



# WENDEL

## LETTER TO SHAREHOLDERS

OCTOBER 2018

# First-half 2018 Results

## KEY FIGURES

**€172.7**

**NAV/share** as of August 24, 2018  
up 4.2% over 12 months

**€4.2 billion**

**Net sales** in H1 2018, up 3.1%

Net income from operations,

**up 1.4%**

**of €240.4 million**

Dear Shareholders,

The first half of 2018 was a very positive one for Wendel. Our net asset value (NAV), the most relevant indicator for an investment company, reflected the Group's good performance, rising 4.2% over 12 months to €172.7 per share as of August 24, 2018. Bernard Gautier and I are satisfied with the positive momentum our companies experienced in the first half. With the exception of Cromology, where senior management changes have been made, all of them posted sound organic growth. Bureau Veritas, for example, realized organic growth of 3.5%.

During the first half, our investment team focused on the development of the companies in our portfolio, which have carried out 22 acquisitions since the beginning of the year. The most significant of them was Allied Universal's acquisition of U.S. Security Associates («USSA»). With this transaction, Allied Universal's combined *pro forma* revenue totals approximately \$7 billion.

Alongside these value-creating transactions, we took advantage of the very favorable conditions in the current seller's market to simplify our portfolio. In early March, we announced the sale of Wendel's stake in Saham Group for \$155 million. At the end of August, we finalized the sale of CSP Technologies to AptarGroup, generating net proceeds of \$342 million. Finally, in September we finalized the sale of Mecatherm to Unigrains for an enterprise value of €120 million. All told, these different transactions represent a net cash amount of more than €500 million.

Over the next few months, we intend to continue taking advantage of the opportunity to realize gains in our portfolio and deploy our capital in new companies that meet our rigorous investment criteria and present a potential for long-term value creation. Finally, Moody's has assigned Wendel a Baa2 rating with a stable outlook, confirming the improvement in our financial structure over the past few years. This rating is one notch above that of Standard & Poor's.

I will be particularly pleased to meet you and discuss these numerous subjects with you at our shareholders' meeting during the Actionaria trade show on November 22, 2018.

**André François-Poncet, Chairman of the Executive Board**

## RESULTS

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On September 6, 2018, Wendel published its H1 2018 earnings and net asset value (NAV).

**Net asset value as of August 24, 2018 of €172.7 per share,  
up 4.2% over 12 months**

<b>(in millions of euros)</b>			<b>08/25/2017</b>	<b>08/24/2018</b>
<b>Listed equity investments</b>	<u>Number of shares</u>	<u>Share price<sup>(1)</sup></u>	<b>4,162</b>	<b>4,456</b>
Bureau Veritas	177.2m	€19.7 / €22.2	3,497	3,937
Saint-Gobain	14.2m	€46.9 / €36.7	664	519
<b>Unlisted investments and Oranje-Nassau Développement<sup>(2)</sup></b>			<b>4,535</b>	<b>4,726</b>
<b>Other assets and liabilities of Wendel and holding companies<sup>(3)</sup></b>			<b>146</b>	<b>94</b>
Cash and marketable securities <sup>(4)</sup>			1,863	1,251
<b>Gross asset value</b>			<b>10,706</b>	<b>10,526</b>
Wendel bond debt and accrued interest			- 2,882	- 2,533
<b>Net Asset Value</b>			<b>7,824</b>	<b>7,993</b>
<i>Of which net debt</i>			- 1,019	- 1,282
<i>Number of shares</i>			47,195,153	46,280,641
<b>Net Asset Value per share</b>			<b>€165.8</b>	<b>€172.7</b>
Average of 20 most recent Wendel share prices			€129.8	€124.4
<b>Premium (discount) on NAV</b>			<b>- 21.7%</b>	<b>- 28.0%</b>

(1) Average share price of the 20 trading days prior to August 25, 2017 and August 24, 2018.

(2) Unlisted equity investments (Cromology, Stahl, IHS, Constantia Flexibles, Allied Universal) and Oranje-Nassau Développement (Nippon Oil Pump, Saham, Mecatherm, exeeet, CSP Technologies, PlaYce, Tsebo and indirect investments and debt). As per previous NAV calculation as of May 2, 2018, IHS Towers valuation as of August 24, 2018 was solely performed based on EBITDA to account for dynamism / early-stage development structure. Saham (signed in March 2018), CSP Technologies and Mecatherm (both signed in July 2018) deals were taken into account in the August 24, 2018 NAV calculation. MCC shares owned by Constantia Flexibles are valued at their last 20 trading days average.

(3) Includes 1,495,057 Wendel shares held in treasury as of August 25, 2017 and 873,479 as of August 24, 2018.

(4) Cash position and financial assets of Wendel & holdings. As of August 24, 2018, this comprises €0.9bn of cash and cash equivalents and €0.3bn short term financial investment.

Assets and liabilities denominated in currencies other than the euro have been converted at exchange rates prevailing on the date of the NAV calculation.

If co-investment conditions are realized, there could be a dilutive effect on Wendel's percentage ownership. These items have been taken into account in the calculation of NAV. See page 274 of the 2017 Registration Document.

## Results of first-half 2018

The Wendel Group's consolidated sales totaled €4,175.4 million, up 3.1% overall and organically.

At the net income from operations level, the deconsolidation of Saint-Gobain, following the June 2017 sale of shares, and the sale of the Labels division of Constantia Flexibles were not fully offset by the improvement in the earnings of the main Group companies. As a result, the overall contribution of the subsidiaries to net income from operations was €336.7 million, down 5.7% from H1 2017.

Financial expenses, operating expenses and taxes were down 19.7%, totaling €96.4 million (€120.0 million in H1 2017). This reduction was concentrated in the financial expense line item and mostly resulted from gross debt reduction. Specifically, borrowing costs declined by 32.7% between H1 2017 and H1 2018, from €52.1 million to €35.0 million. However, the decline of the US dollar had a negative impact of €14.1 million on the Group's cash and financial investments in 2017 (-€28.0 million in H1 2017).

Non-recurring net result was a loss of €41.2 million in H1 2018 vs. a loss of €24.4 million in H1 2017. In H1 2017, the non-recurring loss in Wendel's consolidated statements derived principally from a dilution loss on IHS (-€31.7 million) as well as asset impairment and other non-recurring items (-€7.8 million), which were not entirely offset by the accounting gain of €84.1 million following the deconsolidation of Saint-Gobain at the end of H1 2017.

In comparison, the non-recurring loss recognized in 2018 resulted from the following items:

- a €32.7 million positive change in fair value of the embedded call options of the exchangeable bond into Saint-Gobain shares;
- a €17.6 million impairment on the intangible assets of Cromology's Italian division; and
- a €56.3 million expense made up of other non-recurrent items, almost entirely attributable to portfolio companies.

Wendel's consolidated net income was thus €115.3 million in H1 2018, compared with €125.8 million in H1 2017. Net result, Group share was -€0.9 million, vs. €31.3 million in H1 2017.

## H1 2018 consolidated results

(in millions of euros)	H1 2017	H1 2018
Contribution from subsidiaries	357.0	336.7
Financing, operating expenses and taxes	- 120.0	- 96.4
<b>Net income from operations<sup>(1)</sup></b>	<b>237.1</b>	<b>240.4</b>
<i>Net income from operations,<sup>(1)</sup> Group share</i>	85.7	72.2
Non-recurring net income	- 24.4	- 41.2
Impact of goodwill allocation	- 86.8	- 83.8
<b>Total net income</b>	<b>125.8</b>	<b>115.3</b>
<i>Net income, Group share</i>	31.3	- 0.9

(1) Net income before goodwill allocation entries and non-recurring items.

## Stahl welcomes a new CFO

Frank Sonnemans will join Stahl on January 1, 2019 as Chief Financial Officer, taking over from Bram Drexhage, who is retiring.

A graduate of the university VU Amsterdam, Frank Sonnemans began his career at Unilever in 1985. He held various positions including Director of M&A and Vice-President, Investor Relations. Since 2013 he has been CFO at Kendrion N.V., a supplier of specialized electromagnetic systems listed on NYSE Euronext Amsterdam.

Huib van Beijeren, CEO of Stahl, speaks very highly of the group's new hire, whom he qualifies as an «ideal candidate» to succeed Bram Drexhage and pursue the work of creating value.



## Senior management changes at Cromology

Following the appointment last June of Pierre Pouletty as Chairman of Cromology, Loïc Derrien was appointed as CEO at the end of August. This management change will support and accelerate the implementation of Cromology's new strategic orientation, which Wendel initiated in 2017. This reorientation has already led to Cromology refocusing the scope of its activities on Europe and North Africa and launching an ambitious transformation program aimed at improving long-term operating and financial performance.

Gilles Nauche, Cromology's former CEO, remains associated with Wendel as a Senior Advisor.



**Pierre Pouletty**

Over 17 years with the IPH group, Pierre Pouletty built a European leader in the distribution of industrial supplies with sales of €1.4 billion and recently presided over the merger with Brammer, the company's UK counterpart.



**Loïc Derrien**

Loïc Derrien had been General Manager of the PPG group's decorative paint business since 2010, first for Southern Europe and then for the EMEA-South region. He was also Chairman of the Board of Directors of PPG Architectural Coatings France.

## Appointments at Bureau Veritas

On August 31, certification specialist Bureau Veritas announced certain management changes. François Chabas was promoted to the position of Executive Vice-President and CFO and will join Bureau Veritas's Executive Committee. Previously, François Chabas was CFO of the Europe region. Other appointments: Nicolas Tissot has been named Special Advisor to Didier Michaud-Daniel, CEO of the group, and Pascal Quint has been named as the group's Legal Director.



**François Chabas**

## Allied Universal acquires U.S. Security Associates for approximately \$1 billion

In July, Allied Universal, US leader in security services, announced that it had signed an agreement with a view to acquiring U.S. Security Associates («USSA») for approximately \$1 billion.

USSA is one of the leading providers of security and related services in the United States, employing more than 50,000 security professionals serving several thousand clients across a wide range of industries.

USSA generated 2017 *pro forma* revenue and adjusted EBITDA of ca. \$1.5 billion and \$95 million, respectively.

Allied Universal will fund the transaction with a combination of additional indebtedness and up to \$200 million of equity from existing shareholders, including up to \$80 million from Wendel, which will increase its total investment to \$380 million.

The combination will significantly enhance Allied Universal's business presence in the United States as well as its customer service capabilities. It will also expand its activities in Canada, Central America and the United Kingdom. The transaction will lead to approximately \$55 million in annual synergies over the next 24 months. Allied Universal will employ more than 200,000 security professionals and generate combined *pro forma* annual revenue of approximately \$7 billion.

The transaction should be finalized in the second half of 2018, subject to the necessary regulatory approvals.

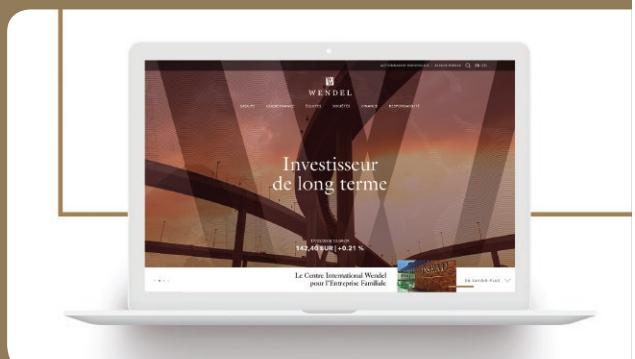


## Wendel's website has been given a facelift

Full screen. Esthetic and clear. Lots of images. Wendel's new-look website is now right in line with current internet browsing trends.

You'll notice that the «Individual shareholders» area is now accessible directly from the home page. This functionality will enable you to find the information you want more easily.

Visit us at: [www.wendelgroup.com/en/](http://www.wendelgroup.com/en/) >



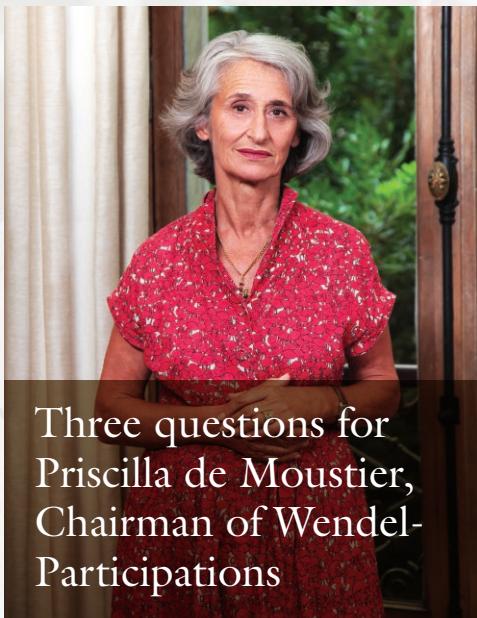
## Bureau Veritas has launched a new group website

Last summer, Bureau Veritas launched its new group website. Updated contents and a more user-friendly browsing experience await you.

Visit the new site here: <https://group.bureauveritas.com> >



From now on, each edition of your Letter to Shareholders will include a section called «Family Business». In this initial publication, you'll find an interview with Priscilla de Moustier, Chairman of Wendel-Participations.



### Three questions for Priscilla de Moustier, Chairman of Wendel- Participations

#### **1/ Last June, you took the helm at Wendel-Participations, once again separating the functions of Chairman of Wendel's Supervisory Board and of Wendel-Participations. What does this mean for you?**

**Priscilla de Moustier:** The separation of functions has already worked successfully in the past, with even a triumvirate composed of Pierre Celier – Hubert Leclerc de Hauteclocque – Louis-Amadée de Moustier at one time, and more recently, Ernest-Antoine Seilliére and François de Wendel sharing management responsibility.

In my opinion, this separation is constructive, because the interests of Wendel's Supervisory Board and of Wendel-Participations are each handled in their entirety.

That said, I work in close collaboration with Nicolas ver Hulst, Chairman of the Supervisory Board. We meet and exchange ideas regularly. Sharing is our *modus operandi*. This setup enables me to focus on family shareholder issues and on the work required to lead a family group composed of more than 1,000 people! One of my principal objectives is to foster commitment among family shareholders by improving their knowledge of Wendel's role of professional shareholder. Only through dialog can this be accomplished. This is how I would like to characterize our Family Day, which will bring together shareholders of the Wendel family, heads of our portfolio companies and members of the Wendel team.

#### **2/ You represent Wendel-Participations at the Family Business Network. What is the role of this organization?**

**Priscilla de Moustier:** The Family Business Network (FBN) is the world's leading network of family-owned enterprises, with 3,600 corporate members and 16,000 individual members across 65 countries. The members of the FBN are companies of all sizes, from SMEs to large international groups. This organization aims to put the managers of family-owned enterprises in contact with each other so as to foster interaction and research on a variety of topics related to the development of their businesses, their family character, and their contribution to sustainable development.

I have been Vice-President of the French chapter of the FBN since its founding 20 years ago. In this context, I have often had the opportunity to promote our astonishing family history. In 2014, I joined the Board of directors of the FBN's international structure. The FBN also devotes a lot of time and energy to the «Next Gen» program, which consists in involving the up-and-coming generations in the development of family-owned enterprises. It is they who innovate and create numerous initiatives and look at the economy with fresh eyes. Capitalizing on their expertise is essential for ensuring that family-owned enterprises continue to prosper.

#### **3/ In your opinion, what are the strengths of family-owned enterprises?**

**Priscilla de Moustier:** Family-owned enterprises generate two-thirds of the world's gross domestic product. The French SBF 120 index is 50% composed of family-owned enterprises. According to a study carried out by Crédit Suisse Research Institute on 1,000 family-owned enterprises around the world, these companies achieve better financial performance overall than other companies, either on the stock market or in their financial statements. In a family-owned structure the long-term view holds sway. Resisting the pressure of quarterly or half-yearly results so as to concentrate on long-term challenges is a source of performance.

Family-owned enterprises are also recognized for their commitment to corporate social responsibility, which is central to their strategy for long-term growth and development.

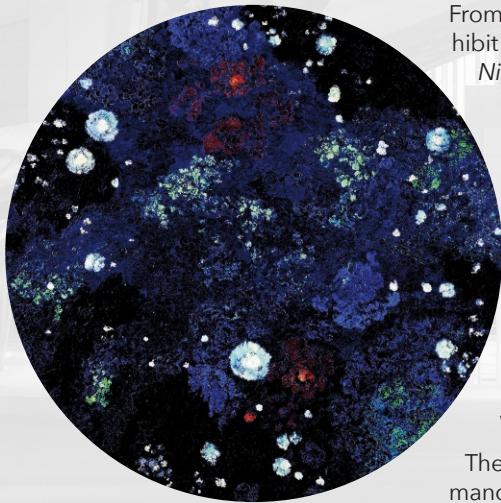
Around the world, and particularly in Asia, family businesses are attracting a great deal of interest (see item below). In conclusion, family-owned enterprises play a fundamental role in the global economy. I am very honored to represent the family shareholders of Wendel.

### A South Korean delegation comes to Paris

For the second time this year, the Wendel International Center for Family Enterprise at Insead organized a meeting between a South Korean delegation, one of the Center's partners, and Priscilla de Moustier in Wendel's Paris offices. This meeting served as an opportunity to promote the vitality of family-owned enterprises, which include Wendel.



# Nightfall at the Centre Pompidou-Metz



From October 13 until April 15, 2019, the Centre Pompidou-Metz will host an exhibit on the theme of «night» in modern and contemporary painting: *Painting the Night*. Historically, the night has often been a source of inspiration for artists, insinuating itself into their work and their creative processes.

The title of the exhibit - *Peindre la Nuit* in French - contains an intentional ambiguity. Indeed, «night painting» can mean representing the night or painting at night, painting the dark or painting in the dark. It implies a choice: see better or give up seeing altogether. To explore this ambivalence, the exhibit's curator, Jean-Marie Gallas, has brought together the work of around a hundred artists.

True to the spirit of the Centre Pompidou-Metz, *Painting the Night* does not limit itself to painting, but shows how painting resonates with music, literature, photography and the moving image and evokes the parallels with other art forms.

The exhibit will be accompanied by a wealth of associated events: live performances, workshops, talks, etc.

Augusto Giacometti, *Ciel étoilé (Voie lactée)* 1917  
Bündner Kunstmuseum Chur, Schenkung aus Privatbesitz

For further information, please visit:  
[www.centre pompidou-metz.fr/en/welcome >](http://www.centre pompidou-metz.fr/en/welcome >)

## In Praise of Parisian women

On September 9, 2018, 11 Wendel employees ran the seven kilometers of *La Parisienne*, a 100% women's footrace. For this 22nd edition, the streets of Paris took on New York airs, in honor of this year's theme. The women of the «Wendel Running Team» took part collegially in the event, a portion of whose receipts were donated to the French medical research foundation's combat against breast cancer.

Bravo to all participants!



## Did You know ?

Tsebo, the pan-African leader in corporate services, prepares around **126,000 meals per day** in 500 different kitchens. Because nutritional balance and food safety are very important to Tsebo, the company has six dieticians and 29 health and safety workers responsible for food safety. The team has developed a variety of good production practices related to several aspects of food lifecycles.

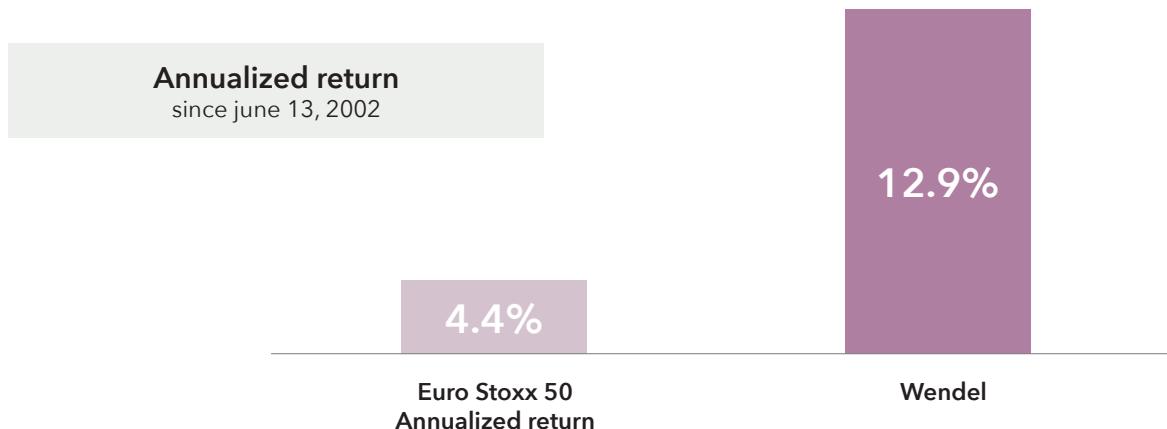
# Save The Date!

Shareholders' meeting on 11/22/2018

As part of the Actionaria trade show to be held on November 22-23, 2018 at the Palais des Congrès (Paris), Wendel is organizing a shareholders meeting on **Thursday November 22, at 2 p.m.** in room 243. The members of the Executive Board, André François-Poncet and Bernard Gautier, will be on hand to present the latest news concerning the Company and answer your questions.



## Annualized return as of 8/24/2018



*Source: FactSet. Average of TSRs calculated over the 20 trading days prior to August 24, 2018.*

## Next on the agenda

### Thursday November 22, 2018

Shareholders' meeting - Actionaria trade show

### Thursday November 29, 2018

Investor Day 2018 / Publication of NAV and trading update (pre-market release)

### Thursday March 21, 2019

Publication of 2018 full-year earnings and NAV as of December 31, 2018 (pre-market release)

### Thursday May 16, 2019

2019 Annual Shareholders' Meeting / Publication of NAV as of March 31, 2019 and Q1 trading update (pre-market release)

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