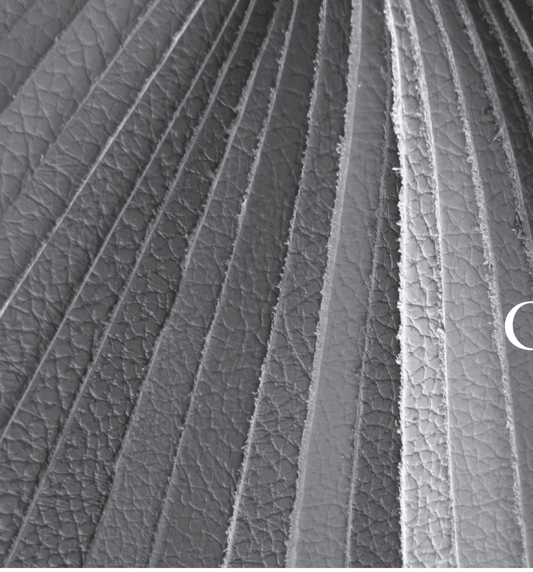
CONSOLIDATED FINANCIAL STATEMENTS

as of December 31

2017

MORE THAN 310 YEARS OF HISTORY

WENDEL



CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017

1 Balance sheet – Statement of consolidated financial position

Assets

In millions of euros	Note	12/31/2017	12/31/2016
Goodwill, net	6 and 7	3,575.0	3,669.3
Intangible assets, net	6 and 8	2,181.8	2,238.8
Property, plant & equipment, net	6 and 9	1,406.1	1,635.9
Non-current financial assets	6 and 13	1,383.3	385.5
Pledged cash and cash equivalents	6 and 12	0.7	0.7
Equity-method investments	6 and 10	534.3	2,413.2
Deferred tax assets	6	195.2	200.9
TOTAL NON-CURRENT ASSETS		**9,276.4**	**10,544.2**
Assets of operations held for sale	**23**	**20.5**	**2.0**
Inventories	6	481.1	508.5
Trade receivables	6 and 11	1,897.5	1,899.0
Other current assets	6	347.7	283.6
Current income tax assets	6	85.0	70.5
Other current financial assets	6 and 13	422.5	442.2
Cash and cash equivalents	6 and 12	1,905.3	2,561.3
TOTAL CURRENT ASSETS		**5,139.1**	**5,765.0**
TOTAL ASSETS		**14,435.9**	**16,311.2**

Liabilities

In millions of euros	Note	12/31/2017	12/31/2016
Share capital		185.0	188.4
Share premiums		48.7	36.3
Retained earnings & other reserves		1,730.5	2,399.8
Net income for the period – Group share		200.0	-366.8
		2,164.2	**2,257.7**
Non-controlling interests		1,092.5	1,039.4
TOTAL SHAREHOLDERS' EQUITY	**14**	**3,256.7**	**3,297.2**
Long-term provisions	6 and 15	465.1	465.3
Financial debt	6 and 16	6,416.2	7,577.7
Other non-current financial liabilities	6 and 13	575.9	518.2
Deferred tax liabilities	6	595.6	677.9
TOTAL NON-CURRENT LIABILITIES		**8,052.8**	**9,239.1**
Liabilities of operations held for sale	**23**	**17.1**	**0.0**
Short-term provisions	6 and 15	59.4	66.1
Financial debt	6 and 16	712.7	1,367.2
Other current financial liabilities	6 and 13	289.9	403.1
Trade payables	6	900.7	850.2
Other current liabilities	6	1,039.1	984.2
Current income tax payable	6	107.5	104.1
TOTAL CURRENT LIABILITIES		**3,109.3**	**3,774.9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**14,435.9**	**16,311.2**

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of Bureau Veritas' Non-destructive Testing business in Germany and the assets and liabilities of Cromology's Argentine subsidiary Colorin have been reclassified as "Assets and liabilities of discontinued operations and operations held for sale" as of December 31, 2017 (see note 2 "Changes in scope of consolidation").

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

2 Consolidated income statement

In millions of euros	Note	2017	2016
Net sales	6 and 17	8,329.1	7,682.7
Other income from operations		18.5	17.3
Operating expenses		-7,606.1	-6,928.0
Gains/losses on divestments		-3.9	2.8
Assets impairment		-40.9	1.2
Other income and expense		-12.8	-99.6
OPERATING INCOME	**6 AND 18**	**683.9**	**676.3**
Income from cash and cash equivalents		-35.1	26.8
Finance costs, gross		-396.4	-387.9
Finance costs, net	6 and 19	-431.5	-361.1
Other financial income and expense	6 and 20	71.8	-121.1
Tax expense	6 and 21	-178.3	-201.7
Net income (loss) from equity-method investments	6 and 22	41.0	-268.6
NET INCOME BEFORE INCOME FROM DISCONTINUED OPERATIONS AND OPERATIONS HELD FOR SALE		**186.9**	**-276.3**
Net income from discontinued operations and operations held for sale	23	347.2	135.2
NET INCOME		**534.1**	**-141.1**
Net income - non-controlling interests		334.1	225.7
NET INCOME - GROUP SHARE		**200.0**	**-366.8**

In euros	Note	2017	2016
Basic earnings per share	24	4.41	-8.05
Diluted earnings per share	24	4.24	-8.38
Basic earnings per share from continuing operations	24	-0.23	-10.42
Diluted earnings per share from continuing operations	24	-0.41	-10.75
Basic earnings per share from discontinued operations	24	4.64	2.37
Diluted earnings per share from discontinued operations	24	4.65	2.37

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

- the gain on divestments by Constantia Flexibles' Labels division as well as the contribution by that division for 2016 and for the 10-month period up to its actual disvestment date in 2017 (see note 2 “Changes in scope of consolidation”);
- net income from deconsolidation of Bureau Veritas' French Non-destructive Testing business, the fair value adjustment of assets located in Germany related to the Non-destructive Testing business and their 2017 contribution;
- the 2017 contribution of Cromology's subsidiary Colorin, which is currently being sold.

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

3 Statement of comprehensive income

In millions of euros	2017 Gross amounts	2017 Tax effect	2017 Net amounts	2016 Gross amounts	2016 Tax effect	2016 Net amounts
Items recyclable into net income						
Currency translation reserves[1]	-431.3	-	-431.3	84.3	-	84.3
Gains and losses on qualified hedges[2]	106.3	0.5	106.8	-43.8	0.1	-43.7
Gains and losses on assets available for sale[3]	-87.1	-	-87.1	8.7	-	8.7
Earnings previously recognized in shareholders' equity taken to the income statement	-	-	-	3.0	-0.2	2.8
Items non-recyclable into net income						
Actuarial gains and losses	-16.3	4.4	-12.0	-52.4	11.8	-40.6
Other	-	-	-	-3.1	-	-3.1
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN SHAREHOLDERS' EQUITY (A)	**-428.4**	**4.8**	**-423.5**	**-3.3**	**11.7**	**8.4**
Net income for the period (B)			534.1			-141.1
TOTAL INCOME AND EXPENSES RECOGNIZED FOR THE PERIOD (A)+(B)			**110.6**			**-132.6**
Attributable to:						
■ shareholders of Wendel			-66.5			-382.2
■ non-controlling interests			177.0			249.6

(1) This item notably includes negative contributions from Bureau Veritas, IHS, CSP Technologies and Saint-Gobain in the amounts of €217.0 million, €73.3 million, €26.0 million and €26.9 million respectively.

(2) Of which €101.6 million related to the change in the fair value of cross currency swaps recorded by Wendel (see note 5 – 5.1 "Managing currency risk – Wendel").

(3) The main impact relates to changes in the fair value of Saint-Gobain shares in the negative amount of €58.5 million, Constantia Flexibles' Multi-Color shares in the negative amount of €29.4 million and Saham shares in the positive amount of €0.8 million (see note 13-3 "Details of financial assets and liabilities").

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

4 Statement of changes in shareholders' equity

In millions of euros	Number of shares outstanding	Share capital	Share premiums	Treasury shares	Retained earnings & other reserves	Currency translation adjustments	Group share	Non-controlling interests	Total shareholders' equity
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2015	**46,029,229**	**192.0**	**31.7**	**-203.3**	**2,950.3**	**11.2**	**2,982.0**	**972.5**	**3,954.5**
Income and expenses recognized directly in shareholders' equity (A)		-	-	-	-64.8	49.4	-15.4	23.9	8.4
Net income for the period (B)					-366.8	-	-366.8	225.7	-141.1
TOTAL INCOME AND EXPENSES RECOGNIZED FOR THE PERIOD (A)+(B)[1]		**-**	**-**	**-**	**-431.5**	**49.4**	**-382.2**	**249.6**	**-132.6**
Dividends paid[2]					-98.7	-	-98.7	-251.7	-350.4
Movements in treasury shares	-443,662	-3.8	-	-46.0	-	-	-49.9	-	-49.9
Capital increase									
▪ exercise of stock options	37,200	0.1	2.8				3.0	-	3.0
▪ company savings plan	23,486	0.1	1.7				1.8	-	1.8
Share-based payments					20.7		20.7	16.1	36.7
Changes in scope of consolidation[3]					-71.2	-12.5	-83.6	-49.8	-133.4
Autres [4]					-120,1	-15,2	-135,3	102,8	-32,5
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2016	**45,646,253**	**188.4**	**36.3**	**-249.3**	**2,249.5**	**32.9**	**2,257.7**	**1,039.4**	**3,297.2**
Income and expenses recognized directly in shareholders' equity (A)		-	-	-	23.1	-289.6	-266.5	-157.1	-423.5
Net income for the period (B)					200.0	-	200.0	334.1	534.1
TOTAL INCOME AND EXPENSES RECOGNIZED FOR THE PERIOD (A)+(B)[1]		**-**	**-**	**-**	**223.2**	**-289.6**	**-66.5**	**177.0**	**110.6**
Dividends paid[2]					-107.3	-	-107.3	-163.3	-270.6
Movements in treasury shares	-167,219	-3.8	-	-45.5	-	-	-49.3	-	-49.3
Capital increase									
▪ exercise of stock options	89,275	0.4	10.8				11.2	-	11.2
▪ company savings plan	15,499	0.1	1.6				1.7	-	1.7
Share-based payments					16.1		16.1	10.4	26.5
Changes in scope of consolidation [3]					137.8	27.0	164.8	201.8	366.6
Autres [4]					-64,2	-	-64,2	-172,9	-237,1
SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2017	**45,583,808**	**185.0**	**48.7**	**-294.8**	**2,455.1**	**-229.8**	**2,164.2**	**1,092.5**	**3,256.7**

(1) See "Statement of comprehensive income".
(2) In 2017, Wendel paid a cash dividend of €2.35 per share, for a total of €107.3 million. In 2016, Wendel paid a dividend of €2.15 per share, for a total of €98.7 million.
(3) In 2017, changes in the scope of consolidation included €183 million related to the Stahl BASF transaction (€115 million in Group share), €52.2 million in income from the sale of Bureau Veritas shares (Group share), and €131.6 million (mainly minority interests) related to the acquisition of Tsebo. In 2016, this item included the acquisition of Bureau Veritas shares for €37.6 million in Group share and a €9.2 million change in minority interests. The changes in scope of consolidation are broken down in note 2 "Changes in scope of consolidation".
(4) Other changes include the impact of the puts by minority shareholders, notably the recognition by Stahl of the put by minority shareholders granted to BASF, the adjustments to the value of the put by minority shareholders granted to Clariant over Stahl and the Bureau Veritas put by minority shareholders (see note 33 "Off-balance-sheet commitments").

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

5 Consolidated cash flow statement

In millions of euros	Note	2017	2016
Cash flows from operating activities			
Net income		534.1	-141.1
Share of net income/loss from equity-method investments		-41.0	268.6
Net income from discontinued operations and operations held for sale		-347.2	-98.2
Depreciation, amortization, provisions and other non-cash items		502.6	565.7
Expenses on investments and divestments		45.1	3.6
Cash flow from companies held for sale		-9.2	4.1
Gains/losses on divestments		2.8	-1.8
Financial income and expense		359.7	495.6
Taxes (current & deferred)		178.3	199.8
Cash flow from consolidated companies before tax		1,225.2	1,296.3
Change in working capital requirement related to operating activities		-117.3	39.3
NET CASH FLOWS FROM OPERATING ACTIVITIES, EXCLUDING TAX	**6**	**1,107.9**	**1,335.6**
Cash flows from investing activities, excluding tax			
Acquisition of property, plant & equipment and intangible assets	25	-301.1	-329.0
Disposal of property, plant & equipment and intangible assets	26	12.7	14.4
Acquisition of equity investments	27	-515.1	-356.9 (1)
Disposal of equity investments	28	1,927.1	1,460.1
Impact of changes in scope of consolidation and of operations held for sale	29	27.6	-30.0
Changes in other financial assets and liabilities and other	30	-195.0	296.7
Dividends received from equity-method investments and unconsolidated companies	31	20.5	46.5
Change in working capital requirements related to investment activities		13.4	-43.3
NET CASH FLOWS FROM INVESTING ACTIVITIES, EXCLUDING TAX	**6**	**990.0**	**1,004.7**
Cash flows from financing activities, excluding tax			
Proceeds from issuance of shares		12.8	4.8
Contribution of non-controlling shareholders		-5.4	1.0
Share buybacks:			
▪ Wendel		-49.3	-49.9
▪ Subsidiaries		-48.7	-42.9
Transaction with non-controlling interests		98.9	-53.7(1)
Dividends paid by Wendel		-107.3	-98.7
Dividends paid to non-controlling shareholders of subsidiaries		-163.3	-250.8
New borrowings	32	729.3	2,265.5
Repayment of borrowings	32	-2,465.1	-1,980.9
Net finance costs		-329.0	-394.6
Other financial income/expense		-100.0	-142.9
Change in working capital requirements related to financing activities		-47.2	-45.4
NET CASH FLOWS FROM FINANCING ACTIVITIES, EXCLUDING TAX	**6**	**-2,474.4**	**-734.8**
Cash flows related to taxes			
Current tax expense		-239.1	-268.6
Change in tax assets and liabilities (excl. deferred taxes)		-6.5	-0.4
NET CASH FLOWS RELATED TO TAXES	**6**	**-245.6**	**-269.0**
Effect of currency fluctuations		-34.0	2.3
Net change in cash and cash equivalents		-656.1	1,338.8
Cash and cash equivalents at beginning of period		2,562.0	1,223.2
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6 AND 12**	**1,905.9**	**2,562.0**

(1) In 2016, the acquisition of Bureau Veritas shares was reclassified from net cash flows from investing activities to net cash flows from financing activities.

The principal components of the consolidated cash flow statement are detailed beginning 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 Constantia Flexibles’ Labels division were kept in each of the cash flow categories until June 30, 2017, when the division was reclassified to “Discontinued operations and operations held for sale.” Cash as of June 30, 2017 was reclassified to “Impact of changes in scope of consolidation and of operations held for sale” in the amount of €23.9 million.

The contribution of Constantia Flexibles’ Labels division to the main cash-flow categories as 2017 was as follows:

In millions of euros	2017
Net cash flows from operating activities, excluding tax	35.3
Net cash flows from investing activities, excluding tax	-15.8
Net cash flows from financing activities, excluding tax	-13.2
Net cash flows related to taxes	-5.9

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

6 General principles

Wendel is an European company with an Executive Board and a Supervisory Board, governed by European and French legislative and regulatory provisions 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, 2017, the Wendel Group was primarily comprised of:

- fully consolidated operating companies: Bureau Veritas (40.6% net of treasury shares), Cromology (87.9%)[(1)] which in turn is composed of the holding companies Materis and Cromology, Stahl (63.4%), Constantia Flexibles (60.6%) and the companies grouped under Oranje-Nassau Développement: Mecatherm (98.6%), CSP Technologies (98.3%), Nippon Oil Pump (99.0%) and Tsebo (64.7%) (see note 2 "Changes in scope of consolidation");
- operating companies consolidated by the equity method: IHS (21.3%), Allied Universal (33.0%), Saint-Gobain (6.4% before partial sale) until the date of the sale of a block of 3.9% of the share capital (see note 2 "Changes in scope of consolidation"), exceet (28.4% net of treasury shares) until the date of sale (see note 2 "Changes in scope of consolidation") and PlaYce (previously SGI Africa, (40.0%), the latter two companies being grouped under Oranje-Nassau Développement; and
- Wendel and its fully consolidated holding companies.

The consolidated financial statements of the Wendel Group cover the 12-month fiscal year from January 1 to December 31, 2017 and are expressed in millions of euros. They include:

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

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

These financial statements were finalized by Wendel's Executive Board on March 13, 2018 and will be submitted for shareholders' approval at the General Meeting of shareholders.

(1)

SOMMAIRE DÉTAILLÉ DES NOTES ANNEXES

7 Notes

NOTE 1 Accounting principles

Wendel's consolidated financial statements for the fiscal year ended December 31, 2017 have been prepared in accordance with IFRS (International Financial Reporting Standards) principles and methods as adopted by the European Union on December 31, 2017, 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.

Except for the adoption of new standards and mandatory enforcement interpretations for the years beginning on January 1, 2017, the accounting principles used are the same as those used in preparing the annual consolidated financial statements for the year ended December 31, 2016, corresponding to the IFRS reference as adopted by the European Union, which is available on the EU Commission website:

"http://ec.europa.eu/finance/company-reporting/standards-interpretations/index_fr.htm"

Note 1-1 Standards, interpretations and amendments to existing standards that were mandatory in 2017

The Group has adopted standards and texts applicable from the fiscal year beginning on January 1, 2017. These standards, interpretations and amendments are listed below:

- Amendments to IAS 7 "Disclosure initiative – Statement of cash flows";
- Amendments to IAS 12 "Recognition of deferred tax assets for unrealized losses".

Note 1-2 Standards, interpretations and amendments to existing standards, for which early adoption was not applied in the 2017 financial statements

In general the Group has not opted for early adoption of standards and interpretations applicable to accounting periods beginning on or after January 1, 2016, whether or not they were adopted by the European Commission. In particular, the Group has not applied the amendments and standards presented below, to fiscal year 2017, which might more particularly concern it:

- IFRS 9 "Financial instruments": this new standard aims to replace IAS 39, "Financial instruments: recognition and measurement". This standard must mandatorily be applied for fiscal periods opened starting not later than January 1, 2018. It discusses the classification, measurement and recognition of financial assets and liabilities. It introduces new hedge accounting rules and a new impairment model for financial assets.

  The main impacts related to the application of this standard affect the Saint-Gobain, Multi-Color and Saham shares held by the Group (see note 13 "Financial assets and liabilities"). Their change in value recognized in retained earnings and other reserves will no longer be recycled as profit or loss upon disposal. The impact of this new standard on trade receivables, cross-currency swap hedge accounting (see note 13 "Financial assets and liabilities") and renegotiations of bank borrowings should be insignificant given the size of the Group;
- IFRS 15 "Revenue from contracts with customers": the standard specifies the rules for the recognition of revenue, regardless of the types of contracts entered into by the entity with its customers. This standard must mandatorily be applied for fiscal periods opened starting not later than January 1, 2018. Wendel Group companies reviewed the impact of IFRS 15 on the principles of recognition of their various types of contracts, in particular, Bureau Veritas and Mecatherm.

  Bureau Veritas did not identify any significant impact as of January 1, 2018. In most cases, for contracts that have an enforceable right to payment or meet the condition of non-performance for the services rendered as of the closing date, the percentage-of-completion method was maintained.

Mecatherm, which now recognizes revenue utilizing the percentage-of-completion method for a portion of its long-term contract operations, and upon completion, for after-sales service operations, reviewed the consequences of IFRS 15 on its practices and its organization and does not expect any significant impact on its financial statements;

- IFRS 16 "Leases", application mandatory for fiscal periods opened starting not later than January 1, 2019. Under this new standard, an asset (right to use the leased property) and a financial debt are recognized in the balance sheet for almost all leases, except for short-term leases or for low-value properties. The Group is currently assessing the impact that this standard will have on its financial statements.

Note 1-3 Method of consolidation

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

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

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

- the consolidated financial statements for the year ended December 31, 2017 of Bureau Veritas, Constantia Flexibles, Cromology, IHS, Allied Universal, Stahl, CSP Technologies, Mecatherm, Nippon Oil Pump, PlaYce (the last four companies are included in the Oranje-Nassau Développement sub-Group);
- the consolidated financial statements of Tsebo for the 11-month period following the acquisition, *i.e.* from February 1 to December 31, 2017;
- the consolidated financial statements of Saint-Gobain for the period from January 1 to May 31, 2017;
- the exceet consolidated financial statements for the period from January 1 to September 30, 2017, the reporting date closest to the sale of exceet by the Group; and
- for all other companies, their individual financial statements for the 12-month fiscal year ended December 31, 2017.

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 2017 are presented in note 2 "Changes in scope of consolidation". The main subsidiaries consolidated as of December 31, 2017 are presented in note 37 "List of principal consolidated companies".

Note 1-5 Business combinations

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

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

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

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

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

As of December 31, 2017, in the absence of any specific IFRS guidance, this financial liability was offset:

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

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

Note 1-7 Intercompany asset sales and transfers

Gains and losses on the sale or transfer of assets between consolidated companies have been eliminated from income and the assets have been maintained at their initial value, except in the event of losses deemed permanent, for which an impairment charge is recognized on the income statement.

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

Wendel presents its financial statements in euros.

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

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

	Closing rate		Average rate	
	December 31, 2017	December 31, 2016	2017	2016
EUR/USD	1.1993	1.0541	1.1270	1.1062

Note 1-9 Use of estimates

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the amounts reported in such financial statements. These estimates and judgments are based on Wendel's and its subsidiaries' appreciation of the facts and circumstances existing at the balance sheet date, as well as on information available on the date the accounts were finalized. They are established based on Group management's past experience and various other factors deemed reasonable, such as market data or the work of an independent appraiser, and are reviewed on a regular basis. The uncertainty has complicated forecasting, and actual amounts could therefore be different from the forecasts.

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

Note 1-10 Measurement rules

Note 1-10.1 Goodwill

Goodwill represents the difference between the cost of acquiring a company and the Group's share of the fair value of its net assets, liabilities, and identifiable contingent liabilities on the date of acquisition. The identifiable assets and liabilities of the acquired company that meet the IFRS recognition criteria are recognized at their fair value at the date of the acquisition. Adjustments in the fair values of assets and liabilities acquired as part of business combinations and initially recognized on the basis of temporary values (because of ongoing appraisals or outstanding additional analyses) are recognized as retroactive goodwill adjustments if they occur within 12 months after the acquisition date. Thereafter, such adjustments are recognized directly on the income statement unless they are made in correction of errors. The revised version of IFRS 3 "Business combinations" provides that goodwill may be applied to non-controlling interests, if the Group so chooses. goodwill is presented, where applicable, net of any cumulative recognized loss in value.

Goodwill is not amortized, but is instead tested for impairment at least once per year, on December 31, or more frequently if there is any indication that it may be impaired. Indications of impairment may include, in particular, a significant or prolonged decline in the share price of a listed company, a difference in net income compared with budget, or a deterioration in the environment in which a company operates. For these tests, goodwill is broken down by Cash Generating Units (CGUs); each operating subsidiary (Bureau Veritas, Constantia Flexibles, Cromology, Stahl, CSP Technologies, Mecatherm, Nippon Oil Pump and Tsebo) corresponding to a CGU. goodwill impairment losses are recognized on the income statement under "Assets impairment" and cannot be reversed.

Whenever an operating subsidiary identifies an impairment loss on a CGU recognized within its scope of consolidation (and not recognized at the level of the Wendel Group), this loss is maintained at the level of Wendel's consolidation, with this being the case even if the analysis conducted by Wendel on the subsidiary's goodwill does not show any impairment. This stance has been taken to allow Wendel to recognize unrealized losses as soon as they appear, as they would inevitably be recognized anyway if the subsidiary were to sell the CGU showing such losses.

Goodwill pertaining to equity-method investments is included in the carrying amount of these companies and therefore not presented separately (IAS 28 "Investments in Associates and Joint Ventures", s.23). It is therefore not subject to a separate impairment test, as the value of equity-method investments is subject to a separate test, goodwill included. Hence, as regards equity-method shareholdings, in the event of an improvement in their value justifying an impairment writeback, the portion of the impairment pertaining to goodwill is also written back. Impairment losses and the gain or loss on divestments and dilution are recognized in the income statement under "Net income from equity-method investments".

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

Note 1-10.2 Intangible assets

1. Brands of the Bureau Veritas, Cromology, Mecatherm 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 relations of the Bureau Veritas, Constantia Flexibles, Cromology, CSP Technologies, Nippon Oil Pump, Stahl and Tsebo Groups

The value of these assets corresponds to the margin expected to be generated over the residual lives of contracts in force at the date Wendel assumed control, taking into account contract renewals where such renewals are considered probable based on historical statistical data. These contracts and client relationships are therefore amortized over the period used for the calculation of each contract category (from 5 to 23 years, depending on the contract and subsidiary).

Note 1-10.3 Other intangible assets

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

Note 1-10.4 Property, plant & equipment

Property, plant & equipment are recognized at their historical cost, determined at the time of acquisition of these assets or at fair value in the event of a business combination. Historical cost includes all costs directly attributable to the acquisition or construction of the assets concerned, in particular borrowing costs that are directly attributable to the acquisition or production of the property, plant & equipment during the accounting period prior to being brought into service.

Property, plant & equipment other than land and investment properties are depreciated on a straight-line basis over a period corresponding to their probable useful life. The depreciation basis for property, plant & equipment is its historical cost less the residual value, *i.e.* the value expected at the end of the asset's useful life, after allowing for any divestment costs.

The useful life duration utilized for buildings is from 10 to 50 years; and, from 3 to 10 years, for industrial facilities as well as for equipment and tooling.

Assets that the Wendel Group has acquired under long-term or other leases where the risks and rewards of ownership have been substantially transferred to the Group are accounted for as finance leases and are depreciated on a straight-line basis over their estimated useful life, as described above.

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

In accordance with IAS 36 "Impairment of assets", the value in use of property, plant & equipment, and intangible assets is tested when there is an indication of impairment. These tests are performed either when there is an indication of a loss of value, or once a year for assets having indefinite useful lives, which in Wendel's case is limited to goodwill and brands. Impairment losses are recognized on the income statement under "Assets impairment".

Note 1-10.6 Financial assets and liabilities

Financial assets include investments in unconsolidated companies, operating receivables, debt securities, marketable securities, derivatives, and cash. Financial liabilities include borrowings, other funding sources and bank overdrafts, derivatives, operating liabilities, and certain liquidity commitments on the Group's shares held by certain co-shareholders (see note 33-5 "Shareholder agreements and co-investment mechanisms"). Financial assets and liabilities are recognized and measured in accordance with IAS 39 "Financial instruments: recognition and measurement". In accordance with IFRS 13 "Fair value measurement", the value of financial assets and liabilities was adjusted for the impact of Wendel's own credit risk.

1. Financial assets at fair value through profit or loss

These assets include short-term financial investments without the characteristics of cash equivalents. These assets are measured at market value at the balance sheet date, and gains and losses arising from changes in value are recognized through the income statement.

2. Financial assets available for sale

In accordance with IAS 39-9, classifying a financial asset as available for sale does not necessarily mean that the Wendel Group actually intends to sell it. This category includes all non-derivative financial assets that are designated as available for sale or that are not classified in any of the other categories of financial assets.

They have been measured at fair value, and gains or losses arising from changes in fair value are recognized under shareholders' equity. Any significant or prolonged decline in the fair value of these financial assets below their acquisition cost gives rise to an additional impairment provision on the income statement. This impairment cannot be written back through the income statement, except in the event of sale.

3. Assets held until maturity and loans and receivables

These instruments are stated at amortized cost using the effective interest method. Their carrying amount represents outstanding principal, adjusted for any non-amortized acquisition costs, premiums or discounts. They are tested for recoverable value whenever there is an indication that their recoverable amount might be lower than their carrying value. Any impairment loss is recognized on the income statement.

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 33-5 "Shareholder agreements and co-investment mechanisms"), all borrowings and other financial liabilities are stated at amortized cost using the effective interest method.

5. Derivatives

Derivatives are measured at fair value. Gains and losses arising from changes in the fair value of derivatives are recognized in the income statement, apart from certain exceptions set out below.

Derivatives can be designated as hedges of fair value, future cash flow or net investment value:

- fair value hedges are used to offset changes in the fair value of a recognized asset or liability due to shifts in exchange rates, interest rates or other benchmarks;
- cash flow hedges are used to hedge changes in future cash flows from a present or future asset or liability. Wendel and its subsidiaries use cash flow hedges to offset shifts in foreign exchange rates, interest rates and commodity prices;
- hedges of a net investment in a foreign business can be designated as hedging instruments, as long as they meet the criteria of IAS 39 "Financial instruments: recognition and measurement". These hedges help offset fluctuations in value due to conversion 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 outset;
- 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;
- for net investment hedges, the portion of a gain or loss that is considered effective in the hedge of a net investment in a foreign business is recognized directly in shareholders' equity. The ineffective portion is immediately recognized on the income statement. Cumulative gains and losses in shareholders' equity are recognized on the income statement when the foreign business is sold.

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

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

In accordance with the amendment to IFRS 7 "Financial instruments: Disclosures" (March 2009), the tables in note 13 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 2017, there were no transfers between levels 1 and 2, or transfers to or from level 3, of fair value measurements of financial instruments.

Note 1-10.8 Inventories

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

Note 1-10.9 Cash and cash equivalents (pledged and unpledged)

Cash is comprised of cash at banks.

In accordance with IAS 7 "Statement of cash flows", cash equivalents are short-term, highly liquid investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of a change in value. Cash equivalents include euro-denominated, money-market mutual funds and deposit accounts with initial maturities less than or equal to three months. They are measured at their fair value at the balance sheet date.

Pledged cash and cash equivalents are presented as non-current assets, as they are not immediately available.

Note 1-10.10 Provisions

In accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", a provision is recognized when the Group has an obligation with respect to a third party as a result of a past event for which it is probable or certain that there will be an outflow of resources to that third party, without at least an equivalent inflow from that third party. Provisions for restructuring costs are recognized only when the restructuring has been announced and the Group has drawn up or has started to implement a detailed, formal plan.

Provisions are discounted on the basis of the estimated duration of the obligation. The impact of this discounting is recalculated at each balance sheet date, and the related adjustment is recognized on the income statement under "Other financial income and expense".

Note 1-10.11 Provisions for employee benefits

Defined-contribution plans: contributions are recognized as operating expenses.

Defined-benefit plans: the present value of statutory retirement bonuses and supplementary pension benefits payable to active and retired employees is calculated using the projected unit credit method. The obligation is determined at each balance sheet date taking into account the age of the Company's employees, their length of service, and the likelihood that they will remain at the Company until they retire. The calculation is based on an actuarial method using assumptions relating to the yield on long-term investments. The funding provision corresponds to the difference between the total obligation as set out above and any assets invested with insurance companies to cover these obligations.

Actuarial gains and losses are recorded under shareholders' equity as soon as they are recognized.

Note 1-10.12 Deferred taxes

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

Tax-loss carryforwards are recognized as deferred tax assets when it is likely that they can be offset against tax on future earnings or when they can be offset by deferred tax liabilities of an equal or higher amount. In application of this principle, no tax-loss carryforwards of the Wendel tax Group were recognized as assets on the balance sheet.

Regarding subsidiaries and equity-method investments, a deferred tax liability is recognized for all timing differences between the carrying amount of the related shares and their tax base, unless:

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

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

The companies in the Wendel Group took into account the announcement of the gradual reduction in corporate income tax in France for the December 31, 2017 closing, as well as the US tax reform.

Note 1-10.13 Treasury shares

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

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

An asset or group of assets is classified as held for sale if its carrying amount will be recovered mainly through a sale transaction rather than through continued use, and when its sale is highly probable. Depreciation on these assets ceases when the asset has been classified as held for sale, and a provision is recognized if the asset's residual carrying amount exceeds its likely realizable value, reduced for selling costs.

A business is considered as being divested when it meets the criteria of assets held for sale. Assets and liabilities of these businesses are presented on a separate line in the balance sheet of the current fiscal year, and the net income or loss they generate is presented on a separate line in the income statement (including fiscal years presented for comparison). Net income or loss from discontinued operations includes, where applicable, any divestment gains or losses or any impairment losses recognized for the business.

Note 1-10.15 Revenue recognition

Revenue from the sale of goods is recognized under net sales when the significant risks and rewards of ownership are substantially transferred to the buyer.

At the Bureau Veritas Group, most contracts are short-term. For these contracts, Bureau Veritas recognizes income when the service has been provided to the customer. For other contracts, Bureau Veritas uses the percentage-of-completion method to determine the amount to be recognized under net sales during a given period, insofar as the income from contracts can be reliably determined. The percentage of completion is determined for each contract by reference to the costs incurred at the balance sheet date, compared to the total estimated costs. The increment of this percentage, applied to the total forecast income from the contract, represents the profit margin recognized in the period. In the event of a forecast negative margin, provisions are recognized immediately for the entire contract.

The Mecatherm Group also 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 increment in the percentage of completion, applied to the total forecast income from the contract, represents the profit margin recognized in the period.

Note 1-10.16 Translation of currency transactions

Transactions denominated in foreign currencies are translated into euros using the exchange rates prevailing at the dates of the transactions. Receivables and payables in foreign currencies are translated into euros at the exchange rate prevailing at the balance sheet date. Exchange differences resulting from the translation of receivables and payables in currencies other than euros are recognized on the income statement under "Other financial income and expenses".

In the event of hedges of a net investment in a foreign business (see above, "Derivatives"), the portion of the gain or loss on a hedging instrument covering a net investment in a foreign business that is considered to be an effective hedge is recognized directly in shareholders' equity. The ineffective portion is immediately recognized on the income statement.

Note 1-10.17 Stock subscription and stock purchase option plans

In accordance with IFRS 2 "Share-based payments", the Group recognizes an expense corresponding to the fair value of employee stock subscription options, purchase options, bonus shares, and performance shares at the grant date, with the corresponding offsetting entry being recognized under consolidated shareholders' equity. The expense is spread out over the options' vesting period.

Wendel uses a binomial model to determine the fair value of options and performance shares granted. In 2017, as in previous fiscal years, Wendel's plans were valued by an independent appraiser.

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

The co-investment mechanisms described in note 4 "Participation of managers in Group investments" take the form of ownership by managers of various financial instruments, such as ordinary shares, index-based or preferred shares, warrants, etc.

These investments are redeemed upon divestment or an IPO, or after a pre-determined period of time. At this time, the investment gains are shared on the basis of whether or not Wendel's annual performance and cumulative profitability objectives have been met.

These investments are measured and accounted for based on the manner in which they will be redeemed: either as equity instruments as part of a disposal or an IPO, or as cash under liquidity commitments by the Wendel Group after the lapse of a predetermined period.

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

When it is estimated the investments are most likely to be redeemed as equity instruments, the managers' initial investment is accounted for as non-controlling interests in proportion to their share of the total investment. On redemption, the dilution created by the sharing of the investments' value reduces Wendel's capital gain. As the beneficiaries usually invest at fair value of the subscribed or acquired instruments, there is no initial advantage and therefore no expense is recognized.

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, 2017, the most likely outcome will be a divestment of the investments concerned or as part of an IPO of those investments. Liquidity commitments under minority *puts* and co-investments, as well as the corresponding amounts recorded in financial liabilities, are set out in note 33-5 "Shareholder agreements and co-investment mechanisms".

Note 1-11 Presentation rules

Note 1-11.1 Balance sheet presentation

An asset is classified as current when it meets any of the four following criteria:

- it is expected to be realized in, or is intended for sale or consumption in, the Group's normal operating cycle; or
- it is held primarily for the purpose of being traded; or
- it is expected to be realized within 12 months after the balance sheet closing date; or
- it is cash or cash equivalent asset carrying no restriction on exchange or use in settlement of a liability for at least 12 months after the balance sheet date. When the asset is in a pledged cash or cash equivalent account, the amount is recognized under non-current assets.

A liability is classified as current when it meets any of the four following criteria:

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

Note 1-11.2 Income statement presentation

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

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

1. Income taxes: treatment of the CVAE tax

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

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

2. Taxes: treatment of the CICE tax credit

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

The CICE tax credit is presented within "Operating expenses".

Note 1-11.3 Earnings per share

Basic earnings per share are calculated by dividing the Group's share of net income for the year by the average number of shares outstanding during the year.

Diluted earnings per share are calculated by dividing the Group's share of net income by the average number of shares outstanding during the year, adjusted according to the "treasury stock" method. According to that method, it is assumed that the cash received from the exercise of dilutive instruments will be used to buy back the shares and partially neutralize the resulting dilution. The potential dilution is thus the net impact. Dilutive instruments issued by subsidiaries are also included in determining the Group share of net income.

If the income statement presents income from divested businesses separately, earnings per share from continuing and discontinued operations are also presented separately.

NOTE 2 Changes in scope of consolidation

Note 2-1 Changes in scope of consolidation in fiscal year 2017

The scope of consolidation of Wendel Group is set out in note 37 "List of principal consolidated companies as of December 31, 2017."

Note 2-1.1 Acquisition of 65% of Tsebo (facilities management in Africa)

The acquisition of approximately 65% of the capital of Tsebo for €162 million *via* Oranje-Nassau Développement was finalized in late January 2017. The remaining 35% is owned by Capital Group Private Markets.

A Pan-African business services company employing around 35,000 people in 23 countries, Tsebo provides facilities management, catering, cleaning and security services in addition to remote camp services to clients across Africa. In 2017 (year ended March 31), Tsebo achieved net sales over 12 months of $501 million and EBITDA of $36 million.

Wendel exercises exclusive control over this Group, which has accordingly been fully consolidated since the date of its acquisition.

The acquisition structure was financed as follows:

■ Wendel's investment (exchange rate at the time of acquisition)	€162 million
■ capital Group contributions	€87 million
■ bank borrowings	€133 million
	€382 MILLION

These amounts were employed as follows:

■ acquisition of shares	€270 million
■ fees and other acquisition-costs	€11 million
■ refinancing of Tsebo Group's debt	€101 million
	€382 MILLION

The provisional goodwill recognized on this acquisition amounted to €228 million (including non-controlling interests recognized at fair value on first consolidation):

■ provisional residual goodwill	€228 million
■ customer relationships (amortized over 15 years)	€107 million
■ Tsebo brands (indefinite useful life)	€21 million
■ other brands (amortized over 5-10 years)	€29 million
■ deferred taxes	€-44 million
■ financial debt and other non-revalued balance sheet items on acquisition	€-71 million
SHARE ACQUISITION PRICE	**€270 MILLION**

As permitted by IFRS, the acquisition price will only be definitively allocated during the 12 months following the acquisition date.

On June 30, 2017, Women Development Bank Investment Holdings (Pty) Limited (WDBIH) finalized the acquisition of an effective 25% stake in Tsebo's main South African subsidiary (TSG). Established in 1996, WDBIH is a South African women-founded, led and operated investment holding company. Combined with Tsebo Empowerment Trust's ownership in TSG, this transaction allows Tsebo to retain the highest achievable rating on the South African DTI's generic BEE scorecard, and to perpetuate its history of enduring partnerships with women investment groups.

Note 2-1.2 Investment in Saint-Gobain (production, transformation and distribution of building materials)

In the first half of 2017, Wendel sold 21.7 million Saint-Gobain shares, corresponding to 3.9% of the company's share capital, for a total of €1,085 million. The sale was partially staggered, with the final installment being the placement of a block of 20 million shares (of which 1 million purchased by Saint-Gobain). Wendel now owns 14,153,490 Saint-Gobain shares, representing almost 2.6% (net of treasury shares) of the capital and 4.5% of the voting rights.

Existing governance arrangements remain in place, but the number of Wendel representatives on the Saint-Gobain Board of Directors has been reduced from 3 to 1; the Group therefore considers that it ceased to have significant influence on this company from the date of sale of the block of securities. In accordance with IAS 28 "Investments in associates and joint ventures," this transaction is therefore reflected as follows:

- the recognition of the disposal of all Saint-Gobain shares consolidated by the equity method (including those kept) on the date of the sale of the block; a capital gain of €84 million was recognized in this respect under "Net income (loss) from equity-method investments" (Saint-Gobain was consolidated by the equity method until the date of sale of the block of shares); and
- the recognition in the consolidated balance sheet of residual securities at the market price; these securities are now classified as "Financial assets available for sale" (this classification does not imply that the Group intends to sell these securities in the short term, see note 1-10.6 2. "Financial assets available for sale").

In addition, changes in the percentage interest between January 1 and the date of disposal generated a dilution loss of €5.0 million; these changes are related to Saint-Gobain's capital increases and changes in its treasury shares. The dividend paid by Saint-Gobain in 2017 (€17.8 million) is presented in the income statement under "Other financial income and expense." It was received after the date of deconsolidation.

Note 2-1.3 Interest in Bureau Veritas (certification and verification services)

In November 2016, Wendel purchased 2.8 million additional Bureau Veritas shares that were not intended to be held over the long term. The share price had declined in a manner deemed excessive by Wendel's management, making it possible to acquire these securities at an average price of €17.05 per share. The shares were subsequently sold in May 2017 at an average price of €21.50. Wendel accordingly made a gain of €12.4 million.

Following this transaction, Wendel holds 177,173,360 Bureau Veritas shares, as previously, representing 40.6% of the share capital and 56.1% of theoretical voting rights.

Taking into account the weighted average cost calculated for all Bureau Veritas shares in the Group's consolidated financial statements, the capital gain is €52 million; this amount was recorded in equity insofar as the Group still has exclusive control over Bureau Veritas (IFRS 10 "Consolidated financial statements").

Note 2-1.4 Sale of the stake in exceet (design of embedded systems)

On November 28, 2017, the Group finalized the sale of its entire stake in the exceet Group (approximately 27.8% of the share capital) for an amount of €16.6 million. The loss on the sale of €0.4 million was recognized under "Net income (loss) from equity-method investments."

Note 2-1.5 Principal changes in scope of consolidation of subsidiaries and associates

1. Changes in scope of consolidation of the Bureau Veritas Group (certification and verification services)

During 2017, Bureau Veritas carried out the following acquisitions:

- Shanghai Project Management Co., Ltd. a Chinese company specializing in the supervision of construction projects;
- Siemic, Inc., an American electrical and electronic equipment testing and certification company;
- Schutter Groep B.V., a group specializing in testing, inspection, certification and logistical assistance services for global agri-food commodity markets;
- California Code Check, Inc., an American company specializing in building Code Compliance and building safety;
- Primary Integration Solutions, Inc., an American company involved in commissioning and operational risk management of data centers;

- IPS Tokai Corporation, a Japanese company specializing in electromagnetic compatibility testing for the automotive sector;
- Ingeneria, Control y Administracion, S.A. of C.V. ("INCA"), a Mexican company providing technical supervision of construction and infrastructure projects;
- ICTK Co. Ltd, a South Korean smart payment testing and certification services company for mobile devices, payment cards and point-of-sale terminals; and
- McKenzie Group Pty Ltd, an Australian Group specializing in real estate compliance regulatory services.

The total purchase price was €189.9 million, and the total goodwill recognized on these companies was €126.6 million (of which €33.0 million for Shanghai Primary Integration Solutions, Inc and €20.6 million for Project Management in China). The 2017 annual net sales of the companies acquired during 2017 is approximately €142.9 million and the operating income before amortization of the intangible assets resulting from the business combination is approximately €21.8 million.

2. Changes in scope of consolidation of IHS Group (Mobile telephone infrastructure in Africa)

In February 2017, the IHS Group, as authorized by the agreements in force, simplified its shareholder structure through the exchange of 51% of MTN's interest in Nigeria Tower InterCo B.V, the parent company of INT Towers Limited managing more than 9,000 towers in Nigeria, for an additional direct stake in IHS Holding Limited ("IHS") Group. The result of this transaction increases MTN's stake in IHS from 15% to around 29%.

As a result of these transactions, Wendel directly owns 21.4% of the share capital of IHS and, together with its co-investors, 28.8% of the voting rights. Wendel remains IHS's largest shareholder in voting rights and its governance rights are unchanged. Its significant influence is therefore maintained. Its investment in IHS continues to be accounted for by the equity method.

The change in the consolidated percentage interest and the transfer of MTN's shareholder loan to IHS generated a dilution gain of €27.3 million.

3. Changes in scope of consolidation of Stahl Group (high-performance coatings and leather-finishing products)

On October 2, 2017, the Stahl Group completed the acquisition of the leather chemistry business of BASF, one of the largest chemical companies in the world. With this acquisition, Stahl strengthened its product portfolio, increased its capacity for innovation and generated combined net sales of around €880 million with EBITDA (excluding non-recurring items and goodwill entries) of approximately €210 million (*proforma* 2017).

In exchange for the sale of its assets to Stahl, BASF received approximately 16% of Stahl's capital, as well as a cash payment of around €111 million (net of VTA).

The Wendel Group is still Stahl's main shareholder, with an interest of roughly 63%. Since the Wendel Group retains sole control of Stahl following this transaction, the dilution gain of €116 million from the capital increase reserved for BASF was recognized as consolidated reserves (IFRS 10 "Consolidated Financial Statements").

The provisional goodwill recognized by Stahl as a result of this transaction amounts to €69 million, given the recognition of €201 million of intangible assets (mainly customer relationships).

4. Changes in scope of consolidation of the Constantia Flexibles Group (flexible packaging)

In 2017, Constantia Flexibles completed the acquisition of TR Alucap, an Italian company specializing in lids for dairy products. The company generated net sales of €19.1 million in 2017.

In addition, Constantia Flexibles sold its Labels division on October 31, 2017 to Multi-Color, for an enterprise value of approximately €1.15 billion ($1.3 billion). The transaction was paid for in cash (€830 million) and Multi-Color securities, and Constantia Flexibles became its largest shareholder, with a 16.6% stake.

The Constantia Flexibles Labels division generated net sales of €601 million in 2016 and €517 million in the first 10 months of 2017, for total net sales for Constantia Flexibles Group (excluding the Labels division) of €1,461 million in 2016 and €1,487 million in 2017.

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", Constantia Flexibles' Labels division's contribution for 2017 and 2016 was reclassified on a single line of the income statement "Net income from discontinued operations and operations held for sale".

The net gain on disposal of this division was €319 million (after sale and tax expenses) and is presented in the income statement under "Net income from discontinued operations and operations held for sale".

The Multi-Color shares received by Constantia Flexibles during this transaction are recognized in "Financial assets available for sale" (valued at the closing price of €211 million at the end of 2017); in fact, Constantia Flexibles' stake in Multi-Color is below the 20% threshold from which there is a presumption of significant influence, and there is no evidence to suggest that Constantia Flexibles exerts such influence.

Note 2-2 Changes in scope of consolidation in fiscal year 2016

The principal changes in scope during 2016 were as follows:

- disposal of the Parcours Group (long-term vehicle leasing to corporate customers). Net proceeds from the sale for the Wendel Group amounted to €240.7 million. This corresponded to about 2.2x Wendel's total investment (cash on cash); *i.e.* a capital gain of €129.3 million on its investment and an IRR of around 18% since April 2011;
- the disposal of 30 million Saint-Gobain shares (of which 10 million to Saint-Gobain), representing 5.3% of the share capital, for a net amount of €1,155 million, generating a loss on divestments of €229.6 million (net of disposal costs);
- the merger of AlliedBarton and Universal Services of America (security services). The merger was completed on August 1, 2016. Following the transaction, in return for its investment in AlliedBarton Security Services, Wendel now jointly controls Allied Universal with a stake of 33.2% and received approximately $387 million in cash;
- the acquisition in November 2016 of 2.8 million Bureau Veritas shares for a total amount of €47.3 million; those shares were resold in 2017 (see changes in the scope of consolidation in 2017);
- an additional investment of $46 million in IHS, bringing the Group's total investment in IHS to $826 million;
- the acquisition of 40% of the share capital of PlaYce for €25 million (Commercial real estate in Africa).

NOTE 3 Related parties

Wendel's related parties are:

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

Since Wendel no longer has significant influence over the Saint-Gobain Group, that company is no longer considered to be a related party (see note 2 "Changes in scope of consolidation"). The same is true for exceet, which was sold at the end of 2017.

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

Compensation paid by Wendel Group for 2017 to the former Chairman of the Executive Board and the member of the Executive Board amounts to €4,382.4 thousand. The value of the stock options and performance shares granted to them during 2017 totaled €3,875 thousand at the date of their allocation, being specified that the options and performance shares granted to the former Chairman of the Executive Board have been written off in view of the termination of his positions on 31 December 2017.

Compensation paid to members of the Supervisory Board in 2017 totaled €841.8 thousand, including €766.5 thousand in Wendel SE directors' fees and compensation paid to the Chairman of the Supervisory Board, and €75.3 thousand in directors' fees paid to certain members of the Supervisory Board by Wendel-Participations for serving on its Board. These amounts do not include the salary of the employee representative on Wendel's Supervisory Board, who does not receive Wendel SE director's fees.

Frédéric Lemoine, the former Chairman of the Executive Board until the close of the year, was paid a severance payment of an amount of €5,418 thousand, the performance conditions having been met.

In addition, in the context of his departure, the Supervisory Board authorized two adjustments to the cross-buying and -selling promises made between Wendel and the former Chairman of the Executive Board concerning his co-investment shares (see note 4 "Participation of managers in Group investments") and applicable in the event of termination of employment:

- for shared co-investments, the exercise period of his promise to purchase for Wendel is postponed by one year and will be exercisable between March 1, 2019 and April 30, 2019; as stated in the promises, the put might be exercised on the basis of the value of the relevant investments in the Net Asset Value (as defined in the promises) as of December 31, 2018. A financial liability to that effect was recognized;
- Wendel waived its promise to sell unvested co-investment shares; this means that the vesting of all of its co-investments continues to run for the usual period of four years. For his part, Frédéric Lemoine waived the exercise of his promises to buy for his co-investments on a deal-by-deal basis.

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

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

In accordance with the policy of encouraging Wendel managers to participate in Group investments (see note 4 "Participation of managers in Group investments"), the management team (including the Executive Board) co-invested 0.5% of the investment in Tsebo in the first half of 2017. In addition, the debt recognized for the co-investment in Stahl by Wendel's management team was settled in June and July 2017 (see note 4 "Participation of managers in Group investments").

Note 3-2 Wendel-Participations

Wendel-Participations is owned by 1,148 Wendel family individuals and legal entities. Wendel-Participations owns 37.58% of the share capital of Wendel SE as of December 31, 2017, representing 50.46% of the voting rights exercisable.

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

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

NOTE 4 Participation of managers in Group investments

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

Note 4-1 Participation of Wendel managers in Group investments

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

i) the amount of the co-investment is no more than 0.5% of the amount invested by Wendel; 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 Wendel in relation to the gain or the loss incurred (*pari passu* co-investment), or different rights and obligations (accelerated co-investment). In the latter case, if Wendel achieves a predefined level of return, the managers have the right to a greater share of the gain than their shareholding; conversely, if the return is not achieved, the managers lose all rights to any capital gain, as well as the amount of their initial contribution;

iii) a liquidity event is defined as a full divestment of a portfolio company, a change in control, or divestment of more than 50% of the shares held by Wendel, or if the company concerned is listed 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) co-investors' rights vest over a period of four years in five tranches of 20% each, including 20% at the investment date. In the event of their departure before a liquidity event (as defined in iii) above) or before an automatic liquidity tranche (as defined in v) below), the managers must sell (and in certain cases have the option to sell) their unvested rights to Wendel Group upon its request at their initial value, and, in certain cases, to sell their vested rights under predefined financial conditions;

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

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

2006-2008 period

Co-investments related to acquisitions Wendel made between 2006 and 2008 (and to subsequent reinvestments Wendel made in these companies) remain governed by the principles above, and the following specific rules:

i) the co-investments confer a right to 10% of the capital gain (on 0.5% of the investments), provided that Wendel has obtained a minimum return of 7% p.a. and a cumulative return of 40% on its investment. Otherwise, the co-investors lose all rights to any capital gain, as well as the entire amount invested;

ii) if no liquidity event occurs, a cash payment is offered to the co-investors after a period of ten years, *i.e.*, on December 31, 2016.

Under these old principles, managers invested personally alongside Wendel in:

- Saint-Gobain: this co-investment was unwound in 2010, before maturity, because of the lack of prospects of a return for co-investors, who lost the whole of their investment;
- Materis, Deutsch, Stahl and Van Gansewinkel Groep (VGG); these co-investments were made through Winvest International SA SICAR, which was created in 2006 and divided into four sub-funds corresponding to each of those four companies.

The co-investment in Deutsch was unwound when this company was sold in April 2012 to the TE Connectivity Group. The co-investment in VGG was liquidated when the Company was taken over by its creditors in July 2015 (co-investors lost the whole of their investment).

The co-investments in Stahl and Materis were unwound on December 31, 2016, at the end of the ten-year period indicated in (ii) above. In accordance with the rules defined in 2006, the valuation of those companies was carried out by an independent expert on the basis of a multi-criteria approach It emerged from this expert report that:

- regarding Stahl, Wendel's IRR as at December 31, 2016 was above 24% and the investment multiple more than six times, above the minimum return conditions; based on the independent expert's appraisal, 35 co-investors received €78.9 million, of which 6.56% for the former Chairman of the Executive Board and 16.05% for the other member of the Executive Board (present since the initial investment), 33.75% to 16 others managers still in the Group and 43.64% for 17 former managers who left the Group;
- regarding Materis, based on the independent expert's appraisal, the minimum yield conditions for Wendel (7% per year and 40% cumulatively) were not reached and the co-investors lost the whole of their investment.

2011-2012 period

In 2011, the co-investment principles evolved, in particular to include a *pari passu* share and to reduce the share of the capital gain likely to be returned to co-investors. Co-investments related to acquisitions made by Wendel between 2011 and 2012 (and to potential subsequent reinvestments made by Wendel in these companies) are therefore governed by the principles set out at the beginning of note 4-1 and by the following specific rules:

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

ii) the remaining 70% confer a right, should a liquidity event occur, 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 all rights to any capital gain on 70% of their investment, and also lose 70% of the amount invested;

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 8 years after Wendel's initial investment: the potential capital gain is realized after 8 years on one-third of the amounts invested by co-investors; similarly, the potential gain on the other two-thirds is realized after 10, then 12 years if no full divestment or IPO has taken place in the meantime.

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

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

2013-2017 period

The co-investment mechanism was again 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); a three-stage payment determined by an expert is offered to co-investors at 8, 10 and 12 years after Wendel's initial investment (see 2011-12 period), if Wendel has not fully divested the company in question or listed it on a stock exchange;

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 Wendel has not fully divested each of the investments of the period in question, or listed them on a stock exchange, 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) those co-investors who have satisfied 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 four-year period necessary to acquire the rights to pooled carried interest is calculated from the date of the initial investment.

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

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

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

In 2017, on the prior authorization of the Supervisory Board, the members of the Executive Board together with Wendel made a co-investment in Tsebo (€144,179 for the former Chairman of the Executive Board and €96,034 for the other member of the Executive Board).

2017-2020 period

For investments made in new companies between April 2017 and December 2020, the 2013-2017 co-investment principles were maintained subject to the following adjustments:

- i) a minimum rate of return reduced from 10% to 8% on the deal-by-deal portion (unchanged at 7% on the pooled portion);
- (ii) in the event of an IPO:
- a. partial liquidity (no longer total) for co-investors, in proportion to the stake sold by Wendel,
- b. in the absence of a total sale of the previous stake listed on the market, a valuation of the residual stake based on the average of the closing prices of the six months preceding each maturity date (on the 8th, 10th and 12th anniversaries of each investment for the deal-by-deal portion and in 2028-2029 for the pooled portion).

These principles were not implemented and a review by the Supervisory Board of Wendel's incentive system for managers is underway.

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

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

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

Moreover, for unlisted subsidiaries (Constantia Flexibles, Cromology, CSP Technologies, Mecatherm, Nippon Oil Pump, Stahl and Tsebo), the policy of manager participation in Company performance is based on a co-investment system whereby managers co-invested 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 do not receive a higher return than Wendel until from a certain break-even point made by Wendel.

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 preferred 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 5 and 13 years after the initial investment by Wendel).

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

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

At the end of 2017, the dilutive impact of these co-investment mechanisms on Wendel's percentages of ownership in the stakes in question was between 0 and 4 points of percentage. This calculation is based on the value of the stakes calculated for the Group's Net Asset Value as of December 31, 2017.

NOTE 5 Managing financial risks

Note 5-1 Managing equity market risks

Note 5-1.1 Value of investments

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

The value of these investments is based mainly on:

- their economic and financial performance;
- their prospects for business development and profitability;
- their ability to identify risks and opportunities in their environment;
- equity market trends, directly in the case of listed companies and indirectly in the case of unlisted companies, whose valuations may be influenced by market parameters.

Beyond these market parameters, growth in Wendel's Net Asset Value (NAV, aggregate defined in the annual financial report) depends on its managers' capacity to select, buy, develop and then resell companies able to distinguish themselves as leaders in their sectors.

Wendel makes its decisions on the basis of its investment teams' expertise and in-depth strategic, accounting/financial, legal, tax and environmental analyses. These processes identify the operating, competitive, financial and legal opportunities and threats likely to have an impact on the value of an investment.

Wendel monitors and analyzes each company's operating and financial performance and the risks to which they are subject, alongside the managers of the companies, during regular in-depth operational review meetings or meetings of these companies' governance entities. In addition, knowledge sharing with the management team makes it possible to develop true sectoral expertise and thus to prepare an analysis of future prospects at regular intervals. This regular review also enables Wendel to better analyze developments in each investment and play its role of principal shareholder.

Wendel's company-specific approach is supplemented at the Group level through an overall analysis of the distribution of Wendel's subsidiaries 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, Stahl, Allied Universal, Tsebo, Mecatherm, CSP Technologies and Nippon Oil Pump) 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 financial crisis has shown that banks' own difficulties (*e.g.* access to liquidity, prudential ratios) could make refinancing the debt of these companies more difficult. To prevent and manage the risk incurred by these companies' financial structure, cash flow and financial covenant forecasts are prepared regularly, based on various scenarios, in order to prepare, if necessary, targeted solutions to ensure their long-term survival and to create value. Moreover, Wendel and its subsidiaries are in close contact with bank lenders, in order to more effectively manage the restrictions on these financing agreements.

The value of these investments is therefore subject to the risk that their economic and financial performance and prospects for business development and profitability will be undermined by difficulties related to their organization, financial structure, economic sector and/or the global economic environment. The value of investments is also subject to financial market risk and equity market risk in particular. However, Wendel is a long-term shareholder with no short-term demands on the value of its assets at a specific point in time, even though it monitors NAV trends very closely.

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

As part of its cash management (see note 5-2 "Managing liquidity risk"), Wendel uses liquid, short-term financial investments, a small portion of which is indexed to equity markets (equity funds). This small portion is therefore exposed to equity market risk. Such investments, which offer higher expected yields than cash instruments, but also greater risk of loss in value, are formally monitored on a regular basis by the Chief Financial Officer and the Executive Board.

Note 5-1.3 Equity market risk

Equity market risk relates 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 the impairment tests in note 7 "goodwill" and in note 10 "Equity-method investments");
- the Saint-Gobain shares held by Wendel and the Multi-Color shares held by Constantia Flexibles (see note 2 "Changes in scope of consolidation"). They are recognized as financial assets available for sale and valued at the market price on the closing date. Changes in fair value are recorded within shareholders' equity unless there is a decline in value that is considered to be significant or lasting, in which case an impairment charge is recognized in the income statement. As of December 31, 2017, the value of the Saint-Gobain shares was €650.8 million and a loss of €58.5 million was recognized as shareholders' equity between the date of their reclassification (see note 2 "Changes in scope of consolidation") and the closing date. The value of the Multi-Color shares was €211.1 million and a loss of €29.4 million was recognized as shareholders' equity between the date of entry in the consolidated balance sheet and the closing date;
- the Saham shares are recorded as financial assets available for sale and recognized at their fair value. The accounting treatment for changes in fair value is identical to that described above for Saint-Gobain and Multi-Color shares. At the end of 2017, the net carrying amount of these securities was revalued through equity at €121.6 million, compared with €120.8 million as of end-2016 (see note 13, "Financial assets and liabilities"); an agreement to sell that stake was signed in March 2018 (see note 36 "Subsequent event");
- financial investments indexed to the equity markets, the total value of which was €102.5 million as of end-2017. These investments are classified under current financial assets, and any change in their fair value is recognized on the income statement. A +/-5% variation in the equity markets would have an impact of about €+/-5.1 million on the value of these investments, which would be recognized in the income statement;
- investments by Wendel Lab, whose total value is €33.8 million as of the end of December 2017. The accounting treatment of those "financial assets available for sale" is the same as for Saint-Gobain, Multi-Color and Saham (see above);
- the optional component (sale of a call option) of bonds exchangeable for Saint-Gobain shares (see note 16 "Financial debt"). As of December 31, 2017, that component was valued at fair value under liabilities for €33.3 million. A +/-5% variation in the Saint-Gobain share price would have an impact of €-/+8.6 million in profit or loss;
- minority buy-out commitments (minority puts) and liquidity commitments of co-investments granted by Wendel and its holding companies recognized as financial liabilities; their value is based on the fair value of the stake in question or, as the case may be, is determined by a contractual formula based on a fixed operating margin multiple. At December 31, 2017, the total of these financial liabilities totaled €364 million (see note 13 "Financial assets and liabilities"). When the buy-out price is based on fair value, it is most often determined using the calculation method of the Net Asset Value (this methodology is described in the Group's annual financial report), *i.e.*, the multiples of market comparables method applied to the operating margin of the stakes in question. 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 €36 million. This change would be recognized mainly in retained earnings & other reserves;
- the investments also granted minority puts (see note 13 "Financial assets and liabilities");
- these Wendel syndicated loan covenants are based on ratios of financial debt to the value of assets, and are described in note 5-2.4 "Financing agreements and covenants of Wendel and its holding companies." As of end-2017, 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 monitored by Standard & Poor's, which has been mandated by Wendel to rate its financial structure and bond issues.

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 and dividends. These needs are covered by cash available, asset rotation, bank and bond financing, and by dividends received from subsidiaries and associates.

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

1.1. Cash position and short-term financial investments

As of December 31, 2017, cash and short-term financial investments held by Wendel and its holding companies (excluding operating subsidiaries) were as follows:

In millions of euros	Denominated in €	Denominated in $	Total
Money-market mutual funds	571	152	723
Bank accounts and bank certificates of deposit	454	171	625
Diversified, equity and bond funds(1)	90	12	102
Funds managed by financial institutions(1)	279	0	279
TOTAL	**1,394**	**336**	**1,730**

(1) Classified under "Other current financial assets."

Most of the short-term financial investments and cash invested in US dollars were converted into euros in early February 2018 (post-closing): a loss of approximately €10.9 million will be recognized in this respect in 2018.

1.2. Monitoring cash and short-term financial investments

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

Cash investment vehicles consist of short-term bank deposits and low-volatility, money-market mutual funds (classified under "Cash and cash equivalents"), funds managed by financial institutions, and equity, bond and diversified funds (classified under "Other financial assets"). These investments are valued daily (or in some cases weekly). Amounts allocated to more volatile funds, potentially generating higher returns, represent an insignificant portion of cash and short-term financial investments. In choosing the various types of investments, Wendel takes into account the compatibility of their term with its debt repayment obligations and those of its holding companies.

2. Position and management of debt maturities and refinancing

At December 31, 2017, gross debt (excluding operating subsidiaries) consisted of bonds (including bonds exchangeable for Saint-Gobain shares) for a total amount of €2,869.2 million after repayment of €507.4 million due in August 2017. Maturities are spread between April 2018 and February 2027, and the average maturity is 4.2 years.

At the end of 2017, Wendel also has an undrawn €750 million syndicated loan maturing in October 2022 with additional maturity deferral options of up to two years, subject to the banks' agreement. Its financial covenants were respected (see note 5 – 2.4.2 "Wendel's syndicated loan – documentation and covenants"). This undrawn line of credit notably enables Wendel to secure the repayment, if necessary, of the closest maturities and to have enough flexibility to take advantage of investment opportunities.

The €500 million bank line of credit with collateral calls was voluntarily canceled in H1 2017 because it had become unnecessary after the sale of Saint-Gobain shares (see note 2 "Changes in scope of consolidation").

Moreover, in the context of currency risk management (see note 5-5 "Managing currency risk"), €800 million in bond debt was converted into dollar-denominated debt through the use of derivatives (cross-currency swaps).

At the date of the closing of the consolidated financial statements, Wendel's long-term rating from Standard & Poor's is BBB- "stable" outlook. The short-term rating is A-3.

2.1. Managing debt

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

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

To manage refinancing risk, Wendel seeks to align the maturities of its bond and bank financing with its long-term investor outlook. Wendel therefore secures medium to long-term financing and extends existing maturities when market conditions allow and when Wendel management deems it necessary to do so.

Note 5-2.2 Liquidity risk of operating subsidiaries

1. Managing the liquidity risk of operating subsidiaries

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

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

2. Impact of liquidity risk of subsidiaries on Wendel

Debt of operating subsidiaries is without recourse to Wendel. As such, the liquidity risk of these subsidiaries affects Wendel only when Wendel chooses to accept it. Wendel has no legal obligation to support operating subsidiaries experiencing cash flow difficulties. Similarly, subsidiaries are not bound by any mutual support undertakings. As a result, Wendel's liquidity would only be affected if Wendel decided to contribute cash to an operating subsidiary. Such a decision would result from an in-depth analysis of all the constraints to which Wendel is subject, including return on investment, Wendel's own liquidity, additional investment in other subsidiaries, and new investments. In this context, Wendel extended a €15 million liquidity line to Mecatherm (15 million of which had been drawn as of end-December 2017) and provided a guarantee of €11 million to Mecatherm's lenders in return for the easing of financial covenants and banking documentation relating to the Mecatherm debt. In March 2018, Wendel also made a cash injection of €25 million into Cromology to enable it to gain financial leeway in particular *vis-à-vis* its bank borrowings, to carry out the recovery of its profitability. Changes in the economic and financial situation of subsidiaries can also have an impact on Wendel's liquidity *via* the amount of dividends they pay to Wendel. Similarly, changes in the economic and financial position of subsidiaries has an impact on their value, however, this value is taken into account in calculating Wendel's financial leverage (see note 5 - 1.3 "Equity market risk").

Note 5-2.3 Wendel's liquidity outlook

The next significant financial maturity is the repayment of the April 2018 bond in the amount of €349.8 million. Wendel's liquidity risk over the 12 months following the reporting date is low given its high level of cash and short-term financial investments, and its available undrawn syndicated credit line.

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

1. Bonds issued by Wendel – documentation

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

2. Wendel's syndicated loan – documentation and covenants (undrawn as of December 31, 2017)

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

This net debt figure is based on consolidation of the Group's financial holding companies and does not include the debt of operating companies or that of holding companies set up for the purpose of acquisitions. The net debt taken into account corresponds to Wendel bonds and the syndicated loan, when drawn, reduced by cash.

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

These covenants are as follows:

- the net financial debt of Wendel and its financial holding companies must not exceed 50% of gross revalued assets after future tax on unrealized gains and losses (excluding cash);
- the ratio of:
  - unsecured gross debt plus off-balance-sheet commitments similar in nature to unsecured financial debt of Wendel and its financial holding companies, less available cash (not pledged or in escrow) of Wendel and the financial holding companies;

  and

  - 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, 2017 Wendel was in compliance with all covenants.

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

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

1. Bureau Veritas' financial debt

This debt is without recourse to Wendel.

As of December 31, 2017, Bureau Veritas' gross financial debt was €2,449.0 million, and its cash balance was €364.3 million. Bureau Veritas also has a confirmed and undrawn line of credit of a total amount of €450 million.

The financial covenants applicable as of December 31, 2017 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, 2017, this ratio was 2.37;
- the ratio of adjusted consolidated EBITDA of the last 12 months of any acquired entity to net finance costs must be greater than 5.5. As of December 31, 2017, this ratio was 10.18.

2. Constantia Flexibles' financial debt

This debt is without recourse to Wendel.

As of December 31, 2017, the notional amount of Constantia Flexibles' gross financial debt amounted to €526.4 million (including accrued interest and excluding issuance costs). Its cash balance was €64.7 million (plus deposits pledged as collateral in the amount of €62.5 million).

The ratio of net financial debt to EBITDA for the last 12 months 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, 2017.

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

3. Cromology's financial debt

This debt is without recourse to Wendel.

As of December 31, 2017, Cromology's bank debt was €281.0 million (including accrued interest, and excluding deferred issuance costs and shareholder loan). Its cash balance was €41.5 million.

Cromology benefited from a cash injection of €25 million from Wendel in March 2018. This injection will enable Cromology to gain financial leeway in particular vis-à-vis its bank borrowings, to carry out its development and the recovery of its profitability.

The debt is subject to the following covenants:

- adjusted LTM EBITDA divided by net cash interest expense must be greater than 2.59 (this minimum rises to 2.70 in 2018). This ratio is calculated on a rolling 12-month basis, and is tested quarterly; and
- consolidated net debt (excluding shareholder loan) divided by adjusted LTM EBITDA must be less than 4.94 (this ceiling declines to 3.75 in 2020). The test is performed quarterly.

As of December 31, 2017, these covenants were respected.

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

4. Stahl's financial debt

This debt is without recourse to Wendel.

As of December 31, 2017, Stahl's gross bank debt was €582.4 million (including accrued interest, and excluding issuance costs). Its cash balance was €41.1 million.

The ratio of consolidated net debt to LTM EBITDA must be less than or equal to five. This covenant was respected as of December 31, 2017.

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

5. Mecatherm's financial debt

As of December 31, 2017, the notional amount of Mecatherm's debt was €38.7 million (including accrued interest and a drawn €15 million liquidity line granted by Wendel and drawn, and excluding issuance costs). Its cash balance was €7.2 million.

Given the volatile economic environment of and operating difficulties encountered in recent years, Mecatherm and its bank lenders have agreed to suspend financial covenant testing until business income is above a certain threshold defined by contract. As part of this agreement, Wendel agreed to provide a €15 million liquidity line (€15 million of which had been drawn as of December 31, 2017) to enable Mecatherm to finance its general corporate needs, and to grant a €11 million first-demand guarantee to the banks to cover the servicing of Mecatherm's bank debt. The recourse of Mecatherm's bank lenders to the Wendel Group is limited to this guarantee. At the closing date, Mecatherm is in discussions with its lenders to restructure its bank debt.

6. CSP Technologies' financial debt

This debt is without recourse to Wendel.

As of December 31, 2017, the notional amount of CSP Technologies' bank debt was $184.2 million, or €153.6 million (including accrued interest, and excluding issuance costs). Its cash balance was $8.3 million, or €6.9 million. As of that date, the covenants were as follows:

- the ratio of LTM EBITDA to net interest expense must be greater than or equal to 2.25 (this minimum ratio rises to 2.5 from March 2019). This ratio is calculated on a rolling 12-month basis, and is tested quarterly; and
- the ratio of consolidated net debt (gross debt less cash capped at $10.5 million) to LTM EBITDA must be less than or equal to 5.75 (this maximum ratio falls to 4.00 at the end of 2020). It is tested quarterly.

These covenants were met as of December 31, 2017.

The documentation related to CSP Technologies' debt contains 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.

7. Nippon Oil Pump's financial debt

This debt is without recourse to Wendel.

As of end-December 2017, the face value of Nippon Oil Pump's gross bank debt was JPY 3.6 billion (€26.6 million). Its cash balance was JPY 1.2 billion (€8.6 million).

The financial covenants specify a minimum level of shareholders' equity and stipulate that net income cannot be negative for two consecutive years. These covenants were met as of December 31, 2017, when the annual test was performed.

8. Tsebo's financial debt

This debt is without recourse to Wendel.

As of December 31, 2017, Tsebo's gross bank debt was €129.6 million (including accrued interest and excluding issuance costs). It is denominated in rands. Its cash balance was €21.7 million. The financial covenants apply to the Mauritian parent company, to the South African scope and to a limited number of other African companies. They are tested twice annually, at end-March and end-september. These are as follows:

- the ratio of LTM EBITDA to the amount of interest paid must be greater than or equal to 2.00 as of end-September 2017 (this minimum ratio rises to 3.00 in 2021);
- the ratio of consolidated net debt to LTM EBITDA must be less than or equal to 4.00 as of end-September 2017 (this maximum ratio falls to 2.25 in 2021); and
- the ratio of operating cash flow to interest expense must be greater than 1.25.

These covenants were met at end-September 2017.

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

Note 5-3 Managing interest-rate risk

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

In billions of euros	Fixed rate	Capped rate	Floating rate
Gross debt	5.1		2.0
Cash and short-term financial investments(1)	-0.3		-1.9
Impact of derivatives	0.3	0.4	-0.7
INTEREST-RATE EXPOSURE	**5.1**	**0.4**	**-0.6**
	104%	8%	-12%

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

The notional amount of derivative instruments was weighted by the portion of the 12 months following December 31, 2017 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 €+5.1 million on net finance income before tax over the 12 months after December 31, 2017, based on net financial debt as of December 31, 2017, 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, 2016, 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	6.0		2.9
Cash and short-term financial investments(1)	-0.3		-2.6
Impact of derivatives	0.0	0.9	-0.9
INTEREST-RATE EXPOSURE	**5.8**	**0.9**	**-0.5**
	94%	15%	-9%

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

Note 5-4 Managing credit risk

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

The cash and financial investments of Wendel and its holding companies are placed essentially with top-ranking financial institutions. However, given the high amount of cash and short-term financial investments at the close of 2017 (see note 5-2 "Managing liquidity risk"), significant amounts could be placed with the same financial institution. Derivative contracts are entered into with top-ranking financial institutions.

Note 5-5 Managing currency risk

Note 5-5.1 Wendel

Certain Group investments operate in several countries, and as a result, derive a share of their earnings in currencies other than the euro, notably the US dollar. The investments with the greatest exposure to the US dollar are Bureau Veritas, Constantia Flexibles, Stahl, IHS, Allied Universal, and CSP Technologies. Owing to the exposure of part of those assets to the US dollar, Wendel has decided to convert part of its bond debt into that currency through the use of derivatives. As such, €800 million in euro-dollar cross-currency swaps were established in 2016. This hedge will limit the impact of changes in the euro-dollar exchange rate on the Group's net asset value. These instruments, carried at fair value, have been qualified as net investment hedges for accounting purposes. As a result, changes in fair value related to change in the euro-dollar exchange rate are recognized in equity (impact of €+102 million in 2017). A 5% increase in the value of the US dollar against the euro would have a negative impact of €37 million in equity in respect of cross-currency swaps.

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 activities related to global markets, a portion of net sales is denominated in US dollars.

The share of US dollar-denominated consolidated net sales in 2017 for countries with a functional currency other than US dollar or its correlated currencies is 9%.

Accordingly, a 1% fluctuation of the US dollar against any currencies would have an impact of 0.1% on the Bureau Veritas' consolidated net sales.

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 2017, over 71% of the Group's net sales were the result of the consolidation of the financial statements of entities with a functional currency other than the euro:

- 18.7% of net sales come from entities whose functional currency is the US dollar or its correlated currency (including the Hong Kong dollar);
- 11.2% of net sales come from entities whose functional currency is the Chinese yuan;
- 4.0% of net sales come from entities whose functional currency is the Canadian dollar;
- 3.9% of net sales come from entities whose functional currency is the Australian dollar;
- 3.8% of net sales come from entities whose functional currency is the Brazilian real;
- 3.7% of net sales come from entities whose functional currency is the pound sterling.

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 0.19% on the Bureau Veritas' 2017 consolidated net sales and 0.19% on its operating result 2017.

Note 5-5.3 Constantia Flexibles

In 2017, 33% of Constantia Flexibles' net sales (excluding the Labels division) were generated in currencies other than the euro, including 10% in US dollar. A +/-5% fluctuation in the US dollar, or in currencies correlated to it, against the euro would have had an impact of around +/-1.7% on Constantia Flexibles' 2017 income from ordinary activities before depreciation, amortization and provisions (excluding goodwill allocation and non-recurring expenses), or less than €+/-3 million.

As of December 31, 2017, Constantia Flexibles as no more significative financial debt denominated in US dollars.

Note 5-5.4 Cromology

Cromology operates mainly in Continental Europe and has more limited operations in Morocco and Argentina. In 2017, the risks of inflation and changes in exchange rates were concentrated in Argentina, a modest contributor to the Cromology Group's operating income; this company was sold early 2018.

Note 5-5.5 CSP Technologies

The CSP Technologies Group is mainly based in the United States, with the US dollar as its functional currency. Around 75% of its sales are generated in that currency. A +/-5% fluctuation in the US dollar against the euro would have an impact of less than €+/-1 million on 2017 income from ordinary activities in Wendel's financial statements presented in euros.

An intra-Group loan between the US and European companies in the CSP Technologies Group could generate an accounting loss/gain of €-/+1.5 million if the US dollar were to appreciate/depreciate by 5%.

The CSP Technologies Group's bank debt is denominated entirely in US dollars. Moreover, as its functional currency is the dollar, there is no impact on the income statement related to change in this debt resulting from fluctuations in the euro-dollar exchange rate.

Note 5-5.6 Stahl

In 2017, 58% of Stahl's net sales are in currencies other than the euro, including 32% in US dollars, 10% in Chinese yuans, 7% in Indian rupees and 4% in Brazilian reals. A +/-5% fluctuation in the US dollar, or in currencies correlated to it, against the euro would have had an impact of around +/-5% on Stahl's 2017 income from ordinary activities before impairment and amortization (excluding goodwill allocation and non-recurring expenses), or €+/-9 million.

In addition, Stahl has financial debt of €582 million, the majority of which is denominated in US dollars (€545 million) and carried by a company whose functional currency is the euro. Therefore, a +/-5% fluctuation in the US dollar's value against the euro would result in the recognition of a currency impact of about €-/+28 million in net finance income/expenses.

Note 5-5.7 Tsebo

Tsebo operates chiefly in South Africa, but its financial statements are presented in dollars. In 2017, over 97% of Tsebo's net sales were the result of the consolidation of the financial statements of entities with a functional currency other than the dollar, of which 78% in South African rand. A +/-5% fluctuation in the value of the dollar against the South African rand would have an impact of around €1 million in income from ordinary activities before impairment and amortization for 2017 (excluding goodwill allocation and non-recurring expenses) in Wendel's financial statements in euros.

Tsebo's bank debt is denominated in South African rand in the amount of €129.6 million. It is carried by a company whose functional currency is the South African rand. As such, changes in exchange rates have no effect on the net income.

Note 5-6 Managing raw materials risk

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

Cromology's raw material and packaging purchases represented approximately €163 million in 2017. Over this period, the 9.4% average increase in the price of all raw materials (driven by the high increase in the price of titanium dioxide) used by Cromology increased expenses by approximately €15 million. Cromology believes that, in the medium term, an increase in the sales price of its products will be able to offset the effect of such increases. In the short term, however, competitive constraints cause increases in selling prices to lag behind those of the purchase price of raw materials, meaning that such increases can only be partially offset. Cromology continually works to optimize its purchases by approving new suppliers, and by developing new formulations for its products.

Stahl purchased around €319 million of commodities in 2017. 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 €32 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 approximately €775 million of raw materials in 2017 (excluding the Labels division). 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 €78 million on a full-year basis. Constantia Flexibles has a risk hedging policy against fluctuations in aluminum prices through hedging contracts. Moreover, the company believes that an increase in the sales price of its products combined with the hedging would substantially offset the effect of such increases in raw materials.

NOTE 6 Segment information

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

Net income from operating segments

Net income from operating segments is the Group's "recurring" income. It consists of net income from investments and from holding companies and excludes non-recurring items and the impact of goodwill, as defined below:

- "net income from investments" is defined as the net income of companies under exclusive control (full consolidation: Bureau Veritas, Constantia Flexibles, Cromology, Stahl as well as CSP Technologies, Mecatherm, Nippon Oil Pump and Tsebo, grouped under Oranje-Nassau Développement) and Wendel's share in the net income of investments accounted for under the equity method (Allied Universal, IHS, Saint-Gobain until the date of deconsolidation (see note 2 "Changes in scope of consolidation"), as well as exceet and PlaYce grouped under Oranje-Nassau Développement) before non-recurring items and the impact of goodwill allocation;
- the net income of holding companies incorporates the general and administrative expenses of Wendel and its holding companies, the cost of the net borrowings put in place to finance Wendel and its holding companies, and the tax expense and income connected with these items. The amounts shown are those recognized at the level of Wendel and all of its consolidated financial holding companies (excluding acquisition holding companies and operating subsidiaries).

Non-recurring income

"Non-recurring income" includes, for the entire scope of consolidation, the net after-tax amounts not linked to the operating or ordinary activities of subsidiaries and associates or to the recurring operations of Wendel and its holding companies:

- capital gains and losses from the divestment of assets;
- restructuring costs considered exceptional;
- exceptional legal disputes, notably those that are not linked to operating activities;
- interest income and expenses on shareholder loans, as these are linked to the structure of the financial instruments used to invest in the subsidiaries and associates. These items do not usually give rise to a settlement in cash prior to divestment. The tax impact related to these items is considered recurring inasmuch as it has a structural impact on the tax to be paid;
- changes in "fair value";
- impairment losses on assets, and in particular on the value of goodwill;
- currency impact on financial liabilities;
- financial restructuring expenses and the income and expenses related to extinguishing debt;
- any other significant item unconnected with the Group's recurring operations.

Impact of goodwill allocation

The impact of goodwill on the income statement derives from the revaluation of assets and liabilities carried out at the time of the acquisition (or from changes in allocation within 12 months of the transaction). The affected items are primarily:

- inventories and work-in-progress;
- property, plant & equipment;
- intangible assets, including brands and contracts;
- the related deferred taxes.

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

Note 6-1 Income statement by business sector for fiscal year 2017

						Equity-method investments				
In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Oranje-Nassau Développement	Saint-Gobain	IHS	Allied Universal	Wendel & holding companies	Group Total
Net income from operations										
Net sales	**4,689.4**	**1,487.5**	**704.6**	**733.3**	**714.3**	**-**	**-**	**-**	**-**	**8,329.1**
EBITDA(1)	**N/A**	**188.2**	**49.0(2)**	**171.3**	**N/A**	**-**	**-**	**-**	**-**	**-**
Adjusted operating income(1)	**745.5**	**110.4**	**29.2**	**155.1**	**60.6**	**-**	**-**	**-0.1**	**-**	**-**
Other recurring operating items	-	-2.0	-1.8	-9.5	-2.9	-	-	-	-	-
Operating income	**745.5**	**108.4**	**27.5**	**145.6**	**57.7**	**-**	**-**	**-0.1**	**-62.6**	**1,022.0**
Finance costs, net	-86.8	-59.8	-21.4	-25.1	-28.9	-	-	-	-144.8	-366.7
Other financial income and expense	-17.0	-1.4	4.0	-6.8	-0.7	-	-	-	17.8(3)	-4.0
Tax expense	-204.5	-17.8	3.5	-29.7	-12.6	-	-	0.7	8.7	-251.7
Share in net income of equity-method investments	0.6	-0.2	-0.3	-	1.3	40.7	4.1	11.4	-	57.6
Net income from discontinued operations and operations held for sale	-	53.7	-5.8	-	-	-	-	-	-	47.9
RECURRING NET INCOME FROM OPERATIONS	**437.8**	**82.9**	**7.5**	**84.0**	**16.8**	**40.7**	**4.1**	**11.9**	**-180.8**	**505.0**
Recurring net income from operations - non-controlling interests	268.0	39.9	0.3	24.9	2.7	-	-	0.1	-	336.0
RECURRING NET INCOME FROM OPERATIONS - GROUP SHARE	**169.8**	**43.1**	**7.2**	**59.1**	**14.1**	**40.7**	**4.1**	**11.9**	**-180.8**	**169.0**
Non-recurring income										
Operating income	-139.2	-66.3	-14.1	-35.0	-73.4	-	-	-	-10.0	-338.0
Net financial expense	-	-49.4	-77.7	60.6	-1.1	-	-	-	78.6	11.0
Tax expense	45.8	12.9	7.4	-6.2	15.0	-	-	-1.6		73.4
Share in net income of equity-method investments	-	-	-	-	-4.2	-4.7	-43.4	-48.1	83.8(4)	-16.6
Net income from discontinued operations and operations held for sale	-8.5	307.9	-	-	-	-	-	-	-	299.3
NON-RECURRING NET INCOME	**-101.9**	**205.1**	**-84.5**	**19.4**	**-63.7**	**-4.7**	**-43.4**	**-49.7**	**152.4**	**29.1**
of which:										
■ Non-recurring items	-51.5	242.3(5)	-89.3	36.6	-15.2	-4.7	-38.0(7)	-42.5	152.4	190.1
■ Impact of goodwill allocation	-50.4	-37.2	4.8	-17.2	-6.4	-	-	-7.2	-	-113.6
■ Assets impairment	-	-	-	-	-42.1(6)	-	-5.4	-	-	-47.4
Non-recurring net income - non-controlling interests	-60.3	80.4	-8.0	4.3	-17.6	-	-0.4	-0.2	-	-1.9
NON-RECURRING NET INCOME - GROUP SHARE	**-41.6**	**124.7**	**-76.4**	**15.1**	**-46.1**	**-4.7**	**-43.0**	**-49.4**	**152.4**	**31.0**
CONSOLIDATED NET INCOME	**335.9**	**288.1**	**-76.9**	**103.4**	**-46.9**	**36.0**	**-39.3**	**-37.7**	**-28.4**	**534.1**
Consolidated net income - non-controlling interests	207.7	120.3	-7.7	29.2	-14.9	-	-0.3	-0.2	-	334.1
CONSOLIDATED NET INCOME - GROUP SHARE	**128.2**	**167.8**	**-69.2**	**74.2**	**-32.0**	**36.0**	**-38.9**	**-37.6**	**-28.4**	**200.0**

(1) Before the impact of goodwill allocation, non-recurring items and management fees.
(2) Cromology's EBITDA is now presented after changes in depreciation on current assets (the presentation of the 2016 financial year is also modified to this effect).
(3) The amount of €17.8 million corresponds to dividends received from Saint-Gobain after the date of deconsolidation (see note 2 "Changes in scope of consolidation").
(4) This positive amount of €83.8 million is primarily related to the sale of Saint-Gobain shares (see note 2 "Changes in scope of consolidation").
(5) This amount includes the income from the divestment of the "Labels" division for €318.9 million.
(6) This item notably includes €-17.8 million in impairment on Mécatherm and €-21.2 million in impairment recorded by Tsebo on its "Security" division (see note 7-1). "Goodwill impairment test").
(7) This item includes €27.3 million of dilution effect on IHS (see note 2 "Change in scope of consolidation") and a exchange loss of €-68.3 million (offset by a change in the same amount in translation reserves).

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

In millions of euros	Tsebo	Mecatherm	CSP Technologies	Nippon Oil Pump	exceet	PlaYce	Oranje-Nassau Dévelop-pement
Net income from operations							
Net sales	**461.0**	**84.3**	**120.5**	**48.5**	**-**	**-**	**714.3**
EBITDA[(1)]	**27.0**	**7.3**	**-**	**10.7**	**-**	**-**	**-**
Adjusted operating income[(1)]	**22.4**	**5.3**	**23.7**	**9.1**	**-**	**-**	**60.6**
Other recurring operating items	-0.8	-0.5	-1.3	-0.2	-	-	-2.9
Operating income	**21.6**	**4.8**	**22.4**	**8.9**	**-**	**-**	**57.7**
Finance costs, net	-14.8	-1.0	-12.7	-0.3	-	-	-28.9
Other financial income and expense	-0.2	-0.5	-0.1	-	-	-	-0.7
Tax expense	-5.1	-	-4.7	-2.8	-	-	-12.6
Share in net income of equity-method investments	0.7	-	-	-	0.8	-0.3	1.3
Net income from discontinued operations and operations held for sale	-	-	-	-	-	-	-
RECURRING NET INCOME FROM OPERATIONS	**2.2**	**3.4**	**5.0**	**5.8**	**0.8**	**-0.3**	**16.8**
Recurring net income from operations - non-controlling interests	2.5	-	0.1	0.1	-	-	2.7
RECURRING NET INCOME FROM OPERATIONS - GROUP SHARE	**-0.4**	**3.3**	**4.9**	**5.7**	**0.8**	**-0.3**	**14.1**
Non-recurring income							
Operating income	-39.9	-21.8	-9.2	-2.6	-	-	-73.4
Net financial expense	-4.4	-	3.3	-	-	-	-1.1
Tax expense	-0.3	1.4	13.0	1.0	-	-	15.0
Share in net income of equity-method investments	-	-	-	-	-4.2	-	-4.2
Net income from discontinued operations and operations held for sale	-	-	-	-	-	-	-
NON-RECURRING NET INCOME	**-44.5**	**-20.4**	**7.1**	**-1.6**	**-4.2**	**-**	**-63.7**
of which:							
▪ Non-recurring items	-17.0	-1.7	3.4	-0.1	0.2	-	-15.2
▪ Impact of goodwill allocation	-6.3	-0.9	3.7	-1.6	-1.4	-	-6.4
▪ Asset impairment[(2)]	-21.2 [(2)]	-17.8	-	-	-3.1	-	-42.1
Non-recurring net income - non-controlling interests	-17.7	-	0.1	-	-	-	-17.6
NON-RECURRING NET INCOME - GROUP SHARE	**-26.8**	**-20.4**	**7.0**	**-1.6**	**-4.2**	**-**	**-46.1**
CONSOLIDATED NET INCOME	**-42.4**	**-17.0**	**12.0**	**4.1**	**-3.4**	**-0.3**	**-46.9**
Consolidated net income - non-controlling interests	-15.2	-	0.2	-	-	-	-14.9
CONSOLIDATED NET INCOME - GROUP SHARE	**-27.2**	**-17.0**	**11.8**	**4.1**	**-3.4**	**-0.3**	**-32.0**

(1) Before the impact of goodwill allocation, non-recurring items and management fees.
(2) Impairment recorded by Tsebo on its "security" division (see note 7-1 "Goodwill impairment tests").

Note 6-2 Income statement by business sector for fiscal year 2016

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Oranje-Nassau Développement	Allied Barton	Equity-method investments: Saint-Gobain	Equity-method investments: IHS	Equity-method investments: Allied Universal	Wendel & holding companies	Group Total
Net income from operations											
Net sales	**4,549.2**	**1,461.1**	**737.3** (2)	**655.7**	**279.3**	**-**					**7,682.7**
EBITDA(1)	**N/A**	**182.7**	**57.7** (2)	**155.6**	**N/A**	**-**					
Adjusted operating income(1)	**734.9**	**105.4**	**35.9**	**140.2**	**45.1**	**-**			**-0.2**		
Other recurring operating items	-	-2.0	-1.8	-6.4	-3.3	-1.2			-		
Operating income	**734.9**	**103.4**	**34.2**	**133.8**	**41.9**	**-1.2**			**-0.2**	**-58.1**	**988.6**
Finance costs, net	-89.9	-73.4	-19.2	-8.8	-15.1	-			-	-142.8	-349.2
Other financial income and expense	3.4	-3.0	-0.4	3.4	-0.5	-			-		2.9
Tax expense	-224.5	-25.1	2.4	-33.1	-6.4	-			-0.8	-2.4	-289.8
Share in net income of equity-method investments	0.8	0.1	0.5	-	-1.1	-	106.6	-44.5	1.7	-	64.2
Net income from discontinued operations and operations held for sale	-	65.1	-	-	4.2	31.0	-	-	-	-	100.3
RECURRING NET INCOME FROM OPERATIONS	**424.7**	**67.1**	**17.5**	**95.3**	**23.0**	**29.8**	**106.6**	**-44.5**	**0.7**	**-203.3**	**516.9**
Recurring net income from operations - non-controlling interests	258.5	32.5	1.5	23.4	0.3	1.5	-	-0.2	-	-	317.5
RECURRING NET INCOME FROM OPERATIONS - GROUP SHARE	**166.2**	**34.6**	**16.1**	**71.9**	**22.6**	**28.3**	**106.6**	**-44.3**	**0.7**	**-203.3**	**199.4**
Non-recurring income											
Operating income	-125.2	-37.8	-16.0	-22.9	-15.3	-	-	-	-	-95.2	-312.3
Net financial expense	-	-14.4	-69.0	-11.5	-2.5	-	-	-	-1.0	-37.4 (5)	-135.9
Tax expense	46.4	11.4	12.3	8.4	9.6	-	-	-	-	-	88.1
Share in net income of equity-method investments	-	-	-	-	-14.3	-	9.8	-152.6	-27.8	-147.9 (6)	-332.8
Net income from discontinued operations and operations held for sale	-	-28.1	-	-	-0.6	-72.6	-	-	-	136.3 (7)	35.0
NON-RECIRRING NET INCOME	**-78.8**	**-68.9**	**-72.7**	**-26.0**	**-23.0**	**-72.6**	**9.8**	**-152.6**	**-28.9**	**-144.3**	**-658.0**
of which:											
■ Non-recurring items	-32.1	-23.1	-81.8	-13.6	-6.2	-58.2	6.8	-152.6(4)	-10.2	-144.3	-515.2
■ Impact of goodwill allocation	-46.7	-45.8	9.1	-12.4	-9.0	-14.5	17.9	-	-18.7	-	-120.1
■ Assets impairment	-	-	-	-	-7.8	-	-14.9 (3)	-	-	-	-22.7
Non-recurring net income - non-controlling interests	-46.8	-27.2	-7.2	-6.3	-0.2	-3.6	-	-0.8	-0.1	0.5	-91.8
NON-RECURRING NET INCOME - GROUP SHARE	**-32.0**	**-41.7**	**-65.4**	**-19.7**	**-22.9**	**-69.0**	**9.8**	**-151.8**	**-28.7**	**-144.8**	**-566.2**
CONSOLIDATED NET INCOME	**345.9**	**-1.8**	**-55.1**	**69.3**	**-0.1**	**-42.9**	**116.4**	**-197.1**	**-28.2**	**-347.6**	**-141.1**
Consolidated net income - non-controlling interests	211.7	5.3	-5.8	17.1	0.2	-2.1	-	-1.0	-0.1	0.5	225.7
CONSOLIDATED NET INCOME - GROUP SHARE	**134.2**	**-7.0**	**-49.4**	**52.2**	**-0.3**	**-40.7**	**116.4**	**-196.1**	**-28.0**	**-348.1**	**-366.8**

(1) Before the impact of goodwill allocation, non-recurring items and management fees.
(2) Without Argentine, classified as discontinued operations in 2017, the 2016 net sales amounted to €700.7 million and the 2016 EBITDA to €56.0 million.
(3) This item includes asset impairments recognized by the Saint-Gobain Group.
(4) IHS: this item consists mainly of a foreign exchange loss (offset by a change in the same amount in translation reserves) and a dilution result of €3.5 million.
(5) This item includes a €123.6 million loss on the repurchase of Wendel bonds.
(6) His item was impacted by the sale of Saint-Gobain shares for €-229.6 million and the deconsolidation of IHS shares held by co-investors for €81.7 million.
(7) This item includes the results of the sale of AlliedBarton and Parcours for €58.2 million and €78.3 million respectively (excluding discontinuation of depreciation expense for Parcours).

The detail of Oranje-Nassau Développement's contribution to the 2016 income statement by business sector is as follows:

In millions of euros	Parcours[2]	Mecatherm	CSP Technologies	Nippon Oil Pump	exceet	PlaYce	Oranje-Nassau Dévelop-pement
Net income from operations							
Net sales	**-**	**118.7**	**114.5**	**46.1**	**-**	**-**	**279.3**
EBITDA[1]	**N/A**	**13.7**	**N/A**	**8.6**	**-**	**-**	
Adjusted operating income[1]	**N/A**	**11.8**	**26.6**	**6.8**	**-**	**-**	**45.1**
Other recurring operating items	-0.1	-0.5	-1.4	-1.2	-	-	-3.3
Operating income	**-0.1**	**11.3**	**25.1**	**5.5**	**-**	**-**	**41.9**
Finance costs, net	-	-1.4	-13.4	-0.4	-	-	-15.1
Other financial income and expense	-	-0.5	0.1	-0.1	-	-	-0.5
Pre-tax income, including management fees	**-0.1**	**N/A**	**N/A**	**N/A**			**-**
Tax expense	-	-1.1	-3.2	-2.1	-	-	-6.4
Share in net income of equity-method investments	-	-	-	-	-0.5	-0.5	-1.1
Net income from discontinued operations and operations held for sale	4.2	-	-	-	-	-	4.2
RECURRING NET INCOME FROM OPERATIONS	**4.1**	**8.3**	**8.7**	**2.9**	**-0.5**	**-0.5**	**23.0**
Recurring net income from operations - non-controlling interests	-	0.1	0.1	0.1	-	-	0.3
RECURRING NET INCOME FROM OPERATIONS - GROUP SHARE	**4.1**	**8.2**	**8.6**	**2.9**	**-0.5**	**-0.5**	**22.6**
Non-recurring income							
Operating income	-	-1.7	-10.7	-2.8	-	-	-15.3
Net financial expense	-	-	-2.5	-	-	-	-2.5
Tax expense	-	3.8	4.8	1.0	-	-	9.6
Share in net income of equity-method investments	-	-	-	-	-14.3	-	-14.3
Net income from discontinued operations and operations held for sale	-0.6	-	-	-	-	-	-0.6
NON-RECIRRING NET INCOME	**-0.6**	**2.1**	**-8.4**	**-1.8**	**-14.3**	**-**	**-23.0**
of which:							
■ Non-recurring items	-0.2	-0.2	-1.4	-0.1	-4.1	-	-6.2
■ Impact of goodwill allocation	-0.4	2.3	-7.0	-1.6	-2.3	-	-9.0
■ Assets impairment	-	-	-	-	-7.8	-	-7.8
Non-recurring net income - non-controlling interests	-	-	-0.1	-	-	-	-0.2
NON-RECURRING NET INCOME - GROUP SHARE	**-0.6**	**2.0**	**-8.3**	**-1.7**	**-14.3**	**-**	**-22.9**
CONSOLIDATED NET INCOME	**3.4**	**10.4**	**0.3**	**1.1**	**-14.8**	**-0.5**	**-0.1**
Consolidated net income - non-controlling interests	-	0.1	-	-	-	-	0.2
CONSOLIDATED NET INCOME - GROUP SHARE	**3.4**	**10.2**	**0.3**	**1.1**	**-14.8**	**-0.5**	**-0.3**

(1) Before the impact of goodwill allocation, non-recurring items and management fees.
(2) The result of Parcours reflected in the economic presentation of income excludes the discontinuation of depreciation, pursuant to IFRS 5 (see note 2 "Changes in scope of consolidation"), the offsetting entry of this adjustment being recognized in income from the sale of this investment.

Note 6-3 Balance sheet by business sector as of December 31, 2017

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Oranje-Nassau Dévelop-pement	IHS	Allied Universal	Wendel & *holding companies*	Group Total
Goodwill, net	2,337.0	460.4	211.6	128.6	437.4	-	-	-	3,575.0
Intangible assets, net	837.7	508.6	212.2	290.8	332.4	-	-	-	2,181.8
Property, plant & equipment, net	486.3	574.0	81.9	141.3	109.3	-	-	13.5	1,406.1
Non-current financial assets	119.7	281.7	6.2	2.4	5.8	-	-	967.6	1,383.3
Pledged cash and cash equivalents	-	-	-	-	0.2	-	-	0.4	0.7
Equity-method investments	4.6	0.8	1.4	-	30.4	281.2	215.9	-	534.3
Deferred tax assets	138.4	11.8	28.6	13.5	2.4	-	-	0.5	195.2
Total non-current assets	**3,923.8**	**1,837.2**	**541.8**	**576.6**	**917.8**	**281.2**	**215.9**	**982.0**	**9,276.4**
Assets of discontinued operations and operations held for sale	**1.2**	**-**	**17.9**	**1.3**	**-**	**-**	**-**	**-**	**20.5**
Inventories and work-in-progress	19.8	215.4	91.1	107.4	47.3	-	-	-	481.1
Trade receivables	1,364.9	152.3	116.3	158.4	103.4	-	-	2.3	1,897.5
Other current assets	188.3	40.2	61.4	28.2	16.2	-	3.8	9.6	347.7
Current income tax payable	52.7	5.0	-	12.0	2.8	-	-	12.6	85.0
Other current financial assets	24.2	14.3	-	0.3	-	-	-	383.7	422.5
Cash and cash equivalents	364.3	64.7	43.3	41.1	44.4	-	0.3	1,347.2	1,905.3
Total current assets	**2,014.2**	**491.9**	**312.2**	**347.3**	**214.1**	**-**	**4.1**	**1,755.3**	**5,139.1**
TOTAL ASSETS									**14,435.9**
Shareholders'equity – Group share									2,164.2
Non-controlling interests									1,092.5
Total shareholders'equity									**3,256.7**
Provisions	299.7	64.0	41.9	23.8	11.4	-	-	24.4	465.1
Financial debt	2,240.0	505.4	309.5	528.7	288.1	-	-	2,544.5	6,416.2
Other current financial liabilities	126.8	60.1	0.2	118.6	14.2	-	-	256.0	575.9
Deferred tax liabilities	194.3	156.5	107.9	31.4	80.3	-	25.2	0.1	595.6
Total non-current liabilities	**2,860.9**	**785.9**	**459.5**	**702.4**	**394.0**	**-**	**25.1**	**2,825.0**	**8,052.8**
Liabilities of discontinued operations and operations held for sale	**1.0**	**-**	**16.1**	**-**	**-**	**-**	**-**	**-**	**17.1**
Provisions	-	52.7	0.8	0.1	5.6	-	-	0.1	59.4
Financial debt	209.0	18.9	2.6	42.1	34.4	-	-	405.8	712.7
Other current financial liabilities	123.9	18.9	-	2.7	3.4	-	-	141.1	289.9
Trade payables	372.6	254.3	104.9	78.2	85.6	-	0.1	5.1	900.7
Other current liabilities	747.0	70.0	98.4	40.6	57.4	-	3.7	21.9	1,039.1(1)
Current income tax payable	73.6	21.9	-	7.5	4.1	-	-	0.4	107.5
Total current liabilities	**1,526.0**	**436.8**	**206.6**	**171.2**	**190.6**	**-**	**3.8**	**574.3**	**3,109.3**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY									**14,435.9**

(1) *As at December 31, 2017, this amount included deferred revenue of €151.2 million.*

The detail of Oranje-Nassau Développement's contribution to the 2017 balance sheet by business sector is as follows:

In millions of euros	Mecatherm	CSP Technologies	Tsebo	Nippon Oil Pump	exceet	PlaYce	Oranje-Nassau Développement
Goodwill, net	66.3	152.4	202.1	16.7	-	-	437.4
Intangible assets, net	65.1	101.3	145.1	20.8	-	-	332.4
Property, plant & equipment, net	5.7	77.2	14.5	11.8	-	-	109.3
Non-current financial assets	0.8	0.3	3.0	1.7	-	-	5.8
Pledged cash and cash equivalents	-	0.2	-	-	-	-	0.2
Equity-method investments	-	-	5.1	-	-	25.3	30.4
Deferred tax assets	-	-	2.4	-	-	-	2.4
Total non-current assets	**137.9**	**331.3**	**372.3**	**51.0**	**-**	**25.3**	**917.8**
Assets of discontinued operations and operations held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Inventories and work-in-progress	8.4	23.7	7.7	7.5	-	-	47.3
Trade receivables	11.4	16.2	59.9	15.9	-	-	103.4
Other current assets	2.8	2.0	11.2	0.3	-	-	16.2
Current income tax payable	-	0.4	2.4	-	-	-	2.8
Other current financial assets	-	-	-	-	-	-	-
Cash and cash equivalents	7.2	6.9	21.7	8.6	-	-	44.4
Total current assets	**29.7**	**49.2**	**103.0**	**32.2**	**-**	**-**	**214.1**
Provisions	4.3	0.2	-	6.9	-	-	11.4
Financial debt	-	145.0	119.8	23.4	-	-	288.1
Other current financial liabilities	0.8	7.1	4.5	1.7	-	-	14.2
Deferred tax liabilities	14.4	17.1	41.2	7.6	-	-	80.3
Total non-current liabilities	**19.5**	**169.4**	**165.5**	**39.6**	**-**	**-**	**394.0**
Liabilities of discontinued operations and operations held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provisions	5.6	-	-	-	-	-	5.6
Financial debt	22.9	1.3	7.0	3.2	-	-	34.4
Other current financial liabilities	-	-	3.4	-	-	-	3.4
Trade payables	8.6	6.9	64.1	6.0	-	-	85.6
Other current liabilities	20.6	9.9	24.1	2.8	-	-	57.4
Current income tax payable	-	2.2	0.2	1.7	-	-	4.1
Total current liabilities	**57.8**	**20.4**	**98.8**	**13.6**	**-**	**-**	**190.6**

Note 6-4 Balance sheet by business sector as of December 31, 2016

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Oranje-Nassau Dévelop-pement	Saint-Gobain	IHS	Allied Universal	Wendel & holding compa nies	Group Total
Goodwill, net	2,349.5	770.4	211.6	62.1	275.6	-	-	-	-	3,669.3
Intangible assets, net	884.3	827.0	210.9	100.2	216.3	-	-	-	0.1	2,238.8
Property, plant & equipment, net	518.6	785.7	86.4	138.1	92.8	-	-	-	14.3	1,635.9
Non-current financial assets	70.5	43.9	5.9	0.6	2.8	-	-	-	261.8	385.5
Pledged cash and cash equivalents	-	-	-	-	0.2	-	-	-	0.5	0.7
Equity-method investments	5.0	1.2	1.7	-	50.4	1,662.3	434.2	258.4	-	2,413.2
Deferred tax assets	142.9	13.6	28.7	14.4	-	-	-	-	1.4	200.9
Total non-current assets	**3,970.9**	**2,441.8**	**545.2**	**315.4**	**638.1**	**1,662.3**	**434.2**	**258.4**	**278.0**	**10,544.2**
Assets and operations held for sale	**-**	**-**	**-**	**2.0**	**-**	**-**	**-**	**-**	**-**	**2.0**
Inventories and work-in-progress	20.6	275.8	91.0	77.3	43.8	-	-	-	-	508.5
Trade receivables	1,325.5	242.4	136.6	125.1	67.5	-	-	-	1.9	1,899.0
Other current assets	150.0	48.7	50.3	17.0	5.7	-	-	-	11.9	283.6
Current income tax payable	48.9	9.6	-	11.6	0.3	-	-	-	-	70.5
Other current financial assets	54.7	5.1	0.3	0.6	0.2	-	-	-	381.3	442.2
Cash and cash equivalents	1,094.1	123.2	47.0	313.9	11.2	-	-	0.5	971.4	2,561.3
Total current assets	**2,693.9**	**704.8**	**325.1**	**545.5**	**128.7**	**-**	**-**	**0.5**	**1,366.4**	**5,765.0**
TOTAL ASSETS										**16,311.2**
Shareholders'equity – Group share										2,257.7
Non-controlling interests										1,039.4
Total shareholders'equity										**3,297.1**
Provisions	299.9	64.8	40.5	23.0	12.0	-	-	-	25.1	465.3
Financial debt	2,492.9	1,154.5	302.5	546.1	196.6	-	-	-	2,885.1	7,577.7
Other current financial liabilities	82.9	149.8	0.4	5.0	8.4	-	-	-	271.7	518.2
Deferred tax liabilities	221.9	262.4	120.8	15.5	56.4	-	-	-	1.0	677.9
Total non-current liabilities	**3,097.7**	**1,631.5**	**464.2**	**589.6**	**273.4**	**-**	**-**	**-**	**3,182.8**	**9,239.1**
Liabilities held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provisions	-	56.7	2.3	0.1	6.9	-	-	-	0.2	66.1
Financial debt	589.5	159.1	6.4	13.4	30.4	-	-	-	568.4	1,367.2
Other current financial liabilities	114.3	28.4	0.5	1.7	-	-	-	-	258.3	403.1
Trade payables	347.7	306.5	103.6	62.4	17.8	-	-	0.1	12.1	850.2
Other current liabilities	693.6	77.3	95.3	51.9	51.6	-	-	-	14.6	984.2(1)
Current income tax payable	66.4	26.7	-	8.6	2.0	-	-	-	0.3	104.1
Total current liabilities	**1,811.4**	**654.7**	**208.0**	**138.0**	**108.8**	**-**	**-**	**0.1**	**853.8**	**3,774.9**
TOTAL LIABILITIES AND SHAREHOLDERS'EQUITY										**16,311.2**

(1) As of December 31, 2016, this amount included deferred revenue of €134.4 million.

The detail of Oranje-Nassau Développement's contribution to the 2016 balance sheet by business sector is as follows:

In millions of euros	Mecatherm	CSP Technologies	Nippon Oil Pump	exceet	PlaYce	Oranje-Nassau Développement
Goodwill, net	84.1	173.4	18.2	-	-	275.6
Intangible assets, net	66.0	124.8	25.4	-	-	216.3
Property, plant & equipment, net	6.6	73.3	13.0	-	-	92.8
Non-current financial assets	0.7	0.3	1.8	-	-	2.8
Pledged cash and cash equivalents	-	0.2	-	-	-	0.2
Equity-method investments	-	-	-	24.7	25.7	50.4
Deferred tax assets	-	-	-	-	-	-
Total non-current assets	**157.4**	**372.0**	**58.3**	**24.7**	**25.7**	**638.1**
Assets and operations held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Inventories and work-in-progress	10.0	25.8	8.0	-	-	43.8
Trade receivables	34.2	17.2	16.1	-	-	67.5
Other current assets	2.2	3.2	0.3	-	-	5.7
Current income tax payable	0.3	-	-	-	-	0.3
Other current financial assets	-	0.2	-	-	-	0.2
Cash and cash equivalents	2.0	3.3	6.0	-	-	11.2
Total current assets	**48.8**	**49.6**	**30.4**	**-**	**-**	**128.7**
Provisions	4.1	0.2	7.7	-	-	12.0
Financial debt	17.9	149.7	29.0	-	-	196.6
Other current financial liabilities	1.0	5.4	2.0	-	-	8.4
Deferred tax liabilities	16.4	30.6	9.4	-	-	56.4
Total non-current liabilities	**39.4**	**185.9**	**48.1**	**-**	**-**	**273.4**
Liabilities held for sale	**-**	**-**	**-**	**-**	**-**	**-**
Provisions	6.9	-	-	-	-	6.9
Financial debt	15.0	11.9	3.5	-	-	30.4
Other current financial liabilities	-	-	-	-	-	-
Trade payables	7.3	5.8	4.7	-	-	17.8
Other current liabilities	36.5	13.1	2.0	-	-	51.6
Current income tax payable	-	0.1	2.0	-	-	2.0
Total current liabilities	**65.7**	**30.9**	**12.2**	**-**	**-**	**108.8**

Note 6-5 Cash flow statement by business segment for 2017

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Oranje-Nassau Dévelop-pement	Allied Barton	Allied Universal	Wendel & holding companies	Eliminations and unallocated	Group total
Net cash flows from operating activities, excluding tax	752.8	199.9	36.5	100.9	83.2	-	-0.8	-64.6	-	1,107.9
Net cash flows from investing activities, excluding tax	-312.4	661.9	-21.0	-153.5	-15.3	-	-	844.6	-14.2	990.0
Net cash flows from financing activities, excluding tax	-959.9	-894.7	-17.7	-198.0	-18.1	-	-	-400.2	14.2	-2,474.4
Net cash flows related to taxes	-182.4	-23.7	-1.3	-20.4	-14.8	-	0.7	-3.7	-	-245.6

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

In millions of euros	Tsebo	Mecatherm	CSP Technologies	Nippon Oil Pump	Oranje-Nassau Développement
Net cash flows from operating activities, excluding tax	28.3	11.1	32.8	11.0	83.2
Net cash flows from investing activities, excluding tax	6.7	-1.6	-19.5	-1.0	-15.3
Net cash flows from financing activities, excluding tax	-2.3	-3.7	-8.4	-3.7	-18.1
Net cash flows related to taxes	-10.8	-0.6	-0.4	-3.0	-14.8

Note 6-6 Cash flow statement by business segment for 2016

In millions of euros	Bureau Veritas	Constantia Flexibles	Cromology	Stahl	Oranje-Nassau Dévelop-pement	Allied Barton	Allied Universal	Wendel & holding companies	Eliminations and unallocated	Group total
Net cash flows from operating activities, excluding tax	811.1	273.9	48.0	138.6	43.8	70.0	-0.1	-49.9	-	1,335.6
Net cash flows from investing activities, excluding tax	-338.3	-119.1	-27.2	-38.3	-56.0	286.6	0.4	2,035.1	-738.4	1,004.7
Net cash flows from financing activities, excluding tax	315.1	-62.1	-7.2	149.0	9.3	-393.0	-3.5	-1,480.7	738.4	-734.8
Net cash flows related to taxes	-213.8	-35.1	1.3	-13.2	0.3	-0.8	-0.8	-6.9	-	-269.0

The detail of Oranje-Nassau Développement's contribution to the 2016 cash flow statement by business sector is as follows:

In millions of euros	Tsebo	Mecatherm	CSP Technologies	Nippon Oil Pump	Oranje-Nassau Développement
Net cash flows from operating activities, excluding tax	-	6.4	30.8	6.6	43.8
Net cash flows from investing activities, excluding tax	-	-2.4	-51.3	-2.3	-56.0
Net cash flows from financing activities, excluding tax	-	-8.8	21.9	-3.8	9.3
Net cash flows related to taxes	-	1.6	-1.1	-0.2	0.3

8 Notes on the balance sheet

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

NOTE 7 Goodwill

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

	12/31/2017		
In millions of euros	Gross amount	Impairment	Net amount
Bureau Veritas	2,483.0	-146.0	2,337.0
Constantia Flexibles	460.4	-	460.4
Cromology	403.3	-191.7	211.6
Stahl	128.6	-	128.6
Oranje-Nassau Développement	494.9	-57.6	437.4
TOTAL	**3,970.3**	**-395.3**	**3,575.0**

	12/31/2016		
In millions of euros	Gross amount	Impairment	Net amount
Bureau Veritas	2,500.0	-150.5	2,349.5
Constantia Flexibles	770.4	-	770.4
Cromology	410.0	-198.4	211.6
Stahl	62.1	-	62.1
Oranje-Nassau Développement	293.9	-18.3	275.6
TOTAL	**4,036.4**	**-367.1**	**3,669.3**

The principal changes during the year were as follows:

In millions of euros	2017	2016
Net amount at beginning of the year	**3,669.3**	**4,305.0**
Changes in scope(1)	133.8	-675.7
Impact of changes in currency translation adjustments and other	-189.1	39.9
Impairment for the year(2)	-39.0	-
NET AMOUNT AT THE END OF THE YEAR	**3,575.0**	**3,669.3**

(1) *This item notably includes the effect of Constantia Flexibles'divestment of its "Labels" business for €-317.3 million, the first-time consolidation of Tsebo for €228.1 million, the impact of Stahl's acquisition of BASF's leather chemicals business for €69 million and €126.6 million related to goodwill resulting from the acquisitions made by Bureau Veritas (see note 2 "Changes in scope of consolidation").*
(2) *Impairment of €17.8 million was recorded on Mécatherm, moreover Tsebo has depreciated its "security" division for €21.2 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 1-10.1 "Goodwill"). The Group's CGUs are its fully consolidated subsidiaries as of December 31, 2017: Bureau Veritas, Constantia Flexibles, Cromology, Stahl, Tsebo, CSP Technologies, Mecatherm, and Nippon Oil Pump.

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, 2017. 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 2017 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 Impairment test on the goodwill of Bureau Veritas (listed company)

The carrying amount of the Bureau Veritas shares at year-end 2017 (€4.7 per share, or €833 million for the shares held) was significantly below their fair value (closing share price: €22.79 per share, or €4,037.8 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, Tsebo, CSP Technologies, Mecatherm and Nippon Oil Pump

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

The value in use of Mecatherm calculated as of December 31, 2017 was less than the net carrying amount and an additional. Additional impairment of €17.8 million was therefor recorded for this investment, bringing its net carrying amount to €72.4 million. The tests performed on the other investments did not result in the recognition of other impairments.

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

In millions of euros		Constantia Flexibles	Cromology	Stahl
Net book value before test (Group share)		668	99	31
Depreciation recognized in 2017 after test (Group share)		-	-	-
Net book value after test (Group share)		668	99	31
Duration of business plan		4 years	5 years	5 years
Discount rate	Rate as of 12/31/2017	8.0%	8.0%	9.0%
	Rate as of 12/31/2016	8.0%	8.0%	9.0%
	Profit/loss impact in case of 0.5% increase	-	-	-
	Profit/loss impact in case of 0.5% decrease	-	-	-
	Threshold at which the value in use becomes less than the carrying amount	9.2%	>15%	>15%
Post-business plan growth	Rate as of 12/31/2017	2.0%	2.0%	2.0%
	Rate as of 12/31/2016	2.0%	2.0%	2.0%
	Profit/loss impact in case of 0.5% decrease	-	-	-
	Profit/loss impact in case of 0.5% increase	-	-	-
	Threshold at which the value in use becomes less than the carrying amount	0.6%	<0	<0
Post-business plan operating margin rate	Profit/loss impact of a 1% reduction in the operating margin rate	-	-	-

For Orange Nassau Développement's investments, the description is as follows:

In millions of euros		Tsebo[(1)]	Mecatherm	CSP Technologies	NOP
Net book value before test (Group share)		95	89	186	29
Depreciation recognized in 2017 after test (Group share)		-	- 18	-	-
Net book value after test (Group share)		95	72	186	29
Duration of business plan		4 years	5 years	5 years	5 years
Discount rate	Rate as of 12/31/2017	13.0%	9.0%	8.0%	6.3%
	Rate as of 12/31/2016	N/A	9.0%	8.0%	6.3%
	Profit/loss impact in case of 0.5% increase	-	- 7	- 16	-
	Profit/loss impact in case of 0.5% decrease	-	10	-	-
	Threshold at which the value in use becomes less than the carrying amount	17.3%	N/A	8.2%	14.3%
Post-business plan growth	Rate as of 12/31/2017	5.5%	2.0%	2.5%	1.0%
	Rate as of 12/31/2016	N/A	2.0%	2.5%	1.0%
	Profit/loss impact in case of 0.5% decrease	-	- 5	- 12	-
	Profit/loss impact in case of 0.5% increase	-	7	-	-
	Threshold at which the value in use becomes less than the carrying amount	<0	N/A	2.3%	<0
Post-business plan operating margin rate	Profit/loss impact of a 1% reduction in the operating margin rate	-	-9	-3	-

(1) The test parameters for Tsebo correspond to a business plan denominated in South African rand.

As with every investment, Tsebo has performed a test on each CGU recognized at its level. This test resulted in Tsebo recording impairment of €21 million on its "Security" division. This impairment is recorded in Wendel's financial statements in accordance with its accounting principles.

NOTE 8 Intangible assets

The accounting principles applied to intangible assets are described in Notes 1-10.2 "Intangible assets", 1-10.3 "Other intangible assets" and 1-10.5 "Impairment of tangible and intangible assets".

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

	12/31/2017		
In millions of euros	**Gross amount**	**Depreciation and provisions**	**Net amount**
Amortizable assets			
Internally generated	**74.2**	**-26.6**	**47.6**
Acquired			
Concessions, patents, and licenses	214.8	-101.4	113.4
Customer relationships	2,499.2	-1,102.8	1,396.4
Software	248.4	-155.0	93.4
Other intangible assets	63.6	-41.1	22.5
Intangible assets in progress	16.5	-	16.5
	3,042.5	**-1,400.3**	**1,642.2**
With indefinite useful life			
Brands	**525.8**	**-33.9**	**491.9**
TOTAL	**3,642.5**	**-1,460.7**	**2,181.8**

	12/31/2016		
In millions of euros	**Gross amount**	**Depreciation and provisions**	**Net amount**
Amortizable assets			
Internally generated	**57.8**	**-20.1**	**37.7**
Acquired			
Concessions, patents, and licenses	180.5	-94.4	86.1
Customer relationships	2,569.4	-1,040.3	1,529.1
Software	213.3	-127.7	85.6
Other intangible assets	73.8	-42.0	31.8
Intangible assets in progress	27.7	-	27.7
	3,064.7	**-1,304.4**	**1,760.2**
With indefinite useful life			
Brands	**471.0**	**-30.1**	**440.8**
TOTAL	**3,593.4**	**-1,354.6**	**2,238.8**

The principal changes during the year were as follows:

In millions of euros	2017	2016
Amount at beginning of the year	**2,238.8**	**2,705.3**
Acquisitions	42.8	44.6
Internally generated assets	15.7	10.9
Changes in scope(1)	176.2	-328.8
Impact of currency translation adjustments and other	-86.2	21.6
Amortization and impairment losses for the year	-205.5	-214.9
AMOUNT AT END OF THE YEAR	**2,181.8**	**2,238.8**

(1) *In 2017, changes in the scope of consolidation mainly include the acquisition of Tsebo for €157.5 million, the acquisitions made by Bureau Veritas for €82.2 million and Stahl for €201.4 million, notably through the acquisition of the BASF's leather chemical business, as well as the impact of Constantia Flexibles'divestment of its "Labels" business for €-266.0 million.*

NOTE 9 Property, plant & equipment

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

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

	12/31/2017		
In millions of euros	Gross amount	Depreciation and provisions	Net amount
Land	120.6	-2.1	118.5
Buildings	445.0	-154.2	290.8
Plant, equipment, and tooling	1,788.1	-987.6	800.5
Other property, plant & equipment	465.7	-332.0	133.7
Assets under construction	62.6	-	62.6
TOTAL	**2,882.0**	**-1,475.9**	**1,406.1**

	12/31/2016		
In millions of euros	Gross amount	Depreciation and provisions	Net amount
Land	128.7	-1.7	127.0
Buildings	483.9	-144.9	339.1
Plant, equipment, and tooling	1,878.7	-947.9	930.8
Other property, plant & equipment	462.6	-315.8	146.7
Assets under construction	92.3	-	92.3
TOTAL	**3,046.2**	**-1,410.2**	**1,635.9**

The principal changes during the year were as follows:

In millions of euros	2017	2016
Amount at beginning of the year	**1,635.9**	**1,592.7**
Acquisitions(1)	261.0	274.8
Divestments	-13.1	-33.1
Changes in scope(2)	-161.1	32.3
Impact of currency translation adjustments and other	-74.8	13.9
Depreciation and provisions recognized during the year	-241.8	-244.8
AMOUNT AT END OF THE YEAR	**1,406.1**	**1,635.9**

(1) Acquisitions concern mainly Bureau Veritas for €115.4 million and Constantia Flexibles for €88.4 million.
(2) Changes in the scope of consolidation mainly include the divestment by Constantia Flexibles of its "Labels" business for a negative €190.6 million, as well as the first-time consolidation of Tsebo for €14.6 million.

NOTE 10 Equity-method investments

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

In millions of euros	12/31/2017	12/31/2016
Saint-Gobain[1]	-	1,662.3
IHS	281.2	434.2
exceet[1]	-	24.7
Allied Universal	215.9	258.4
PlaYce	25.3	25.7
Investments of Constantia Flexibles	0.8	1.2
Investments of Bureau Veritas	4.6	5.0
Investments of Tsebo	5.1	-
Holding companies	1.4	1.7
TOTAL	**534.3**	**2,413.2**

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

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

In millions of euros	2017
Amount at beginning of the year	**2,413.2**
share in net income for the period	
Saint-Gobain	41.0
IHS	-66.6
exceet	-3.4
Allied Universal	-36.7
PlaYce	-0.3
Other	0.5
Dividends for the year	-0.7
Impact of changes in currency translation adjustments	-146.1
Divestments[1]	-1,689.4
Impact of dilution on Saint-Gobain	-5.0
Impact of dilution on IHS	27.3
Changes in scope of consolidation	3.0
Other	-2.5
AMOUNTED AS OF DECEMBER 31, 2017	**534.3**

(1) This reflects the disposal and reclassification of Saint-Gobain shares for a negative €1,672.1 million (see note 2 "Changes in scope").

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	12/31/2017	12/31/2016
Carrying values at 100%		
Total non-current assets	2,418.9	3,470.3
Total current assets	931.5	813.0
Goodwill adjustment (Wendel)	58.2	66.3
TOTAL ASSETS	**3,408.6**	**4,349.5**
Non-controlling interests	-	73.0
Total non-current liabilities	1,753.5	2,163.2
Total current liabilities	339.4	408.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,092.8**	**2,571.6**
including cash and cash equivalents	*538.8*	*451.6*
including financial debt	*1,651.7*	*1,808.6*

In millions of euros	2017	2016
Net sales	982.2	817.9
EBIT	223.6	75.5
Financial result, excluding foreign exchange	-121.5	-198.9
Currency impact on financial liabilities(1)	-331.2	-812.8
Adjustment for prior financial years	34.0	18.8
Net income – Group share	-320.6	-800.9

(1) Owing to the devaluation of the naira, the IHS Group recognized a currency translation carrying charge related to liabilities denominated in dollars carried by Nigerian companies whose functional currency is the naira.

During the course of 2017, the Nigerian foreign exchange market has evolved. Prior to April 2017, there was only one official exchange rate, reported by the Central Bank of Nigeria (CBN). In April 2017, the CBN issued a circular entitled "Establishment of investors' and exporters' FX window" which led to the introduction of a new foreign exchange window, called the NAFEX (Nigerian Autonomous Foreign Exchange Rate Fixing). This FX window was designed to facilitate the access to hard currencies for economic players operating in Nigeria.

In this context, IHS Management's analysis concluded that the NAFEX rate should be applied in translating foreign currency transactions in its Nigerian subsidiaries starting from 31st December 2017.

Wendel has been informed that certain accounts belonging to IHS Nigeria Limited, INT Towers Limited and IHS Towers NG Limited domiciled in Nigerian banks have been blocked at the end of 2017. These measures relate to certain "post no debit" instructions received by some IHS banks in Nigeria from the Nigeria Economic and Financial Crimes Commission (EFCC).

IHS has indicated that, to its knowledge, there has been no formal allegation made or investigation against it as part of the EFCC's inquiries, and that it will continue to fully co-operate with the EFCC's information requests, while working constructively with them to understand the basis of their actions in respect of IHS accounts.

As of 31st December 2017, the amount held in those bank accounts that are blocked was USD106.8m over a total cash amount held by IHS of USD753m. While IHS management currently expects that the affected accounts will be released once the EFCC's inquiries are completed, it is not possible at this time to predict the matter's likely duration or outcome. All necessary governance measures are taken by the IHS board of directors to closely monitor this matter.

Based on these elements, Wendel considers that this investigation has no impact on the value of IHS shares accounted for using the equity method as of December 31, 2017.

Note 10-2 Additional information on Allied Universal

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

In millions of euros	12/31/2017	12/31/2016
Carrying values at 100%		
Total non-current assets	2,916.7	3,428.3
Total current assets	790.7	836.5
Goodwill adjustment (Wendel)	-178.6	-
Impact of the revaluation of acquired assets and liabilities	321.4	3.3
TOTAL ASSETS	**3,850.3**	**4,268.0**
Non-controlling interests	1.5	0.5
Total non-current liabilities	2,732.1	3,227.3
Total current liabilities	466.5	399.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,200.0**	**3,627.3**
including cash and cash equivalents	*3.8*	*10.2*
including financial debt	*2,517.9*	*2,762.7*

In millions of euros	2017
Net sales	4,704.0
Operating income	120.6
Business income	40.8
Net income – Group share	-55.6
Impact of the revaluation of acquired assets and liabilities	-54.8

Note 10-3 Additional information on PlaYce

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

In millions of euros	12/31/2017	12/31/2016
Carrying values at 100%		
Total non-current assets	62.9	54.4
Total current assets	10.8	16.9
Impact of the revaluation of acquired assets and liabilities	8.7	8.7
TOTAL ASSETS	**82.4**	**80.0**
Total non-current liabilities	-	-
Total current liabilities	19.2	15.7
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**19.2**	**15.7**
including cash and cash equivalents	*11.9*	*18.2*
including financial debt	*19.2*	*15.7*

In millions of euros	2017
Net sales	7,3
Income from ordinary activities	0,1
Net income – Group share	- 0,9

Note 10-4 Impairment tests on equity-method investments

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

NOTE 11 Trade receivables

In millions of euros	12/31/2017 Gross amount	12/31/2017 Impairment	12/31/2017 Net amount	12/31/2016 Net amount
Bureau Veritas	1,420.9	-56.0	1,364.9	1,325.5
Constantia Flexibles	154.8	-2.5	152.3	242.4
Cromology	142.2	-25.8	116.3	136.6
Stahl	163.0	-4.7	158.4	125.1
Oranje-Nassau Développement	107.6	-4.2	103.4	67.5
Wendel and holding companies	2.3	-	2.3	1.9
TOTAL	**1,990.7**	**-93.2**	**1,897.5**	**1,899.0**

Unprovisioned past-due trade receivables and related accounts for the largest subsidiaries were as follows:

- for Bureau Veritas: a total of €388.3 million at December 31, 2017 compared to €417.3 million at December 31, 2016, of which €95.9 million and €141.0 million, respectively, were more than three months past due;
- for Constantia Flexibles: a total of €24.4 million at December 31, 2017 compared to €40.2 million at December 31, 2016, of which €4.2 million and €5.4 million, respectively, were more than three months past due;
- for Cromology: a total of €27.5 million at December 31, 2017 compared to €25.7 million at December 31, 2016, of which €6.7 million and €6.8 million, respectively, were more than three months past due; and
- for Stahl: a total of €21.7 million at December 31, 2017 compared to €16.2 million at December 31, 2016, of which €0.1 million and €0.1 million, respectively, were more than three months past due.

NOTE 12 Cash and cash equivalents

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

In millions of euros	12/31/2017 Net amount	12/31/2016 Net amount
Pledged cash and cash equivalents of Wendel and its holding companies, classified as non-current assets	0.4	0.5
Unpledged cash and cash equivalents of Wendel and its holding companies, classified as current assets	1,347.2	970.8
Cash and cash equivalents of Wendel and its holding companies [(1)]	**1,347.6**	**971.3**
Pledged cash and cash equivalents of subsidiaries and other holding companies, classified as non-current assets	0.2	0.2
Unpledged cash and cash equivalents of subsidiaries and other holding companies, classified as current assets:		
Bureau Veritas	364.3	1,094.1
Constantia Flexibles	64.7	123.2
Cromology	41.5	39.1
Stahl	41.1	313.9
Oranje-Nassau Développement	44.4	11.2
Other holding companies	2.0	8.9
Cash and cash equivalents of subsidiaries and other holding companies	**558.3**	**1,590.6**
TOTAL	**1,905.9**	**2,562.0**
of which non-current assets	***0.7***	***0.7***
of which current assets	***1,905.3***	***2,561.3***

(1) To this cash is added €381.9 million of short-term financial investments at December 31, 2017 and €348.2 million at December 31, 2016 (see note 5-2.1 "Liquidity risk of Wendel and its holdings"), recorded in other current financial assets.

NOTE 13 Financial assets and liabilities (excluding financial debt and operating receivables and payables)

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

Note 13-1 Financial assets

In millions of euros	Method of recognition of variations	Level	12/31/2017	12/31/2016
Pledged cash and cash equivalents of Wendel and its holding companies	Income statement(1)	1	0.4	0.5
Unpledged cash and cash equivalents of Wendel and its holding companies	Income statement(1)	1	1,347.2	970.8
Wendel's short-term financial investments	Income statement(1)	1	381.9	348.2
Cash and short-term financial investments of Wendel and its holding companies			**1,729.5**	**1,319.5**
Pledged cash and cash equivalents of subsidiaries	Income statement(1)	1	0.2	0.2
Cash and cash equivalents of subsidiaries	Income statement(1)	1	558.1	1,590.5
Assets available for sale - A	Shareholders' equity (2)	1 and 3	1,023.2	151.9
Financial assets at fair value through profit or loss	Income statement(1)	1	0.1	26.2
Loans - B	Amortized cost	N/A	64.9	99.2
Deposits and guarantees	Amortized cost	N/A	125.6	77.1
Derivatives - C	Income statement(1)/Sh. equity(2)	See C	92.2	17.4
Other			117.8	107.6
TOTAL			**3,711.6**	**3,389.6**
of which non-current financial assets, including pledged cash and cash equivalents			***1,383.9***	***386.2***
of which current financial assets, including cash and cash equivalents			***2,327.7***	***3,003.4***

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

Note 13-2 Financial liabilities

In millions of euros	Method of recognition of variations	Level	12/31/2017	12/31/2016
Derivatives - C	Income statement(1)/Sh. equity(2)	See C	59.1	94.9
Minority puts, earn-outs and other financial liabilities of subsidiaries - D	Income statement(1)/Sh. equity(2)	3	442.9	360.6
Minority puts, earn-outs and other financial liabilities of Wendel and holding companies - E	Income statement(1)/Sh. equity(2)	3	363.8	465.9
TOTAL			**865.8**	**921.3**
of which non-current financial liabilities			***575.9***	***518.2***
of which current financial liabilities			***289.9***	***403.1***

(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 - **Assets available for sale:** the Group's holdings in Saint-Gobain, Saham Group and Multi-Color.

Following the loss of significant influence on Saint-Gobain (see note 2 "Changes in scope of consolidation"), the 14,153,490 remaining shares held by the Group were recognized as assets available for sale in a total amount of €650.8 million as of December 31, 2017.

Based in Morocco, the Saham Group is majority-owned by its founder and has two business lines: insurance and customer relationship centers. It is also expanding in the fields of real estate, health and education. Wendel's investment represents 13.3% of the Saham Group's share capital. It is recognized at fair value in the amount of €121.6 million (compared to €120.8 million at December 31, 2016). In March 2018, the Group signed an agreement to sell its investment in Saham (see note 36 "Subsequent event").

The Multi-Color shares received as partial remuneration for Constantia Flexibles' divestment of its "Labels" business represent 16.6% of Multi-Color's share capital. This investment is recognized at fair value in the amount of €211.1 million.

The change in fair value recognized during the year is recorded in consolidated reserves under "Gains and losses on assets held for sale" in the negative amount of €58.5 million for Saint-Gobain, €29.4 for Multi-Color and the positive amount of €0.8 million for Saham, in accordance with accounting principles.

B - **Loans:** The loan granted to Kerneos (leader of aluminate technology) on its disposal by Materis in 2014 was repaid during H1 2017 (as at December 31, 2016, the notional amount was €46.9 million after capitalization of interest).

This item includes Sterigenics debt (world leader in sterilization services), acquired in 2015, the notional amount of which is now $37 million ($10 million sold during the period). This debt, maturing in 2023, carries an annual coupon of 6.5%.

The amount also includes debt held by Oberthur (world leader in security solutions for mobility) and the Chryso debt (French leader in admixtures for building materials) with a notional amount of €15 million and €14.9 million as at December 31, 2017.

C – **Derivatives:**

In millions of euros	Level	12/31/2017 Assets	12/31/2017 Liabilities	12/31/2016 Assets	12/31/2016 Liabilities
Interest rate swaps – hedging of cash flows[1]	2	-	6,7	-	8,1
Interest rate swaps – not qualifying for hedge accounting[1]	2	2,4	7,1	2,3	9,3
Cross currency swaps – hedging of cash flows[1]	-	76,0	-	-	15,6
Optional component of bonds exchangeable for Saint-Gobain shares	2	-	33.3	-	48.4
Other derivatives – not qualifying for hedge accounting	2	13,8	12,0	15,1	13,4
TOTAL		**92.2**	**59.1**	**17.4**	**94.9**
of which non-current portion		***80,4***	***47,1***	***2,4***	***81,7***
of which current portion		***11,8***	***12,0***	***15,0***	***13,2***

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

D - **Minority puts, earn-outs and other financial liabilities of subsidiaries:** at December 31, 2017, this amount corresponds in particular to Bureau Veritas for €234.4 million and Stahl for €121.3 million (including the put written to a non-controlling interest, BASF – see note 33-5 "Shareholder agreements and co-investment mechanisms".) and Constantia Flexibles for €71.8 million. It is largely comprised of minority put options, deposits and securities received.

E - **Minority puts, earn-outs and other financial liabilities of Wendel and holding companies:** at December 31, 2017, this amount mainly reflected puts written to a non-controlling interest, Clariant, on its equity in Stahl and to the Turnauer Foundation on 50% of its equity in Constantia Flexibles. It also includes liabilities for certain liquidities granted as part of co-investments. See note 33-5 "Shareholder agreements and co-investment mechanisms".

Note 13-4 Interest rate swaps and foreign exchange hedges

The value of interest rate 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)]	12/31/2017	12/31/2016
	Sign convention: (+) assets, (-) liabilities					
Hedging of debt carried by Wendel						
$885 million/€800 million	Pay 2.23% in US dollars against 0.24% in euros[(2)]		03/2016	11/2022	76.0	-15.6
	Other				-	0.2
					76.0	**-15.4**
Hedging of subsidiaries' debt						
€180 million	Caps and tunnels on Euribor with maturities between 10/2017 and 10/2019				-0.1	-0.2
€80 million	Pay 0.19% on Euribor (0% floor)	Hedge	Pre-closing	10/2017	-	-0.1
€20 million	Pay 0.20% on Euribor (0% floor)	Hedge	Pre-closing	10/2017	-	-
$293 million	2.25% cap on Libor		Pre-closing	12/2019	0.5	-
€200 million	Pay 0.75% against Euribor	Hedge	Pre-closing	04/2022	-4.8	-8.4
€400 million	2.00% cap against Euribor		Pre-closing	04/2020	1.9	1.7
ZAR 1,850 million	Pay 7.72% on Jibar		Pre-closing	03/2021	-2.1	-
	Other [(3)]				-6.8	-8.3
					-11.4	**-15.2**
TOTAL					**64.6**	**-30.7**

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

NOTE 14 Shareholders' equity

Note 14-1 Total number of shares

	Par value	Total number of shares	Treasury shares	Number of shares outstanding
As of 12/31/2016	€4	47,092,379	1,446,126	45,646,253
As of 12/31/2017	€4	46,253,210	669,402	45,583,808

The reduction of 839,169 shares is due to:

- the exercise of stock options (89,275 shares);
- subscriptions to the Company savings plan (15,499 shares); and
- the cancellation of 943,943 shares.

Note 14-2 Treasury shares

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

As of December 31, 2017, 100,000 shares were held for the purposes of the liquidity contract, unchanged from December 31, 2016.

As of December 31, 2017, Wendel held 569,402 of its shares in treasury outside the context of the liquidity contract (1,346,126 at December 31, 2016). These treasury shares are primarily allocated to cover stock option exercises and grants of bonus and performance shares and the remainder were retained for potential acquisitions.

The net decrease of 776,724 shares was due to:

- the acquisition of 303,684 shares during the year;
- the sale of 136,465 shares in the exercise of the purchase-type stock option plan and the delivery of performance shares; and
- the cancellation of 943,943 shares.

In total, shares held in treasury represented 1.45% of the share capital as at December 31, 2017.

Note 14-3 Non-controlling interests

In millions of euros	% interestas of December 31, 2017	12/31/2017	12/31/2016
Bureau Veritas Group	59.4%	717.9	832.2
Constantia Flexibles Group	39.5%	284.6	220.5
Cromology Group	9,5%	-34,6	-28,6
Stahl Group	36.6%	0.1	-1.2
Tsebo Group	35,3%	114,6	-
Mecatherm Group	1,4%	2,1	2,0
Other		7,8	14,5
TOTAL		**1,092.5**	**1,039.4**

NOTE 15 Provisions

The accounting principles applied to provisions are described in Notes 1-10.10 "Provisions" and 1-10.11 "Provisions for employee benefits".

In millions of euros	12/31/2017	12/31/2016
Provisions for risks and contingencies	203.0	223.5
Employee benefits	321.6	308.0
TOTAL	**524.6**	**531.5**
of which non-current	***465.1***	***465.3***
of which current	***59.4***	***66.1***

Note 15-1 Provisions for risks and contingencies

In millions of euros	12/31/2016	Additions	Reversals: used	Reversals: unused	Impact of discounting	Changes in scope of consolidation	Currency translation adjustments, reclassifications	12/31/2017
Bureau Veritas								
Disputes and litigation	57.8	4.1	-10.9	-2.2	0.7	-	-2.3	47.2
Other	63.8	26.5	-14.6	-10.1	-	2.1	-5.3	62.4
Cromology	10.8	2.0	-2.5	-0.3	-	-	-1.4	8.6
Stahl	1.0	0.3	-	-	-	-	-	1.3
Constantia Flexibles	57.1	3.9	-8.1	-	-	-0.1	-	52.8
Oranje-Nassau Développement	9.2	4.3	-5.7	-	-	-	-	7.7
Wendel and holding companies	23.7	0.1	-0.9	-	-	-	-	22.9
TOTAL	**223.5**	**41.2**	**-42.7**	**-12.6**	**0.7**	**2.0**	**-9.1**	**203.0**
of which current	*66.1*							*59.4*

In millions of euros	12/31/2015	Additions	Reversals: used	Reversals: unused	Impact of discounting	Changes in scope of consolidation	Currency translation adjustments, reclassifications	12/31/2016
Bureau Veritas								
Disputes and litigation	57,5	10,2	-8,6	-2,4	0,3	-	0,8	57,8
Other	76,2	22,3	-41,5	-1,4	-	6,8	1,4	63,8
Cromology	9,9	4,4	-1,6	-1,8	-	-	-0,1	10,8
Stahl	1.2	0.3	-	-	-	-0.4	-	1.0
Constantia Flexibles	61.6	4.7	-16.2	-	-	6.9	0.2	57.1
AlliedBarton	68,0	17,6	-17,4	-	-	-66,9	-1,4	-
Oranje-Nassau Développement	11.9	11.0	-5.1	-8.6	-	-	-	9.2
Wendel and holding companies	20,7	3,5	-0,4	-	-	-	-	23,7
TOTAL	**307.1**	**73.9**	**-90.8**	**-14.3**	**0.3**	**-53.6**	**0.9**	**223.5**
of which current	*136,0*							*66,1*

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 that aim, among other things, to invoke its professional liability with regard to services it has provided. While Bureau Veritas pays the greatest attention to risk control and the quality of its services, some of those services can give rise to claims and result in financial penalties.

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

Accordingly, Bureau Veritas estimated that a total provision of €4.1 million was necessary for certain of these risks in 2017 compared to €10.2 million in 2016, given the development of certain claims.

The calculation of provisions for risks and contingencies as of December 31, 2017 takes into account developments in the exceptional litigation that arose in 2004 in relation to the construction of a hotel and retail complex in Turkey. No amendment was made to the provision for the exceptional litigation that arose in 2004 pertaining to the crash of a Gabon Express flight.

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

In terms of other provisions for risks and contingencies, Bureau Veritas has recognized additional provisions of €26.5 million and has reversed €24.7 million of provisions, giving a net increase of €1.8 million. Provisions for restructuring increased by €1.6 million during the period, while provisions for tax contingencies fell by €2.1 million. The total balance of movements over the year included provisions recognized for losses on contracts and other operating risks.

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

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

2. Provisions for risks and contingencies of Constantia Flexibles

The provisions recognized by Constantia Flexibles mainly include a provision for a pending litigation concerning a ("squeeze out") of shares in Constantia Packaging AG.

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

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

- a provision is maintained for an environmental risk concerning potential costs related to the rehabilitation of land which belonged to a Group subsidiary whose operations were discontinued in 1967;
- various appeals have been brought against Wendel by Éditions Odile Jacob in the wake of Wendel's takeover of Editis from Lagardère in 2004. At the European level, in its decision of January 28, 2016, in a final ruling the European Union Court of Justice dismissed the applications made by Editions Odile Jacob. In France, the proceedings brought by Éditions Odile Jacob at the Paris Commercial Court to cancel the sale of Editis to Wendel, which had been suspended pending the outcome of the European proceedings, was reintroduced before the Paris Commercial Court in early 2018; no provision has been set aside;
- the legal actions brought by Wendel managers as a result of the unwinding of a mechanism for participating in the Group's performance were concluded either by the withdrawal or rejection of their claims or a stay pending decisions in other individual cases. No provision has been set aside.

Note 15-2 Employee benefits

The breakdown by subsidiary was as follows:

In millions of euros	12/31/2017	12/31/2016
Bureau Veritas	190.1	178.3
Constantia Flexibles	63.9	64.4
Cromology	34,1	32,0
Stahl	22.6	22.1
Oranje-Nassau Développement	9.3	9.7
Wendel and holding companies	1,6	1,5
TOTAL	**321.6**	**308.0**

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

In millions of euros	12/31/2016	Services costs	Actuarial gains and losses	Benefits paid	Interest costs	Curtailment and settlement	Changes in scope of consolidation	Translation adjustments and other	12/31/2017
Commitments									
Defined-benefit plans	276.5	6.4	10.7	-12.3	4.9	-0.5	-2.9	-36.1	246.8
Retirement bonuses	164.5	11.1	6.9	-12.4	2.3	1.2	0.7	-7.2	167.2
Other	59.9	4.4	0.7	-3.3	0.8	0.4	-	-1.2	61.8
TOTAL	**501.0**	**21.9**	**18.4**	**-28.0**	**7.9**	**1.2**	**-2.2**	**-44.4**	**475.7**

In millions of euros	12/31/2016	Return on assets	Employer contributions	Amounts used	Actuarial gains and losses	Changes in scope of consolidation	Translation adjustments and other	12/31/2017
Partially-funded plan assets								
Defined-benefit plans	169,7	3,1	2,5	0,6	-4,8	-2,5	-35,6	133,0
Retirement bonuses	13.5	0.1	0.4	0.4	-2.1	-	-0.7	11.6
Other	9,9	0,1	0,1	0,3	-0,8	-	-	9,6
TOTAL	**193.1**	**3.3**	**3.0**	**1.3**	**-7.7**	**-2.5**	**-36.4**	**154.1**
PROVISIONS FOR EMPLOYEE BENEFITS	**308,0**							**321,6**

The change in provisions for employee benefits break down as follows for 2016:

In millions of euros	12/31/2015	Services costs	Actuarial gains and losses	Benefits paid	Interest costs	Curtailment and settlement	Changes in scope of consolidation	Translation adjustments and other	12/31/2016
Commitments									
Defined-benefit plans	245.9	4.9	30.0	-9.4	5.0	-	-0.2	0.3	276.5
Retirement bonuses	147.6	11.4	9.4	-13.1	2.4	3.1	6.4	-2.6	164.5
Other	67.6	5.8	1.1	-4.6	1.3	-	-18.7	7.3	59.9
TOTAL	**461.1**	**22.2**	**40.5**	**-27.0**	**8.7**	**3.1**	**-12.5**	**5.0**	**501.0**

In millions of euros	12/31/2015	Return on assets	Employer contributions	Amounts used	Actuarial gains and losses	Changes in scope of consolidation	Translation adjustments and other	12/31/2016
Partially-funded plan assets								
Defined-benefit plans	157.5	3.5	2.6	11.7	-5.3	-	-0.1	169.7
Retirement bonuses	10.5	0.1	1.2	0.4	-2.3	3.6	-	13.5
Other	10.8	0.2	0.1	-0.4	-0.9	-	-	9.9
TOTAL	**178.8**	**3.8**	**3.9**	**11.7**	**-8.5**	**3.6**	**-0.1**	**193.1**
PROVISIONS FOR EMPLOYEE BENEFITS	**282.3**							**308.0**

Liabilities on defined-benefit plans break down as follows:

In millions of euros	12/31/2017	12/31/2016
Unfunded liabilities	213,6	210,4
Partially or fully-funded liabilities	262,2	290,6
TOTAL	**475.7**	**501.0**

Defined-benefit plan assets break down as follows:

	12/31/2017	12/31/2016
Insurance Company funds	0%	14%
Equity instruments	29%	23%
Debt instruments	20%	16%
Cash and other	51%	46%

Expenses recognized on the income statement break down as follows:

In millions of euros	2017	2016
Expenses recognized on the income statement with respect to defined-benefit plans		
Service costs during the year	21,9	22,2
Interest costs	3,9	7,6
Expected return on plan assets	- 3,3	- 3,8
Past service costs	4,1	1,1
Impact of plan curtailments or settlements	0,9	3,1
TOTAL	**27,5**	**30,2**
Expenses recognized on the income statement with respect to defined-contribution plans	**85,5**	**83,8**

1. Commitment characteristics and actuarial assumptions applied at Bureau Veritas

Employee benefits at Bureau Veritas included the following defined-benefit plans:

- pension plans, most of which have been closed for several years. Pension plans are generally unfunded, with the exception of a very limited number of plans financed by contributions paid to insurance companies and valued on the basis of periodic actuarial calculations;
- retirement bonuses;
- long-service awards.

The principal actuarial assumptions used to calculate these commitments are as follows: average discount rate of 1.9%; implied rate of return on plan assets of 2.5%; average salary increase rate of 3.0% (Germany: 2.0%, France: 3.0%, Italy: 1.5%, United Kingdom: 3.3%).

2. Commitment characteristics and actuarial assumptions applied at Constantia Flexibles

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

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

The principal actuarial assumptions utilized are discount rates between 0.9% and 9.8%, salary increase rates, included between 2.5% and 6.5%, and a rate of return on assets of between 0.9% and 9.8%.

3. Commitment characteristics and actuarial assumptions applied at Cromology

Retirement benefits are calculated mainly on the basis of employees' seniority when they retire. These plans essentially concern France (and to a lesser extent Portugal, Italy, and Switzerland). Actuarial assumptions are determined for each country.

The main assumptions utilized for the European region were as follows: discount rate of between 0.70% and 1.25%, inflation rate of between 0.70% and 1.75%, salary increase rate of between 1.20%, and 3.0%.

4. Commitment characteristics and actuarial assumptions applied at Stahl

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

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

The main actuarial assumptions were as follows: discount rate of 2.3%, inflation rate of 1.6%, salary increase rate of 0.7%, and return on assets of 2.3%.

5. Wendel's commitments

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

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

At December 31, 2017, 36 retirees and 6 employees of the Company benefited from the plan.

NOTE 16 Financial debt

Principal changes in 2017 are described in note 5-2 “Managing liquidity risk”.

In millions of euros	Currency	Coupon rate	Effective interest rate(1)	Maturity	Repayment	Total lines	12/31/2017	12/31/2016
Wendel and holding companies								
2017 bonds	EUR	4,375%	5,186%	08/2017	at maturity		-	507.4
2018 bonds	EUR	6,750%	5,727%	04/2018	at maturity		349.8	349.8
2019 bonds	EUR	5,875%	5,397%	09/2019	at maturity		212.0	212.0
2019 Saint-Gobain exchangeable bonds (2)	EUR	0.000%	1,342%	07/2019	at maturity		500.0	500.0
2020 bonds	EUR	1,875%	2,055%	04/2020	at maturity		300.0	300.0
2021 bonds	EUR	3,750%	3,833%	01/2021	at maturity		207.4	207.4
2023 bonds	EUR	1,000%	1,103%	04/2023	at maturity		300.0	300.0
2024 bonds	EUR	2,750%	2,686%	10/2024	at maturity		500.0	500.0
2027 bonds	EUR	2,500%	2,576%	02/2027	at maturity		500.0	500.0
Syndicated loan	EUR	Euribor + margin		10/2022	revolving credit	€750 million	-	-
Amortized cost of bonds and of the syndicated loan and deferred issuance costs							-13.3	-18.8
Accrued interest							56.0	61.2
Loans from non-controlling shareholders							38.3	34.5
							2,950.2	**3,453.5**
Bureau Veritas								
2017 bonds	EUR	3,750%		05/2017	at maturity		-	500.0
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
2026 bonds	EUR	2,000%		09/2026	at maturity		200.0	200.0
Borrowings and debt from lending institutions maturing in less than 1 year – fixed rate							191.1	24.5
Borrowings and debt from lending institutions maturing in less than 1 year – floating rate							17.9	65.0
Borrowings and debt from lending institutions maturing in 1 to 5 years – fixed rate							591.4	702.9
Borrowings and debt from lending institutions maturing in 1 to 5 years – floating rate							283.6	324.4
Borrowings and debt from lending institutions maturing in more than 5 years – fixed rate							165.0	91.0
Borrowings and debt from lending institutions maturing in more than 5 years – floating rate							-	174.6
							2,449.0	**3,082.4**
Constantia Flexibles								
2017 bonds	EUR	Fixed		05/2017	at maturity		-	129.1
Bank borrowings	EUR	Euribor + margin		04/2022	at maturity		126.0	886.3
Bank borrowings	USD	Libor + margin		2015-22	amortizing		-	236.6
Bank borrowings	EUR	Euribor + margin		06/2022	amortizing		306.0	20.0
Bank borrowings (EUR, RUB, INR, USD, VND)		Euribor+margin and fixed		2015-22	amortizing		81.1	29.9
Deferred issuance costs							-2.0	-48.7
Other borrowings and accrued interest							13.2	60.4
							524.3	**1,313.6**
Cromology								
Bank borrowings	EUR	Euribor + margin		08/2021	at maturity		267.0	267.0
Deferred issuance costs							-6.9	-5.2
Materis shareholder loans							37.9	33.5
Other borrowings and accrued interest							14.1	13.6
							312.1	**308.9**

In millions of euros	Currency	Coupon rate	Effective interest rate[1]	Maturity	Repayment	Total lines	12/31/2017	12/31/2016
Stahl								
Bank borrowings	USD	Libor + margin		12/2021	amortizing		265.6	284.3
Bank borrowings	USD	Libor + margin		06/2022	amortizing		279.5	284.3
Bank borrowings (USD, CNY, INR)		Floating rate		2021-22	amortizing		36.9	-
Deferred issuance costs							-11.6	-10.1
Other borrowings and accrued interest							0.3	1.0
							570.8	**559.5**
Mecatherm								
Bank borrowings (senior)	EUR	Euribor + margin		2015-18	amortizing		17.9	27.7
Bank borrowings	EUR	Euribor + margin		09/2017	revolving credit	€5 million	5.0	5.0
Deferred issuance costs							-0.2	-0.5
Other borrowings and accrued interest							0.2	0.6
							22.9	**32.8**
CSP Technologies								
Bank borrowings	USD	Libor + margin		01/2022	amortizing		146.8	157.3
Bank borrowings	USD	Libor + margin		01/2020	revolving credit	$25 million	0.8	11.4
Deferred issuance costs							-7.3	-9.0
Other borrowings and accrued interest							5.9	1.9
							146.3	**161.6**
Nippon Oil Pump								
Bank borrowings	JPY	Tibor+margin		2015-19	amortizing		3.7	7.3
Bank borrowings	JPY	Tibor+margin		02/2019	at maturity		22.2	24.3
Deferred issuance costs							0.7	-0.2
Other borrowings and accrued interest							-0.1	1.2
							26.5	**32.6**
Tsebo								
Bank borrowings	ZAR	Jibar + margin		2022	amortizing		123.3	-
Bank borrowings	USD	Libor + margin		2022	amortizing		2.3	-
Deferred issuance costs							-2.9	-
Other borrowings and accrued interest		ZAR, GHS, ZMW, SLL					4.1	-
							126.7	**-**
TOTAL							**7,128.9**	**8,944.9**
of which non-current portion							***6,416.2***	***7,577.7***
of which current portion							***712.7***	***1,367.2***

(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) The holders of bonds exchangeable for Saint-Gobain shares have the right to exchange them for 9,622,933 Saint-Gobain shares, covering the total €500 million in bonds issued. Wendel would then have the option of delivering the securities or their counter-value in cash. This option for bondholders would be used primarily in the event of the Saint-Gobain share price being higher than the price of €51.96 per share.
The optional component of the exchangeable bond is recognized as a financial liability at fair value; see note 13-2 "Financial liabilities".

Note 16-1 Financial debt maturity schedule

In millions of euros	Less than one year	Between 1 and 5 years	More than 5 years	Total
Wendel and holding companies:				
▪ notional amount	-349.8	-1,219.4	-1,237.6	-2,806.8
▪ interest(1)	-102.3	-225.8	-93.0	-421.1
Investments:				
▪ notional amount	-323.0	-2,877.9	-1,007.8	-4,208.7
▪ interest(1)	-152.3	-428.6	-81.7	-662.6
TOTAL	**-927.3**	**-4,751.7**	**-2,420.1**	**-8,099.2**

(1) Interest is calculated on the basis of the yield curve prevailing on December 31, 2017. Interest on debt and interest rate hedges does not reflect interest earned on invested cash.

Note 16-2 Market value of gross financial debt

The fair value of bond debt is the market price on December 31, 2017.

In millions of euros	12/31/2017	12/31/2016
Wendel and holding companies	3,145.5	3,966.4
Operating subsidiaries	4,301.0	5,824.0
TOTAL	**7,446.5**	**9,790.4**

9 Notes on the income statement

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

NOTE 17 Net sales

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

In millions of euros	2017	2016	% Change	Organic growth
Bureau Veritas	4,689.4	4,549.2	3.1%	2.2%
Constantia Flexibles	1,487.5	1,461.1	1.8%	1.6%
Cromology	704.6	737.3	-4.4%	-1.3%
Stahl	733.3	655.7	11.8%	2.2%
Oranje-Nassau Développement				
▪ Tsebo	461.0	N/A	N/A	7.2%(1)
▪ Mecatherm	84.3	118.7	-29.0%	-29.0%
▪ Nippon Oil Pump	48.5	46.1	5.2%	10.4%
▪ CSP Technologies	120.5	114.5	5.2%	1.0%
CONSOLIDATED NET SALES	**8,329.1**	**7,682.7**	**8.4%**	**1.3%**

(1) Organic growth calculated over 12 months.

Consolidated net sales break down as follows:

In millions of euros	2017	2016
Sales of goods	3,619.0	3,116.4
Sales of services	4,710.2	4,566.2
CONSOLIDATED NET SALES	**8,329.1**	**7,682.7**

NOTE 18 Business income

In millions of euros	2017	2016
Bureau Veritas	606.3	609.7
AlliedBarton	-	-1.2
Constantia Flexibles	42.1	65.6
Cromology	13.3	18.2
Stahl	110.5	110.9
Oranje-Nassau Développement	-21.3	26.6
Wendel and holding companies	-67.0	-153.5
OPERATING INCOME	**683.9**	**676.3**

Note 18-1 R & D costs recognized as expenses

In millions of euros	2017	2016
Constantia Flexibles	9.0	8.8
Cromology	4.9	4.8
Stahl	3.1	3.0
Oranje-Nassau Développement	7.7	2.8
including CSP Technologies	*4.0*	*2.6*

Note 18-2 Average number of employees at consolidated companies

	2017	2016
Bureau Veritas	73,417	69,042
Constantia Flexibles	7,241	10,209
Cromology	3,757	3,947
Stahl	1,939	1,798
Oranje-Nassau Développement	37,667	1,147
of which Tsebo	*36,511*	-
Wendel and holding companies	97	97
TOTAL	**124,118**	**86,240**

NOTE 19 Finance costs, net

In millions of euros	2017	2016
Income from cash and cash equivalents[(1)]	-35.1	26.8
Finance costs, gross		
Interest expense	-325.9	-361.7
Interest expense on loans from non-controlling shareholders	-8.8	-8.9
Deferral of debt issuance costs and premiums/discounts (calculated according to the effective interest method)[(2)]	-61.7	-17.3
	-396.4	**-387.9**
TOTAL	**-431.5**	**-361.1**

(1) This item includes a negative amount of €40.9 million for Wendel and its holding companies, mainly related to a foreign exchange loss on deposit funds denominated in dollars, to which is added €12.1 million from returns on Wendel's investments (recognized under "Other financial income and expenses"), or total expense of €-28.1 million in 2017 (€24.9 million of revenue in 2016).

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

NOTE 20 Other financial income and expense

In millions of euros	2017	2016
Gains/losses on disposal of assets available for sale	1.4	0.1
Dividends received from unconsolidated companies[(1)]	19.6	1.3
Net income on interest rate, currency and equity derivatives	5.4	3.2
Interest on other financial assets	3.2	7.5
Net currency exchange gains/losses	42.8	-12.7
Impact of discounting	-11.6	-13.1
Gain on buyback of debt	-	-123.6
Other	11.1	16.1
TOTAL	**71.8**	**-121.1**

(1) Including a dividend of €17.8 million from Saint-Gobain.

NOTE 21 Tax expense

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

In millions of euros	2017	2016
Current income tax payable	-229.6	-267.7
Deferred taxes	51.4	65.9
TOTAL	**-178.3**	**-201.7**

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	12/31/2017	12/31/2016
Origin of deferred taxes:		
Post-employment benefits	65.9	78.2
Intangible assets	-552.9	-682.3
Recognized tax-loss carryforwards	81.3	102.5
Other items	5.4	24.6
TOTAL	**-400.3**	**-477.1**
of which deferred tax assets	***195.2***	***200.9***
of which deferred tax liabilities	***-595.6***	***-677.9***

Uncapitalized tax losses amounted to €8,031.8 million for the Group as a whole, of which €7,503.2 million for Wendel and its holding companies.

At December 31, 2017, the balance sheet changes in deferred taxes were as follows:

In millions of euros	2017	2016
Amount at beginning of year	**-477.1**	**-525.2**
Income and expenses recognized in the income statement	51.4	65.9
Income and expenses recognized in reserves	4.2	15.5
Reclassification under "Operations held for sale"	91	-
Changes in scope of consolidation	-65.3	-26.0
Currency translation adjustments and other	-4.5	-7.2
TOTAL	**-400.3**	**-477.1**

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

In millions of euros	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	-115.0	439.2	324.2
Theoretical amount of tax expense calculated on the basis of a rate of -34.43%	**39.6**	**-151.2**	**-111.6**
Impact of:			
Uncapitalized tax losses of Wendel/holding companies and transactions subject to reduced tax rates at the holding company level	-39.6	-	
Uncapitalized tax losses at the operating subsidiary level	-	-63.6	
Reduced tax rates and foreign tax rates at the operating subsidiary level	-	49.2	
CVAE tax paid by operating subsidiaries	-	-14.9	
Tax on dividends (Wendel and Bureau Veritas)	-3.2	-7.2	
Tax on dividends received from consolidated subsidiaries	-	-18.3	
Dividend tax refund (Wendel)	12.6	-	
Tax rate reduction announced in France	-	43.0	
Other	-	-24.5	
ACTUAL TAX EXPENSE	**9.4**	**-187.6**	**-178.3**

NOTE 22 Net income (loss) from equity-method investments

This item was positively affected by the income on the sale of Saint-Gobain shares and negatively by the currency translation loss recognized by IHS (see note 10 - 1 "Additional information on IHS"):

In millions of euros	2017	2016
Net income including impact of goodwill allocation		
Saint-Gobain	41.0	117.9
exceet	-3.4	-14.8
IHS	-66.6	-200.6
Allied Universal	-36.7	-26.1
PlaYce	-0.3	-0.5
Other companies	0.5	1.4
Sale of Saint-Gobain shares[1]	84.1	-229.6
Impact of dilution on the Saint-Gobain investment[1]	-5.0	-1.5
Impact of dilution on the IHS investment[1]	27.3	3.5
Net income from deconsolidation of IHS shares held by co-investors	-	81.7
TOTAL	**41.0**	**-268.6**

(1) See note 2 "Changes in scope of consolidation" with respect to Saint-Gobain and IHS.

NOTE 23 Net income from discontinued operations and operations held for sale

The accounting principles applied to operations discontinued or held for sale are described in note 1-10.14 "Assets held for sale and operations in the process of disposal".

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

In millions of euros	2017	2016
Gain on divestments		
Constantia Flexibles for its Labels division(1)	318.9	-
Parcours	-	38.9
AlliedBarton	-	58.2
	318.9	**97.1**
share in net income for the period from discontinued operations		
Constantia Flexibles	42.6	37.1
Cromology	- 5.8	-
BV	- 8.5	-
Parcours	-	42.9
AlliedBarton	-	- 41.7
Other	-	0.2
	28.3	**38.1**
TOTAL	**347.2**	**135.2**

(1) See note 2, "Changes in scope of consolidation" with respect to Constantia Flexibles

Assets and liabilities of operations held for sale mainly concern the Cromology's Argentinian subsidiary Colorin, the nature of which are presented below:

In millions of euros	12/31/2017
Property, plant and equipment	1.2
Inventories	4.2
Trade receivables	12.4
Other assets	1.2
Cash and cash equivalents	0.1
Deferred tax assets	-
TOTAL ASSETS OF OPERATIONS HELD FOR SALE	**19.1**
Suppliers	7.3
Other liabilities	8.8
TOTAL LIABILITIES OF OPERATIONS HELD FOR SALE	**16.1**

NOTE 24 Earnings per share

The accounting principles applied to earnings per share are described in note 1-1.13 "Earnings per share".

In euros and millions of euros	2017	2016
Net income – Group share	200.0	-366.8
Impact of dilutive instruments on subsidiaries	-8.1	-14.8
Diluted net income	**191.9**	**-381.5**
Average number of shares, net of treasury shares	45,364,731	45,531,791
Potential dilution due to Wendel stock options[1]	-126,397	-
Diluted number of shares	**45,238,334**	**45,531,791**
Basic earnings per share (in euros)	4.41	-8.05
Diluted earnings per share (in euros)	4.24	-8.38
Basic earnings per share from continuing operations *(in euros)*	-0.23	-10.42
Diluted earnings per share from continuing operations *(in euros)*	-0.41	-10.75
Basic earnings per share from discontinued operations *(in euros)*	4.64	2.37
Diluted earnings per share from discontinued operations *(in euros)*	4.65	2.37

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

In 2016, net income, Group share was negative, the dilutive instruments of Wendel are thus not taken into account.

10 Notes on changes in cash position

NOTE 25 Acquisition of property, plant & equipment and intangible assets

In millions of euros	2017	2016
By Bureau Veritas	144.0	156.5
By Constantia Flexibles	81.8	106.7
By Cromology	21.6	21.7
By Stahl	24.5	22.4
By AlliedBarton	-	1.5
By Oranje-Nassau Développement	28.8	18.2
By Wendel and holding companies	0.4	1.9
TOTAL	**301.1**	**329.0**

NOTE 26 Disposal of property, plant & equipment and intangible assets

Disposal of property, plant & equipment and intangible assets includes mainly Bureau Veritas disposals amounting to €8.9 million.

NOTE 27 Acquisition of equity investments

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

In millions of euros	2017	2016
Tsebo	162.3	-
SGI Africa	-	26.2
Bureau Veritas	-	-
Reinvestment in IHS	-	41.8
By Bureau Veritas	189.9	181.6
By Constantia Flexibles	19.8	35.8
By Stahl	123.3	22.8
By CSP Technologies	-	39.9
By Cromology	1.2	6.2
By Tsebo	1.8	-
Other securities	16.8	8.9
TOTAL	**515.1**	**356.9**

NOTE 28 Disposal of equity investments

In millions of euros	2017	2016
Sale of shares by Constantia Flexibles[1]	825.1	57.7
Sale of Saint-Gobain shares[2]	1,085.4	1,155.0
Disposal of Parcours[2]	-	240.7
Disposals of exceet shares[2]	16.6	-
Other	-	6.8
TOTAL	**1,927.1**	**1,460.1**

(1) amount corresponds to Constantia Flexibles' divestment of its "Labels" activity.
(2) See note 2 "Changes in scope of consolidation".

NOTE 29 Impact of changes in scope of consolidation and of operations held for sale

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

In 2016, this item corresponded to the consolidation of Bureau Veritas’ subsidiaries in the amount of €10.5 million and the reclassification as “Assets and liabilities of operations held for sale” of AlliedBarton Group’s cash and cash equivalents in the amount of €38.7 million.

NOTE 30 Change in other financial assets and liabilities

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

In 2016, $387 million was received at the date of the merger of AlliedBarton with Universal Services of America (see note 2 “Changes in scope of consolidation”).

NOTE 31 Dividends received from equity-method investments and unconsolidated companies

The €97.4 million in dividends received from Bureau Veritas were eliminated upon consolidation.

The €17.8 million Saint-Gobain dividend was received in June 2017.

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	2017	2016
New borrowings by:		
Wendel - Bond issues[1]	-	800.0
Bureau Veritas	172.5	742.4
Constantia Flexibles[2]	423.6	47.7
Stahl[3]	99.8	596.1
Cromology	20.1	31.4
CSP Technologies	8.2	-
Tsebo	5.1	-
Oranje-Nassau Développement	-	16.5
AlliedBarton	-	31.4
	729.3	**2,265.5**
Borrowings repaid by:		
Wendel – 2016 and 2017 bonds[1]	507.4	643.7
Wendel – Repurchase of bonds	-	915.4
Constantia Flexibles[2]	1,200.1	22.5
Bureau Veritas	715.7	42.2
Oranje-Nassau Développement	22.7	20.7
Stahl[3]	17.6	279.8
Cromology	1.6	20.5
AlliedBarton	-	36.2
	2,465.1	**1,980.9**
TOTAL	**-1,735.8**	**284.6**

(1) See note 5-2.1 "Liquidity risk of Wendel and the holding companies".
(2) These amounts correspond to the new funding put into place for Constantia Flexibles and repayment of the previous funding following the divestment of the "Labels" division (see note 5-2.5 "Financial debt of operating subsidiaries").
(3) In 2016, the amounts corresponded to the new funding put into place for Stahl and repayment of the previous funding.

11 Other

NOTE 33 Off-balance-sheet commitments

As of December 31, 2017, no commitment was likely to have a significant impact on the Group's financial position, other than those mentioned.

33-1 Collateral and other security given in connection with financing

In millions of euros	12/31/2017	12/31/2016
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.	526.4	1,323.5
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.	279.9	279.1
Pledge by CSP Technologies 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 CSP Technologies Group.	148.1	169.6
Joint and several guarantee and/or pledge by Mecatherm Group entities of shares of the companies and of certain trade receivables as collateral for the repayment of the debt owed by the Mecatherm Group. It should be noted that Wendel granted a first-demand guarantee for banks amounting to €11 million as of December 31, 2017	23.1	33.1
Pledge by Nippon Oil Pump 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 Nippon Oil Pump Group.	25.8	31.6
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.	582.3	569.6
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.	129.6	-
TOTAL	**1,715.2**	**2,406.5**

Note 33-2 Guarantees given and received in connection with asset acquisitions

Guarantees given as part of asset sales

In connection with the sale of the Parcours Group and Clariant and BASF's receiving an equity stake in Stahl, the Group has provided the usual guarantees within certain limits and over variable periods depending on the type of guarantee involved. At December 31, 2017, there were no outstanding claims under these guarantees.

Guarantees received in connection with asset acquisitions

In connection with the acquisitions of AlliedBarton (merged into Allied Universal), Constantia Flexibles, CSP Technologies, IHS, Saham, PlaYce and Tsebo, and in addition to Clariant and BASF's receiving an equity stake in Stahl, the Group benefited from the usual guarantees within certain limits and over variable periods depending on the type of guarantee involved.

Note 33-3 Off-balance-sheet commitments given and received related to operating activities

In millions of euros	12/31/2017	12/31/2016
Market counter-guarantees and other commitments given		
by Bureau Veritas[1]	356.8	421.2
by Constantia	0.9	7.9
by Cromology	10.5	10.5
by Oranje-Nassau Développement:		
■ Mecatherm	8.2	8.5
■ CSP Technologies	0.4	0.4
■ Tsebo	3.1	-
TOTAL COMMITMENTS GIVEZN	**379.9**	**448.5**
Other commitments received	-	-
TOTAL COMMITMENTS RECEIVED	**-**	**-**

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

Note 33-4 Subscription commitments

In connection with the investment in PlaYce, the Group has agreed to make gradual investments, based on the company's development projects, an amount of up to €120 million over the next few years (including an investment of €25 million in July 2016).

As of December 31, 2017, the Group undertook to invest approximately €25.6 million in certain private equity funds.

Finally, at December 31, 2017, the Group had committed to subscribe €2 million of senior credit lines issued in connection with the financing the acquisition of a non-listed company.

Note 33-5 Shareholder agreements and co-investment mechanisms

As of December 31, 2017, the Wendel Group was party to a number of agreements governing its relationships with its co-investors, whether co-investors in its subsidiaries or unlisted holding companies (Allied Universal, Constantia Flexibles, Cromology, IHS, Saham, PlaYce, Stahl and Tsebo) or managers (or former managers) of subsidiaries, relating to mechanisms aimed at involving them in their company's performance (Allied Universal, Constantia Flexibles, Cromology, CSP Technologies, Mecatherm, Nippon Oil Pump, Stahl and Tsebo).

These agreements contain various clauses related to:

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

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

- for Constantia Flexibles, the H. Turnauer Foundation, of the founding family of Constantia Flexibles, has the option to request, between 2020 and 2023, that an IPO or a share buyback process by refinancing of the Group be launched, aiming at ensuring the priority liquidity of its stake. Failing such an event, the H. Turnauer Foundation can exercise a put option granted to it by Wendel to sell half of its initial investment at market value, payable in two tranches in cash or in Wendel shares, at the Wendel Group's option. This commitment was recognized in financial liabilities in accordance with accounting principles applicable to minority puts;
- for Stahl,
  - Stahl's minority financial investors (former second-lien and former mezzanine lenders) have a put option to sell shares at a discount, in tranches of one-third of their stake, between 2016 and 2018. The first two tranches were not exercised. The commitment bearing on the third still exercisable was recognized in financial liabilities in accordance with accounting policies applicable to minority put options,
  - Clariant and BASF, minority shareholders of Stahl, benefit from liquidity guarantees granted by the Wendel Group to Clariant in an amount determined by a predefined margin multiple. These commitments were recognized in financial liabilities in accordance with accounting principles applicable to minority puts;

- for Allied Universal, the Company and its two major shareholders have made various commitments to US department of Defense under the US regulations on Foreign Investment and National Security, primarily bearing on the governance of the company (with two "independent" directors approved by the US authorities, the majority of the members of the Board of Directors being appointed by the two main shareholders who also have reciprocal veto rights over key decisions, some of which can only be exercised with the prior approval of these two independent directors). In the event of a situation resulting in the imposition of additional restrictions under this regulation, Wendel has undertaken to take additional measures (dilution of its investment or restriction of its governance rights) aimed at diluting the influence of foreign interests in Allied Universal. In addition, with regard to the disinvestment terms, Warburg Pincus and Wendel each have the right to prompt an IPO or a forced sale of all shareholders in a private sale, subject to (in the early years) achieving minimum valuations.
- For Tsebo, Capital Group, a minority shareholder in Tsebo, has the right beyond a certain investment period to trigger an IPO process subject to performance, valuation and liquidity conditions or, if those are not met, to sell its stake in Tsebo.

The agreements with the management teams (managers or former managers) of subsidiaries (Allied Universal, Constantia Flexibles, Cromology, CSP Technologies, Mecatherm, Nippon Oil Pump, Stahl and Tsebo) also contain stipulations relative to:

- the right to liquidate their co-investment in successive tranches, in the absence of a sale or IPO beyond a certain period of time (between the 5th and 13th anniversaries of the completion of the co-investment, depending on the relevant agreement); and
- the handling of executive departures (commitment to sell shares to the Wendel Group in the event of the departure of an executive from a subsidiary and/or commitment to buy shares in certain specific cases).

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

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

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

As of December 31, 2017, based on the value of the investments retained in the Net Asset Value or, where appropriate, on the basis of the price formulas or appraisals provided for in these agreements, the value of the portion of the *pari passu* investments made under the same risk and return conditions as Wendel by all the co-investing managers of subsidiaries and Wendel benefiting from liquidity rights is €47 million. The value of the portion of non-*pari passu* investments of co-investing managers of subsidiaries and managers of Wendel was €171 million.

In accordance with Group accounting principles, a portion of these amounts is recognized within financial liabilities (€29 million). The accounting principles applicable to co-investments are described in note 1-10.18 “Accounting treatment of mechanisms for the participation of management teams in the Group’s investments”.

With regard to non-controlling interests granted to joint shareholders, an overall amount of €470 million is recognized as financial liabilities for Wendel and its holding companies (notably for the put granted to Clariant, on its stake in Stahl and he put granted to H. Turnauer Foundation on its stake in Constantia Flexibles), as well as for 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 33–6 Other agreements concluded by the Wendel Group for its financing and acquisition or divestment transactions

Subordinated (mezzanine and second-lien) lenders to Stahl who forfeited their claims as creditors during the 2010 restructuring received an earn-out right exercisable only upon the total or partial divestment of Wendel’s stake in Stahl. This right is exercisable if Wendel’s overall return is more than 2.5 times its 2010 re-investment, and is equivalent to the allocation of 1 to 2 bonus shares per share held by these ex-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 Private Markets of a minority investment in the Tsebo Group, the Wendel Group enjoys an earn-out right on the portion transferred in this manner subject to the achievement by Capital Group Private Markets of minimum profitability thresholds over the duration of its investment in Tsebo in case of disinvestment. The Group has a similar right to the investment made by Maxburg in Constantia Flexibles. These rights were recognized within financial assets whose change in value is recognized on the income statement.

As part of the initial investment in Tsebo Group's South African entities by an investor meeting the criteria set by local B-BBEE regulations ("Broad-Based Black Economic Empowerment" business incentive program to support the economic development of black people in South Africa), Wendel guaranteed the repayment obligations relating to acquisition financing contracted by this investor, thereby helping maintain Tsebo's "B-BBEE level 1" rating. Wendel's guarantee represents an amount of approximately ZAR536 million, which may be increased to ZAR639 million in the event of the extension of the financing term.

Note 33-7 Leasing

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

Note 33-7.1 Finance leases (contracts under which the Group retains the risks and rewards connected with ownership of the leased item)

Amount of future rents under finance leases:

In millions of euros	12/31/2017	12/31/2016
More than 5 years	29.6	23.8
Due in 1 to 5 years	21.6	12.8
Due in less than 1 year and accrued interests	7.8	4.7
TOTAL	**59.1**	**41.2**

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

Note 33-7.2 Operating leases (contracts under which the Group does not retain the risks and rewards connected with ownership of the leased item)

Amount of future rents under operating leases:

In millions of euros	12/31/2017	12/31/2016
More than 5 years	63.3	72.2
Due in 1 to 5 years	235.2	259.7
Due in less than 1 year and accrued interests	147.5	164.9
TOTAL	**446.0**	**496.8**

The amount of future lease payments comes mainly from Bureau Veritas, for €309.9 million (€330.3 million in 2016).

NOTE 34 Stock options, bonus shares and performance shares

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

The total expense related to allocation of stock options or other share-based compensation for fiscal year 2017 was €25.6 million compared to €28.2 million in 2016.

In millions of euros	2017	2016
Stock options at Wendel	2.5	3.2
Grant of bonus shares at Wendel	5.1	4.2
Stock options at Bureau Veritas	2.2	2.8
Grant of bonus shares at Bureau Veritas	15.8	18.0
TOTAL	**25.6**	**28.2**

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

1. Wendel

Pursuant to the authorization given by shareholders at their May 18, 2017 General Meeting, options giving the right to subscribe to 235,895 shares were allocated on July 7, 2017 with a strike price of €134.43 and a ten-year life. These options have the following features:

- a service condition: the definite allocation of the options is subject to a two-year service condition, the first half vest after one year and all the options vest after two years;
- a performance condition: the number of options granted vests if the increase in the share price (average of the last 50 stock market prices on the date of the General Meeting preceding the anniversary date of the plan) for he 2017-19 period is greater than or equal to 10.25%. One-half vests if the increase in the share price for 2017-17 period is greater than or equal to 5% over the 2017-18 period. The share price used as the point of reference for 2017 is the average of the last 20 share prices on the date of the General Meeting of May 18, 2017, i.e. €134.43 per share.

In 2017, these options were valued using a Monte Carlo model, based on the following principal assumptions: an average rate of return of 2.4%, volatility of 29.7% and the period of illiquidity of the stock options was also taken into account. These options were valued at €21.7 each. The expense has been spread over the options' vesting period.

Under the authorization granted by shareholders at their May 18, 2017 General Meeting, 78,632 performance shares were also granted on July 7, 2017. They are subject to the same service and performance-based conditions as the options granted in 2017 (see previous paragraph). These performance shares are granted subject to a two-year service condition and do not vest until the end of the two-year period. They were valued at €71.8 per share. This value takes into account the period of illiquidity of these performance shares.

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

Stock options	Number of options outsanding as of 12/31/2016	Options granted in 2017	Options canceled in 2017	Options exercised in 2017	Adjustment	Number of options outsanding as of 12/31/2017	Exercise price (€)	Average exercise price (€)	Average residual life	Number of exercisable options
Stock purchase options	14,572			-3,000		11,572	22.58 and 41.73	22.58	2.50	11,572
Stock purchase options indexed to NAV/share	812,092	235,895	-63,732	-363,830		620,425	from 44.32 to 134.43	101.94	7.02	405,195
Stock subscription options	-	-	-	-		-	-	-	-	-
Stock subscription options indexed to NAV/share	167,151	-	-48,550	-89,275		29,326	18.96 to 132.96	32.82	1.04	29,326

Performance shares	Shares granted as of 12/31/2016	Awards during the fiscal year	Definitive awards	Cancellations	Shares granted as of 12/31/2017	Grant date	Vesting date
Plan 7-1	67,538		-65,363	-2,175	-	7/15/2015	7/15/2017
Plan 8-1	137,082			-4,965	132,117	7/7/2016	7/9/2018
Plan 9-1		78,632		-17,354	61,278	7/7/2017	7/8/2019
	204,620	**78,632**	**-65,363**	**-24,494**	**193,395**		

2. Bureau Veritas

By resolution of its Board of Directors on June 21, 2017, Bureau Veritas granted 1,229,060 stock purchase options to some of its employees and to the corporate officer. The options' strike price is €20.65. The allocations are subject to a service condition as well as to the achievement of performance objectives based on 2017 adjusted operating income and on the adjusted operating income/net sales ratio for 2018 and 2019. Stock options have a ten-year life after the grant date. The average unit fair value of options granted during the fiscal year was €1.70 per share (2016: €2.35).

The fair value of the options granted in 2017 was determined according to the following main assumptions and characteristics:

- strike price of 20.65 euros;
- expected stock volatility of 17.0% (2016: 22.7%);
- dividend yield of 2.7% (2016: 2.6%);
- an anticipated four-year duration of the option (2016: four years);
- a risk-free interest rate of -0.36% (2016: 0.34%), determined based on Government bond yields over the anticipated duration of the option.

By resolution of its Board of Directors on June 21, 2017, Bureau Veritas granted 1,207,820 performance shares to some of its employees and to the corporate officer. The allocation is contingent upon carrying out three years of service as well as achieving a performance objective based on the adjusted operating income for 2017 and operating income to net sales ration for 2018 and 2019.

The weighted average fair value of the performance shares granted in 2017 to certain employees and the corporate officer amounted to €18.94 per share.

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

Stock options	Number of options outsanding as of 12/31/2016	Options granted in 2017	Options canceled in 2017	Options exercised in 2017	Adjustment	Number of options outsanding as of 12/31/2017	Exercise price (€)	Average exercise price (€)	Average residual life	Number of exercisable options
Bureau Veritas	6,550,437	1,229,060	-974,129	-893,345	-	5,912,023	8.75 to 21.01	19.49	5.7 years	3,230,260

Performance shares	Shares granted as of 12/31/2017	Grant date	Expiration date
	-	7/22//2013	7/22/2017 or 7/22/2016 for French company employees
	720,000	7/22/2013	7/22/2021 or 7/22/2022
	436,108	7/16/2014	7/16/2018 or 7/16/2017 for French company employees
	991,044	7/15/2015	7/15/2019 or 7/15/2018 for French company employees
	497,052	6/21/2016	6/21/2019
	1,191,420	6/21/2017	6/21/2020
	3,835,624		

NOTE 35 Fees paid to the Statutory Auditors and members of their networks

In thousands of euros	Services rendered in 2017 by		Services rendered in 2017 by	
	Pricewaterhouse Coopers Audit	**PwC network members**	**Ernst & Young Audit**	**Ernst&Young network members**
Certification, Review of parent company financial statements				
■ for Wendel SE	733	-	744	-
■ for its subsidiaries	975	3,809	1,842	2,548
Sub-total	**1,708**	**3,809**	**2,586**	**2,548**
Services other than certification of financial statements				
■ for Wendel SE	63	-	78	246
■ for its subsidiaries	210	2,592	8	1,560
Sub-total	**273**	**2,592**	**86**	**1,806**
TOTAL	**1,980**	**6,401**	**2,672**	**4,354**

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

NOTE 36 Subsequent event

Sale of the investment in Saham Group

On March 8, 2018 Wendel announced the sale of its shares in the Saham Group holding company, for an amount of $155 million (approximately €125 million). The sale coincides with an agreement under which the Saham Group sold its insurance business to Sanlam, South Africa's leading financial services Group. It is conditional on the effective completion of the transaction between the Saham Group and Sanlam, which should take place in the second half of 2018. Wendel also has a right to 13.3% of the capital gains realized in the event of Saham selling the other Group business lines (Customer Relationship Centers, Real Estate, Health and Education) during the 24 months following the effective conclusion of the sale, at valuations above certain pre-defined thresholds. In 2013, Wendel invested €100 million in this Group holding for 13.3% of the capital.

NOTE 37 List of principal consolidated companies as of December 31, 2017

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	"
FC	100	Eufor	France	"
FC	100	Sofiservice	France	"
FC	98.6	Waldggen	France	"
FC	100	Wendel Japan	Japan	Services
FC	99.5	Africa Telecom Towers	Luxembourg	Management of shareholdings
FC	100	Constantia Coinvestco GP	Luxembourg	Services
FC	99.5	Expansion 17	Luxembourg	"
FC	100	Froeggen	Luxembourg	"
FC	99.5	Global Performance 17	Luxembourg	"
FC	99.5	Globex Africa 1	Luxembourg	"
FC	100	Ireggen	Luxembourg	"
FC	100	Karggen	Luxembourg	"
FC	97.7	Materis Investors	Luxembourg	"
FC	100	Mecatherm GuarantCo	Luxembourg	"
FC	99.5	Oranje-Nassau Développement SA SICAR	Luxembourg	"
FC	99.5	Oranje-Nassau Développement NOP	Luxembourg	"
FC	100	Oranje-Nassau GP	Luxembourg	"
FC	98.6	Oranje-Nassau Mecatherm	Luxembourg	"
FC	100	Oranje-Nassau Parcours	Luxembourg	"
FC	61.9	Parfimat	Luxembourg	"
FC	49.4	Matsa	Luxembourg	"
FC	100	Trief Corporation	Luxembourg	"
FC	100	Truth 2	Luxembourg	"
FC	100	Winvest Conseil	Luxembourg	"
FC	100	Winvest International SA SICAR	Luxembourg	Management of shareholdings
FC	100	Win Securitization 2	Luxembourg	"
FC	99.5	NOP Europe	Belgium	"
FC	100	Wendel North America	United States	Services

Method of consolidation	% of interest net of treasury shares	Company name	Country	Business segment
FC	100	Wendel London	United Kingdom	"
FC	100	Wendel Africa	Morocco	"
FC	100	Wendel Singapore	Singapore	Services
FC	100	Sofisamc	Switzerland	Management of shareholdings
FC	**60.6**	**Constantia Flexibles and its subsidiaries**	**Austria**	**Flexible packaging**
FC	**40.6**	**Bureau Veritas and its subsidiaries**	**France**	**Certification and verification**
FC	**87.9(1)**	**Cromology and its subsidiaries**	**France**	**Paint manufacturing and distribution**
FC	**63.4**	**Stahl and its subsidiaries**	**Netherlands**	**High-performance coatings and leather-finishing products**
E	**21.3**	**IHS Holding and its subsidiaries**	**Mauritius**	**Mobile telephone infrastructure in Africa**
E	**33**	**Allied Universal and its subsidiaries**	**United States**	**Security services**
Oranje-Nassau Développement includes:				
FC	**98.3**	**CSP Technologies and its subsidiaries**	**United States**	**High-performance plastics packaging**
FC	**98.6**	**Mecatherm and its subsidiaries**	**France**	**Industrial bakery equipment**
FC	**99**	**Nippon Oil Pump and its subsidiaries**	**Japan**	**Manufacture of trochoid pumps and hydraulic motors**
FC	**64.7**	**Tsebo and its subsidiaries**	**Africa**	**Services to businesses in Africa**
E	**40**	**PlaYce and its subsidiaries**	**Africa**	**Commercial real estate in Africa**

(1) This is the percentage held from a legal point of view. For consolidation purposes, Cromology was consolidated with a 90.5% interest, integrating the shares of Cromology's managers which may be bought back in the framework of the liquidity offered to them in 2017.
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.

12 Statutory Auditors' report on the consolidated financial statements

For the year ended December 31, 2017

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders of Wendel,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Wendel for the year ended December 31, 2017.

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 December 31, 2017 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 these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us for the period from January 1, 2017 to the date of our report and in particular we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or the French Code of Ethics for Statutory Auditors (*Code de déontologie*).

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 the risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Accounting treatment of acquisitions and divestments of subsidiaries

Description of risk

As part of its investment activity, the Group regularly acquires and sells subsidiaries. The main acquisitions made by Wendel and its subsidiaries in 2017 were Wendel's acquisition of approximately 65% of the capital of Tsebo for €162 million and Stahl's acquisition of BASF's leather chemistry division for €111 million in cash and approximately 16% of Stahl's capital. Wendel's subsidiary, Constantia Flexibles, also sold its Labels division in October 2017, generating a net gain on disposal of €319 million. These changes in scope are described in Notes 2-1.1 and 2-1.5 to the consolidated financial statements.

We deemed the accounting treatment of acquisitions and divestments to be a key audit matter in light of the complexity of the transactions and the involvement of different Group entities.

How our audit addressed this risk

We held discussions with the Finance department, the investment teams and the Legal department in order to gain an understanding of the transactions and particularly the legal structures put into place as part of the acquisitions, the different stages leading to the 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 acquisitions and divestments, in particular acquisition agreements, divestment agreements, shareholder agreements, structure memoranda, details of cash flows and shareholders registers, had been properly reflected in the consolidated financial statements.

- Regarding the Tsebo acquisition, we assessed the control exercised by Wendel on this subsidiary pursuant to IFRS 10. We also analyzed the provisional purchase price allocation with the guidance of experts from the subsidiary's auditor by assessing the identification of the intangible assets (customer relationships and brands) and the main underlying assumptions, particularly cash flow projections, discount rates, the customer churn rate and brand royalty rates.
- With regard to the acquisition of BASF's leather chemistry division by Stahl, we verified that the transaction had been treated as a business combination in accordance with IFRS 3 and not as an acquisition of assets. In this respect, our analysis of the provisional purchase price allocation for this division, undertaken with the guidance of experts from the subsidiary's auditors, focused on the identification of the intangible assets and the main underlying assumptions. As part of this transaction, BASF received approximately 16% of Stahl's capital and Wendel granted BASF a put option on these securities, for which we examined the accounting treatment in the consolidated financial statements.
- With regard to Constantia Flexibles' disposal of its Labels division, we verified the calculation of the gain on disposal and its presentation in the consolidated financial statements in accordance with IFRS 5 with the guidance of Constantia Flexibles' auditors.

Saint-Gobain - Sale of 21.7 million shares and loss of significant influence

Description of risk

As a result of the sale of 21.7 million Saint-Gobain shares, which took place between May 19 and June 2, 2017, Wendel now owns nearly 2.6% of the capital and 4.5% of the voting rights of this company. In accordance with the applicable governance arrangements, Wendel is now represented by a single director on the Board of Directors and Wendel's management thus considers that the Company ceased to have a significant influence on Saint-Gobain further to the transaction.

As indicated in Notes 2-1.2 and 13-3 to the consolidated financial statements, as of December 31, 2017, the 14.2 million shares still held by Wendel were classified as financial assets available for sale and valued at the December 31, 2017 share price at €651 million and no longer accounted for by the equity method or valued at their value in use. This transaction was therefore accounted for by the recognition of:

- A capital gain on the disposal of all Saint-Gobain shares consolidated by the equity method of €84 million under Net income/loss from equity-method investments;
- A loss of €59 million recognized as shareholders' equity relating to the change in fair value of the Saint-Gobain shares retained by the Group between the date of their reclassification and the closing date.

Given the change in the method of accounting and measurement of the Saint-Gobain shares and the impact of the transaction on net income, we deemed this issue to be a key audit matter.

How our audit addressed this risk

Our audit procedures mainly consisted in:

- Holding discussions with Wendel's Finance department to gain an understanding of the transaction;
- Analyzing the loss of significant influence, particularly by verifying the number of shares held by Wendel at the close of the transaction and Wendel's representation in Saint-Gobain's governing bodies;
- Assessing the compliance of Wendel's accounting treatment with the accounting standards in force, particularly the accounting classification of the remaining Saint-Gobain shares;
- Verifying the calculation of the net proceeds from the sale;
- Verifying the share price used by Wendel to determine the fair value of the shares as of December 31, 2017.

We also assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements pertaining to the changes in scope (Note 2-1.2) and the financial assets (Notes 13-1 and 13-3).

Measurement of goodwill

Description of risk

Goodwill is broken down by Cash Generating Units (CGUs) corresponding to each operating subsidiary (Bureau Veritas, Constantia Flexibles, Stahl, Cromology, CSP Technologies, Tsebo, Mecatherm and Nippon Oil Pump). 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 CGUs or groups of CGUs, this loss is maintained in Wendel's consolidated financial statements, as described in note 1-10.1 to the consolidated financial statements.

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 €39 million was recognized for the year ended December 31, 2017.

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

How our audit addressed this risk

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

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

- For the CGUs or groups of CGUs presenting an impairment risk, our work consisted in:
  - Verifying the compliance of the methodology applied by Wendel and its subsidiaries with current accounting standards;
  - Examining the reasonableness of 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 margin rates used in the terminal year with the margin rates of previous and past 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, margin rate in the terminal year and discount rates);

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

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

Description of risk

As of December 31, 2017, equity-method investments amounted to €534 million in the consolidated balance sheet and their contribution to consolidated net income was €41 million as detailed in Notes 10 and 22 to the consolidated financial statements.

Net income from equity-method investments excluding the sale of Saint-Gobain shares essentially comprised Wendel's investment in the unlisted companies IHS and Allied Universal. As Wendel's management considers that the Company exercises significant influence on IHS and joint control over Allied Universal, these two companies are recognized using the equity method rather than fully consolidated.

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.

How our audit addressed this risk

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 and Allied Universal financial information used to prepare Wendel's consolidated financial statements (the "Financial Information").

We transmitted detailed instructions to the auditors of these unlisted equity investments 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 these equity investments concerning the audit risks, the extent of their assessments, 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 and particularly the information in Note 10.1 concerning IHS in relation to the Economic and Financial Crime Commission (EFCC) investigation in progress.

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

Description of risk

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, Stahl, Cromology and Mecatherm) to invest their personal funds in assets in which the Group invests.

In the event of a divestment or an IPO, the managers have a share of the capital gain achieved by the Group, the amount of which may be greater than the amount invested depending on the return achieved by Wendel. In certain cases, the managers 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 has committed to buy back the share invested by the managers at the value defined by an independent expert in order to ensure liquidity.

The accounting treatment of these mechanisms is based on the manner in which they will be redeemed, either as equity instruments as part of a disposal or an IPO, or as cash under liquidity commitments by Wendel or its subsidiaries after the lapse of a predetermined period. Until the redemption method is known, the investments are accounted for based on the method thought to be the most likely. This accounting treatment is described in Note 1-10.18 to the consolidated financial statements.

As of December 31, 2017, the amounts recognized within financial liabilities in relation to these co-investment mechanisms amounted to €29 million and the amount of the commitments to buy back the share invested by managers of Wendel and subsidiaries (off-balance sheet) to €47 million for pari passu investments and €171 million for non-pari passu investments, as described in Note 33-5 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 (the redemption method considered the most likely as of December 31, 2017) requires a high degree of judgment from management;
- These investments are made by managers, some of whom are related parties.

How our audit addressed this risk

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 verified that the accounting treatment applied by Wendel was in accordance with the Group's accounting policies, as set out in Note 1-10.18 to the consolidated financial statements.

For the co-investment mechanisms for which the most likely 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 33-5 to the consolidated financial statements and those concerning transactions with related parties set out in Note 3.1, and verified that the value of the commitments to buy back the amounts invested by the managers was determined according to the measurement method described in Note 33-5.

Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Executive Board.

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

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Wendel by the General Meetings of November 24, 1994 for PricewaterhouseCoopers Audit and November 15, 1988 for Ernst & Young Audit.

As of December 31, 2017, PricewaterhouseCoopers Audit and Ernst & Young Audit were in the twenty-fourth year and the thirtieth year of total uninterrupted engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of 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 expects 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 risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Executive Board.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective 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 of 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, our audit does not include assurance on the viability or quality of management of the company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgment throughout the audit.

They also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their 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;
- Obtain 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;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- Assess 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 the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- Evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain 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 Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

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 any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

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 and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, March 21, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit	Ernst & Young Audit
Françoise Garnier	Jacques Pierres

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

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Mars 2017