WENDEL

2019

Consolidated Financial Statements

as of December 31

MORE THAN 310 YEARS OF HISTORY

BALANCE SHEET – STATEMENT OF CONSOLIDATED FINANCIAL POSITION

ASSETS

In millions of euros	Note	12/31/2019	12/31/2018
Goodwill, net	6 and 7	4 112.0	3 339.8
Intangible assets, net	6 and 8	1 769.0	1 903.9
Property, plant & equipment, net	6 and 9	1 291.3	1 330.0
Property, plant and equipment under operating leases	6 and 9	536.9	-
Non-current financial assets	6 and 13	480.4	717.0
Pledged cash and cash equivalents	6 and 12	16.6	0.5
Equity-method investments	6 and 10	294.0	551.7
Deferred tax assets	6	217.2	208.3
Non-current assets		**8 717.5**	**8 051.2**
Assets and operations held for sale		**55.3**	**118.0**
Inventories	6	465.6	452.9
Trade receivables	6 and 11	1 697.4	1 889.0
Contract assets (net)		226.0	0.9
Other current assets	6	354.5	326.2
Current income tax payable	6	68.0	74.9
Other current financial assets	6 and 13	367.0	305.6
Cash and cash equivalents	6 and 12	2 624.7	3 098.4
Current assets		**5 803.3**	**6 147.9**
Total assets		**14 576.0**	**14 317.1**

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", Wendel's investment in Allied Universal and in PlaYce have been reclassified as "Assets and liabilities of operations held for sale" as of December 31, 2018.

The financial statements as at December 31, 2018 were not restated to reflect application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments." See note 1.1 concerning the impacts of their application.

LIABILITIES

In millions of euros	**Note**	**12/31/2019**	**12/31/2018**
Share capital		178.7	185.1
Share premiums		53.3	50.9
Retained earnings & other reserves		1 791.5	1 879.0
Net income for the period – Group share		399.7	45.3
Shareholders' equity – Group share		**2 423.1**	**2 160.3**
Non-controlling interests		1 392.5	1 146.1
Total shareholders' equity	**14**	**3 815.6**	**3 306.3**
Provisions	6 and 15	456.1	443.5
Financial debt	6 and 16	5 896.7	5 631.8
Operating lease liabilities	6 and 16	458.2	-
Other non-current financial liabilities	6 and 13	454.9	456.7
Deferred tax liabilities	6	416.8	510.2
Total non-current liabilities		**7 682.6**	**7 042.2**
Liabilities held for sale		**15.4**	**-**
Provisions	6 and 15	5.1	64.3
Financial debt	6 and 16	627.4	1 667.8
Operating lease liabilities	6 and 16	132.8	-
Other current financial liabilities	6 and 13	112.5	212.4
Trade payables	6	937.0	902.6
Other current liabilities	6	1 091.9	1 014.4
Current income tax payable	6	155.6	107.0
Total current liabilities		**3 062.3**	**3 968.5**
Total equity and liabilities		**14 576.0**	**14 317.1**

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

The financial statements as at December 31, 2018 were not restated to reflect application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments." See note 1.1 concerning the impacts of their application.

CONSOLIDATED INCOME STATEMENT

In millions of euros	Note	2019	2018
Net sales	6 and 17	8 562.2	8 389.2
Other income from operations		19.2	16.2
Operating expenses		-7 809.8	-7 638.1
Gains/losses on divestments		-3.6	-11.0
Asset impairment		-134.7	-59.1
Other income and expense		-9.8	-21.2
Operating income	**6 and 18**	**623.6**	**676.0**
Income from cash and cash equivalents		5.4	-4.1
Finance costs, gross		-266.8	-269.1
Finance costs, net	**6 and 19**	**-261.4**	**-273.2**
Other financial income and expense	6 and 20	-25.2	11.5
Tax expense	6 and 21	-237.4	-173.9
Net income (loss) from equity-method investments	6 and 22	-78.2	-131.5
Net income before income from discontinued operations and operations held for sale		**21.4**	**108.8**
Net income from discontinued operations and operations held for sale	23	604.1	171.6
Net income		**625.6**	**280.4**
Net income - non-controlling interests		225.8	235.1
Net income – Group share		**399.7**	**45.3**

In euros	Note	2019	2018
Basic earnings per share	24	8.89	1.00
Diluted earnings per share	24	8.95	0.98
Basic earnings per share from continuing operations	24	-5.25	-2.76
Diluted earnings per share from continuing operations	24	-5.24	-2.75
Basic earnings per share from discontinued operations	24	14.23	3.75
Diluted earnings per share from discontinued operations	24	14.19	3.73

In accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, the results of Allied Universal and Tsebo Group ATS division particularly have been reclassified to a single line in the income statement, “Net income from discontinued operations and operations held for sale”.

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

STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	2019 Gross amounts	2019 Tax effect	2019 Net amount	2018 Gross amounts	2018 Tax effect	2018 Net amount
Items recyclable in net income						
Currency translation reserves [(1)]	74,6	-	74,6	-72,6	-	-72,6
Gains and losses on derivatives qualifying as hedges [(2)]	-8,0	-1,1	-9,1	-45,1	3,4	-41,6
Items non-recyclable in net income						
Gains and losses on financial assets through other comprehensive income [(3)]	56,4	-	56,4	-265,7	-	-265,7
Actuarial gains and losses	-16,6	4,4	-12,1	6,9	-1,3	5,7
Income and expenses recognized directly in shareholders' equity (A)	**106,4**	**3,3**	**109,7**	**-376,5**	**2,1**	**-374,2**
Net income for the period (B)			625,4			280,4
Total income and expenses recognized for the period (A) + (B)			**735,1**			**-93,7**
Attributable to:						
- to Wendel shareholders			473,0			-261,1
- to non-controlling interests			262,1			167,4

(1) This item includes the contribution of Bureau Veritas for €48 million.
(2) Of which a negative amount of €14.9 million related to the change in the fair value of cross currency swaps set up by Wendel SE (see note 5-5.1 "Managing currency risk – Wendel").
(3) Net income equals the change in fair value of the Saint-Gobain stock of €56.4 million.

The notes to the financial statements are an integral part of the consolidated 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, 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**	**2 158.0**	**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 of consolidation					238.5	14.1	252.6	76.5	329.1
Other					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**
Effects of the application of new IFRS 16 and IFRIC 23 standards and interpretations					**-31.3**		-31.3	**-54.2**	-85.5
Adjusted shareholders' equity as of January 1, 2019	**45 267 567**	**185.1**	**50.9**	**-355.8**	**2 481.0**	**-232.2**	**2 129.0**	**1 091.9**	**3 221.0**
Income and expenses recognized directly in shareholders' equity (A)		-	-	-	38.5	34.8	73.3	36.4	109.7
Net income for the period (B)					399.7		399.7	225.7	625.4
Total income and expenses recognized for the period (A)+(B) (1)		-	-	-	438.2	34.8	473.0	262.1	735.1
Dividends paid (2)					-123.7		-123.7	-175.0	-298.7
Movements in treasury shares	-1 541 214	-6.6		-190.3			-196.8		-196.8
Capital increase							-		
exercise of stock options	20 950	0.1	-0.1						-
company savings plan	26 055	0.1	2.4				2.5		2.5
Share-based payments					109.4		109.4	15.2	124.6
Changes in scope (3)					-14.0	-0.7	-14.6	230.6	216.0
Other (4)					44.3		44.3	-32.4	11.9
							-		
Shareholders' equity as of December 31, 2019	**43 773 358**	**178.7**	**53.3**	**-546.0**	**2 935.3**	**-198.1**	**2 423.1**	**1 392.5**	**3 815.6**

(1) See "Statement of comprehensive income".

(2) In the first semester of 2019, Wendel paid a dividend of €2.80 per share, for a total of €123.7 million. In 2018, Wendel paid a dividend of €2.65 per share, for a total of €120.5 million.

(3) In 2019, the changes in the scope of consolidation primarily included the Group share of the impact of the change in the percentage ownership of Bureau Veritas, of -€12 million. The €230.6 million change in non-controlling interests was largely attributable to the change in the percentage ownership of Bureau Veritas of +€132.5 million through the purchase of the minority holding of the Cromology Group for +€54.6 million, the new consolidation of CPI, which impacted minority reserves in the amount of +€17 million and other items of small individual significance but representing a total of +€23.5 million. 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. The changes in scope of consolidation are broken down in note 2 "Changes in scope of consolidation".

(4) The other changes include the impact of changes in value of the minority-held puts as well as the cancellation of deferred taxes on the Matéris convertible bonds.

(5) The effects of changes in accounting standards and interpretations due to the application of IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments" as of January 1, 2019 were €31.3 million in terms of the Group share of earnings and €54.2 million in terms of the non-controlling interests' share of earnings. These items are detailed in note 1-1 on standards, interpretations and amendments to existing standards that were mandatory in 2019.

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

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	Note	2019-12	2018-12
Net income		625.5	280.6
Share of net income/loss from equity-method investments		78.2	131.5
Net income from discontinued operations and operations held for sale		-604.1	-171.6
Depreciation, amortization, provisions and other non-cash items		738.4	466.3
Expenses on investments and divestments		14.2	9.9
Cash flow from companies held for sale		0.0	21.7
Gains/losses on divestments		0.5	10.1
Financial income and expense		283.3	261.7
Income taxes (current and deferred)		237.4	173.9
Cash flow from consolidated companies before tax		**1 373.3**	**1 184.1**
Change in working capital requirement related to operating activities		56.8	27.3
Changes in working capital requirements of discontinued operations or operations held for sale related to operating activities		-5.6	-
Net cash flows from operating activities, excluding tax	**6**	**1 424.5**	**1 211.4**
Cash flows from investing activities, excluding tax			
Acquisition of property, plant & equipment and intangible assets	25	-276.3	-299.6
Disposal of property, plant & equipment and intangible assets	26	10.4	13.3
Acquisition of equity investments	27	-601.7	-232.7
Disposal of equity investments	28	1 289.1	614.8
Impact of changes in scope of consolidation and of operations held for sale	29	28.6	-8.7
Changes in other financial assets and liabilities	30	-31.6	136.7
Dividends received from equity-method investments and unconsolidated companies	31	7.5	20.4
Change in working capital requirements related to investment activities		-18.1	-30.7
Change in working capital requirements of discontinued operations or operations held for sale related to investments		-1.6	
Net cash flows from investing activities, excluding tax	**6**	**406.3**	**213.5**
Capital increase		2.5	2.4
Contribution of non-controlling shareholders		14.5	19.9
Purchases of treasury shares			
- Wendel		-197.2	-61.0
- Subsidiaries		13.4	-37.4
Transaction with non-controlling interests			350.0
Dividends paid by Wendel		-123.7	-120.6
Dividends paid to non-controlling shareholders of subsidiaries		-98.1	-169.2
New borrowings	32	1 220.8	971.2
Repayment of borrowings	32	-2 359.3	-658.4
Net finance costs		-276.4	-258.4
Other financial income/expense	33	-235.6	-23.3
Change in WCR related to financing activities		7.2	-11.0
Change in WCR from discontinued operations or operations held for sale related to financing activities		0.1	
Net cash flows from financing activities, excluding tax	**6**	**-2 031.6**	**4.2**
Current tax expense		-252.3	-237.4
Change in tax assets and liabilities (excl. deferred taxes)		-20.3	13.6
Net cash flows related to taxes	**6**	**-272.7**	**-223.8**
Effect of currency fluctuations		0.0	-12.5
Reclassified cash and cash equivalents		-0.5	
Cash flow from operations held for sale		-0.1	
Net change in cash and cash equivalents		**-474.2**	**1 192.8**
Cash and cash equivalents at beginning of period		3 098.9	1 906.0
Cash and cash equivalents at the end of the period	**12**	**2 624.7**	**3 098.9**

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”.

The notes to the financial statements are an integral part of the consolidated 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, 2019, the Wendel Group was primarily comprised of:

- fully consolidated operating companies: Bureau Veritas (35.9% net of treasury stock), Cromology (95.9%), Stahl (67.5%), Constantia Flexibles (60.7%), Tsebo (65.8%) and CPI (96%);
- an operating company accounted by the equity method: IHS (21.4%);
- 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, 2019 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 appended notes.

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 "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 11, 2020 and will be submitted for shareholders' approval at the Shareholders' Meeting.

APPENDED NOTES.

NOTE 1. ACCOUNTING PRINCIPLES

Wendel's consolidated financial statements for the fiscal year ended December 31, 2019 have been prepared in accordance with IFRS (International Financial Reporting Standards) principles *and methods as* adopted by the European Union on December 31, 2019, 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, 2019, the accounting principles used are the same as those used in preparing the annual consolidated financial statements for the year ended December 31, 2018, 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

Apart from IFRS 16 and IFRIC 23, described below, no new standards, interpretations or amendments with mandatory application for fiscal years beginning on or after January 1, 2019 had significant impact on the Group's condensed consolidated financial statements of December 31, 2019.

Note 1 - 1. Standards, interpretations and amendments to existing standards that were mandatory in 2019

The Group has adopted standards and texts applicable from the fiscal year beginning on January 1, 2019. These standards, interpretations and amendments are listed below:

First-time application of IFRS 16 "Leases"

For lessees, the application of IFRS 16 "Leases" results in the recognition of leases in the balance sheet through an asset (representing the right to use the underlying asset during the lease term) and a corresponding liability (representing the obligation to pay fixed rents). The new standard eliminates the distinction between operating leases and finance leases.

The Group has applied the simplified retrospective method without restatement of the comparative periods. The cumulative impact of the first-time application of IFRS 16 is recognized as an adjustment of opening equity as of January 1, 2019.

In accordance with the simplification provided for in IFRS 16, the Group has applied the new standard to leases identified in accordance with the definition of the previous standards IAS 17 and IFRIC 4, without reassessing the qualification of contracts in progress at January 1, 2019.

The right of use of Bureau Veritas' main property leases is measured as if IFRS 16 had always been applied, except for the discount rate used in measuring the right of use, which is the rate used to measure debt as of January 1, 2019, excluding initial direct costs. The right of use of other leases is equal to the amount of the lease liability as of January 1, 2019 (adjusted for prepaid rent and rents payable).

The lease liability is the present value of remaining lease payments. Future payments have been discounted on the basis of the subsidiaries' incremental borrowing rates in accordance with the remaining lease terms as of January 1, 2019.

The Group opted for the exemption offered by IFRS 16 for short-term and low-value leases (assets with a unit value of less than €5,000). Rents on these leases are therefore still recognized as operating expenses. For the first time application, the Group also chose not to recognize leases with a remaining term of less than 12 months, in accordance with IFRS 16.

In assessing the lease term, the Group has taken the non-cancellable period of each contract and any extension option that the Group is reasonably certain to exercise and any termination option that the Group is reasonably certain not to exercise. Regarding commercial leases in France (3-6-9 years), the Group applied a term aligned with that used for the depreciation of the fittings of the leased properties, not exceeding 9 years in accordance with the opinion of the French Accounting Standards Authority. It should be noted that ESMA has applied to the IFRS Interpretations Committee for an opinion on the term to be used for indefinite leases that can be terminated at any time. Internationally, reasonably certain extension options were assessed with regard to the level of payments of the optional period in relation to market conditions, the track record of extensions of similar leases, management's intention and termination costs. For leases bearing on land, the Group has assumed a lease term aligned with that used for the depreciation of the buildings located on the land in question.

The Group recognizes the deferred taxes attached to the recognition of the right of use and the lease liabilities.

The impacts of the first-time application of IFRS 16 are as follows:

In millions of euros	**Bureau Veritas**	**Cromology**	**Constantia Flexibles**	**Stahl**	**Tsebo**	**Holding companies**
Property, plant & equipment, net	304.3	124.2	33.4	17.5	6.4	7.3
Deferred tax assets	9.4			0.1		
Trade receivables and other current assets	-0.8					
TOTAL ASSETS	**312.9**	**124.2**	**33.4**	**17.6**	**6.4**	**7.3**
Equity	-27.7			-1.2		
Non-current borrowings and financial debt	287.3	98.1	25.9			
Current borrowings and financial debt	65.8	26.2	7.5	18.8	6.4	7.3
Trade payables and other current liabilities	-12.5	-0.1				
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**312.9**	**124.2**	**33.4**	**17.6**	**6.4**	**7.3**

As of December 31, 2019, the right-of-use asset recognized in the balance sheet amounted to €536.9 million, and the lease liability to €458.2 million in "Non-current financial debt" and €132.8 million in "Current borrowings and financial debt".

1) Impacts on the income statement as of December 31, 2019

The impact of IFRS 16 on the 2019 consolidated income statement concerns:

- Net operating income, which showed a favorable effect of €19.0 million. This resulted from the difference between the eliminated lease expense of €161.8 million and the new -€142.8 million depreciation expense on right-of-use assets; and
- Net financial income, which showed an unfavorable effect of negative -€19.1 million for interest on leases.

2) Impacts on the cash flow statement

The cash-out related to operating leases transactions are from now on presented in the caption reimbursement of debts and paid interests among financing cash operations. It corresponds to an increase in operating activities' flows and a decrease in financing flows of €145.6 million for the period ended December 31, 2019.

The difference between the lease obligation shown pursuant to IAS 17 at December 31, 2018 and the lease liabilities measured per IFRS 16 at January 1 can be explained as follows:

In millions of euros	Bureau Veritas	Cromology	Constantia Flexibles	Stahl	Tsebo
Off-balance-sheet commitments 12/31/18	**351.7**	**146.9**	**39.8**	**21.4**	**8.2**
Exemptions (less than 12 months and low value)		-3.2	-1.2	-1.5	
Discounting of lease liability payments	-71.1	-46.5	-4.6	-1.1	
Other[1]	72.5	27	-0.6		-1.8
Lease liabilities as of January 1, 2019	**353.1**	**124.2**	**33.4**	**18.8**	**6.4**

(1) The €72.5 million consist, for Bureau Veritas, on virtually certain payments net of payments under short-term leases.

First-time application of IFRIC 23 "Uncertainty over Income Tax Treatments".

IFRIC 23 "Uncertainty over Income Tax Treatments" complements the provisions of IAS 12 "Income Taxes"; it sets out the procedures for measuring and recognizing uncertainties relating to income taxes. The interpretation recommends that an entity determines whether it is likely that the tax administration will accept uncertain tax treatment, and that it takes into account the impact of this uncertainty in the determination of taxable income, tax loss carry-forward, unused tax credits and tax rates.

The Group applied the modified retrospective approach and noted the effect of the first-time application of IFRIC 23 as of January 1, 2019 without restatement of the comparative period.

As of January 1, 2019, the first-time application of IFRIC 23 resulted in:

- a negative impact of €56.1 million in the form of a reduction in retained earnings, of which €55.5 million concerned Bureau Veritas; and
- a reclassification from provisions for tax risks relating to corporate income tax to "Other current liabilities".

Note 1 - 2. Methods 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 - 3. 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, 2019 of Bureau Veritas, Constantia Flexibles, Cromology, IHS, Stahl, Tsebo and CPI;
- the consolidated financial statements of Allied Universal for the period from January 1, 2019 to December 11, 2019;
- for all other companies, their individual financial statements for the 12-month fiscal year ended December 31, 2019.

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 2019 are presented in note 2 "Changes in scope of consolidation". The main subsidiaries consolidated as of December 31, 2019 are presented in note 38 "List of principal consolidated companies".

Note 1 - 4. 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.

Consequently, in the event control is acquired of 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 - 5. 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, 2019, 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 reducing the Group share of shareholders’ equity as follows: the difference between the estimated value of the purchase commitment and the carrying amount of non-controlling interests is deducted from the Group share of retained earnings and other 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 - 6. 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 - 7. Conversion of the financial statements of foreign companies whose 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	
	2019	2018	2019	2018
EUR/USD	1.1234	1.1450	1.1194	1.1804

Note 1 - 8. Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the amounts reported in such financial statements. These estimates and judgments are based on Wendel's and its subsidiaries' appreciation of the facts and circumstances existing at the balance sheet date, as well as on information available on the date the accounts were 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 - 9. Measurement rules

Note 1 - 9.1 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, Tsebo and CPI) 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 - 9.2 **Intangible assets**

1. 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.

2. Contracts and customer relationships of the Bureau Veritas, Constantia Flexibles, Cromology, Stahl and Tsebo groups

The valuation of these contracts and customer relationships equals the margin expected to be generated over the residual lives of contracts in force at the date Wendel assumed control, taking into account contract renewal rates where such renewals are considered probable based on historical statistical data. These contracts and client relationships are 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 - 9.3 Other intangible assets

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

Note 1 - 9.4 Property, plant & 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.

Note 1 - 9.5 Leases

See note 1-1 about the approach taken to the application of IFRS 16 since January 1, 2019.

Note 1 - 9.6 Depreciation and amortization of fixed 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 - 9.7 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 are 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.

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 in this account include strategic and non-strategic investments.

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 rate 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 - 9.8 **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 2019, 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 - 9.9 **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 - 9.10 **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, subject to an insignificant risk of a change in value and intended to cope with short-term cash needs. 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 - 9.11 **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 - 9.12 **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 - 9.13 **Deferred taxes**

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

Tax-loss carryforwards are recognized as deferred tax assets when it is likely that they can be offset against tax on 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 - 9.14 **Treasury shares**

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

Note 1 - 9.15 **Non-current assets held for sale and discontinued operations**

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 discontinued operations 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 - 9.16 **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 to execute the entire contract. 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.

Note 1 - 9.17 **Translation of foreign 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 - 9.18 **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 2019, as in previous fiscal years, Wendel’s plans were valued by an independent appraiser.

Note 1 - 9.19 **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 under a divestment or an IPO, or in cash as part of Wendel’s liquidity commitment, after a pre-determined period has elapsed.

Until the settlement method is known, the investments are accounted for based on the settlement method determined as 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, 2019, 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 - 10. Presentation rules

Note 1 - 10.1 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 - 10.2 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.

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.

Note 1 - 10.3 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 OF CONSOLIDATION

Note 2 - 1. Changes in consolidation scope in 2019

The scope of consolidation of Wendel Group is set out in note 38 "List of principal consolidated companies as of December 31, 2019."

Sale of the investment in PlaYce

In February 2019, Wendel sold its investment in PlaYce, with net proceeds from the sale totaling €32.2 million. The investment has been classified as assets held for sale at December 31, 2018. A capital gain of €7.4 million was recognized on the income statement as net income from discontinued operations.

Sale of the investment in Saint-Gobain

In 2019, the investment in Saint-Gobain was sold for €468 million (14.1 million shares sold). At December 31, 2019 only one residual equity investment remained, of approximately €1 million (30,000 shares).

In 2018, this investment was classified under financial assets recognized at fair value, changes in which are recognized in shareholders' equity in accordance with the Group's accounting principles and IFRS 9 "Financial Instruments". The gain on disposal for the period is therefore recognized in consolidated equity in the amount of €56.4 million; cumulative changes in fair value recognized in consolidated reserves on this investment are not reclassified to the income statement.

Bureau Veritas dividend paid in shares

In 2019, Bureau Veritas paid a dividend of €0.56 per share in respect of the 2018 financial year, with the option for shareholders to receive the payment in cash or in new shares. The issue price of the new shares tendered to pay the dividend was set at €19.13, giving rise to the creation of 9,943,269 Bureau Veritas shares, while the payment of the dividend in cash amounted to €54 million.

The Wendel Group chose to pay the dividend in shares rather than the cash dividend of €87.5 million for its share. In this way the Group supported the strategy of this investment.

The Group now holds 160,826,908 Bureau Veritas shares. Wendel's percentage interest accordingly rose from 35.8% to 36.0% (net of treasury shares), with the percentage of its voting rights dropping slightly from 51.9% to 51.8%. Exclusive control of Bureau Veritas has thus been maintained, and that group remains fully consolidated.

In accordance with IFRS 3 revised "Business Combinations", the impacts of this transaction and other transactions in the equity and treasury stock of Bureau Veritas were recognized in consolidated shareholders' equity as transactions among shareholders totaling negative €12 million.

Cromology capital increase

In 2019, Wendel put €125 million into the financial restructuring of Cromology (see note 16: "Financial debt of operating subsidiaries – documentation and covenants").

In accordance with the Group's policy of giving the managers of investments a stake in their value creation, Cromology's management invested some €5 million alongside Wendel.

In addition, the former structure in which the investment was held (Materis) was restructured and eliminated. The minority shareholders of that former structure were invited to reinvest in Cromology at the same percentage ownership. Some did so, in the amount of €0.3 million.

At the conclusion of these transactions the Group held 95.98% of the equity in this investment and kept sole control.

Moreover, the net impact of the final unwinding of the co-investment of Materis' former managers was recognized in net financial income on the income statement.

Disposal of 79% of the investment in Allied Universal

In February 2019, Wendel and its co-shareholders entered into an agreement with Caisse de Dépôt et Placement du Québec for the sale of approximately 40% of their investment in Allied Universal. This portion of the investment had thus been classified in "Assets held for sale" (IFRS 5) at the end of 2018.

The disposal was finally extended to 79% of the investment in 2019 and effected in December 2019 with net proceeds of $738 million, of which $20 million was paid in 2020. The residual investment therefore was about 6% of that company's equity, and the Group does not exercise significant influence over it. The residual investment is consequently no longer recognized in equity method companies but in financial assets at fair value. In accordance with the opinion offered by IFRS 9 "Financial instruments", the changes in fair value will be carried in consolidated reserves and not recycled in income when the sale occurs. The fair value used for this investment at December 31, 2019 equaled the sale price.

In accordance with the IFRS accounting standards, the transaction is shown in the Wendel consolidated financial statements through the recognition of an accounting capital gain of €644.2 million, which covers the entire investment including the residual portion that has not been sold. That amount is carried on the line "Net income from discontinued operations" (IFRS 5).

Acquisition of Crisis Prevention Institute ("CPI ")

On December 23, 2019 Wendel completed the acquisition of Crisis Prevention Institute (" CPI ") for an enterprise value of $910 million. As part of the Transaction, Wendel made an equity investment of approximately $572 million, for a c. 96.34% ownership interest in the Company, alongside CPI's management team and certain other minority investors. The Wendel Group exercises exclusive control over this company, which is fully consolidated.

This American company (based in Milwaukee, Wisconsin) is the leader in the United States in training services in behavior management and crisis prevention. It mainly serves professionals in the healthcare and education fields. It has expanded internationally in recent years and today generates 20% of its revenue outside the United States, principally in Canada, the United Kingdom, Australia and New Zealand.

Its 2019 revenue was $87.7 million with an EBITDA of $38.9 million (in US GAAP, and excluding non-recurring items - unaudited).

The acquisition financing was structured as follows:

From Wendel:	$571.9 million
From minority investors:	$21.7 million
Bank loans:	$335.0 million
Cash in CPI:	$1.3 million
Total:	$929.9 million

These funds were used for:

Acquisition of stock	$591.0 million
Expenses	$27.6 million
Bank refinancing	$311.2 million
Total:	$929.9 million

The provisional goodwill recognized upon acquisition of equity was $895.9 million:

Goodwill	$895.7 million
Non-current assets	$11.2 million
Financial debt	$(332.6) million
Other balance sheet items (net)	$16.7 million
Acquisition of stock	$591.0 million

The goodwill allocation will be finalized within 12 months of the acquisition, in accordance with the IFRS.

Tsebo capital increase

Given the difficult business environment faced by Tsebo in South Africa, the shareholders re-invested a total of $22 million in this holding in 2019, including $14.5 million from the Wendel Group. The Group's sole control of this company remains unchanged. In addition, the shareholders also invested $5 million to finance an acquisition by Tsebo in Egypt (including $1.6 million by Wendel).

Principal changes in scope of consolidation of subsidiaries and associates

Changes in scope of consolidation of the Bureau Veritas group

During 2019, Bureau Veritas carried out the following acquisitions:

- Capital Energy, a French company that manages energy savings certificates;
- Owen Group, a regional leader in building and infrastructure compliance services in the United States; and
- ShenzenTotal-Test Technology, a Chinese company specializing in food analysis.

The price of businesses acquired in 2019 was €56.6 million; and the total corresponding goodwill was €26 million, of which €13.5 million represented Capital Energy. The 2019 annual net sales of the companies acquired in 2019 is €71.4 million and the operating income before amortization of intangible assets resulting from the business combination is approximately €10.2 million.

Additionally, Bureau Veritas effected the following disposals:

- Sale of its healthcare, safety and environmental consulting business in North America (HSE Consulting);
- Sale of the Japanese company Japan Analysts specializing in analysis of lubricants; and
- Sale of its local government services business to the Benin authorities.

Changes in scope of consolidation of the Constantia Flexibles group

In July 2019, Constantia Flexibles sold its stake in Multi-Color Corporation for a total of €148 million. As this amount equals the carrying amount of that investment at the start of the financial year, there is no material impact on the 2019 Wendel financial statements.

Also, the Constantia Flexibles Group acquired Constantia TT and recognized goodwill of €3.3 million on that company.

Change in the Tsebo scope of consolidation

In February 2019, the Tsebo Group acquired an Egyptian catering company. Goodwill recognized was $3 million.

Changes in consolidation scope in 2018

The principal changes in scope during 2018 were as follows:

- The disposal of the investment in Saham Group for a selling price of $155 million, or €133 million. Under the terms of this sale, Wendel 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;
- The sale of CSP Technologies for a net cash amount of $342 million, or €303 million (for 100% of the equity);
- The sale of Mecatherm for a net of €88 million (for 100% of the equity);
- The sale of Nippon Oil Pump Co, Ltd. for a net of ¥12,000 million or €92 million (for 100% of the equity);
- The sale of a 4.73% stake in Bureau Veritas for €400 million. Notwithstanding the sale, Wendel still exercises exclusive control over the Bureau Veritas group, and the Corporate governance structure is unchanged. The profit from this sale was €301.9 million and was recognized in changes in equity as per accounting standards; and
- The purchase of 4.8% of Stahl from its co-shareholder Clariant for €50 million.

NOTE 3. **RELATED PARTIES**

The Wendel Group's related parties are:
- Allied Universal, which was equity-accounted until its sale in December 2019;
- IHS, which is equity-accounted;
- 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 2019 to the Chairman of the Executive Board and the successive members of the Executive Board over their respective terms of office was €4,957.9 thousand, this amount relates to André François-Poncet and Bernard Gautier for a full year, and David Darmon from September 9, 2019. The value of the stock options and performance shares granted to them in 2019 was €4,791 thousand as of their grant date, it being noted that David Darmon received no options or performance shares during his term of office since he was appointed in September.

Compensation paid to members of the Supervisory Board in 2019 was €1,221 thousand, including €1,161 thousand by Wendel SE (i) in consideration of service by members of the Supervisory Board, (ii) as compensation of the Chairman of the Supervisory Board, and (iii) as compensation of the lead independent member of the Supervisory Board and €60 thousand paid to certain members of the Supervisory Board by Wendel-Participations SE for serving on its Board of Directors. 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 obligations to André François-Poncet in the event of his departure, provided the performance conditions are met, are as follows:
- in the event of his removal from office not on grounds of failure, 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; and
- in the event of his resignation or removal from office following the loss of control by Wendel-Participations SE of Wendel voting rights, 36 months' fixed compensation as existing at the time of departure.

The Company's obligations to David Darmon, member of the Executive Board, in the event of his departure (provided the performance conditions are met) are as follows:

- in the event his position is terminated (not on grounds of failure), a payment equal to the gross fixed monthly compensation times the number of months of service on the Executive Board, in no case to exceed 18 months of fixed compensation;
- in the event his employment contract is terminated, the payments due by law and agreement under said employment contract, with the provision that the total payments made to Mr. Darmon for his service as a corporate officer and under his employment contract may not exceed 18 months of fixed and variable compensation.

As part of the termination of his corporate office as a member of the Executive Board and of the termination of his employment contract, the total amount paid by the Company to Bernard Gautier as severance pay amounted to €3,474,666. The Company also paid €132,000 as part of a transactional indemnity.

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 over 1,100 Wendel family individuals and legal entities. Wendel-Participations investors together held a 39.06% stake in Wendel SE as of December 31, 2019, representing 52.16% of voting rights exercisable and 51.46% 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 providing administrative assistance and property leasing to Wendel-Participations.

NOTE 4. PARTICIPATION OF MANAGERS IN GROUP INVESTMENTS

The accounting principles applied to co-investment mechanisms are described in note 1-9.19 "Accounting treatment of mechanisms for the participation of management teams in the Group's investments".

Note 4 - 1. Participation of Wendel's 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, per the different programs, 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 (five 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.

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 amount invested by the co-investors is 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 then generated on one-third of the sums invested by the co-investors; the same applies after 10 years, then 12 years, if no total sale 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 a Luxembourg venture capital company, Oranje-Nassau Développement SA SICAR, which was incorporated in 2011 and turned into a Reserved Alternative Investment Fund (RAIF) at the end of 2019.

The co-investments in Parcours and Mecatherm were unwound following the sale of those companies at the end of 2016 and 2018 respectively.

The co-investment in IHS remains in effect. At the end of 2019, as part of a marginal reinvestment made by Wendel in IHS, Mr. David Darmon, member of the Management Board, reinvested €2K.

2013-2017 program

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);

(iii) 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.

vi) 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 former member of the Executive Board.

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, which were incorporated in 2013 and turned into Reserved Alternative Investment Funds (RAIF) at the end of 2019. The first fund, Expansion 17 SCA FIAR, is the structure used for co-investments on a deal-by-deal basis and is divided into as many sub-funds as investments. The second fund, Global Performance 17 SCA FIAR, is used for pooled co-investments, which are grouped into a single sub-fund for all investments for the period 2013-2017.

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 capital increase of the funds, taking into account any exchange rate hedges.

In 2018, co-investments in Saham, Nippon Oil Pump and CSP Technologies were unwound as a result of the disposals of those three companies (see 2018 Registration Document, pp. 301-302). As of December 31, 2018, financial liabilities had 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 December 2019, the co-investment in Allied Universal was partially unwound as a result of the sale by Wendel of 79% of its interest in this company for $719 million (NB: this amount does not include the residual portion of the sale proceeds received in January 2020). In accordance with the rules of the 2013-2017 program, this sale constituted a liquidity event and gave rise to partial liquidity in proportion to the interest sold.

- Regarding the pooled portion of the co-investment in Allied Universal:
  - for the pari passu portion, the co-investors (including Mr. David Darmon, member of the Management Board), will receive in the course of 2020 the reimbursement of their contributions and their share of capital gains in proportion to their stake in the capital, and
  - for the carried interest portion, the result of this sale will be taken into account to calculate, at the end of the program and for all investments over the period, the overall return and, where applicable, the capital gain accruing to the co-investors.
- For the deal-by-deal portion of the co-investment in Allied Universal, as the partial disposal has achieved the minimum expected return, the co-investors are entitled to receive, at the end of a five-year lock-up period from their initial investment, approximately €11.2 million, including €1.4 million for Mr. David Darmon.

In December 2019, the Wendel Group and the co-investors made a marginal reinvestment in Tsebo. In this context, Mr. David Darmon, member of the Management Board, reinvested an amount of €1.3K.

<u>2018-2021 program</u>

In the absence of any investments made after April 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 2018-2021 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 could lose 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 their share 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 initially set at 12.4% of the total co-investment (i.e. 4% for the Chairman of the Executive Board and 8.4% for the other member of the Executive Board), was revised downwards in 2019 when Mr. Bernard Gautier was replaced as a member of the Executive Board by Mr. David Darmon. It now stands at 10.7% (i.e. 4%, unchanged, for the Chairman of the Executive Board and 6.7% for the other member of the Executive Board). The breakdown of the Executive Board's co-investment remains fixed at 90% on a pooled basis and 10% on a deal-by-deal basis.

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 the Crisis Prevention Institute (CPI) in December 2019. This co-investment was made through, for the deal-by-deal, portion, the Expansion 17 SCA FIAR fund (one sub-fund for each investment) and, for the pooled portion, the Global Performance 17 SCA FIAR fund, which opened a second sub-fund for all investments for the period 2018-2021. Within this framework, Mr. André François-Poncet, Chairman of the Executive Board, and Mr. David Darmon, member of the Executive Board, have respectively invested €106 thousand and €177 thousand in CPI, of which 90% in pooled funds and 10% on a deal-by-deal basis. Sophie Parise, member of the Supervisory Board representing the employees, invested €8,000, half on a pooled basis and half on a deal-by-deal basis. The difference between the fair value of the co-investment of the managers concerned and its subscription price amounts to €2.7 million; in accordance with the Group's accounting principles, this amount is recognized in the income statement over the vesting period.

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, Crisis Prevention Institute, 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 six and 12 years after the initial investment by Wendel).

In addition, the 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 2019, the dilutive impact of these co-investment mechanisms on Wendel's percentages of ownership in the stakes in question was between 0 and 9 percentage points. This calculation is based on the value of the stakes calculated for the Group's net asset value as of December 31, 2019.

NOTE 5. MANAGING FINANCIAL RISKS

Note 5 - 1. "Equity" market risk management

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 unlisted (Constantia Flexibles, Cromology, Stahl, IHS, Allied Universal Tsebo and CPI).

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 or external 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 Tsebo and CPI) 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 - 1.1 **Equity market risk**

As of December 31, 2019, equity market risk related chiefly to:

- consolidated and equity-method shares, 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 impairment tests in note 7 "Goodwill");
- The investment in Allied Universal, which is classified as financial assets measured at fair value since the end of 2019 (see Note 2: "Changes in scope of consolidation"). Changes in fair value are recognized in shareholders' equity in accordance with the option offered by IFRS 9 "Financial Instruments"; they will not be recycled in the income statement, including on disposal. At December 31, 2019, the value of this investment amounted to €180.9 million (see note 13 "Financial assets and liabilities"). A +/- 5% change in this value would have a +/- €9 million impact on shareholders' equity;
- investments by Wendel Lab, whose total value was €60.2 million at 31 December 2019. They are recognized at fair value, with changes recognized through profit or loss; a +/-5% variation in their value would therefore result in an impact of approximately +/-€3 million in net financial expense;
- minority buy-out commitments (minority puts) and liquidity commitments of co-investments granted by Wendel and its holding companies, which are recognized as financial liabilities. Their value is based on the fair value of the relevant investment, or, in other cases, determined by a contractual formula based on a fixed multiple of operating margin less net debt. As of December 31, 2019, the total of these financial liabilities was €276 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 to the operating margin of the relevant investments in order to estimate the

enterprise value, allowing the value of equity to be calculated once debt has been deducted. 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 around €25 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". At 31 December 2019, 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. Since the second half of the 2018 fiscal year, this ratio has been at a low level allowing the Group to envisage making significant new investments while maintaining a solid financial structure.

Saint-Gobain shares were sold in 2019 (see Note 2: "Changes in scope of consolidation"). In addition, the bond exchangeable for Saint-Gobain securities matured at the end of July 2019 and was reimbursed in cash.

Note 5 - 2. Managing liquidity risk

Note 5 - 2.1 liquidity risk of Wendel and the holding companies

Wendel needs cash to make investments, service debt and pay operating expenses, share buybacks and dividends. These needs are covered by cash and short-term financial investments, asset turnover, bank and bond financing, and dividends received from subsidiaries and associates.

Position and monitoring of cash and short-term financial investments

As of December 31, 2019, the cash and short-term financial investments of Wendel and its holding companies (excluding operating subsidiaries) amounted to €1,142.5 million and consisted mainly of €591.9 million in euro money market funds, €336.7 million in financial institution funds and €213.9 million in bank accounts and deposits denominated chiefly in euros.

Monitoring cash and short-term financial investments

Every month cash & equivalents (including short-term financial investments) and cash flow are displayed on a chart detailing 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 the maturity and amount of financing requirements according to different scenarios.

Cash investment vehicles consist of short-term bank deposits and low-volatility, money-market mutual funds (classified under "cash and cash equivalents") and funds managed by financial institutions (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.

Position and monitoring of debt maturities and refinancing

In the first half of 2019, Wendel issued a new €300 million bond maturing in April 2026 with a coupon of 1.375%, and exercised the early redemption clause on the 2020 and 2021 maturities in a total nominal amount of €507 million (€527 million including the prepayment premium recognized in other financial income and expenses). These transactions served to extend the average maturity of Wendel's financing and to lower the weighted average cost of bond debt.
In addition, the bond exchangeable for Saint-Gobain securities with a par value of €500 million was reimbursed in cash at its July 2019 maturity. The €212 million bond maturing in September 2019 was also reimbursed.
At December 31, 2019, gross debt (excluding operating subsidiaries) consisted of bonds for a total amount of €1,600 million. Bond maturities are spread between April 2023 and February 2027, and the average maturity is 5.5 years.
Wendel also has an undrawn €750 million syndicated loan maturing in October 2024. Wendel was in compliance with its financial covenants as of December 31, 2019. This undrawn line of credit notably gives Wendel 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 has been converted into dollar-denominated debt through the use of derivatives (cross-currency swaps).
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 has assigned Wendel a rating of Baa2 "stable" outlook with a short-term rating of P-2.

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 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: "Wendel's syndicated loan – documentation and covenants"). Leverage depends in particular on asset values and is therefore subject to equity market risk (see note 5-1.1: "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. Investment decisions are made taking into account their impact on the net debt-to-asset ratio.

Note 5 - 2.2 Liquidity risk of operating subsidiaries

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 annually and any time an event occurs that could have a material impact on the covenants. These forecasts and calculations of covenant compliance are reviewed regularly by Wendel.

Impact of liquidity risk of subsidiaries on Wendel

The financial debts of the operating subsidiaries are without recourse to Wendel. Thus, the liquidity risk of these subsidiaries only affects Wendel when Wendel decides or accepts 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 it 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 context, Wendel made a cash injection of €125 million to Cromology in May 2019 on the renegotiation of the bank debt of this investment. This capital was used to strengthen Cromology's financial structure, notably through the partial repayment of debt in the amount of €75 million; it will also enable it to implement its transformation plan and finance its investments.
Wendel and its co-shareholder also injected $22.2 million ($14.5 million for the Group's share) into Tsebo to strengthen its financial structure in view of the challenging macroeconomic situation facing the company in South Africa.
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 investments has an impact on their value; however, this value is taken into account in calculating Wendel's financial leverage (see note 5-1 "Equity market risk").

Note 5 - 2.3 **Wendel's liquidity outlook**

Wendel's next significant financial maturity is the €300 million bond, due to be redeemed in April 2023. Wendel's liquidity risk over the 12 months following the reporting date is therefore low given its high level of cash and short-term financial investments, and its €750 million fully-undrawn syndicated credit line.

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

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.).

Wendel's syndicated loan – documentation and covenants (undrawn as of December 31, 2019)

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.

Wendel's 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 the financial holding companies compared to the gross revalued value of assets after unrealized taxes (excluding cash) must not exceed 50%;
- 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, 2019 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**

Bureau Veritas' financial debt

This debt is without recourse to Wendel.

As of December 31, 2019, Bureau Veritas' gross financial debt amounted to €3,287.5 million (excluding financial liabilities related to the application of IFRS 16) and its cash balance to €1,477.8 million. Bureau Veritas also has a confirmed and undrawn line of credit in a total amount of €600 million.

The financial covenants applicable at that date 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, 2019, this ratio was 1.87; and
- the ratio of the consolidated EBITDA (Earnings before Interest, Taxes, Depreciation, Amortization and Provisions) adjusted for the last 12 months of any acquired entity to net financial expense must be greater than 5.5. As of December 31, 2019, this ratio was 11.62.

Constantia Flexibles' financial debt

This debt is without recourse to Wendel.

As December 31, 2019, the nominal amount of Constantia Flexibles' gross financial debt was €524.0 million (including accrued interest and excluding issue costs and financial liabilities related to the application of IFRS 16). Its cash balance was €101.8 million (plus deposits pledged as collateral in the amount of €59.5 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, 2019, with a reading of 2.02.

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 or changes in ownership structure, are prohibited, restricted, or require prior approval of the lenders.

Cromology's financial debt

This debt is without recourse to Wendel.

In the first half of 2019, Cromology renegotiated its bank debt by deferring its maturity to 2024 and obtaining an easing of its financial covenants. The covenants have been suspended for a period of three years, at the end of which the ratio of net debt to EBITDA must remain below 7. In exchange for these adjustments, Wendel reinvested €125 million and the managers of Cromology reinvested €5 million. €75 million have been allocated to the partial repayment of the Senior debt, with the balance earmarked for the implementation of its transformation plan and the financing of its investments.

As of December 31, 2019, Cromology's financial debt was €198.3 million (including accrued interest and excluding spreads, shareholder loans and financial liabilities related to the application of IFRS 16). Its cash balance was €87.3 million. The net debt-to-EBITDA ratio (banking definition) is 2.7.

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.

Stahl's financial debt

This debt is without recourse to Wendel.

As of December 31, 2019, Stahl's gross bank debt was €488.9 million (including accrued interest, and excluding issue costs and financial liabilities related to the application of IFRS 16). Its cash balance was €142.1 million.

The ratio of consolidated net debt to LTM EBITDA must be less than or equal to 3.5. The covenant was met at the end of 2019, with a reading of 1.92.

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.

Tsebo's financial debt

This debt is without recourse to Wendel.

At the end of 2019, Tsebo's gross bank debt was $151 million (including accrued interest, and excluding issue costs and financial liabilities related to the application of IFRS 16). It is mainly denominated in South African rand and its cash balance was $29.7 million.

In view of the challenging economic environment facing Tsebo in South Africa, Wendel and its co-shareholder Capital Group injected a total of $22.2 million into this investment in 2019. In return, Tsebo and its banks have entered into an agreement whereby the financial covenants of 31 December 2019 are waived and a covenant relating to compliance with the budget applies until the end of March 2020. At the balance sheet date, Wendel and its co-shareholder are working with the management of this company to find a lasting solution to the operational and financial difficulties encountered by Tsebo.

Financial covenants are calculated on a perimeter covering the Mauritian parent company, South Africa and a limited number of other African countries; they are tested twice a year, at the end of June and the end of December. They will apply again from June 2020:

- the ratio of LTM EBITDA to the amount of interest paid must be greater than or equal to 2.00 (this minimum ratio will reach to 2.25 in December 2020);
- the ratio of consolidated net debt to EBITDA for the last 12 months must be less than or equal to 3.5;
- the ratio of operating cash flow to interest expense must be greater than 1.05; and
- the ratio of operating cash flow (including a portion of the cash on the balance sheet) to interest expense must be greater than 1.25.

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.

CPI's financial debt

This debt is without recourse to Wendel.

As December 31, 2019, the nominal amount of CPI's gross financial debt was $335 million (including accrued interest and excluding issue costs and financial liabilities related to the application of IFRS 16). Its cash balance was $3.5 million.

As of December 31, 2019, there was no covenant test. As of March 31, 2020, the ratio of net financial debt to recurring EBITDA for the last 12 months (defined according to U.S. accounting standards) must be less than 12. This ratio will then be tested quarterly and the maximum limit will be gradually reduced to 8 in December 2025. This ratio reached 7.2 at the end of 2019.

The documentation related to CPI's debt contains the standard restrictions for this type of credit facility. Certain transactions, such as mergers, dissolutions, 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, 2019, 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	4.8		1.8
Cash and short-term financial investments	-0.3		-2.6
Impact of derivatives	0.3	0.3	-0.6
Interest-rate exposure	**4.7**	**0.3**	**-1.5**
	133%	*8%*	*-41%*

The notional amount of derivative instruments was weighted by the portion of the 12 months following December 31, 2019 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 + €12 million on net finance income before tax over the 12 months after December 31, 2019, based on net financial debt as of December 31, 2019, 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, 2018, 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	5.5		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**	**-2.6**
	139%	*27%*	*66%*

(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 sector diversification, there was no significant concentration of credit risk in trade receivables.

The cash and financial investments of Wendel SE and its holding companies are placed essentially with top-ranking financial institutions. Given the total amount of cash and short-term financial investments held as of December 31, 2019, significant amounts may be invested 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, CPI, 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 Eurodollar cross-currency swaps were established in 2016. This hedge will limit the impact of changes in the Eurodollar 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 eurodollar exchange rate are recognized in equity (impact of negative €14.9 million in 2019). 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. The impact of the interest rate differential between the euro and the dollar on the fair value of these instruments is recognized in financial income, as are the coupons 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 2019 for countries with a functional currency other than USD or currencies correlated to the USD was 8%.

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 2019, over 72% 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:

- 19.4% of revenue come from entities where the USD or a currency correlated to the USD (including the Hong Kong dollar) is the functional currency;
- 11.6% of revenue comes from entities where the functional currency is the Chinese yuan;
- 4.0% of revenue comes from entities where the functional currency is the Canadian dollar;
- 3.8% of revenue comes from entities where the functional currency is the Australian dollar;
- 3.8% of revenue come from entities where the functional currency is the pound sterling;
- 3.1% of revenue comes 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 0.194% on the Bureau Veritas' 2019 consolidated revenue and 0.188% on its 2019 operating result.

Note 5 - 5.3 **Constantia Flexibles**

In 2019, 35% 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 +/-1.2% on Constantia Flexibles' 2019 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 2019, 57% of Stahl's revenue is in currencies other than the euro, including 33% in US dollars, 11% in Chinese yuan, 6% in Indian rupees and 3% in Brazilian reals. A +/-10% fluctuation in the US dollar, or in currencies correlated to it, against the euro would have had an impact of around +/-10% on Stahl's 2019 income from ordinary activities before impairment and amortization (excluding goodwill allocation and non-recurring expenses), or +/-€19 million.

In addition, Stahl has financial debt of €488.8 million, the majority of which is denominated in US dollars ($536 million, or €477 million) and carried by a company with the euro as its functional currency. Therefore, a +/-10% fluctuation in the US dollar's value against the euro would result in the recognition of a currency impact of about +/-€48 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 2019, 98.8% 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 €0.2 million in income from ordinary activities before impairment and amortization for 2019 (excluding goodwill allocation and non-recurring expenses) in Wendel's financial statements in euros.

Tsebo's bank debt is denominated in South African rand for €112.4 million and in dollars for €5.2 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. Commodity risk management

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

In 2019, at Cromology, purchases of raw materials and packaging were subject to reinforced management. After several years of high rises, the raw material price has entered a stable period especially for TiO_2. Cromology is constantly working to optimize its purchases by qualifying new suppliers and new raw materials. One of the key skills of Cromology's Research and Development lies in the continuous reformulation of the product portfolio to adapt to the evolution of raw materials while optimizing and improving the added value of the group's paints.

Stahl purchased around €380 million of commodities in 2019. 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 €38 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 €799 million of commodities in 2019. 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 €80 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 business sectors correspond to the shareholdings:

- Bureau Veritas - certification and verification;
- Constantia Flexibles - flexible packaging;
- Cromology - paint manufacturing and distribution;
- Stahl - high-performance coatings and leather-finishing products;
- Tsebo - business services;
- Crises Prevention Institution (CPI) - training services;
- Allied Universal - accounted for under the equity method until its disposal in 2019 - security services; and
- IHS - equity method - mobile telephone infrastructure in Africa.

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

<u>Net income from operations</u>

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, Tsebo and CPI from the end of 2019), and Wendel's share in the net income of investments accounted for under the equity method (IHS and Allied Universal until the date of its disposal) 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 debt 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).

<u>Non-recurring income</u>

"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; and
- 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;
- and the related deferred taxes.

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

Note 6 - 1. Income statement by business sector for 2019

						Equity associates			
In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	IHS	Allied Universal	Wendel & holding companies	Total Group
Net income from operations									-
Net sales	**5 099.7**	**1 534.3**	**667.8**	**808.7**	**451.8**				**8 562.2**
EBITDA (1)	**N/A**	**186.1**	**73.0**	**183.0**	**24.3**				
Adjusted operating income (1)	**831.5**	**82.9**	**24.1**	**155.6**	**17.2**				**1 111.2**
Other recurring operating items		2.0	0.9	1.5	0.9				
Operating income	**831.5**	**84.9**	**25.0**	**157.1**	**18.1**			**-71.1**	**1 045.5**
Finance costs, net	-102.7	-18.7	-25.0	-26.7	-16.5			-67.9	**-257.4**
Other financial income and expense	-15.9	-0.7	-0.5	-0.4	-1.6			4.8 (2)	**-14.4**
Tax expense	-235.8	-21.3	-18.9	-34.9	-3.5			-1.5	**-315.8**
Share in net income of equity-method investments	0.6	-2.4	0.2	-	0.0	-60.9		-	**-62.5**
Net income from discontinued operations and operations held for sale	-	2.4	-	-0.9	-5.7		58.5	-	54.3
Recurring net income from operations	**477.7**	**44.2**	**-19.2**	**94.3**	**-9.2**	**-60.9**	**58.5**	**-135.7**	**449.7**
									-
Recurring net income from operations - non-controlling interests	315.0	16.1	-0.8	30.6	-4.7	-0.3	0.0	8.4	**364.2**
									-
Recurring net income from operations – Group share	**162.7**	**28.2**	**-18.4**	**63.7**	**-4.5**	**-60.6**	**58.5**	**-144.1**	**85.4**
Non-recurring income									
Operating income	-110.2	-78.4	-28.2	-44.1	-120.2			-38.0 (3)	**-419.0**
Net financial expense	-	12.0	-47.3	-10.0	-0.5			29.1 (4)	**-16.7**
Tax expense	25.1	18.6	4.8	13.6	15.3			-	**77.5**
Share in net income of equity-method investments	-	2.4	-	-	-	-18.1		-	**-15.7**
Net income from discontinued operations and operations held for sale	-	-	-	-	-		-101.8	651.6 (5)	**549.8**
Non-recurring net income	**-85.1**	**-45.4**	**-70.6**	**-40.5**	**-105.4**	**-18.1**	**-101.8**	**642.6**	**175.9**
of which:									
- Non-recurring items	-25.4	-3.5	-57.6	-21.0	-6.2	-13.9	-69.5	639.3	**442.1**
- Impact of goodwill allocation	-59.6	-29.8	-0.4	-19.3	-7.0		-29.0	-	**-145.1**
- Asset impairment	-	-12.0	-12.6	-0.1	-92.2	-4.1		-	**-121.1**
									-
Non-recurring net income - non-controlling interests	-54.5	-19.8	-5.8	-13.1	-38.2	-0.1	-0.5	-6.4	**-138.4**
Non-recurring net income - Group share	**-30.6**	**-25.6**	**-64.8**	**-27.3**	**-67.2**	**-18.0**	**-98.0**	**645.7**	**314.3**
Consolidated net income	**392.6**	**-1.2**	**-89.8**	**53.8**	**-114.6**	**-79.0**	**-40.0**	**503.7**	**625.6**
Consolidated net income - non-controlling interests	260.5	-3.8	-6.6	17.4	-42.9	-0.4	-0.4	2.1	**225.8**
Consolidated net income - Group share	**132.2**	**2.6**	**-83.2**	**36.4**	**-71.7**	**-78.6**	**-39.5**	**501.6**	**399.7**

(1) Before the impact of goodwill allocation, non-recurring items and management fees.
(2) Including €4.1 million corresponding to dividends received from Saint-Gobain.
(3) This item notably includes the effect of the recognition of the provision for the guarantee relating to the financing of Tsebo's investor of -€27 million (see note 15.1 on provisions).
(4) This item notably includes the change in fair value of the cross-currency swap for -€21.4 million, the intra-group interest received from Cromology Group for +€47.3 million, the cost of the early redemption of bonds for -€20 million, and the positive result of +€21.2 million related to the unwinding of the co-investment mechanism of the former managers of Matéris.
(5) This item notably includes the proceeds from the disposal of Allied Universal for €644.2 million and Plaice for €7.3 million.

Note 6 - 2. Income statement by business sector for 2018

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	Equity associates: IHS	Equity associates: 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**				
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		-		
Operating income	**758.0**	**102.3**	**4.8**	**174.7**	**26.9**		**-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	-	-	-	-	-	**5.6**
Recurring net income from operations	**443.7**	**83.2**	**-5.2**	**110.3**	**7.4**	**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	0.0	0.1	-	**359.4**
Recurring net income from operations – Group share	**164.5**	**49.2**	**-4.7**	**69.2**	**2.0**	**5.7**	**11.8**	**-150.0**	**152.7**
Non-recurring income									
Operating 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	-	-	-	-	-	174.7	**166.1**
Non-recurring net income	**-88.6**	**-88.9**	**-188.7**	**-48.1**	**-5.2**	**-39.5**	**-69.1**	**308.4**	**-231.6**
of which:									
- Non-recurring items	-32.4	-18.3	-135.2	-27.4	1.3	-39.5	-14.4 (3)	308.4	**35.9**
- Impact of goodwill allocation	-56.2	-31.4	-0.4	-20.7	-6.5	-	-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	-0.3	5.8	**-124.3**
Non-recurring net income - Group share	**-33.3**	**-53.9**	**-170.7**	**-29.6**	**-2.7**	**-39.3**	**-68.8**	**302.6**	**-107.4**
Consolidated net income	**355.1**	**-5.7**	**-193.9**	**62.2**	**2.2**	**-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	-0.3	5.8	**235.1**
Consolidated net income - Group share	**131.1**	**-4.7**	**-175.4**	**39.6**	**-0.6**	**-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 corresponded to dividends received from Saint-Gobain.

(3) This item notably included 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 securities and a €9.6 million gain in the fair value of the euro-dollar cross-currency swap component.

(4) This impairment loss related to Multi-Color, which is accounted for under the equity method.

Note 6 - 3. Balance sheet by operating segment as of December 31, 2019

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	CPI	IHS	Wendel & holding companies	Total Group
Goodwill, net	2 447.1	472.7	168.9	130.2	95.7	797.5	-	-	4 112.0
Intangible assets, net	808.6	457.6	179.9	250.2	70.6	2.0	-	-	1 769.0
Property, plant & equipment, net	444.9	614.9	65.3	136.3	13.6	3.5	-	12.8	1 291.3
Property, plant and equipment under operating leases	369.0	32.6	102.6	15.9	5.8	4.5	-	6.4	536.9
Non-current financial assets	117.4	67.0	7.7	2.7	1.9	0.2	-	283.6	480.4
Pledged cash and cash equivalents	-	-	-	-	-	-	-	16.6	16.6
Equity-method investments	0.9	0.3	1.5	-	2.0	-	289.4	-	294.0
Deferred tax assets	132.1	21.1	35.3	21.0	3.8	3.4	-	0.4	217.2
Non-current assets	**4 319.9**	**1 666.2**	**561.3**	**556.4**	**193.4**	**811.0**	**289.4**	**319.8**	**8 717.5**
Assets and operations held for sale	**-**	**-**	**-**	**7.3**	**48.0**	**-**	**-**	**-**	**55.3**
Inventories and work-in-progress	56.0	227.4	74.3	100.6	6.2	1.0	-	-	465.6
Trade receivables	1 255.4	146.7	88.7	147.6	51.0	7.7	-	0.3	1 697.4
Contract assets (net)	226.0	-	-	-	-	-	-	-	226.0
Other current assets	208.6	27.1	50.1	18.6	20.1	4.7	-	25.3	354.5
Current income tax payable	47.0	15.8	-	4.3	0.7	-	-	0.2	68.0
Other current financial assets	27.8	1.1	-	0.2	-	-	-	337.9	367.0
Cash and cash equivalents	1 477.8	101.8	87.3	142.1	26.5	3.1	-	785.9	2 624.7
Current assets	**3 298.6**	**520.0**	**300.5**	**413.4**	**104.5**	**16.5**	**-**	**1 149.6**	**5 803.3**
Total assets									**14 576.0**
Shareholders' equity – Group share									2 423.1
Non-controlling interests									1 392.5
Total shareholders' equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2 246.1**	**3 815.6**
Provisions	265.0	70.7	49.4	29.3	-	-	-	41.8	456.1
Financial debt	2 918.5	497.5	187.4	416.4	-0.0	280.8	-	1 596.0	5 896.7
Operating lease liabilities	326.0	27.1	79.0	16.2	-	3.5	-	6.5	458.2
Other non-current financial liabilities	115.7	14.4	-	115.7	2.2	18.8	-	188.0	454.9
Deferred tax liabilities	173.9	140.0	54.2	26.8	21.8	-	-	0.1	416.8
Total non-current liabilities	**3 799.1**	**749.7**	**369.9**	**604.4**	**24.0**	**303.2**	**-**	**1 832.3**	**7 682.6**
Liabilities held for sale	**-**	**-**	**-**	**-**	**15.4**	**-**	**-**	**-**	**15.4**
Provisions	-	1.2	3.3	0.1	-	-	-	0.4	5.1
Financial debt	369.0	25.3	4.1	66.0	124.4	10.9	-	27.8	627.4
Operating lease liabilities	92.6	6.5	24.5	1.4	6.8	0.9	-	-	132.8
Other current financial liabilities	84.1	9.1	-	3.8	2.3	-	-	13.3	112.5
Trade payables	441.3	263.5	91.2	78.8	48.2	1.2	-	12.8	937.0
Other current liabilities	854.5	63.8	84.8	41.9	18.5	3.3	-	25.1	1 091.9
Current income tax payable	137.4	14.4	-	3.4	0.0	-	-	0.5	155.6
Total current liabilities	**1 978.8**	**383.7**	**208.0**	**195.3**	**200.2**	**16.3**	**-**	**80.0**	**3 062.3**
Total equity and liabilities									**14 576.0**

Note 6 - 4. Balance sheet by operating segment as of December 31, 2018

En millions d'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 equivalents	-	-	-	-	-	-	-	-	0.5	0.5
Equity-method investments	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
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 and operations held for sale	**0.0**	**-**	**-**	**1.2**	**-**	**24.8**	**-**	**92.0**	**-**	**118.0**
Inventories and work-in-progress	19.9	233.0	75.6	116.4	8.1	-	-	-	-	452.9
Trade receivables	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 equivalents	1 046.3	16.4	84.7	127.3	16.8	-	-	0.9	1 806.1	3 098.4
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**
Provisions	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 non-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 held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provisions	-	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 - 5. Cash flow statement by business segment for 2019

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Tsebo	*Wendel & holding companies*	Total Group
Net cash flows from operating activities, excluding tax	1 012.1	202.7	95.0	162.9	13.0	-61.2	1 424.5
Net cash flows from investing activities, excluding tax	-194.1	46.8	-10.0	-29.7	-6.7	599.9	406.3
Net cash flows from financing activities, excluding tax	-193.4	-134.4	-63.8	-90.4	5.5	-1 555.0	-2 031.6
Net cash flows related to taxes	-192.4	-30.4	-19.2	-27.8	-2.9	-	-272.7

Note 6 - 6. 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 & Holdings*	Total Groupe
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

NOTES TO THE BALANCE SHEET

The accounting principles applied to the aggregates on the balance sheet are described in note 1-10.1 "Presentation of the balance sheet".

NOTE 7. GOODWILL

The accounting principles applied to goodwill are described in note 1-9.1 "Goodwill".

	12.31.2019		
In millions of euros	Gross amount	Impairment	Net amount
Bureau Veritas	2 589,6	-142,5	2 447,1
Constantia Flexibles	472,7	-	472,7
Matéris	404,0	-235,1	168,9
Stahl	130,2	-	130,2
Tsebo	185,6	-89,9	95,7
CPI	797,5	-	797,5
TOTAL	**4 579,6**	**-467,6**	**4 112,0**

	12.31.2018		
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
Matéris	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**

The principal changes during the year were as follows:

In millions of euros	2019	2018
Net amount at beginning of period	3 339.8	3 575.0
Changes in scope (1)	814.7	-160.5
Reclassification under "Operations held for sale" (2)	-27.7	-
Impact of changes in currency translation adjustments and other	60.9	-39.2
Impairment for the year (3)	-75.8	-35.5
Net amount at end of period	**4 112.0**	**3 339.8**

(1) This item mainly includes the effect of the acquisition of CPI for €782.4 million, and the impact of acquisitions made by Bureau Veritas, including Capital Energy for €13.5 million.
(2) Corresponds to the reclassification of Goodwill from ATS to operations held for sale by Tsebo.
(3) Corresponds to impairments recognized by Tsebo for €68.2 million and by Cromology for €7.5 million.

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 1-9.1 "Goodwill"). The Group's CGUs consist of the fully consolidated investments at December 31, 2019: Bureau Veritas, Constantia Flexibles, Cromology, Stahl, Tsebo and CPI.

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, 2019. 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 2019 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 2019 (€5.2 per share, or €835 million for the shares held) was significantly below their fair value (closing share price: €23.3 per share, or €3,741 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 of the subsidiaries, the value of Wendel's share in the capital is compared to the book value.

The tests performed at end-2019 did not result in the recognition of any impairment losses.

On the other hand, the tests carried out by Tsebo on its own CGUs led it to impair $76.2 million of goodwill and $41.4 million of intangible assets. In accordance with the Group's accounting principles, these impairment losses are reflected in Wendel's consolidated financial statements.

No test was carried out on CPI as the acquisition took place at the end of 2019; the acquisition price is considered to be representative of the fair value of this investment.

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)	642	272	118	26
Impairment	-	-	-	-
Net Book value after test (Group Share)	642	272	118	26
Business Plan length (years)	5 years	5 years	5 years	5 years
Discount rate				
as of Dec 31, 2019	8,0%	8,0%	9,0%	13,0%
as of Dec 31, 2018	8,0%	8,0%	9,0%	13,0%
impact on central case value in case of a 0.5% increase	- 11	-	-	-
impact on central case value in case of a 0.5% decrease	-	-	-	-
threshold at which value becomes inferior to the Net Book Value	8,4%	8,6%	23,6%	15,7%
Perpetual growth				
as of Dec 31, 2019	+ 2,0%	+ 1,5%	+ 2,0%	+ 5,3%
as of Dec 31, 2018	+ 2,0%	+ 2,0%	+ 2,0%	+ 5,5%
impact on central case value in case of a 0.5% increase	-	-	-	-
impact on central case value in case of a 0.5% decrease	-	- 1	-	-
threshold at which value becomes inferior to the Net Book Value	+ 1,4%	+ 1,0%	- 20,8%	+ 1,4%
impact on central case value in case of a 1.0% decrease in operational margin	- 50	- 23	-	-

NOTE 8. INTANGIBLE ASSETS

The accounting principles applied to intangible assets are described in notes 1-9.2 "Intangible assets", 1-9.3 "Other intangible assets" and 1-9.6 "Impairment of property, plant & equipment and intangible assets".

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

In millions of euros	12/31/2019	12/31/2018
Amount at beginning of the period	**1 903.9**	**2 181.8**
Acquisitions	46.4	52.8
Internally generated assets	13.6	5.3
Changes due to operations held for sale	-12.2	-178.9
Changes in scope (1)	36.2	82.6
Impact of currency translation adjustments and other	22.1	-31.7
Amortization and impairment losses for the year	-241.0	-208.0
Amount at end of the year	**1 769.0**	**1 903.9**

(1) In 2019, the changes in scope of consolidation mainly comprise the €16.7 million in acquisitions made by Bureau Veritas and the €3.5 million made by Tsebo.

NOTE 9. PROPERTY, PLANT & EQUIPMENT

The accounting principles applied to property, plant & equipment are described in notes 1-9.4 "Property, plant and equipment" and 1-9.6 "Impairment of property, plant and equipment and intangible assets".

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

	12.31.2019		
In millions of euros	Gross amount	Amortization and provision	Net amount
Land	104.3	-2.1	102.2
Buildings	452.8	-163.7	289.1
Plant, equipment, and tooling	1 927.6	-1 213.8	713.8
Property, plant and equipment in progress	63.5	-	63.5
Other property, plant & equipment	471.6	-348.9	122.8
Total property, plant and equipment	**3 019.8**	**-1 728.5**	**1 291.3**

	12.31.2018		
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
Property, plant and equipment in progress	75.1	-	75.1
Other property, plant & equipment	462.2	-332.3	129.9
Total property, plant and equipment	**2 872.3**	**-1 542.3**	**1 330.0**

The principal changes during the year were as follows:

In millions of euros	2 019	2018
Amount at beginning of the period	**1 330.0**	**1 406.1**
Acquisitions [(1)]	218.3	241.3
Divestments	-11.3	-12.9
Changes in scope of consolidation	8.7	28.4
Changes due to operations held for sale	-8.6	-93.5
Impact of currency translation adjustments and other	-5.8	-11.9
Amortization and impairment losses for the year	-239.9	-227.5
Amount at end of the year	**1 291.3**	**1 330.0**

(1) In 2019, the acquisitions concern mainly Bureau Veritas for €92.8 million and Constantia Flexibles for €94.3 million.

The rights of use arising from the application of IFRS 16 as of December 31, 2019 are composed of:

	12.31.2019		
In millions of euros	Gross amount	Amortization and provision	Net amount
Land	4.5	-	4.5
Buildings	559.5	-110.8	448.7
Plant, equipment, and tooling	3.2	-1.1	2.1
Other property, plant & equipment	111.1	-29.4	81.6
Total rights of use	**678.3**	**-141.4**	**536.9**

NOTE 10. EQUITY-METHOD INVESTMENTS

The accounting principles applied to equity-method investments are described in note 1-2 "Methods of consolidation".

In millions of euros	12/31/2019	12/31/2018
IHS	289.4	261.7
Allied Universal	-	132.8
Investments of Constantia Flexibles	0.3	148.4
Investments of Bureau Veritas	0.9	5.0
Investments of Tsebo	2.0	2.4
Investments of Cromology	1.5	1.4
Total equity-method investments	**294.0**	**551.7**

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

In millions of euros	2019
Amount at beginning of the period	**551.7**
Share in net income for the period	
Allied	-43.4
IHS	-79.0
Other	3.2
Dividends for the period	-2.5
Impact of changes in currency translation adjustments	7.3
Impact of the stock option plan in IHS	96.1
Sale Multicolor [(1)]	-147.5
Sale Allied Universal [(1)]	-93.6
Changes in scope of consolidation	0.8
Other	0.9
Amount at end of the year	**294.0**

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

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	12/31/2019	12/31/2018
Carrying values at 100%		
Total non-current assets	2 617.9	2 498.3
Total current assets	1 089.3	842.1
Goodwill adjustment (Wendel)	66.7	61.0
Total assets	**3 774.0**	**3 401.5**
Non-controlling interests	-	-
Total non-current liabilities	1 929.8	1 676.4
Total current liabilities	504.2	500.8
Total liabilities and shareholders' equity	**2 434.0**	**2 177.2**
including cash and cash equivalents	*800.1*	*553.2*
including financial debt	*1 830.0*	*1 657.4*

Note 10 - 2. Impairment tests on equity-method investments

No impairment test was performed on IHS because no indication of impairment was identified on this investment.

NOTE 11. CUSTOMERS

	12/31/2019			12/31/2018
In millions of euros	Gross amount	Impairment	Net amount	Net amount
Bureau Veritas	1 333.6	-78.2	1 255.4	1 408.8
Constantia Flexibles	149.6	-2.9	146.7	161.1
Cromology	96.6	-7.9	88.7	108.2
Stahl	153.3	-5.7	147.6	151.1
Tsebo	52.0	-0.9	51.0	59.4
CPI	7.7	-	7.7	-
Holding companies & others	0.4	-0.2	0.3	0.4
Total accounts receivable	**1 793.2**	**-95.8**	**1 697.4**	**1 889.0**

NOTE 12. CASH AND CASH EQUIVALENTS

The accounting principles applied to cash and cash equivalents are described in note 1-9.10 “Cash and cash equivalents pledged and unpledged”.

	12/31/2019	12/31/2018
in million euros	Net amount	Net amount
Pledged cash and cash equivalents of Wendel and its holding companies classified as non-current assets	16.6	0.5
Unpledged cash and cash equivalents of Wendel and its holding companies, classified as current assets	786.1	1 806.0
Cash and cash equivalents of Wendel and its holding companies[(1)]	**802.7**	**1 806.5**
Unpledged cash and cash equivalents of subsidiaries and other holding companies, classified as current assets		
Bureau Veritas	1 477.8	1 046.3
Constantia Flexibles	101.8	16.4
Cromology	86.5	83.4
Stahl	142.1	127.3
Tsebo	26.5	16.8
CPI	3.1	0.0
Other holding companies	0.8	2.2
Total cash and cash equivalents from investments	**1 838.6**	**1 292.4**
Total cash and cash equivalents	**2 641.3**	**3 098.9**
of which non-current assets	**16.6**	**0.5**
of which current assets	**2 624.7**	**3 098.4**

(1) To this cash was added €356.6 million of short-term financial investments (including €19.9 million in mutual funds) at December 31, 2019 and €283.7 million at December 31, 2018 (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 1-9.7 “Financial assets and liabilities” and 1-9.8 “Methods of measuring the fair value of financial instruments”.

Note 13 - 1. Financial assets

In millions of euros	Method of accounting for changes in fair value	Level	12/31/2019	12/31/2018
Pledged cash and cash equivalents of Wendel and its holding companies	Income statement	1	16.6	0.5
Unpledged cash and cash equivalents of Wendel and its holding companies	Income statement	1	785.9	1 806.0
Wendel's short-term financial investments	Income statement	1	356.6	283.7
Cash and short-term financial investments of Wendel and its holding companies			**1 159.1**	**2 090.1**
Cash and cash equivalents of subsidiaries	Income statement	1 and 3	1 838.8	1 292.4
Financial assets at fair value through equity – A	Equity	1	183.1	414.1
Financial assets at fair value through profit or loss	Income statement	N/A	90.2	57.1
Loans	Amortized cost	N/A	0.9	2.2
Deposits and guarantees	Amortized cost	N/A	111.6	96.4
Derivatives - B	Income statement and Sh. Equity	see B	22.2	61.0
Other			82.9	108.9
TOTAL			**3 488.7**	**4 121.3**
of which non-current financial assets, including pledged cash and cash			**497.1**	**717.4**
of which current financial assets, including cash and cash equivalents			**2 991.7**	**3 404.9**

Note 13 - 2. Financial liabilities

In millions of euros	Method of accounting for changes in fair value	Level	12/31/2019	12/31/2018
Derivatives - B	Income statement (1) Sh equity(2)	see B	12.3	25.7
Minority puts, earn-outs and other financial liabilities of subsidiaries - C	Income statement (1) Sh equity (2)	3	353.8	457.7
Minority puts, earn-outs and other financial liabilities of Wendel and holding companies - D	Income statement (1) Sh equity (2)	3	201.3	185.7
TOTAL			**567.4**	**669.1**
of which non-current financial liabilities			**454.9**	**456.7**
of which current financial liabilities			**112.5**	**212.4**

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

Note 13 - 3. Details of financial assets and liabilities

A – As of December 31, 2019, this item mainly includes the stake in Allied Universal in the amount of €180.9 million. This value is based on the price of the portion sold in December 2019 (see note 2 "Changes in scope of consolidation").

The change in the fair value of the Saint Gobain securities sold in 2019 was recorded in consolidated reserves under "Gains and losses on financial assets at fair value through other comprehensive income" for €56.4 million.

B – Derivatives:

		12/31/2019		12/31/2018	
In millions of euros	Level	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps - hedging of cash flows - E	2			-	-
Interest rate swaps - not qualifying for hedge accounting - E	2	2.1	5.9	2.9	5.8
Cross-currency swaps - hedging of cash flows - E	2	15.6	3.5	50.6	6.7
Optional component of bonds exchangeable for Saint-Gobain shares	2	-	-	0.1	-
Other derivatives – not qualifying for hedge accounting	2	4.5	2.9	7.4	13.2
TOTAL		**22.2**	**12.3**	**61.0**	**25.7**
of which non-current portion		***18.0***	***6.4***	***53.2***	***12.6***
of which current portion		***4.2***	***5.9***	***7.8***	***13.1***

C – Minority puts, earn-outs and other financial liabilities of subsidiaries: at December 31, 2019, this amount corresponds in particular to Bureau Veritas for €170.4 million and Stahl for €119.5 million (including the minority put granted to BASF – see note 34-5 "Shareholder agreements and co-investment mechanisms".) and Constantia Flexibles for €11 million. It is largely comprised of *minority* put options, deposits and securities received.

D – Minority puts, earn-outs and other financial liabilities of Wendel and holding companies: at December 31, 2019, 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".

E – 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)	12/31/2019	12/31/2018
In millions of euros	Sign convention: (+) assets, (-) liabilities					
Hedging of debt carried by Wendel						
$885M/€800M	Pay 2.23% in US dollars against 0.24% in euros(2) Other	Hedge	03-2016	11-2022	15.6	50.6
Hedging of subsidiaries' debt						
€80M	0.15% cap on Euribor		pre-closing	2022-2023	0.1	-
$270M	2.25% cap on Libor		pre-closing	12-2019	-	0.8
€180M	Pay 0.75% against Euribor	Hedge	pre-closing	04-2022	-4.6	-5.1
€200M	2.00% cap against Euribor		pre-closing	04-2022	2.2	2.0
1850MZAR	Pay 7.72% on Jibar		pre-closing	03/31/2021	-1.4	-0.7
	Other(3)				-3.5	-6.7
TOTAL					**8.3**	**40.9**

(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. EQUITY

Note 14 - 1. Total number of shares and treasury shares

	Par value	Total number of shares	Treasury shares	Number of shares outstanding
as of 12/31/2018	4 €	46 280 641	1 013 074	45 267 567
as of 12/31/2019	4 €	44 682 308	908 950	43 773 358

The reduction of 1,598,333 shares is due to:

- the sale of 47,005 shares as part of the exercise of stock option plans and the delivery of performance shares; and
- the cancellation of 1,645,338 shares.

As of December 31, 2019, 73,800 shares were held for the purposes of the liquidity contract.

As of December 31, 2019, Wendel held 835,150 of its shares in treasury outside the context of the liquidity contract (913,074 at December 31, 2018).

In total, treasury shares represented 2.03% of share capital as at December 31, 2019.

Note 14 - 2. Non-controlling interests

In millions of euros	*% interest of non-controlling interests as of December 31, 2019*	12/31/2019	12/31/2018
Bureau Veritas Group	64.1%	1 005.7	801.4
Constantia Flexibles Group	39.3%	257.8	265.2
Cromology Group	4.1%	11.6	-27.4
Stahl Group	32.5%	34.4	20.1
Tsebo Group	36.2%	70.4	103.0
CPI Group	4.0%	4.6	-
Other		8.1	-16.3
Total		**1 392.5**	**1 146.1**

NOTE 15. PROVISIONS

The accounting principles applied to provisions are described in notes 1-9.11 "Provisions" and 1-9.12 "Provisions for employee benefits".

In millions of euros	12/31/2019	12/31/2018
Provisions for risks and contingencies	136.2	200.4
Employee benefits	325.0	307.4
TOTAL	**461.2**	**507.8**
of which non-current	456.1	443.5
of which current	5.1	64.3

Note 15 - 1. Provisions for risks and contingencies

In millions of euros	12/31/2018	Additions	Reversals: used	Reversals: unused	Impact of discounting	Changes in scope of consolidation	Currency translation adjustments, reclassifications and other	12/31/2019
Bureau Veritas								
Disputes and litigation	44.3	3.5	-6.0	-6.0	0.2	0.2	0.1	36.3
Other	60.8	13.7	-16.1	-4.6	-	7.3	-25.2	35.9
Cromology	19.1	12.9	-7.4	-4.8	-	-	0.6	20.4
Stahl	1.4	-	-0.2	-	-	-	-	1.2
Constantia Flexibles	61.1	2.5	-57.8	-5.0	0.5	-	-	1.3
Operating subsidiaries	13.7	34.5	-7.1		-	-	-	41.0
TOTAL	**200.3**	**67.1**	**-94.5**	**-20.4**	**0.6**	**7.5**	**-24.5**	**136.2**
of which current	***64.3***							***5.1***

In millions of euros	12/31/2017	Additions	Reversals: used	Reversals: unused	Impact of discounting	Changes in scope of consolidation	Currency translation adjustments, reclassifications and other	12/31/2018
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
Mecatherm	7.5	0.2	-0.5	-	-	-	-7.2	-
NOP	0.3	-	-	-	-	-	-0.3	-
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**

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 civil liability. 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 may be recognized for any expenses that may arise from these disputes. The amount recognized in provisions is the best estimate of the expenditure required to settle the obligation, discounted to the balance sheet date taking into account available insurance guarantees. The costs that Bureau Veritas may be required to incur may exceed the amount of provisions for litigation due to numerous factors, notably the uncertain nature of the outcome of litigation.

The calculation of provisions for risks and contingencies as of December 31, 2019 notably takes into account the exceptional litigation that arose in 2004 in relation to the construction of a hotel and retail complex in Turkey.

As things stand, the outcome of this dispute remains uncertain although Bureau Veritas' lawyers are optimistic about the appeal decision. On the basis of the provisions set aside by Bureau Veritas, and based on the information known to date, it is believed that this claim will not have a material adverse impact on the consolidated financial statements of the Bureau Veritas Group.

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 litigation in respect of the squeeze-out of Constantia Packaging AG has been settled in the first half of 2019 for a net amount of €45 million. This amount is less than the provision that had been set aside.

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.
- In accordance with accounting standards, a provision has been recorded for the guarantee relating to the financing of Tsebo's investor B-BBEE (see note 34-6 "Other agreements entered into by the Wendel group in connection with its financing or acquisition or disposal transactions").

Note 15 - 2. Employee benefits

The breakdown by subsidiary was as follows:

In millions of euros	12/31/2019	12/31/2018
Bureau Veritas	192.8	185.6
Constantia Flexibles	70.7	64.6
Cromology	32.3	32.7
Stahl	28.2	22.8
Operating subsidiaries	1.2	1.7
TOTAL	**325.0**	**307.4**

The change in provisions for employee benefits break down as follows for 2019:

In millions of euros	12/31/2018	Services costs	Actuarial gains and losses	Benefits paid	Interest costs	Curtailments and settlements	Currency fluctuations and other	12/31/2019
Commitments								
Defined-benefit plans	254.4	6.1	19.5	-10.0	4.2	-0.8	7.4	280.9
Retirement bonuses	162.9	10.4	6.8	-12.9	2.5	1.5	0.9	172.0
Other	52.2	4.0	1.2	-6.1	3.6	0.6	-0.1	55.2
TOTAL	**469.5**	**20.4**	**27.5**	**-29.0**	**10.3**	**1.2**	**8.1**	**508.1**

In millions of euros	12/31/2018	Return on assets	Employer contributions	Actuarial gains and losses	Amounts used	Changes in scope of consolidation	Currency fluctuations and other	12/31/2019
Partially-funded plan assets								
Defined-benefit plans	141.9	2.4	3.9	11.1	-4.1	-	8.0	163.2
Retirement bonuses	11.4	-0.1	-0.1	-0.1	0.6	-	-0.2	11.4
Other	8.8	-0.1	-	-0.3	0.2	-	-	8.5
Total	**162.1**	**2.2**	**3.8**	**10.7**	**-3.4**	**-**	**7.8**	**183.1**

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

In millions of euros	12/31/2017	Services costs	Actuarial gains and losses	Benefits paid	Interest costs	Curtailments and settlements	Currency fluctuations and other	12/31/2018
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	-3.5	162.9
Other	61.8	3.2	-0.5	-5.9	1.5	-	-7.9	52.2
TOTAL	**475.7**	**18.9**	**-9.8**	**-27.1**	**7.7**	**2.5**	**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 of consolidation	Currency fluctuations and other	12/31/2018
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**

Liabilities on defined-benefit plans break down as follows:

In millions of euros	12.31.2019	12.31.2018
Unfunded liabilities	359.3	202.4
Partially or fully-funded liabilities	148.8	267.1
TOTAL	**508.1**	**469.5**

Defined-benefit plan assets break down as follows:

In millions of euros	12.31.2019	12.31.2018
Insurance Company funds	0%	0%
Equity instruments	20%	31%
Debt instruments	18%	18%
Cash and other	62%	51%

Expenses recognized on the income statement break down as follows:

In millions of euros	12.31.2019	12.31.2018
Expenses recognized on the income statement with respect to defined-benefit plans		
Service costs during the year	18.7	18.9
Interest costs	8.8	6.8
Expected return on plan assets	-2.3	-2.6
Past service costs	0.1	0.9
Actuarial gains and losses	10.2	-
Impact of plan curtailments or settlements	-20.4	-
TOTAL	**15.0**	**24.0**

6. 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.

France is the main contributor to the Pension Plans and other Long-Term Employee Benefits item.

The principal actuarial assumptions used to calculate these commitments are as follows: average discount rate of 1.0%, average salary increase rate of 2.5%.

7. 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 0.8% and 8%, salary increase rates, included between 3% and 7%, inflation rates between 1.4% and 4% and a rate of return on assets of between 1.6% and 2.1%.

8. 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 1% and 1.60%, inflation rate of between 0.70% and 1.75%, salary increase rate of between 1.20%, and 3.0%.

9. 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 1.4%, inflation rate of 1.6%, salary increase rate of 0.7%, and return on assets of 1.6%.

10. 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. In 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, 2019, 36 retirees and 6 employees of the Company benefited from the plan.

NOTE 16. FINANCIAL DEBT

Principal changes in 2019 are described in note 5-2 “Managing liquidity risk”.

In millions of euros	Currency	Coupon rate	Effective interest rate (1)	Maturity	Repayment	Total lines	12/31/2019	12/31/2018
Wendel & holding companies								
2019 bonds	EUR	5.875%	5.397%	09-2019	at maturity		-	212.0
2019 Saint-Gobain exchangeable bonds (2)	EUR	0.000%	1.342%	07-2019	at maturity		-	500.0
2020 bonds (2)	EUR	1.875%	2.055%	04-2020	at maturity		-	300.0
2021 bonds (2)	EUR	3.750%	3.833%	01-2021	at maturity		-	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
2026 bonds	EUR	1.375%	1.452%	04-2026	at maturity		300.0	-
2027 bonds	EUR	2.500%	2.576%	02-2027	at maturity		500.0	500.0
Syndicated loan	EUR	Euribor+margin		10-2022	revolving	750 MEUR		
Amortized cost of bonds and of the syndicated loan and deferred issuance costs							(4.0)	(7.4)
Other borrowings and accrued interest							27.8	39.9
Loans from non-controlling shareholders								73.8
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	500.0
2026 bonds	EUR	2.000%		09-2026	at maturity		200.0	200.0
2027 bonds	EUR	1.125%		01-2027	at maturity		500.0	-
Borrowings and debt from lending institutions – fixed rate							963.9	944.3
Borrowings and debt from lending institutions – floating rate							123.7	310.5
Finance lease liabilities							0.0	
Constantia Flexibles								
Bank borrowings	EUR	Euribor+margin		04-2022	at maturity		126.0	126.0
Bank borrowings	EUR	Euribor+margin		03, 04 and 10-2022	at maturity		308.0	306.0
Bank borrowings (EUR, RUB, INR, CNY)							62.0	77.6
Other borrowings and accrued interest							22.8	21.1
Finance lease liabilities							5.1	-
Deferred issuance costs							(1.1)	(1.6)
Cromology								
Bank borrowings	EUR	Euribor+margin		08-2021	at maturity		186.4	243.4
Revolving							-	77.0
Materis shareholder loans								2.4
Other borrowings and accrued interest							10.6	15.6
Finance lease liabilities							0.7	
Deferred issuance costs							(6.2)	
Stahl								
Bank borrowings	USD	Libor + margin		12-2021	amortizing		179.1	234.2
Bank borrowings	USD	Libor + margin		06-2022	amortizing		298.4	292.8
Bank borrowings (USD, CNY, INR)		floating rate		2021 to 2022	amortizing		11.3	16.0
Deferred issuance costs							(6.3)	(9.0)
Other borrowings and accrued interest								0.1
Tsebo								
Bank borrowings	ZAR	Jibar + margin		2022	amortizing		112.3	111.8
Bank borrowings	USD	Libor + margin		2023	amortizing		5.2	0.7
Deferred issuance costs							(2.3)	(2.8)
Other borrowings and accrued interest							6.3	7.9
Finance lease liabilities							2.8	
CPI								
Bank borrowings	USD	Libor+6%		10-2026	amortizing		286.4	
Revloving	USD	Libor+6%		11-2020	at maturity		8.9	
Deferred issuance costs							(3.6)	
TOTAL							**6 524.1**	**7 299.7**
of which non-current portion							**5 896.7**	**5 631.8**
of which current portion							**627.4**	**1 667.8**

(1) 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.

(2) See note 5 - 2.1: "Liquidity risk of Wendel and its holding companies".

Note 16 - 1. Operating lease liabilities

Liabilities related to operating leases are broken down among the Group's subsidiaries as follows:

	12/31/2019
Bureau Veritas	418.6
Constantia Flexibles	33.6
Stahl	17.6
Cromology	103.5
Tsebo	6.8
CPI	4.5
Operating subsidiaries	6.5
TOTAL	**591.0**
of which non-current portion	*458.2*
of which current portion	*132.8*

See note 1-1 on the first-time adoption of IFRS 16 "Leases".

Note 16 - 2. Financial debt maturity schedule

In millions of euros	Less than 1 year	Between 1 and 5 years	> 5 years	TOTAL
Operating subsidiaries				
Notional amount	-	-287.5	-1 300.0	-1 587.5
- interest(1)	-28.0	-172.0	-55.4	-255.4
Subsidiaries and associates				
- nominal	-408.9	-2 533.6	-1 966.0	-4 908.5
- interest(1)	-153.6	-364.8	-131.4	-649.7
TOTAL	**-590.5**	**-3 357.9**	**-3 452.7**	**-7 401.1**

(1) Interest is calculated on the basis of the yield curve prevailing on December 31, 2019. Interest on debt and interest rate hedges does not reflect interest earned on invested cash.

Note 16 - 3. Market value of gross financial debt

The fair value of bond debt is the market price on December 31, 2019.

In millions of euros	12.31.2019	12.31.2018
Wendel and holdings companies	1 765.8	2 655.6
Operating subsidiaries	4 968.4	4 693.7
TOTAL	**6 734.2**	**7 349.3**

NOTES TO THE INCOME STATEMENT

The accounting principles applied to the aggregates on the income statement are described in note 1-10.2 "Presentation of the income statement".

NOTE 17. REVENUE

The accounting principles applied to revenue are described in note 1-9.16 "Revenue recognition".

In millions of euros	2019	2018	% Change
Bureau Veritas	5 099.7	4 795.5	6.3%
Constantia Flexibles	1 534.3	1 538.2	-0.3%
Cromology	667.8	665.1	0.4%
Stahl	808.7	866.9	-6.7%
Tsebo	451.8	523.4	-13.7%
Total	**8 562.2**	**8 389.2**	**2.1%**

Consolidated net sales break down as follows:

In millions of euros	2019	2018
Sales of goods	3 002.8	3 066.2
Sales of services	5 559.4	5 323.0
Total	**8 562.2**	**8 389.2**

NOTE 18. OPERATING INCOME

In millions of euros	2019	2018
Bureau Veritas	721.3	637.2
Constantia Flexibles	6.5	50.7
Cromology	-3.1	-103.0
Stahl	113.0	135.2
Tsebo	-102.1	16.8
Wendel and holding companies	-112.0	-59.8
Other		-1.1
Total	**623.6**	**676.0**

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

In millions of euros	12.31.2019	12.31.2018
Constantia Flexibles	7.8	9.3
Cromology	2.5	4.0
Stahl	5.8	2.5

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

In millions of euros	2019	2018
Bureau Veritas	78 395	75 428
Constantia Flexibles	7 915	7 676
Cromology	3 508	3 646
Stahl	1 899	2 010
Tsebo	38 490	37 509
CPI	323	
Operating subsidiaries	91	93
TOTAL	**130 621**	**126 362**

NOTE 19. FINANCE COSTS, NET

In millions of euros	2019	2018
Income from cash and cash equivalents (1)	**5.4**	**-4.1**
Finance costs, gross		
Interest expense	-235.1	-243.7
Interest expense on loans from non-controlling shareholders	-3.3	-9.0
Deferral of debt issuance costs and premiums/discounts (calculated according to the effective interest method) (2)	-28.1	-16.4
Total finance costs, gross	**-266.8**	**-269.1**
TOTAL	**-261.4**	**-273.2**

(1) This item includes a negative amount of €2 million for Wendel and its holding companies, to which is added €7.4 million from returns on investments of subsidiaries, representing a total income of €5.4 million in 2019 (-€4.1 million in 2018).

(2) In 2019, this item includes -€19.1 million in financial expenses recorded on the operating lease liability recognized under IFRS 16 "Leases" and items calculated without any effect on cash.

NOTE 20. OTHER FINANCIAL INCOME AND EXPENSE

In millions of euros	2019	2018
Dividends received from unconsolidated companies (1)	5.1	19.1
Income on interest-rate, currency and equity derivatives	-16.6	30.4
Interest on other financial assets	0.2	1.8
Net currency exchange gains/losses	-20.6	-19.8
Impact of discounting	-7.3	-7.1
Cost of 2020 and 2021 bonds buy-out	-16.8	
Other (2)	31.0	-12.9
Total	**-25.2**	**11.5**

(1) This item includes dividends received from Saint Gobain, €4.1 million in 2019 and €18.4 million in 2018.

(2) In 2019, this item includes the reversal of Constantia's "squeeze out" provision and the unwinding of the co-investment of former Materis managers.

NOTE 21. TAX EXPENSE

The accounting principles applied to deferred taxes are described in note 1-9.13 "Deferred taxes".

In millions of euros	2019	2018
Current income tax payable	-266.2	-232.9
Deferred taxes	28.8	59.0
Total	**-237.4**	**-173.9**

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	2019	2018
Amount at beginning of the period	**-301.9**	**-400.3**
Income and expenses recognized in the income statement	28.8	59.0
Income and expenses recognized in other comprehensive income	-1.0	2.2
Income and expenses recognized in reserves	42.6	1.5
Reclassification under "Operations held for sale"	3.4	37.0
Changes in scope of consolidation	25.6	-10.3
Currency translation adjustments and other	2.9	9.4
Amount at end of the year	**-199.6**	**-301.9**

Uncapitalized tax losses amounted to €4,934 million for the Group as a whole, of which €4,398 million for Wendel and its holding companies.

As at December 31, 2019, deferred taxes are as follows:

In millions of euros	12/31/2019	12/31/2018
Origin of deferred taxes		
Post-employment benefits	75.4	66.3
Intangible assets	-418.3	-476.9
Recognized tax-loss carryforwards	71.3	65.7
Other items	72.0	43.0
	-199.6	**-301.9**
of which deferred tax assets	**217.2**	**208.3**
of which deferred tax liabilities	**-416.8**	**-510.2**

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 breaks down as follows:

In millions of euros	Wendel and holding companies	Operating subsidiaries	Total
Income before tax expense, net income from equity-method subsidiaries, and net income from discontinued operations and operations held for sale	-136.3	473.3	337.0
Theoretical amount of tax expense calculated on the basis of a rate of -34.43%	**46.9**	**-163.0**	**-116.0**
Impact of:			
Uncapitalized tax losses of Wendel/holding companies and transactions subject to reduced tax rates at the holding company level	-59.2		
Uncapitalized tax losses at the operating subsidiary level		-31.7	
Reduced tax rates and foreign tax rates at the operating subsidiary level		47.1	
CVAE tax paid by operating subsidiaries		-13.9	
Tax on div idends receiv ed from consolidated subsidiaries		-16.4	
Other	12.1	-59.3	
Actual tax expense	**-0.0**	**-236.9**	**-237.4**

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

In millions of euros	2019	2018
IHS	-79.0	-33.8
Constantia Flexibles (Multicolor)	-	-34.6
Allied Universal	-	-63.7
Other companies	0.8	0.6
TOTAL	**-78.2**	**-131.5**

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 1-9.15 “Assets held for sale and businesses being divested”.

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

Income from the disposal of discontinued operations mainly includes income from the disposal of the stake in Allied Universal (see note 2 "Changes in scope of consolidation") for €644.2 million, as well as income from the disposal of PlaYce for €7.4 million. In addition to these items, Allied Universal's result for the period is a loss of €43.3 million.

The €39.9 million in assets held for sale on the balance sheet include:

- assets at Tsebo related to the ATS business for €48 million; and
- assets at Stahl relating to several businesses in the process of divestment for a net amount of €7.3 million.

Liabilities held for sale appearing on the balance sheet for €15.4 million correspond to liabilities at Tsebo relating to the ATS business.

NOTE 24. EARNINGS PER SHARE

The accounting principles applied to earnings per share are described in note 1-10.3 “Earnings per share”.

In euros and millions of euros	2019	2018
Net income, Group share	399.7	45.3
Impact of dilutive instruments on subsidiaries	-0.4	-0.4
Diluted net income	**399.3**	**44.9**
Average number of shares, net of treasury shares	44 505 309	45 412 825
Potential dilution due to Wendel stock options (1)	135 361	287 219
Diluted number of shares	**44 640 670**	**45 700 044**
Basic earnings per share (in euros)	8.98	1.00
Diluted earnings per share (in euros)	8.95	0.98
Basic earnings per share from continuing operations (in euros)	-5.25	-2.76
Diluted earnings per share from continuing operations (in euros)	-5.24	-2.75
Basic earnings per share from discontinued operations (in euros)	14.23	3.75
Diluted earnings per share from discontinued operations (in euros)	14.19	3.73

(1) In accordance with 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	2019	2018
By Bureau Veritas	127.9	131.5
By Constantia Flexibles	105.5	107.0
By Cromology	11.2	28.1
By Stahl	26.8	16.1
By Tsebo	3.8	7.9
By Mecatherm	-	2.2
By CSP technologies	-	6.0
By Nippon Oil Pump	-	0.4
By Wendel and holding companies	1.0	0.4
TOTAL	**276.3**	**299.6**

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

Disposal of property, plant & equipment and intangible assets includes mainly Bureau Veritas and Cromology disposals amounting to €5.2 million and €3.1 million respectively.

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	2019	2018
By Bureau Veritas	56.5	112.8
By Constantia Flexibles	5.8	37.5
Stahl	-	50.0
By Stahl	-	2.5
By Tsebo	7.3	2.4
Allied Universal	-	67.5
By Wendel and holding companies	532.1	-
Other	-	10.0
TOTAL	**601.7**	**282.7**

NOTE 28. DISPOSAL OF EQUITY INVESTMENTS

In millions of euros	2019	2018
By Constantia Flexibles	148.7	9.0
By Bureau Veritas	6.0	400.0
Allied (1)	634.8	
PlaYce (1)	32.2	
Saint-Gobain (1)	467.4	
by Tsebo		1.8
CSP		302.8
Globex Africa		125.2
NOP		89.4
Mecatherm		85.6
Other		1.1
TOTAL	**1 289.1**	**1 014.9**

(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 2019, this item corresponds to cash and cash equivalents on businesses sold or to be sold such as HSE Consulting sold in 2019 by Bureau Veritas and ATS to be sold by Tsebo.

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.

NOTE 30. CHANGES IN OTHER FINANCIAL ASSETS AND LIABILITIES

In 2019, the amount is mainly explained by the change in Bureau Veritas' financial assets and liabilities.

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

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

The dividend received from Saint-Gobain represents an amount of €4.1 million.

The €87.5 million dividend received from Bureau Veritas was eliminated upon consolidation. It was paid in shares (see note 2 "Change in scope of consolidation").

NOTE 32. NET CHANGE IN BORROWINGS AND OTHER FINANCIAL LIABILITIES

Details of financial debt are shown in note 16 "Financial debt".

In millions of euros	2019	2018
New borrowings by:		
Wendel - Bond issue (1)	300.0	-
Bureau Veritas	720.0	834.6
Constantia Flexibles	2.9	38.5
Cromology	186.7	88.8
Tsebo	11.2	9.3
	1 220.8	**971.2**
Borrowings repaid by:		
Wendel - Repayment of bond issues (1)	1 219.0	349.8
Stahl	66.3	62.6
Bureau Veritas	717.5	166.4
Constantia Flexibles	19.1	37.7
Cromology	323.7	33.0
CSP Technologies	-	8.9
Tsebo	13.6	-
	2 359.2	**658.4**
TOTAL	**-1 138.4**	**312.8**

(1) See note 5 - 2.1 on liquidity risks of Wendel and its holding companies.

NOTE 33. OTHER FINANCIAL INCOME/EXPENSE

Other financial income/expense for the year 2019 correspond mainly to:

- disbursements of puts held by non-controlling interests;
- the settlement of the Constantia Flexibles squeeze out litigation;
- €20.4 million in premiums and issue costs paid by Wendel during bond buybacks and issues; and
- €69.9 million in short-term cash investments made on financial instruments that do not meet the accounting definition of cash.

OTHER NOTES

NOTE 34. OFF-BALANCE-SHEET COMMITMENTS

As of December 31, 2019, 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	12/31/2019	12/31/2018
Pledge by Constantia Flexibles Group entities of shares of the principal companies and of certain bank accounts and trade receivables as collateral for the repayment of the debt owed by the Constantia Flexibles Group.	523.9	530.7
Pledge by Cromology Group entities of shares of the principal companies and of certain bank accounts and trade receivables as collateral for the repayment of the debt owed by the Cromology Group.	197.8	334.1
Pledge by Stahl Group entities of shares of the principal companies and of certain bank accounts, trade receivables and assets as collateral for the repayment of debt owed by the Stahl Group.	488.8	543.0
Pledge by Tsebo Group entities of shares of the principal companies and of certain bank accounts and trade receivables as collateral for the repayment of the debt owed by Tsebo Group.	126.7	120.4
Pledge by CPI Group entities of shares of the principal companies and of certain bank accounts and trade receivables as collateral for the repayment of the debt owed by CPI Group.	295.3	
TOTAL	**1 632.4**	**1 528.2**

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, 2019 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 IHS and Tsebo, and in conjunction with the investment by BASF in Stahl's capital, the Group benefits from customary guarantees within certain limits and over variable periods depending on the type of guarantees involved, some of which may still be invoked. There are no outstanding claims in respect of these guarantees received.

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

In millions of euros	12/31/2019	12/31/2018
Market counter-guarantees and other commitments given		
by Bureau Veritas (1)	434.9	397.2
by Constantia	2.0	1.6
by Cromology	13.7	13.9
by Tsebo	4.0	3.5
by Stahl	4.3	
Total commitments given	**458.9**	**416.2**

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

Note 34 - 4. Subscription commitments

As of December 31, 2019, the Group (Wendel Lab) had undertaken to invest approximately €21.5 million in certain private equity funds.

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

As of December 31, 2019, the Wendel Group was party to a number of agreements governing its relationships with its co-investors, whether co-investors in its unlisted subsidiaries or holdings (Allied Universal, Constantia Flexibles, Crisis Prevention Institute, Cromology, IHS, Stahl and Tsebo) or managers (or former managers) of subsidiaries, relating to mechanisms aimed at aligning their interests with their respective companies' performance (Constantia Flexibles, Crisis Prevention Institute, Cromology, Stahl et 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, Tsebo and CPI 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 choice. 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 major shareholders have renewed, in connection with US regulations on Foreign Investment and National Security, (i) various commitments to the US Department of Defense, primarily bearing on the governance of the Company (including the appointment of two "independent" directors approved by the US authorities) and (ii) the commitment (by non-American shareholders) to take additional measures (dilution of their stake or restriction of their governance rights) aiming to dilute the influence of foreign interests in Allied

Universal in the event of a situation leading to the imposition of additional constraints in respect of this regulation; and

- 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, Crisis Prevention Institute, 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 (between the 6th anniversary and 12th anniversary of the completion of the joint investment, depending on the relevant agreement); and
- the handling of executive departures (commitment to sell shares 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: "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 on the situation, Wendel's holdings or the investments themselves) can be required to buy back or guarantee the buyback of the shares held by subsidiary managers (or former managers) in Constantia Flexibles, Crisis Prevention Institute, Cromology, Stahl and Tsebo. The value applied to these liquidity commitments is the market value determined by the parties or an independent appraiser.

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

As of December 31, 2019, based on the value of the investments included 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 investments or Wendel benefiting from liquidity rights granted by the fully consolidated companies is €40 million. The value of the portion of non-"pari passu" investments of co-investing managers of subsidiaries and managers of Wendel was €103 million.

In accordance with Group accounting principles, a portion of these amounts is recognized as liabilities of €39 million. The accounting principles applicable to co-investments are described in note 1-9.19 "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 €276 million is recognized in financial liabilities for put granted by Wendel and its holdings 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, 2019) 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. This guarantee from Wendel represented, at December 31, 2019 a total guaranteed amount of about ZAR431m (€27m), with it being specified that in the case of the guarantee being invoked against Wendel, the latter will be able to call on Capital Group to bear the percentage of the cost corresponding to its stake in Tsebo. In accordance with accounting rules, there was a provision in the accounts for this guarantee.

Note 34 - 7. Leases

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

In millions of euros	12/31/2019	12/31/2018
More than 5 years	115.0	97.0
1 to 5 years	279.7	246.4
Less than 1 year and accrued interest	113.9	130.3
TOTAL	**508.6**	**473.7**

These contracts give rise to the entry of a fixed asset and financial debt on the balance sheet in accordance with IFRS 16 "Leases" (see paragraph on the first application of IFRS 16 in note 1.1 "Standards, interpretations and amendments to existing standards that were mandatory in 2019").

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 1-9.18 “Stock subscription and stock purchase option plans”.

The total expense related to allocation of stock options or other share-based compensation for fiscal year 2019 was €24.6 million compared to €29.3 million in 2018.

In millions of euros	**2019**	**2018**
Stock options at Wendel	1.1	3.0
Grant of bonus shares at Wendel	2.1	5.5
Stock options at Bureau Veritas	2.1	2.5
Grant of bonus shares at Bureau Veritas	19.3	18.3
TOTAL	**24.6**	**29.3**

Pursuant to the authorization given by shareholders at their May 16, 2019 General Meeting, options giving the right to subscribe to 145,944 shares were allocated on July 8, 2019 with a strike price of €119.72 and a ten-year life. These options have the following features:

- a presence condition: the definitive allocation of all the options is subject to a presence condition of 2 years;
- a performance condition: each beneficiary will be able to exercise the options when the following performance conditions have been met:
  - the ordinary annual dividend from 2020 must be greater than or equal to the dividend paid the previous year.
  - the stability or growth of the ordinary dividend from one year to the next will be checked for each of the years at the end of the two years following the initial allocation date.

In 2019, these options were valued with a Monte-Carlo model, with the following main assumptions: an expected rate of return of 2%, and a central expected volatility of 22%. These options were valued by an independent expert at €17.0 per stock option. The expense has been spread over the options’ vesting period.

Under the authorization granted by shareholders at their May 16, 2019 General Meeting, the following performance shares plan was also granted on July 8, 2019:

- 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:
  - for 1/3 of the initial allocation, an absolute performance condition linked to Wendel's Total Shareholder Return over 3 years;
  - for 1/3 of the initial allocation, a performance condition linked to the Total Shareholder Return from the Wendel share over 3 years compared with the Total Shareholder Return of the SBF 120 index; and
  - for 1/3 of the initial allocation, a performance condition linked to the Total Shareholder Return from the Wendel share over 3 years compared with the Total Shareholder Return of a panel of 13 comparable listed investment companies.

These performance shares were valued with a Monte-Carlo model, with the following main assumptions: an expected rate of return of 2%, and expected returns from equity markets of 7.56%. The value of these performance shares has been estimated at €80.7 per performance share by an independent expert. The expense has been spread over the options’ vesting period.

Under the authorization granted by shareholders at their May 16, 2019 General Meeting, the following performance shares plan was also granted on July 8, 2019:

- a service condition: the definite allocation of the performance shares is subject to a four-year service condition;
- a performance condition: the definite allocation of performance shares is subject to the following conditions:
  - the ordinary annual dividend from 2020 must be greater than or equal to the dividend paid the previous year;
  - the stability or growth of the ordinary dividend from one year to the next will be checked for each of the years at the end of the period corresponding to the presence condition (4 years).

These performance shares were valued with a Monte-Carlo model, with the following main assumptions: an expected rate of return of 2%, and expected returns from equity markets of 7.56%. The value of these performance shares has been estimated at €111.6 per performance share by an independent expert. The expense has been spread over the options' vesting period.

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

Stock options	Number of options outstanding as of 12/31/2018	Options granted in 2019	Options canceled in 2019	Options exercised in 2019	Adjustment	Number of options outstanding as of 12/31/2019	Exercise price (€)	Average exercise price (€)	Average residual life	Number of exercisable options
Stock purchase options	8 572	-	-	-8 572	-	-	22.58	22.58	-	-
Stock purchase options indexed to NAV/share	696 570	-	-149 872	-39 288	-	507 410	from 44.32 to 134.43	87.45	5.20	322 017
Stock subscription options indexed to NAV/share	20 950		-	-20 950	-	-	18.96	18.96	-	-
Stock subscription options	-	145 944	-	-	-	145 944	119.72			-
	726 092	**145 944**	**-149 872**	**-68 810**	**-**	**653 354**				

Performance shares	Shares awarded as at December 31, 2018	Awards during the fiscal years	Definitive awards	Cancellations	Shares awarded as at December 31, 2019	Grant date	Vesting date
Plan 9-1	60 613	-	-30 064	-30 549	-	07/07/2017	08/07/2019
Plan 10-1	130 860	-	-	-20 947	109 913	06/07/2018	06/06/2021
Plan 11-1	-	91 833	-	-10 837	80 996	08/07/2019	08/07/2022
Plan 11-2	-	62 480	-		62 480	08/07/2019	10/07/2023
	191 473	**154 313**	**-30 064**	**-62 333**	**253 389**		

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

In thousands of euros	Services rendered in 2019 by	
	Deloitte Audit and Deloitte network entities	Ernst&Young Audit and EY network entities
Certification, review of parent company financial statements		
for Wendel SE	847	888
for its subsidiaries	2 507	4 001
Sub-total	3 354	4 889
Services other than certification of financial statements		
for Wendel SE	190	119
for its subsidiaries	474	968
Sub-total	664	1 087
TOTAL	**4 018**	**5 976**

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 Deloitte Audit, legal and tax services, due diligence, agreed procedures, social benefits, certifications.

NOTE 37. SUBSEQUENT EVENTS

Impact of Covid-19

Wendel is closely monitoring the impacts of the Covid-19 epidemic on the activity and financial structure of its subsidiaries and associates, and on the Group. Some of the Group's subsidiaries and associates are active in the regions most affected at the accounts closing date. 8.8% of 2019 consolidated revenues is generated in China and 3.5% in Italy. The Covid-19 virus epidemic does not have an impact on the accounting and financial situation of the Group at December 31 described in these consolidated financial statements since it is a post-closing event. The Group has taken the appropriate measures to protect its employees.

NOTE 38. LIST OF PRINCIPAL CONSOLIDATED COMPANIES AS OF DECEMBER 31, 2019

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	Sofiservice	France	Management of shareholdings
FC	100	Waldggen	France	Management of shareholdings
FC	100	Wendel Japan	Japan	Services
FC	99.5	Africa Telecom Towers	Luxembourg	Management of shareholdings
FC	100	Constantia Coinvestco GP	Luxembourg	Services
FC	100	CSP Technologies Parent	Luxembourg	Management of shareholdings
FC	99.6	Expansion 17	Luxembourg	Management of shareholdings
FC	100	Wendel Lab	Luxembourg	Management of shareholdings
FC	99.5	Global Performance 17	Luxembourg	Management of shareholdings
FC	100	Ireggen	Luxembourg	Management of shareholdings
FC	100	Karggen	Luxembourg	Management of shareholdings
FC	100	Materis Investors	Luxembourg	Management of shareholdings
FC	100	Mecatherm GuarantCo	Luxembourg	Management of shareholdings
FC	99.5	Oranje-Nassau Développement SA SICAR	Luxembourg	Management of shareholdings
FC	100	Oranje-Nassau Développement NOP	Luxembourg	Management of shareholdings
FC	100	Oranje-Nassau GP	Luxembourg	Services
FC	100	Oranje-Nassau Mecatherm	Luxembourg	Management of shareholdings
FC	100	Oranje-Nassau Parcours	Luxembourg	Management of shareholdings
FC	100	Parfimat	Luxembourg	Management of shareholdings
FC	100	Matsa	Luxembourg	Management of shareholdings
FC	100	Trief Corporation	Luxembourg	Management of shareholdings
FC	100	Winvest Conseil	Luxembourg	Services
FC	100	Winvest International SA SICAR	Luxembourg	Management of shareholdings
FC	100	Win Securitization 2	Luxembourg	Management of shareholdings
FC	100	NOP Europe	Belgium	Management of shareholdings
FC	100	Wendel North America	United States	Services
FC	100	Wendel London	United Kingdom	Services
FC	100	Wendel Africa	Morocco	Services
FC	100	Wendel Singapore	Singapore	Services
FC	**60.6**	**Constantia Flexibles and its subsidiaries**	**Austria**	**Flexible packaging**
FC	**35.9**	**Bureau Veritas and its subsidiaries**	**France**	**Certification and verification**
FC	**95.9**	**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**
FC	**63.8**	**Tsebo and its subsidiaries**	**Africa**	**Services to businesses in Africa**
FC	**99.6**	**CPI and its subsidiaries**	**United States**	**Crisis prevention training**

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.

Wendel

Société européenne

89, rue Taitbout

75009 Paris

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2019

This is a translation into English of the statutory auditors' report on the financial statements of Wendel SE issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

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

Wendel

Société européenne

89, rue Taitbout

75009 Paris

Statutory auditors' report on the consolidated financial statements

For the year ended 31 December 2019

To the annual general meeting

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 2019.

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 2019 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 January 1 2019 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 (code de déontologie) for statutory auditors.

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 2019, of standard IFRS 16 “Lease” and interpretation IFRIC 23 “Uncertainty over Income Tax Treatments”. 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 acquisition and divestment of portfolio companies

Risk identified

As part of its investment activity, Wendel regularly sells portfolio companies. The main transactions undertaken by Wendel in 2019 were the divestment of 79% of its equity stake in Allied Universal in December 2019, the divestment of Saint Gobain shares, generating net gain on disposal of, respectively, € 645 million and € 56,5 million.

Moreover, on December 23, 2019, Wendel has acquired Crisis Prevention Institute (CPI) from FFL Partners for an enterprise value of $ 910 million.

These transactions are described in Notes 2-1. and 38 to the consolidated financial statements.

We deemed the accounting treatment of divestments to be a key audit matter as they are significant events of the period.

We considered the recognition and presentation of the acquisition of CPI to be a key audit matter given the material amount of the assets acquired and liabilities assumed and the judgment required to identify and measure assets and liabilities in accordance with IFRS 3.

Our response

We held discussions with the Finance department, the investment teams and the Legal department in order to gain an understanding of the transactions, particularly the different stages leading respectively to the acquisition and divestment, and the main agreements with the stakeholders.

We obtained and evaluated whether the main legal documents and analyses carried out by Wendel or its advisors in relation to these divestments, such as divestment agreements, details of cash flows and commitments granted, had been properly reflected in the consolidated financial statements.

- Regarding the divestment of Allied Universal, we reperformed the calculation of the gain on disposal determined on the Wendel entire ownership interest. Based on our review of the shareholders agreement concluded with the new stakeholders, and in accordance with IAS 28, we assessed the loss of control and influence resulting from the transaction. We finally reviewed the presentation of the 6% remaining stake as a financial asset under IFRS 9.

- Regarding the sale of 14.1 million of Saint Gobain shares, we verified the calculation of the gain on disposal and its presentation in the consolidated financial statements in accordance with IFRS 9.
- For the acquisition of CPI, we gained an understanding of the terms of the acquisition agreement and the processes implemented by management to analyze and recognize the acquisition of CPI and its opening balance sheet.

Measurement of goodwill

Risk identified

As of December 31, 2019 the Goodwill net book value amounts to € 4 112 million, i.e. 28% of the total balance sheet. Goodwill is broken down by Cash Generating Units (CGUs) corresponding to each operating subsidiary (Bureau Veritas, Constantia Flexibles, Stahl, Cromology, Tsebo, CPI).

An impairment loss is recognized if the recoverable amount of goodwill as determined during the annual impairment test carried out on each CGU or group of CGUs, falls below its carrying amount. In addition, when an impairment loss is recognized by the operating subsidiary on one of its CGU or group of CGUs, this loss is maintained in Wendel's consolidated financial statements, as described in Note 1-9.1 to the consolidated financial statements.

As described in Note 7 to the consolidated financial statements, as a result of the impairment tests performed by the management of Wendel and/or its subsidiaries, an impairment of goodwill of € 75,8 million was recognized for the year ended December 31, 2019.

We determined the measurement of goodwill is 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 flow forecasts, requires management to exercise a high degree of judgment and estimation.

Our response

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

We examined the annual goodwill impairment tests carried out by Wendel and its operating subsidiaries with the assistance, when appropriate, of the subsidiaries' auditors and with the support of our valuation experts. We adjusted the extent of our work to take into account the level of impairment risk 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 applicable accounting standards;
  - Examining the projected cash flows in relation to 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 operating margin rate used in terminal year with the margin rates of actual and historic 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 rate).
- For the other CGUs or groups of CGUs, our work consisted in holding discussions with the management of Wendel and/or the operating subsidiary to assess the reasonableness of the cash flows and key assumptions used (long-term growth rate, operating margin used in terminal year and discount rates);

We also assessed the appropriateness of the disclosures provided in Notes 1-9.1 and 7 to the consolidated financial statements, in particular those related to the sensitivity analysis carried out by Wendel's management.

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

Risk identified

As of December 31, 2019, equity-method investments amounted to €294 million in the consolidated balance sheet and their contribution to consolidated net income was a loss of € (78) million as detailed in Notes 10 and 22 to the consolidated financial statements.

Net income from equity-method investments mainly comprised Wendel's investment in the company IHS. As Wendel's management considers that the Company exercises significant influence on IHS, this company is recognized using the equity method.

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 detail of financial information required by Wendel to prepare its consolidated financial statements are more limited than for controlled subsidiaries, thereby increasing the complexity of analyzing their contributions.

Our response

We held discussions with Wendel's Finance Department to gain an understanding of the procedures implemented by the Company to verify the quality of the IHS financial information used to prepare Wendel's consolidated financial statements (the "Financial Information").

We transmitted detailed instructions to the auditors of IHS and obtained an audit opinion on the Financial Information as well as a summary of the significant issues identified as part of their work. We held discussions with the auditors of this equity investment concerning the audit risks, the extent of their diligences, the nature of the procedures implemented and their findings. Where appropriate, we examined some items in their working files.

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 allow its managers and managers of unlisted subsidiaries

(Constantia Flexibles, Cromology, Stahl, Allied Universal, Tsebo and CPI) to invest their personal funds 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 or may lose their investment if a certain level of return is not achieved. Several years after the initial investment, in the absence of a divestment or an IPO, Wendel is committed to buy back the share invested by the managers in order to ensure liquidity.

The accounting treatment of these mechanisms is based on their settlement method. Until the settlement method is not definitive, the investments are accounted for based on the settlement method determined as most likely. This accounting treatment is described in Note 1-9.19 to the consolidated financial statements.

Accordingly, as of December 31, 2019, the related financial liabilities for the not settled co-investment mechanisms amounted to € 39 million. The commitments to buy back the share invested by managers of Wendel and subsidiaries disclosed as off-balance sheet commitments amount to € 40 million for "pari passu" investments with the same profile of risk and return as Wendel, and amount to € 103 million for non "pari passu" investments, as described in Note 34-5 to the consolidated financial statements.

We deemed the accounting treatment of 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 recognition or not of a liability reflecting the commitment to buy back the share invested by the managers at their fair value (depending on the settlement method considered the most likely as of December 31, 2019) requires a high degree of judgment from management;
- These investments are made by managers, some of whom are related parties.

Our response

We held 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 analyzed the conformity of the accounting treatment applied by Wendel with the Group's accounting policies, as set out in Note 1-9.19 to the consolidated financial statements.

For the co-investment mechanisms for which the most likely redemption is a disposal or an IPO, we assessed the reasoning underlying management's decision not to recognize a liability by looking at the redemption of previous co-investments. In this case, we paid particular attention to the co-investment mechanisms for which the liquidity commitment granted by Wendel to its managers will end soon, by determining in particular through our consultation of the minutes of meeting of the governing 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 off-balance sheet commitments set out in Note 34-5 to the consolidated financial statements and those concerning transactions with related parties set out in Note 3.1, and controlled 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 required 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 the code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. 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 16 May 2019 for Deloitte & Associés and on 15 November 1988 for ERNST & YOUNG Audit.

As at 31 December 2019, Deloitte & Associés and ERNST & YOUNG Audit were in the first year and thirty-second year of total uninterrupted engagement respectively.

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 a report to the Audit Committee 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, if any, significant deficiencies 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) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics (Code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, 18 March 2020

The Statutory Auditors

French original signed by

ERNST & YOUNG Audit	DELOITTE & ASSOCIES
Jacques Pierres	Mansour Belhiba

“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.”

WENDEL

Societas Europea with an Executive Board and a Supervisory Board with capital of €180,632,988

89, rue Taitbout – 75312 Paris Cedex 09
Tél. : 01 42 85 30 00 – Fax : 01 42 80 68 67

March 2020

WWW.WENDELGROUP.COM

Wendel
@WendelGroup
WendelGroup