidiaries*	Wendel and holding companies	Total
Income before tax expense, net income from equity-method subsidiaries, and net income from discontinued operations and operations held for sale	-16,9	431,2	414,3
Theoretical amount of tax expense calculated on the basis of a rate of -34.43%	**5,8**	**-148,5**	**-142,6**
Impact of:			
Uncapitalized tax losses of Wendel/holding companies and transactions subject to reduced tax rates at the holding company lev el	-6,3	-	
Uncapitalized tax losses at the operating subsidiary lev el	-	-67,1	
Reduced tax rates and foreign tax rates at the operating subsidiary lev el	-	58,5	
CVAE tax paid by operating subsidiaries		-14,6	
Tax on div idends receiv ed from consolidated subsidiaries	-	-12,0	
Other	-	10,2	
Actual tax expense	**-0,5**	**-173,4**	**-173,9**

NOTE 22. NET INCOME (LOSS) FROM EQUITY-METHOD INVESTMENTS

The net loss from equity-method investments amounted to €131.5 million. This item was negatively impacted by the €39.1 million impairment loss on the Multi-Color securities.

In millions of euros	2018	2017
Net income including impact of goodwill allocation		
In millions of euros Saint-Gobain		41,0
exceet		-3,4
Constantia Flexibles (1)	-34,6	-
IHS	-33,8	-66,6
Allied Univ ersal	-63,7	-36,7
Other companies	0,6	0,5
Sale of Saint-Gobain shares		84,1
Impact of dilution on the Saint-Gobain inv estment		-5,0
Impact of dilution on the IHS inv estment		27,3
TOTAL	**-131,5**	**41,2**

(1) Multi-Color was accounted for under the equity method as from April 1, 2018.

NOTE 23. NET INCOME FROM DISCONTINUED OPERATIONS AND OPERATIONS HELD FOR SALE

The accounting principles applied to discontinued or held for sale operations are described in note 1-10.14 “Assets held for sale and businesses being divested”.

Note 23 - 1. Net income from discontinued operations and operations held for sale

In millions of euros	2018	2017
Gain on divestments		
Constantia Flexibles for its "Labels" division (1)	3,2	318,9
CSP (2)	108,8	-
NOP (2)	54,5	-
Mecatherm (2)	11,2	-
	177,7	**318,9**
Share in net income for the period from discontinued operations		
Constantia Flexibles	-	42,6
Cromology	-0,5	-5,8
PlaYce	-0,9	-0,3
BV	-	-8,5
CSP	-6,4	13,3
NOP	0,7	4,3
Mecatherm	1,0	-16,5
	-6,1	**29,3**
TOTAL	**171,6**	**348,2**

(1) In 2017, this income was from the "Labels" division.
(2) See note 2 "Changes in scope of consolidation"

The €118 million in assets held for sale on the balance sheet include:
- the PlaYce securities disposed of in February 2019 for €24.8 million;
- the 40% share of the equity-method investments in Allied Universal for which an offer was accepted in February 2019 for €92 million;
- Others for €1.2 million

NOTE 24. EARNINGS PER SHARE

The accounting principles applied to earnings per share are described in note 1 - 11.3 "Earnings per share".

In euros and millions of euros	2018	2017
Net income, Group share	45,3	200,0
Impact of dilutive instruments on subsidiaries	-0,4	-8,1
Diluted net income	**44,9**	**192,0**
Average number of shares, net of treasury shares	45 412 825	45 364 731
Potential dilution due to Wendel stock options (1)	287 219	-126 397
Diluted number of shares	**45 700 044**	**45 238 334**
Basic earnings per share (in euros)	1,00	4,41
Diluted earnings per share (in euros)	0,98	4,24
Basic earnings per share from continuing operations (in euros)	-2,76	-0,24
Diluted earnings per share from continuing operations (in euros)	-2,75	-0,33
Basic earnings per share from discontinued operations (in euros)	3,75	4,65
Diluted earnings per share from discontinued operations (in euros)	3,73	4,58

(1) Under the treasury stock method: it is assumed that the cash received from the exercise of dilutive instruments will be used to buy back the shares and partially neutralize the resulting dilution. The potential dilution is thus the net impact.

NOTES ON CHANGES IN CASH POSITION

NOTE 25. ACQUISITION OF PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

In millions of euros	2018	2017
By Bureau Veritas	131,5	144,0
By Constantia Flexibles	107,0	81,8
By Cromology	28,1	21,6
By Stahl	16,1	24,5
By Tsebo	7,9	5,8
By Mecatherm	2,2	1,6
By CSP Technologies	6,0	19,8
By NOP	0,4	1,6
By Wendel and holding *companies*	0,4	0,4
TOTAL	**299,6**	**301,1**

NOTE 26. DISPOSAL OF PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

Disposal of property, plant & equipment and intangible assets includes mainly Bureau Veritas disposals amounting to €6.8 million.

NOTE 27. ACQUISITION OF EQUITY INVESTMENTS

The principal acquisitions undertaken during the period are detailed in note 2 “Changes in scope of consolidation”.

In millions of euros	2018	2017
Tsebo	-	162,3
Stahl	50,0	-
Allied Univ ersal	67,5	-
By Bureau Veritas	112,8	189,9
By Constantia Flexibles	37,5	19,8
By Stahl	2,5	123,3
By Cromology	-	1,2
By Tsebo	2,4	1,8
Other securities	10,0	16,8
TOTAL	**282,7**	**515,1**

NOTE 28. DISPOSAL OF EQUITY INVESTMENTS

In millions of euros	2018	2017
Sale of shares by Constantia Flexibles [2]	9,0	825,1
Sale of shares by Tsebo	1,8	-
Sale of Saint-Gobain shares [1]	-	1 085,4
Sale of CSP [1]	302,8	-
Sale of Globex Africa [1]	125,2	-
Sale of Bureau Veritas [1]	400,0	-
Sale of NOP [1]	89,4	-
Sale of Mecatherm [1]	85,6	
Sale of exceet shares [1]	-	16,6
Other	1,1	-
TOTAL	**1 014,9**	**1 927,1**

(1) See note 2 "Changes in scope of consolidation".

NOTE 29. IMPACT OF CHANGES IN SCOPE OF CONSOLIDATION AND OF OPERATIONS HELD FOR SALE

In 2018, this item corresponds to cash and cash equivalents at the sale date of the CSP Technologies subsidiaries in the negative amount of €4.3 million and of Nippon Oil Pump in the negative amount of €8.8 million, and the impact of changes in the scope of consolidation at Bureau Veritas of €2.4 million and Constantia Flexibles of €2.5 million.

In 2017, this item corresponded to the first-time consolidation of Bureau Veritas and Constantia Flexibles' subsidiaries in the amounts of €18.2 million and €1.3 million respectively, cash and cash equivalents on the acquisition date of Tsebo of €32 million and the reclassification as “Assets and liabilities of operations held for sale” of Constantia Flexibles’ Labels division in the negative amount of €23.9 million.

NOTE 30. CHANGES IN OTHER FINANCIAL ASSETS AND LIABILITIES

In 2018, income from cash mainly corresponds to the proceeds from the disposal of short-term investment funds.

In 2017, this cash outflow corresponded in particular to the unwinding of co-investments in Stahl and Cromology, as described in note 4 “Participation of managers in Group investments”.

NOTE 31. DIVIDENDS RECEIVED FROM EQUITY-METHOD INVESTMENTS AND UNCONSOLIDATED COMPANIES

The €99.2 million in dividends received from Bureau Veritas were eliminated upon consolidation.

The €18.4 million Saint-Gobain dividend was received in June 2018.

NOTE 32. TRANSACTION WITH NON-CONTROLLING INTERESTS

In 2018, income corresponds to the sale of Bureau Veritas shares for €400 million and the acquisition of Stahl shares for €50 million (see note 2 "Changes in scope of consolidation").

NOTE 33. NET CHANGE IN BORROWINGS AND OTHER FINANCIAL LIABILITIES

Details of financial debt are shown in note 16 “Financial debt”.

In millions of euros	2018	2017
New borrowings by:		
Wendel - Bond issues	-	-
Bureau Veritas (1)	834,6	172,5
Constantia Flexibles	38,5	423,6
Stahl	-	99,8
Cromology	88,8	20,1
CSP Technologies	-	8,2
Tsebo	9,3	5,1
	971,2	**729,3**
Borrowings repaid by:		
Wendel – 2018 bonds (2)	349,8	507,4
Constantia Flexibles	37,7	1 200,1
Bureau Veritas	166,4	715,7
Oranje-Nassau Dév eloppement	8,9	22,7
Stahl	62,6	17,6
Cromology	33,0	1,6
	658,4	**2 465,1**
TOTAL	**312,8**	**-1 735,8**

(1) Primarily includes a bond issue in the amount of €750 million
(2) Bonds redeemed at maturity in 2018

OTHER NOTES

NOTE 34. OFF-BALANCE-SHEET COMMITMENTS

As of December 31, 2018, no commitment was likely to have a significant impact on the Group's financial position, other than those mentioned.

Note 34 - 1. Collateral and other security given in connection with financing

In millions of euros	31.12.2018	31.12.2017
Pledge by Constantia Flexibles Group entities of shares of the principal companies and of certain bank accounts and trade receiv ables as collateral for the repayment of the debt owed by the Constantia Flexibles Group.	530,7	526,4
Pledge by Cromology Group entities of shares of the principal companies and of certain bank accounts and trade receiv ables as collateral for the repayment of the debt owed by the Cromology Group.	334,1	279,9
Pledge by Stahl Group entities of shares of the principal companies and of certain bank accounts, trade receiv ables and assets as collateral for the repayment of debt owed by the Stahl Group.	543,0	582,3
Pledge by Tsebo Group entities of shares of the principal companies and of certain bank accounts and trade receiv ables as collateral for the repayment of the debt owed by Tsebo Group.	120,4	129,6
Assets held for sale	-	197,0
TOTAL	**1 528,2**	**1 715,2**

Note 34 - 2. Guarantees given and received in connection with asset acquisitions

Guarantees given as part of asset sales

In connection with the sale of CSP Technologies, Mecatherm, Nippon Oil Pump and Parcours, and upon Clariant and BASF's acquisition of an equity stake in Stahl, the Group granted the usual guarantees within certain limits and over periods varying in accordance with the type of guarantee involved. ALD has made a number of claims relating to the disposal of the Parcours Group; they were pending as of December 31, 2018 and their validity is currently being discussed. There are no outstanding claims in respect of other guarantees granted.

Guarantees received in connection with asset acquisitions

In connection with the acquisitions of AlliedBarton (merged into Allied Universal), Constantia Flexibles, IHS, PlaYce (sold on February 13, 2019) and Tsebo, and in conjunction with the investments by Clariant and BASF in Stahl's capital, the Group benefited from customary guarantees within certain limits and over variable periods depending on the type of guarantee involved.

Note 34 - 3. Off-balance-sheet commitments given and received related to operating activities

In millions of euros	31.12.2018	31.12.2017
Market counter-guarantees and other commitments given		
by Bureau Veritas (1)	397,2	356,8
by Constantia	1,6	0,9
by Cromology	13,9	10,5
by Mecatherm	-	8,2
by CSP Technologies	-	0,4
by Tsebo	3,5	3,1
Total commitments givezn	**416,2**	**379,9**

(1) Commitments given by Bureau Veritas included guarantees such as bank and parent-company guarantees.

Note 34 - 4. Subscription commitments

As of December 31, 2018, the Group (Wendel Lab) had undertaken to invest approximately €26.7 million in certain private equity funds.

Moreover, in connection with the acquisition of U.S. Security Associates by Allied Universal, to ensure Allied Universal's liquidity needs, certain Allied Universal shareholders agreed to carry out an additional capital increase under certain conditions, where the Group share could reach $40 million.

Note 34 - 5. Shareholder agreements and co-investment mechanisms

As of December 31, 2018, the Wendel Group was party to several agreements governing its relations with its co-shareholders, whether they are co-investors in its unlisted subsidiaries or holdings (Allied Universal, Constantia Flexibles, Cromology, IHS, PlaYce (whose shareholder agreement became null and void due to the sale by the Group of its stake in PlaYce on February 13, 2019), Stahl and Tsebo) or managers (or former managers) of the subsidiaries that are members of mechanisms that give them a stake in the performance of their company (Allied Universal, Constantia Flexibles, Cromology, Stahl and Tsebo).

These agreements contain various clauses related to:

- corporate governance (composition of governing bodies, veto rights on certain strategic decisions and rights to information);
- terms of share transfers (lock-up periods, pre-emptive rights and rights of first refusal, ban on selling to certain individuals);
- anti-dilution rules in the event of transactions involving the share capital;
- exit terms in the event of a sale (tag-along and drag-along rights) or IPO; and
- non-competition and priority commitments involving acquisition opportunities.

The Constantia Flexibles, Stahl, Allied Universal and Tsebo shareholder agreements also contain the following terms:

- for Constantia Flexibles, the H. Turnauer Foundation, of the founding family of Constantia Flexibles, has the option to request, between 2020 and 2023, that an IPO or a share buyback process by refinancing of the Group be launched, aiming at ensuring the priority liquidity of its stake. Failing such an event, the H. Turnauer Foundation can exercise a put option granted to it by Wendel to sell half of its initial investment at market value, payable in two tranches in cash or in Wendel shares, at the Wendel Group's option. This commitment was recognized in financial liabilities in accordance with accounting principles applicable to *minority* puts;
- for Stahl, BASF, a minority shareholder, benefits from liquidity commitments granted by Stahl and counter-guaranteed by the Wendel Group in an amount determined on the basis of a predefined margin multiple. These commitments have been recognized in financial liabilities in accordance with accounting principles applicable *to* minority puts;
- for Allied Universal, the company and its two major shareholders (Wendel and Warburg Pincus) have made various commitments to the US Department of Defense under the US regulations on Foreign Investment and National Security, primarily bearing on the governance of the company (with two "independent" directors approved by the US authorities, the majority of the members of the Board of Directors being appointed by the two main shareholders which1 also have reciprocal veto rights over key decisions, some of which can only be exercised with the prior approval of these two independent directors). In the event of a situation resulting in the imposition of additional restrictions under this regulation, Wendel has undertaken to take additional measures (dilution of its investment or restriction of its governance rights) aimed at diluting the influence of foreign interests in Allied Universal.
  In addition, with regard to the disinvestment terms, Warburg Pincus and Wendel each have the right to prompt an IPO or a forced sale of all shareholders in a private sale, subject to (in the early years) achieving minimum valuations
- for Tsebo, Capital Group, Tsebo's minority shareholder, has the right, beyond a certain investment period, to trigger an IPO, subject to performance, valuation and liquidity conditions; or, failing that, to sell its investment in Tsebo.

The agreements with the management teams (managers or former managers) of subsidiaries (Allied Universal, Constantia Flexibles, Cromology, Stahl and Tsebo) also contain provisions relative to:

- the right to liquidate their co-investment in successive tranches, in the absence of a sale or IPO beyond a certain period of time (between the 5th and 13th anniversaries of the completion of the co-investment, depending on the relevant agreement); and

- the handling of executive departures (commitment to sell shares to the Wendel Group in the event of the departure of an executive from a subsidiary and/or commitment to buy shares in certain specific cases).

Co-investment terms for senior managers in the subsidiary companies are described in greater detail in note 4-2 relating to “Participation of subsidiaries' managers in the performance of their companies”.

As part of the liquidity commitments under these agreements, in the absence of a liquidity event (divestment or IPO) before certain predetermined dates, the Wendel Group (depending of the situation, Wendel's holdings or the investments itself) can be required to buy back or guarantee the buyback of the shares held by subsidiary managers (or former managers) in Allied Universal, Constantia Flexibles, Cromology, Stahl and Tsebo. The value applied to these liquidity commitments is the market value determined by the parties or an independent appraiser, or a value calculated on the basis of an earnings multiple.

Liquidity mechanisms will also be provided to Wendel managers with exposure, in connection with co-investment mechanisms, to Allied Universal, Constantia Flexibles, IHS and Tsebo (see note 4-1 relating to the “Participation of Wendel managers in Group investments”).

As of December 31, 2018, based on the value of the investments retained in the Net Asset Value or, where appropriate, on the basis of the price formulas or appraisals provided for in these agreements, the value of the portion of the *pari* passu investments made under the same risk and return conditions as Wendel by all the co-investing managers of subsidiaries and Wendel benefiting from liquidity rights is €29 million. The value of the portion of non-pari passu investments of co-investing managers of subsidiaries and managers of Wendel was €95 million.

In accordance with Group accounting principles, a portion of these amounts is recognized as liabilities of €14 million. The accounting principles applicable to co-investments are described in note 1-10.18 “Accounting treatment of mechanisms for the participation of management teams in the Group’s investments.

With regard to *non*-controlling interests granted to joint shareholders, an overall amount of €284.4 million is recognized in financial liabilities for Wendel and its holding companies in respect of the put granted to the H. Turnauer Foundation on its stake in Constantia Flexibles, as well as the put granted by Stahl to BASF.

Co-investment and liquidity commitment values vary with the value of each investment. As a result, they may be lower (or nil) or higher in future fiscal years.

Note 34 - 6. Other agreements concluded by the Wendel Group for its financing and acquisition or divestment transactions

Subordinated (mezzanine and second lien) lenders to Stahl who waived their claims as creditors during the 2010 restructuring in exchange for a minority interest in the share capital (representing only 0.5% of the capital at December 31, 2018) notably received a right to the capital gain exercisable only upon the total or partial divestment of the Wendel Group's stake in Stahl. This right is exercisable by Stahl's *mezzanine and second*-lien shareholders in the event of the divestment by the Wendel Group if Wendel's overall return is more than 2.5 times greater than its 2010 re-investment. It is equivalent to the allocation of 1 to 2 bonus shares per share held by these former subordinated lenders. In accordance with accounting standards, this commitment is not recognized on the balance sheet, as the exercise of this right depends on the Wendel Group's decision to divest.

As part of the syndication with Capital Group of a minority investment in the Tsebo Group, the Wendel Group enjoys a right to receive an additional amount on the portion transferred in this manner subject to the achievement by Capital Group of minimum profitability thresholds over the duration of its investment in Tsebo in case of divestment. The Group has a similar right to the investment made by Maxburg in Constantia Flexibles. These rights were recognized within financial assets whose change in value is recognized on the income statement.

As part of the initial investment in Tsebo Group's South African entities by an investor meeting the criteria set by local B-BBEE regulations ("Broad-Based Black Economic Empowerment" business incentive program to support the economic development of black people in South Africa), Wendel guaranteed the repayment obligations relating to acquisition financing contracted by this investor, thereby helping maintain Tsebo's "B-BBEE level 1" rating. Wendel's guarantee represents an amount of approximately ZAR 536 million (or €32.6 million as of December 31, 2018), which may be increased to ZAR 639 million (or €38.8 million as of December 31, 2018) in the event of the extension of the financing term.

Note 34 - 7. Leasing

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

Note 34 - 7.1 Finance leases (contracts under which the Group retains the risks and rewards connected with ownership of the leased item)

Amount of future rents under finance leases:

In millions of euros	31.12.2018	31.12.2017
More than 5 years	8,0	29,6
1 to 5 years	23,0	21,6
Less than 1 year and accrued interest	12,4	7,8
TOTAL	**43,4**	**59,1**

These contracts give rise to a non-current asset and a financial debt on the balance sheet, in accordance with IAS 17 "Leases".

Note 34 - 7.2 **Operating leases (contracts under which the Group does not retain the risks and rewards connected with ownership of the leased item)**

Amount of future rents under operating leases:

In millions of euros	31.12.2018	31.12.2017
More than 5 years	89,0	63,3
1 to 5 years	223,4	235,2
Less than 1 year and accrued interest	117,9	147,5
TOTAL	**430,3**	**446,0**

The amount of future lease payments comes mainly from Bureau Veritas, for €316.2 million (€309.9 million in 2017).

NOTE 35. STOCK OPTIONS, BONUS SHARES AND PERFORMANCE SHARES

The accounting principles applied to stock options, bonus shares and performance shares are described in note 1-10.17 “Stock subscription and stock purchase option plans”.

The total expense related to allocation of stock options or other share-based compensation for fiscal year 2018 was €29.3 million compared to €25.6 million in 2017.

In millions of euros	2018	2017
Stock options at Wendel	3,0	2,5
Grant of bonus shares at Wendel	5,5	5,1
Stock options at Bureau Veritas	2,5	2,2
Grant of bonus shares at Bureau Veritas	18,3	15,8
TOTAL	**29,3**	**25,6**

The principal stock option plans granted in 2018 were as follows:

1. Wendel

The principal stock option plans granted in 2017 were as follows:

Pursuant to the authorization given by shareholders at their May 17, 2018 General Meeting, options giving the right to subscribe to 152,744 shares were allocated on July 6, 2018 with a strike price of €120.61 and a ten-year life. These options have the following features:

- a service condition: the definite allocation of the options is subject to a two-year service condition;
- a performance condition: options gradually vest over a two-year period in two successive tranches on each anniversary date. The number of exercisable options is based on the whether the following performance conditions have been met:
    - to exercise the first half of the options, the ordinary dividend paid in 2019 must be greater than or equal to the ordinary dividend in 2018
    - to exercise the first half of the options, the ordinary dividend paid in 2020 must be greater than or equal to the ordinary dividend in 2019

In 2018, these options were valued using the Monte Carlo model, based on the following principal assumptions: an average rate of return of 2.1%, volatility of 21.9%. These options were valued by an independent expert at €16.3 per stock option. The expense has been spread over the options’ vesting period.

Under the authorization granted by shareholders at their May 17, 2018 General Meeting, 2018 performance shares were also granted on July 6, 2018. They have the following features:

- a service condition: the definite allocation of the performance shares is subject to a two-year service condition;
- a performance condition: the definite allocation of performance shares is subject to three conditions:
    - an absolute performance condition of Wendel's *Total Shareholder Return* over three years;
    - a relative performance condition of Wendel's *Total Shareholder Return* over three years compared to the Total Shareholder Return of the SBF 120; and
    - a relative performance condition of Wendel's *Total Shareholder Return* over three years compared to the *Total Shareholder Return* of a basket of 13 comparable listed investment companies

The value was estimated at €52.9 by an independent expert.

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

Stock options	Nombre d'options non levées au 31.12.2017	Options accordées en 2018	Options annulées en 2018	Options exercées en 2018	Adjustment	Nombre d'options non levées au 31.12.2018	Exercise price (€)	Average exercise price (€)	Average residual life	Number of exercisable options
Stock purchase options	11 572	-	-	-3 000	-	8 572	22.58	22,58	0,50	8 572
Stock purchase options indexed on NAV/share	620 425	-	-1 612	-74 987	-	543 826	from 44.32 to 134.43	87,45	6,20	452 921
Stock subscription options indexed to NAV/share	29 326		-1 100	-7 276	-	20 950	18.96 to 132.96	32,82	0,30	20 950
Stock subscription options (1)	-	152 744	-	-	-	152 744	120.61	120.61	9,50	-

Performance shares	Actions attribuées au 31.12.2017	Awards during the fiscal year	Definitive awards	Cancellations	Actions attribuées au 31.12.2018	Grant date	Vesting date
Plan 8-1	132 117	-	-131 917	-200	-	07/07/2016	09/07/2018
Plan 9-1	61 278	-	-	-665	60 613	07/07/2017	08/07/2019
Plan 10-1	-	130 860	0	0	130 860	06/07/2018	06/06/2021
	193 395	**130 860**	**-131 917**	**-625**	**191 713**		

2. Bureau Veritas

By resolution of its Board of Directors on June 22, 2018, Bureau Veritas granted 1,100,400 stock purchase options to some of its employees and to the corporate officer. The option strike price is €22.02. The allocations are subject to a service condition as well as to the achievement of performance objectives based on 2018 adjusted operating income and on the adjusted operating income/net sales ratio for 2019 and 2020. Stock options have a ten-year life after the grant date. The average unit fair value of options granted during the fiscal year was €2.74 per share (2017: €1.70).

The fair value of the options granted in 2018 was determined according to the following main assumptions and characteristics:

- strike price of 22.02 euros;
- expected stock volatility of 19.3% (2017: 17%);
- dividend yield of 2.8% (2017: 2.7%);
- an anticipated six-year duration of the option (2017: four years);
- a risk-free interest rate of 0.11% (2017: -0.36%), determined based on Government bond yields over the anticipated duration of the option.

By resolution of its Board of Directors on June 22, 2018, Bureau Veritas granted 1,196,340 performance shares to some of its employees and to the corporate officer. The allocation is contingent upon carrying out three years of service as well as achieving a performance objective based on the adjusted operating income for 2018 and operating income to net sales ratio for 2019 and 2020.

The weighted average fair value of the performance shares granted in 2018 to certain employees and the corporate officer amounted to €21.20 per share.

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

Stock options	Nombre d'options non levées au 31.12.2017	Options accordées en 2018	Options annulées en 2018	Options exercées en 2018	Adjustment	Nombre d'options non levées au 31.12.2018	Exercise price (€)	Average exercise price (€)	Average residual life	Number of exercisable options
Bureau Veritas	5 912 023	1 100 400	-273 793	-648 144	-	6 090 486	22,02	20,19	5,8	3 574 946

Performance shares	Actions attribuées au 31.12.2018	Grant date	Expiration date
	720 000	22/07/2013	07/22/2021 or 07/22/2022
	476 593	15/07/2015	15/07/2019 or 15/07/2018 for French company employees
	451 772	21/06/2016	21/06/2019
	1 115 462	21/06/2017	21/06/2020
	1 161 640	22/06/2018	21/06/2021
	3 925 467		

NOTE 36. FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

In thousands of euros	Services rendered in 2018 by		Services rendered in 2017 by	
	PricewaterhouseCoopers Audit	PwC network members	Ernst&Young Audit	Ernst&Young network members
Certification, Review of parent company financial statements				
for Wendel SE	782	-	748	-
for its subsidiaries	760	4 099	1 223	2 686
Sub-total	1 542	4 099	1 971	2 686
Services other than certification of financial statements				
for Wendel SE	77	-	68	235
for its subsidiaries	164		84	1 778
Sub-total	241	-	152	2 013
TOTAL	**1 783**	**4 099**	**2 123**	**4 699**

Services during the year other than the Statutory Auditors' verification of the financial statements of Wendel SE and the companies over which the latter exercises control are related, for Ernst & Young Audit, to certifications, agreed procedures, information system reviews and consultations, and for PricewaterhouseCoopers Audit, services legal and tax services, due diligence, agreed procedures, social benefits, certifications.

NOTE 37. SUBSEQUENT EVENTS

Note 37 - 1.1 Allied Universal

Wendel received an offer from the Caisse de dépôt et placement du Québec to acquire approximately 40% of its investment in Allied Universal on October 20, 2019.

Upon completion of the transaction, Wendel will retain an investment of approximately 18% of Allied Universal, and the majority stake will continue to be held by its existing shareholders. Allied Universal will continue to be accounted for by the equity method in the consolidated financial statements.

Note 37 - 1.2 Multi Color

Multi-Color Corporation announced the signing of a definitive sale agreement in favor of a subsidiary of Platinum Equity LLC ("Platinum Equity"), a leading private equity firm. Under the terms of this agreement, which was unanimously approved by the Multi-Color Corporation's Board of Directors, the shareholders of Multi-Color Corporation will receive $50.00 in cash for each ordinary share they hold.

Note 37 - 1.3 PlaYce

In February 2019, Wendel sold its 40% investment in PlaYce to CFAO, with net proceeds from the sale totaling €32.2 million.

Note 37 - 1.4 In millions of euros Saint-Gobain

During the first quarter of 2019, Wendel sold 3,640,784 Saint-Gobain shares for an amount of €110.6 million.

NOTE 38. LIST OF PRINCIPAL CONSOLIDATED COMPANIES AS OF DECEMBER 31, 2018

Method of consolidation	% of interest net of treasury shares	Company name	Country	Business segment
FC	**100**	**Wendel**	**France**	**Management of shareholdings**
FC	100	Coba	France	Management of shareholdings
FC	100	Eufor	France	Management of shareholdings
FC	100	Sofiserv ice	France	Management of shareholdings
FC	100	Waldggen	France	Management of shareholdings
FC	100	Wendel Japan	Japan	Serv ices
FC	99,5	Africa Telecom Towers	Luxembourg	Management of shareholdings
FC	100	Constantia Coinv estco GP	Luxembourg	Serv ices
FC	100	CSP Technologies Parent	Luxembourg	Management of shareholdings
FC	99,6	Expansion 17	Luxembourg	Management of shareholdings
FC	100	Froeggen	Luxembourg	Management of shareholdings
FC	99,5	Global Performance 17	Luxembourg	Management of shareholdings
FC	99,5	Globex Africa 1	Luxembourg	Management of shareholdings
FC	100	Ireggen	Luxembourg	Management of shareholdings
FC	100	Karggen	Luxembourg	Management of shareholdings
FC	97,7	Materis Inv estors	Luxembourg	Management of shareholdings
FC	100	Mecatherm GuarantCo	Luxembourg	Management of shareholdings
FC	99,5	Oranje-Nassau Dév eloppement SA SICAR	Luxembourg	Management of shareholdings
FC	99,6	Oranje-Nassau Dév eloppement NOP	Luxembourg	Management of shareholdings
FC	100	Oranje-Nassau GP	Luxembourg	Serv ices
FC	100	Oranje-Nassau Mecatherm	Luxembourg	Management of shareholdings
FC	100	Oranje-Nassau Parcours	Luxembourg	Management of shareholdings
FC	65,2	Parfimat	Luxembourg	Management of shareholdings
FC	60,1	Matsa	Luxembourg	Management of shareholdings
FC	100	Trief Corporation	Luxembourg	Management of shareholdings
FC	100	Truth 2	Luxembourg	Management of shareholdings
FC	100	Winv est Conseil	Luxembourg	Serv ices
FC	100	Winv est International SA SICAR	Luxembourg	Management of shareholdings
FC	100	Win Securitization 2	Luxembourg	Management of shareholdings
FC	99,6	NOP Europe	Belgium	Management of shareholdings
FC	100	Wendel North America	United States	Serv ices
FC	100	Wendel London	United Kingdom	Serv ices
FC	100	Wendel Africa	Morocco	Serv ices
FC	100	Wendel Singapore	Singapore	Serv ices
FC	100	Sofisamc	Switzerland	Management of shareholdings
FC	**60,6**	**Constantia Flexibles and its subsidiaries**	**Austria**	**Flexible packaging**
FC	**35,9**	**Bureau Veritas and its subsidiaries**	**France**	**Certification and verification**
FC	**87,9**	**Cromology and its subsidiaries**	**France**	**Paint manufacturing and distribution**
FC	**67,5**	**Stahl and its subsidiaries**	**Netherlands**	**High-performance coatings and leather-finishing products**
E	**21,3**	**IHS Holding and its subsidiaries**	**Mauritius**	**Mobile telephone infrastructure in Africa**
E	**33,5**	**Allied Universal and its subsidiaries**	**United States**	**Security services**
FC	**64,7**	**Tsebo and its subsidiaries**	**Africa**	**Services to businesses in Africa**
E	**40**	**PlaYce and its subsidiaries**	**Africa**	**Commercial real estate in Africa**

FC: Full Consolidation. Wendel exercises exclusive control over these companies.
E: Companies accounted for by the equity method. Wendel exercises significant influence over or joint control of these companies.

The complete list of consolidated companies and companies with an ownership interest is available on the Group's official website at the following address: http://www.wendelgroup.com/fr/information-reglementee.

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ERNST & YOUNG Audit
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Statutory auditors' report on the consolidated financial statements

(Year ended 31 December 2018)

To the annual general meeting
WENDEL
89, rue Taitbout
75009 Paris

Opinion

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of Wendel for the year ended 31 December 2018.

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 as at 31 December 2018 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.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2018 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of Ethics for Statutory Auditors *(Code de déontologie de la profession de commissaire aux comptes).*

Emphasis of Matter

We draw your attention to Note 1-1 to the consolidated financial statements which describes the impact of the first-time application, as from 1 January 2018, of standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers". Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code *(Code de commerce)* relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Accounting treatment of divestments of portfolio companies

Risk identified

As part of its investment activity, Wendel regularly undertakes divestments of portfolio companies. The main divestments carried out by Wendel in 2018 were those of its operating subsidiaries CSP Technologies, Nippon Oil Pump and Mecatherm, generating net capital gains of 108.8 million euros, 54.7 million euros and 11.2 million euros respectively. In October 2018 Wendel also sold 20.9 million Bureau Veritas shares and recorded a net capital gain on disposal amounting to 301.9 million euros in equity, as this transaction did not result in loss of control. In addition, on 20 February 2019 Wendel received an offer from Caisse de dépôt et placement du Québec (CDPQ) for the acquisition of approximately 40% of its stake in Allied Universal. These changes in scope are described in Notes 2-1.2, 2-1.3, 2-1.4, 2-1.5 and 37-1.1 to the consolidated financial statements.

We deemed the accounting treatment of these divestments to be a key audit matter as they constitute significant transactions of the year.

Our response

We had discussions with the Finance Department, the investment teams and the Legal Department in order to gain an understanding of the transactions, in particular the various stages leading to the divestments and the main agreements with the stakeholders.

We obtained the main legal documents and the analyses carried out by Wendel or its advisers relating to these divestments, such as divestment agreements, details of cash flows and commitments made, and we evaluated whether they were properly reflected in the consolidated financial statements.

- For the divestments of CSP Technologies, Nippon Oil Pump and Mecatherm Group, we verified the calculation of the gains on disposal and their presentation in the consolidated financial statements in accordance with IFRS 5.

- For the sale of 20.9 million Bureau Veritas shares, we verified the calculation of the gain on disposal and its presentation in the consolidated financial statements in accordance with IFRS 10.

- For the sale of 40% of Wendel's stake in Allied Universal, we assessed whether the criteria for held-for-sale classification were met as of 31 December 2018 and whether the presentation of this transaction in the consolidated financial statements was compliant with IFRS 5.

Measurement of goodwill

Risk identified

Goodwill is broken down by Cash Generating Units (CGU) corresponding to each operating subsidiary (Bureau Veritas, Constantia Flexibles, Stahl, Cromology and Tsebo). An impairment loss is recognized if the recoverable amount of goodwill, as determined based on the annual impairment test carried out on each CGU or group of CGUs, falls below its net carrying amount. In addition, when an impairment loss is recognized by a subsidiary on one of its CGUs or groups of CGUs, this loss is maintained in Wendel's consolidated financial statements, as described in Note 1-10.1 to the consolidated financial statements.

The impairment tests performed by the management of Wendel and/or its subsidiaries led to the recognition of impairment in the amount of 35.5 million euros during the financial year ended 31 December 2018, as described in Note 7 to the consolidated financial statements.

We deemed the measurement of goodwill to be a key audit matter due to its significance in the Group's financial statements and because determining its recoverable amount, usually on the basis of discounted future cash flows, requires management to exercise a high degree of judgment and estimation.

Our response

We examined the process implemented by the management of Wendel and of the operating subsidiaries to carry out impairment tests.

We examined all of the annual goodwill impairment tests carried out by Wendel and its operating subsidiaries with the guidance, when appropriate, of the subsidiaries' auditors. We adjusted the extent of our work to take into account the level of the risk of impairment of the CGUs or groups of CGUs:

- For the CGUs or groups of CGUs presenting an impairment risk, our work consisted in:
  - assessing the compliance of the methodology applied by Wendel and its subsidiaries with current accounting standards;
  - examining the cash flow projections in the light of the economic and financial environment in which the CGUs or groups of CGUs operate;

- assessing the quality of the process used to determine the projections by analyzing the reasons for any differences between past forecasts and actual outcomes;
- assessing the consistency of the long-term growth rates used with available market analyses and the post-business plan operating margin rate used with the margin rates of actual and forecasted flows;
- assessing the different components of the discount rates used;
- verifying the calculation of the sensitivity of the recoverable amount of the CGUs or groups of CGUs to changes in the main assumptions used (long-term growth rate, margin rate used in the terminal year and discount rates).

- For the other CGUs or groups of CGUs, our work consisted in discussing with the management of Wendel and/or the operating subsidiaries in order to assess the cash flows and main assumptions used (long-term growth rate, post-business plan operating margin rate and discount rates).

We also assessed the appropriateness of the disclosures provided in Notes 1-10.1 and 7 to the consolidated financial statements, in particular those concerning the sensitivity analyses carried out by Wendel's management.

Contribution of equity-method investments to the Group's consolidated net income

Risk identified

As of 31 December 2018, equity-method investments amounted to 551.7 million euros in the consolidated balance sheet and their contribution to consolidated net income was a loss of 131.5 million euros, as detailed in Notes 10 and 22 to the consolidated financial statements.

Net income from equity-method investments mainly comprised the contribution of Wendel's investment in IHS, Allied Universal and Multi-Color. As Wendel's management considers that the company exercises significant influence on IHS and Multi-Color and joint control over Allied Universal, these three companies are accounted for using the equity method rather than by full consolidation.

Equity-method investments represent a significant share of Wendel's investments. We deemed their contribution to Group net income to be a key audit matter, because, given the lack of majority control over these companies, the availability and the degree of financial information required by Wendel to prepare its consolidated financial statements are more limited than for controlled subsidiaries, which makes the analysis of their contributions more complex.

Our response

We had discussions with Wendel's Finance Department to gain an understanding of the procedures implemented by the company to verify the quality of the financial information of IHS, Allied Universal and Multi-Color used to prepare Wendel's consolidated financial statements (the "Financial Information").

We gave detailed instructions to the auditors of the unlisted equity investments (IHS and Allied Universal) and we obtained an audit opinion on the Financial Information, as well as a summary of the significant issues identified within the scope of their work. We had discussions with the auditors of these equity investments concerning the audit risks, the extent of their assessments, the nature of the procedures implemented and their findings. Where appropriate, we reviewed certain elements of their working files.

We verified that the Financial Information of the listed company Multi-Color was established on the basis of public information and we examined the impairment test performed on this investment.

In addition, we assessed the appropriateness of the disclosures provided in Notes 10 and 22 to the consolidated financial statements**.**

Accounting treatment of mechanisms for the participation of management teams in the Group's investments

Risk identified

As described in Note 4 to the consolidated financial statements, Wendel has set up co-investment mechanisms to enable its managers and the managers of the unlisted subsidiaries (Constantia Flexibles, Stahl and Cromology) to invest personally in assets in which the Group invests.

In the event of a divestment or an IPO, the managers receive a share of the capital gain made by the Group or lose their contribution if a certain level of return is not achieved. Wendel has undertaken to buy back the share invested by the managers several years after the initial investment, in the absence of any divestment or IPO, in order to ensure liquidity for the managers.

The accounting treatment of these mechanisms is based on the manner in which they will be settled. Until the settlement method is known, the investments are accounted for based on the settlement method determined as most likely. This accounting treatment is described in Note 1-10.18 to the consolidated financial statements.

As of 31 December 2018, the liability recognized in respect of the co-investment mechanisms not yet settled amounted to 14 million euros and the commitments to buy back the share invested by the managers of Wendel and of the subsidiaries (disclosed as off-balance-sheet commitments) amounted to 29 million euros for *pari passu* investments made under the same conditions of risk and return as Wendel and 95 million euros for non-*pari passu* investments, as described in Note 34-5 to the consolidated financial statements.

We deemed the accounting treatment of the mechanisms for the participation of management teams in the Group's investments to be a key audit matter because:

- the accounting treatment of these mechanisms is complex;
- the decision whether or not to recognize a liability reflecting the commitment to buy back the share invested by the managers at fair value (according to the settlement method considered the most likely as of 31 December 2018) requires a high degree of judgment by management;
- these investments are made by managers, some of whom are related parties.

Our response

We had discussions with Wendel's management to gain an understanding of the co-investment mechanisms put in place by Wendel and its operating subsidiaries. For each co-investment mechanism identified, we obtained the main legal documents and verified that the accounting treatment applied by Wendel was compliant with the Group's accounting policies, as set out in Note 1-10.18 to the consolidated financial statements.

For the co-investment mechanisms for which the most likely settlement method is a disposal or an IPO, we assessed the reasoning underlying management's decision not to recognize a liability by looking at the settlement of previous co-investments. In this case, we paid particular attention to the co-investment mechanisms for which the liquidity commitment made by Wendel to its managers will end soon, examining in particular, through consultation of the minutes of meetings of the governance bodies (Executive Board and Supervisory Board), whether a disposal or an IPO is in progress. Otherwise, we verified that a liability has been recognized.

We also assessed the appropriateness of the disclosures provided with respect to the off-balance-sheet commitments referred to in Note 34-5 to the consolidated financial statements and the disclosures concerning transactions with related parties referred to in Note 3.1 to the consolidated financial statements, and we verified that the value of the commitments to buy back the amounts invested by the managers was determined according to the measurement method described in Note 34-5.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the Executive Board's management report.

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

We attest that the consolidated non-financial statement provided for by article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the management report, it being specified that, in accordance with the provisions of article L. 823-10 of said Code, we have verified neither the fair presentation nor the consistency with the financial statements of the information contained in this statement. This information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Wendel by the annual general meeting held on 24 November 1994 for PricewaterhouseCoopers Audit and on 15 November 1988 for ERNST & YOUNG Audit.

As at 31 December 2018, PricewaterhouseCoopers Audit was in its twenty-fifth year of total uninterrupted engagement and ERNST & YOUNG Audit was in its thirty-first year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Executive Board.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit to the Audit Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report significant deficiencies, if any, in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as set out in particular in Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors (*Code de déontologie de la profession de commissaire aux comptes*). Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris-La Défense, 20 March 2019

French original signed by:

The Statutory Auditors

PricewaterhouseCoopers Audit	ERNST & YOUNG Audit
Françoise Garnier	Jacques Pierres

The English language version of this text is a free translation from the original, which was prepared in French. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinion, the original French language version of the document takes precedence over the translation. English text: Labrador Translation.

WENDEL

Societas Europaea with an Executive Board and a Supervisory Board with capital of 185,117,204 euros

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March 2019

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