



# WENDEL

## LETTER TO SHAREHOLDERS

SEPTEMBER 2016

# First-half 2016 earnings

Frédéric Lemoine, Chairman of the Executive Board and Bernard Gautier, Member of the Executive Board

### KEY FIGURES

**€145.8**

NAV/share as of 8/26/2016  
+6.9% since the start of the year

**more than €4bn**

in consolidated net sales

**+17.3 %**

net income from business  
sectors (to €235.6 million)

**17**

acquisitions made by Wendel  
Group companies since the  
beginning of 2016

Dear Shareholders,

The first part of 2016 was particularly busy for Wendel and its companies as we pursued our strategic reorientation toward unlisted investments. Following our sale of Parcours to Société Générale, we sold 5.3% of the share capital of Saint-Gobain for €1.16 billion, giving us greater flexibility to seize new investment opportunities in unlisted assets.

We increased our exposure to African growth via two transactions. First, in July, we acquired 40% of the share capital of SGI Africa, which develops shopping centers across Africa. This transaction, carried out alongside CFAO, is our first investment in commercial real estate. Second, at the end of August, we invested an additional \$46 million to finance the development of IHS's communications towers.

The Group's principal companies experienced a good first half, especially Stahl and IHS, whose value increased significantly. Our companies were also very active on the mergers & acquisitions front, carrying out 17 transactions during the period with a view to boosting their growth potential. The most significant of these transactions was the merger of equals between AlliedBarton and Universal Services, forming Allied Universal, North America's security services leader. We are very proud to have accomplished a transaction of such significance only three years after opening our office in New York.

Owing to this strong momentum, our net asset value per share increased 6.9% to €145.8, and our debt ratio dropped significantly to 21.6%, in line with the most recent commitment we made at our Shareholders Meeting to keep it below 30%. We can look back on this first half with pride at having paved the way to a new, far more international Wendel, a Wendel with strong financials and a focus on unlisted assets, a Wendel that is as agile as it is prudent.

**Frédéric Lemoine, Chairman of the Executive Board**

## RESULTS

On September 8, 2016, Wendel published its H1 2016 earnings and net asset value.

**Wendel's net asset value was €145.8 per share as of 8/26/2016, up 6.9% since the start of the year**

(in millions of euros)			8/26/2016
<b>Listed equity investments</b>	Number of shares (millions)	Share price <sup>(1)</sup>	<b>4,884</b>
Bureau Veritas	177.2	€19.5	3,452
Saint-Gobain	35.8	€38,7	1,386
<b>Unlisted investments and Oranje-Nassau Développement <sup>(2)</sup></b>			<b>3,800</b>
<b>Other assets and liabilities of Wendel and holding companies <sup>(3)</sup></b>			<b>111</b>
Cash and marketable securities <sup>(4)</sup>			1,814
<b>Gross assets, revalued</b>			<b>10,563</b>
Wendel bond debt and accrued interest			(3,701)
<b>Net Asset Value</b>			<b>6,863</b>
Number of shares			47,081,029
<b>Net Asset Value per share</b>			<b>145.8 €</b>
Average of 20 most recent Wendel share prices			97.3 €
<b>Premium (discount) on NAV</b>			<b>(33.2%)</b>

(1) Average of 20 most recent closing prices, calculated as of August 26, 2016

(2) Unlisted equity investments (Cromology, Stahl, IHS, Constantia Flexibles and Allied Universal) and Oranje-Nassau Développement (NOP, Saham, Mecatherm, except, CSP Technologies, SGI Africa, indirect investments and debt (Kerneos and Sterigenics)). As previously announced and in accordance with the methodology, the value of Stahl was reduced, as it took into account a firm offer received in May 2015. This offer is no longer taken into account in the calculation. Concerning IHS, as of August 26, 2016, as previously announced and in accordance with the NAV calculation methodology, the company was valued for the first time based on the multiples of comparable, listed peer-group companies. As an exception to the NAV calculation methodology and to reflect IHS's strong momentum, only 2016 and 2017 EBITDA were shown. Furthermore, it is the estimate of net debt as of December 31, 2016 (and not June 30, 2016) that was used, given the significant investments expected in the second half. The value of Constantia Flexibles was reduced by €6-8 of NAV per share to take into account the syndication of part of the investment to Maxburg. This investment will be valued by peer-group multiples beginning with the November 18, 2016 NAV. Allied Universal remains valued on the basis of AlliedBarton's acquisition price of \$300 million. This company will be valued on the basis of peer-group multiples in 2017.

(3) Includes 1,278,555 shares held in treasury as of August 26, 2016.

(4) Cash and marketable securities owned by Wendel and holding companies, including €1,508 million in cash on hand and €306 million in liquid financial investments.

Assets and liabilities denominated in currencies other than the euro have been converted at exchange rates prevailing on August 26, 2016.

If the co-investment conditions are realized, there could be a dilutive effect on Wendel's percentage ownership. These items have been taken into account when calculating NAV. See page 249 of the 2015 Registration Document.

## Results of H1 2016

Wendel's consolidated sales totaled €4,091.9 million, up 13.6% overall and up 1.3% organically (total organic growth excludes organic growth of Constantia Flexibles in Q1 and CSP Technologies in January).

The overall contribution of the Group's companies to net income from business sectors was €365.9 million, up 9.8% from the first half of 2015. This increase came about in particular because Wendel's recent acquisitions entered the scope of consolidation—Constantia Flexibles since April 1, 2015 and AlliedBarton since December 1, 2015—and because Mecatherm returned to profitability. These increases more than offset the decline in Saint-Gobain's contribution to net income from business sectors resulting from the sale of shares in May 2016.

Financial expense, operating expenses and taxes totaled €130.3 million, down slightly from €132.4 million in H1 2015.

Non-recurring income was €-475.6 million vs. €-0.9 million in H1 2015. In H1 2015, the loss in Wendel's consolidated statements deriving from the sale of Verallia (€-96.7 million), IHS's currency translation loss from the devaluation of the Nigerian naira (€-54.7 million) and asset impairment (€-38.1 million) was offset by the revaluation of Saint-Gobain's shares in Wendel's balance sheet (€+203.4 million).

In H1 2016, non-recurring net income was negative and principally comprised of the following items, which, as you will notice, are for the large part, favorable in terms of our strategy:

- an accounting loss of €229.6 million on the 30 million Saint-Gobain shares sold in May 2016;
- an accounting gain of €78.3 million realized on the sale of Parcour;
- a currency translation loss recognized by IHS following the devaluation of the Nigerian naira related to dollar-denominated debt and a revaluation at fair value of commitments to co-investors resulting from IHS's increase in value (total impact of €-152.6 million);
- As part of the merger of AlliedBarton with Universal, a €44.8 million expense related to liability items must be recognized in accordance with IFRS before switching to equity-method accounting. This amount will be offset in the second half by a capital gain of the same amount that will be recognized following the merger.
- a €56.6 million expense related to debt repurchases in June 2016;
- asset impairment in consolidated companies and other non-recurrent items (€-70.3 million).

Consequently, Wendel's net income was €-313.2 million in the first half of 2016, compared with €142.8 million in H1 2015. Net income, Group share was €-425.1 million (vs. €32.2 million in H1 2015).

## Consolidated results, H1 2016

(in millions of euros)	H1 2015	H1 2016
Consolidated subsidiaries	333.2	365.9
Financing, operating expenses, and taxes	- 132.4	- 130.3
<b>Net income from business sectors <sup>(2)</sup></b>	<b>200.8</b>	<b>235.6</b>
<i>Net income from business sectors, <sup>(2)</sup> Group share</i>	61.7	83.7
Non-recurring income	- 0.9	- 475.6
Impact of goodwill allocation	- 57.1	- 73.2
<b>Total net income</b>	<b>142.8</b>	<b>- 313.2</b>
<i>Net income, Group share</i>	32.2	- 425.1

(1) Adjusted for the discontinuation of depreciation as required by IFRS 5 "Non-current assets held for sale and discontinued operations". The capital gain on the investment totaled €129.3 million.

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



## North America's new leader in security is born

During the summer, AlliedBarton and Universal Services finalized their merger, creating North America's new leader in security. The merged company, named Allied Universal, provides local services and nationwide support and has approximately 140,000 employees.

Wendel holds around 33% of the capital of Allied Universal and has received \$388 million in cash in exchange for its stake in the capital of AlliedBarton.

# \$825<sub>M</sub>

## The total amount of capital invested by Wendel in IHS

since 2013 following its latest capital increase at the end of August.

To know more [read the press release](#) >



## Wendel extends its footprint in Africa with SGI Africa

On July 29, Wendel made its first investment in commercial real estate in Africa, finalizing the acquisition of 40% of the share capital of SGI Africa, alongside CFAO (40%) and FFC (20%).

SGI Africa is a fast-growing pan-African property company founded

by CFAO to support its mass distribution development plan. SGI Africa develops and operates shopping centers primarily through its PlayCe brand. The company opened its first PlayCe shopping center in the Côte d'Ivoire at the end of 2015 (PlayCe Marcory, Abidjan) and aims to expand into seven other West and Central African countries: Cameroon, Republic of the Congo, Nigeria, Ghana, Gabon, Senegal, and the Democratic Republic of Congo. Over the next five to seven years, SGI Africa plans to build 20 shopping centers, each including a Carrefour hypermarket or supermarket, as well as a portfolio of brands under franchise to CFAO. These projects represent an investment of around €500 million, which will be financed by shareholders' equity and bank debt.

Wendel, through Oranje-Nassau Développement, has made an initial investment of approximately €25 million in SGI Africa and will gradually invest up to €120 million in SGI Africa over the next few years.

Having already invested in IHS and Saham Group, Wendel will now have made its third direct investment in Africa. Since 2013, Wendel has invested more than €800 million in African companies. Based in Casablanca, the Wendel Africa team analyzes investment opportunities for the Group in this region.

## Wendel renews its partnership with the Centre Pompidou-Metz for a further five years

On July 5, 2016, Wendel proudly announced that it had renewed its partnership with the Centre Pompidou-Metz for a further five years. Wendel is delighted to continue supporting this first-rate cultural institution. Similarly, local authority partners have confirmed their renewed commitment to the Centre Pompidou-Metz, and France's minister of Culture and Communication has expressed her full support to Wendel.

For further information  
[www.centrepompidou-metz.fr](http://www.centrepompidou-metz.fr) >



## Interview of Lise Möller, Executive Director of The Wendel International Center for Family Enterprise - INSEAD



### **What is the historic relationship between INSEAD and Wendel?**

The Wendel family endowed the Wendel Chair in the Large Family Firm in 1997. As a result, INSEAD was able to start an educational programme and activities around family businesses. The purpose of the INSEAD endowed chair was to study and better understand the attributes of family-owned businesses and their inherent challenges. Seven years later in 2004 the Wendel family once again confirmed their generous support to INSEAD through the creation of the Wendel International Centre for Family Enterprise. This was a historic milestone for INSEAD, since we were now able to launch a centre of excellence entirely devoted to this important academic discipline.

### **What is the role of the Wendel International Centre for Family Enterprise?**

The Wendel Centre is INSEAD's hub for families in business and their stakeholders. It is built around three main pillars of activity: education, research and knowledge exchange. The Wendel Centre helps families in business understand and deal with issues that are particularly relevant to them thus helping them make the right decisions and build sustainable families in business.

### **As the Executive Director of the Wendel Centre, how do you see the Centre evolving?**

I see the Centre evolve into becoming one of the most sophisticated and comprehensive "go to" platforms for all families in business and their stakeholders, thus making the Wendel Centre a global reference point. To make this happen, we are creating new educational programmes, augmenting our presence on social media and establishing new and exciting collaborations with other schools and institutions. In addition to community building, my internal goals will be to maintain the Wendel Centre on a solid footing and motivate a team of highly dedicated professionals at INSEAD so that we can take advantage of all new opportunities to enrich the Wendel Centre.

To learn more you are welcome to contact me on [lise.moller@insead.edu](mailto:lise.moller@insead.edu) or visit <http://centres.insead.edu/family-enterprise/index.cfm>

## Change in Wendel's share price and CAC 40

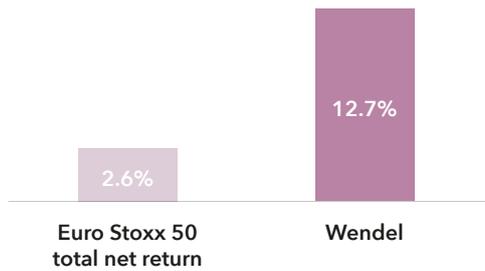
rebased to compare with Wendel's share price



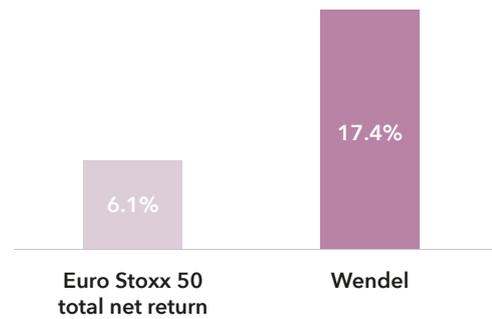
Source : Factset.  
(from 06/13/2002 to 08/26/2016)

## Total shareholder return as of August 26, 2016

Since June 13, 2002



Since January 1, 2009



Annualized rate of return including the evolution of the share's price (added value) and reinvested dividends.

Source: FactSet

## Next on the agenda

12.01.2016

Investor Day in London, trading update Q3 2016 and publication of NAV (pre-market release)

03.23.2017

2016 Full-Year Earnings / Publication of NAV (pre-market release)

05.18.2017

Shareholders' Meeting / Publication of NAV and trading update (before shareholders' meeting)

09.07.2017

H1 2017 Earnings / Publication of NAV (pre-market release)

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