Rexel
a world of energy
Financial information as of
December 31, 2018

Société Anonyme (corporation)
with share capital of € 1,519,944,495
Registered office: 13 boulevard du Fort de Vaux - CS 60002
75017 PARIS - France
479 973 513 R.C.S. Paris

Financial information for the year ended December 31, 2018

I. Activity report 2

II. Consolidated financial statements 25

III. Statutory auditors' report 94

This document is a free translation from French to English of Rexel's original financial information for the year ended December 31, 2018 and is provided solely for the convenience of English speaking readers. In the event of any ambiguity or discrepancy between this unofficial translation and the original financial information for the year ended December 31, 2018, the French version will prevail.

Pages 20 and 96 from initial version released February 13, 2019 were updated on February 21, 2019.

I. Activity report

TABLE OF CONTENTS

1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS....4

1.1 | FINANCIAL POSITION OF THE GROUP 4
1.1.1 | Group Overview 4
1.1.2 | Seasonality.... 4
1.1.3 | Impact of changes in copper price 5
1.1.4 | Comparability of the Group's operating results and adjusted EBITA 5
1.2 | COMPARISON OF FINANCIAL RESULTS AS OF DECEMBER 31, 2018 AND AS OF DECEMBER 31, 2017 8
1.2.1 | Rexel Group's consolidated financial results 8
1.2.2 | Europe (55% of Group sales).... 13
1.2.3 | North America (36% of Group sales).... 16
1.2.4 | Asia-Pacific (9% of Group sales).... 18
1.2.5 | Other operations.... 20
1.3 | OUTLOOK.... 20

2. | LIQUIDITY AND CAPITAL RESOURCES....21

2.1 | CASH FLOW 21
2.1.1 | Cash flow from operating activities 21
2.1.2 | Cash flow from investing activities 22
2.1.3 | Cash flow from financing activities.... 23
2.2 | SOURCES OF FINANCING 23

1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Rexel was incorporated on December 16, 2004. Shares of Rexel were admitted to trading on the Eurolist market of Euronext Paris on April 4, 2007. The group consists of Rexel and its subsidiaries (herein after referred to as “the Group” or “Rexel”).

The activity report is presented in euros and all numbers are rounded to the nearest tenth of a million, except where otherwise stated. Totals and sub-totals presented in the activity report are first computed in thousands of euros and then rounded to the nearest tenth of a million. Thus, the numbers may not sum precisely due to rounding.

1.1 | Financial position of the Group

1.1.1 | Group Overview

Rexel is a worldwide expert in the multichannel professional distribution of products and services for the energy world. The Group provides a range of products and services in energy management for construction, renovation, production and maintenance.

The Group principally operates in three geographic areas: Europe, North America and Asia Pacific. This segmentation is based on the Group’s financial reporting structure.

In 2018, the Group recorded consolidated sales of €13,365.7 million, of which €7,350.0 million were generated in Europe (55% of Group sales), €4,801.3 million in North America (36% of Group sales) and €1,214.4 million in Asia-Pacific (9% of Group sales).

The Group’s activities in Europe (55% of Group sales) are operated in France (which accounts for 37% of Group sales in this region), the United Kingdom, Germany, Sweden, Switzerland, Belgium, Austria, the Netherlands, Norway, Spain, Finland, Italy, Ireland, Slovenia, Russia, Portugal and Luxembourg.

The Group’s activities in North America are operated in the United States (79% of sales in this region) and Canada (21% of sales in this region).

The Group’s activities in Asia-Pacific are operated in Australia (41% of sales in this region), China (41% of sales of this region) and also to a lesser extent, in New Zealand, India and Middle East.

This activity report analyses the Group’s sales, gross profit, distribution and administrative expenses, and operating income before amortization of intangible assets recognized on purchase price allocations and other income and other expenses (EBITA) separately for each of the three geographic segments, as well as for the Other operations segment.

1.1.2 | Seasonality

Despite the low impact of seasonality on sales, changes in the Group’s working capital requirements lead to variations in cash flows over the course of the year. As a general rule, the Group’s cash flows are the strongest in the fourth quarter while relatively lower in the three other quarters, because of higher working capital requirements in those periods.

1.1.3 | Impact of changes in copper price

The Group is indirectly exposed to fluctuations in copper price in connection with its distribution of cable products. Cables represent approximately 15% of the Group's sales and copper accounts for approximately 60% of the composition of cables. This exposure is indirect since cable prices also reflect suppliers' commercial policies and the competitive environment of markets in which the Group operates. Changes in copper price have an estimated "recurring" and "non-recurring" effect on the Group's performance, assessed as part of the monthly internal reporting process of the Rexel Group:

- The recurring effect related to the change in copper-based cable prices corresponds to the change in the value of the copper included in the sales price of cables from one period to another. This effect mainly relates to sales.
- The non-recurring effect related to the change in copper-based cable prices corresponds to the effect of copper price variations on the sales price of cables between the time they are purchased and the time they are sold, until such inventory has been rebuilt (direct effect on gross profit). In practice, the non-recurring effect on gross profit is determined by comparing the historical purchase price for copper-based cable and the supplier price effective at the date of the sale of the cables by the Rexel Group. Additionally, the non-recurring effect on EBITA corresponds to the non-recurring effect on gross profit, which may be offset, where appropriate, by the non-recurring portion of changes in distribution and administrative expenses (principally the variable portion of compensation of sales personnel, which accounts for approximately 10% of the change in gross profit).

The impact of these two effects is assessed for as much of the Group's total cable sales as possible over each period, and in any case covering at least a majority of sales. Group procedures require entities that do not have information systems capable of such comprehensive calculation to estimate these effects based on a sample representing at least 70% of sales during the period. The results are then extrapolated to all cables sold during the period for that entity. On the basis of the sales covered, the Rexel Group considers such estimates of the impact of the two effects to be reasonable.

1.1.4 | Comparability of the Group's operating results and adjusted EBITA

The Group undertakes acquisitions and disposals that may alter its scope of consolidation from one period to another. Second, currency exchange rates may also fluctuate significantly. In addition, the number of working days in each period also has an impact on the Group's consolidated sales. Lastly, the Group is exposed to fluctuations in copper price. For these reasons, a comparison of the Group's reported operating results over different periods may not provide a meaningful comparison of its underlying business performance. Therefore, in the analysis of the Group's consolidated results presented below, financial information is also restated to give effect to the following adjustments.

Excluding the effects of acquisitions and disposals

The Group adjusts its results to exclude the effects of acquisitions and disposals. Generally, the Group includes the results of an acquired company in its consolidated financial statements at the date of the acquisition and ceases to include the results of a divested company at the date of its disposal. To neutralize the effects of acquisitions and disposals on the analysis of its operations, the Group compares the results of the current year against the results of the preceding financial year, as if the preceding financial year had the same scope of consolidation for the same periods as the current year.

Therefore, the Group has restated previous year information to take into account the divestment of South East Asia operations occurred in 2017.

Excluding the effects of exchange rate fluctuations

Fluctuations in currency rates against the euro affect the value of the Group's sales, expenses and other balance sheet items as well as the income statement. By contrast, the Group has relatively low exposure to currency transaction risk, as cross-border transactions are limited. To neutralize the currency translation effect on the comparability of its results, the Group restates its comparative period results at the current year's exchange rates.

Excluding the non-recurring effect related to changes in copper price

To analyze the financial performance on a constant adjusted basis, the estimated non-recurring effect related to changes in copper-based cable prices, as described in paragraph 1.1.3 above, is excluded from the information presented for both the current and the previous periods. Such information is referred to as "adjusted" throughout this activity report.

Excluding the effects of different numbers of working days in each period on sales

The Group's sales in a given period compared with another period are affected by the number of working days, which changes from one period to another. In the analysis of its consolidated sales, the Group neutralizes this effect by proportionally adjusting the comparative sales number of the comparative period to match with the current period's number of working days. No attempt is made to adjust any line items other than sales for this effect, as it is not considered relevant.

Accordingly, in the following discussion of the Group's consolidated results, some or all of the following information is provided for comparison purposes:

- On a constant basis, which means excluding the effect of acquisitions and disposals and the effect of fluctuations in exchange rates. Such information is used for comparison of sales;

- On a constant and same-day basis, which means on a constant basis (as described above) and restated for the effect of different numbers of working days in each period. Such information is used only for comparisons related to sales; and

- On a constant basis, adjusted, which means on a constant basis (as described above) and adjusted for the estimated non-recurring effect related to changes in copper-based cable prices. Such information is used for comparisons of gross profit, distribution and administrative expenses, and EBITA. This information is not generated directly by the Group's accounting systems but is an estimate of comparable data in accordance with the principles explained above.

Change in accounting policies

In January 1, 2018, Rexel has initially adopted the new accounting standard IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" with retrospective application as of January 1, 2017.

These new standards supersede IAS 39 "Financial Instruments" and IAS 18 "Revenues". IFRS 9 and IFRS 15 had no significant impact on Rexel's consolidated financial statements. Nevertheless, prior period information was restated accordingly.

The Group uses the "EBITA" and "Adjusted EBITA" measures to monitor its performance. Neither EBITA nor Adjusted EBITA is an accepted accounting measure under IFRS. The table below reconciles reported operating income before other income and other expenses to Adjusted EBITA on a constant basis.

	Quarter ended December 31,		Year ended December 31,	
(in millions of euros)	2018	2017	2018	2017
Operating income before other income and other expenses	**168.4**	**157.7**	**584.7**	**575.1**
Changes in scope of consolidation	-	0.0	-	5.2
Foreign exchange effects	-	0.1	-	(12.0)
Non-recurring effect related to copper	1.3	(3.2)	7.9	(13.9)
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	3.7	4.6	15.7	19.0
Adjusted EBITA on a constant basis	**173.3**	**159.2**	**608.3**	**573.3**

1.2| Comparison of financial results as of December 31, 2018 and as of December 31, 2017

1.2.1| Rexel Group's consolidated financial results

The following table sets out Rexel's consolidated income statement for 2018 and 2017, in millions of euros and as a percentage of sales.

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**3,496.9**	**3,403.9**	**2.7%**	**13,365.7**	**13,303.0**	**0.5%**
Gross profit	863.0	842.5	2.4%	3,286.9	3,282.1	0.1%
Distribution and administrative expenses (1)	(691.0)	(680.1)	1.6%	(2,686.5)	(2,688.0)	(0.1)%
EBITA	**172.0**	**162.4**	**6.0%**	**600.4**	**594.1**	**1.1%**
Amortization (2)	(3.7)	(4.6)	(20.9)%	(15.7)	(19.0)	(17.4)%
Operating income before other income and expenses	**168.4**	**157.7**	**6.7%**	**584.7**	**575.1**	**1.7%**
Other income and expenses	(111.4)	(196.6)	(43.3)%	(174.9)	(253.0)	(30.9)%
Operating income	56.9	(38.8)	N/A	409.8	322.1	27.2%
Net financial expenses	(25.2)	(55.1)	(54.3)%	(100.6)	(145.6)	(30.9)%
Income taxes	(57.6)	34.8	N/A	(157.0)	(71.9)	118.2%
Net income	**(25.9)**	**(59.1)**	**56.2%**	**152.3**	**104.6**	**45.6%**
as a % of sales	***-0.7%***	***-1.7%***		***1.1%***	***0.8%***	
(1) Of which depreciation and amortization	(26.2)	(25.9)	1.3%	(100.1)	(99.8)	0.2%
(2) Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions						

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**3,496.9**	**3,396.6**	**3.0%**	**13,365.7**	**12,876.7**	**3.8%**
Same-day basis			*1.9%*			*3.5%*
Gross profit	864.4	839.6	3.0%	3,295.0	3,178.7	3.7%
as a % of sales	*24.7%*	*24.7%*		*24.7%*	*24.7%*	
Distribution and administrative expenses	(691.1)	(680.4)	1.6%	(2,686.7)	(2,605.4)	3.1%
as a % of sales	*(19.8)%*	*(20.0)%*		*(20.1)%*	*(20.2)%*	
EBITA	**173.3**	**159.2**	**8.9%**	**608.3**	**573.3**	**6.1%**
as a % of sales	***5.0%***	***4.7%***		***4.6%***	***4.5%***	

Sales

In 2018, Rexel's consolidated sales amounted to €13,365.7 million, as compared to €13,303.0 million in 2017.

On a reported basis, sales were up 0.5% year-on-year, including a negative currency impact of 2.5% and a negative net effect from changes in scope of 0.7%.

- The negative impact of currency was €327.8 million, mainly due to the depreciation of US Dollar against the Euro.
- The negative net effect from change in scope amounted to €98.6 million, reflecting the divestment of operations in South East Asia completed in 2017.

On a constant and same-day basis, sales were up 3.5%, in line with full year 2018 target, with Europe up 1.7%, North America up 6.1% and Asia-Pacific up 5.2%. Excluding a 0.4 percentage point positive impact due to higher copper-based cable prices, sales were up 3.1% as compared to 2017.

On a constant and actual number of working days basis, sales increased by 3.8% including a favorable calendar impact of 0.3 percentage point.

In the fourth quarter of 2018, Rexel's consolidated sales amounted to €3,496.9 million, as compared to €3,403.9 million in the fourth quarter of 2017.

On a reported basis, sales were up 2.7% year-on-year, including a positive currency impact of 0.3% and a negative net effect from divestments of 0.5%.

On a constant and same-day basis, sales were up 1.9%, reflecting a 0.8% decrease in Europe, a 6.9% increase in North America and 0.1% decrease in Asia-Pacific. Excluding a 0.3 percentage point negative impact due to the copper-based cable prices compared to the fourth quarter of 2017, sales were up 2.3%.

On a constant and actual number of working days basis, sales increased by 3.0% including a positive calendar impact of 1.1 percentage point.

The table below summarizes the impact on sales evolution of the number of working days, changes in scope and in currency effects:

	Q1	**Q2**	**Q3**	**Q4**	**YTD**
Growth on a constant and same-days basis	3.9%	5.1%	3.4%	1.9%	3.5%
Number of working days effect	(1.1)%	0.6%	0.4%	1.1%	0.3%
Growth on a constant and actual-day basis	***2.8%***	***5.7%***	***3.8%***	***3.0%***	***3.8%***
Changes in scope effect	(0.8)%	(0.9)%	(0.7)%	(0.5)%	(0.7)%
Foreign exchange effect	(6.0)%	(3.6)%	(0.6)%	0.3%	(2.5)%
Total scope and currency effect	***(6.8)%***	***(4.4)%***	***(1.4)%***	***(0.2)%***	***(3.2)%***
Growth on a reported basis [(1)]	**(4.2)%**	**1.0%**	**2.4%**	**2.7%**	**0.5%**

[(1)] Growth on a constant basis and actual number of working days compounded by the scope and currency effects

Gross profit

In 2018, gross profit amounted to €3,286.9 million, up 0.1%, on a reported basis, as compared to €3,282.1 million in 2017.

On a constant basis, adjusted gross profit increased by 3.7% while adjusted gross margin slightly decreased by 3 basis points to 24.7% of sales, reflecting a competitive environment in Europe and Asia Pacific while it increased in North America.

In the fourth quarter of 2018, gross profit amounted to €863.0 million, up 2.4% on a reported basis as compared to €842.5 million in the fourth quarter of 2017.

On a constant basis, adjusted gross profit increased by 3.0% and adjusted gross margin remained stable at 24.7% of sales.

Distribution & administrative expenses

In 2018, distribution and administrative expenses amounted to €2,686.5 million, down 0.1%, on a reported basis, as compared to €2,688.0 million in 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 3.1% mainly driven by North America and Europe. They represented 20.1% of sales in 2018 compared to 20.2% in 2017, 13 basis-points improvement.

In the fourth quarter of 2018, distribution and administrative expenses amounted to €691.0 million, up 1.6%, on a reported basis, as compared to €680.1 million in the fourth quarter of 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 1.6%, representing 19.8% of sales in the fourth quarter of 2018, a 27 basis-point improvement as compared to 20.0% in the fourth quarter of 2017.

EBITA

In 2018, EBITA stood at €600.4 million as compared to €594.1 million in 2017. On a reported basis, EBITA was up 1.1% including a negative currency impact of 2.0%, a positive effect from change in scope of 0.9% and an unfavorable impact of copper-based cable prices

of 3.8%.

On a constant basis, adjusted EBITA increased by 6.1% to €608.3 million, in line with 2018 target and adjusted EBITA margin stood at 4.6% of sales, up 10 basis points year-on-year.

In the fourth quarter of 2018, EBITA stood at €172.0 million, up 6.0%, on a reported basis, as compared to €162.4 million in the fourth quarter of 2017.

On a constant basis, adjusted EBITA increased by 8.9% to €173.3 million and adjusted EBITA margin stood at 5.0% of sales, up 27 basis points year-on-year.

Other income and expenses

In 2018, other income and expenses represented a net expense of €174.9 million, consisting mainly of:

- €82.5 million restructuring plans, especially in Germany (€46.1 million), Spain (€11.8 million) and the UK (€7.9 million). These plans include the closure of a significant number of branches, the reorganization of logistics and the downsizing of headquarters in these countries.

- €61.9 million goodwill impairment and intangible assets with indefinite life expense of which €29.2 million allocated to Norway, €26.9 million to Finland and €5.8 million to Spain, as a result of lower than expected performance.

- €25.4 million impairment charge of assets held for sale in connection with the expected divestment of retail and commercial businesses in China as part of the overall group divestment program. This disposal should be effective in the first quarter of 2019. This business represented €48.9 million of sales in 2018.

In 2017, other income and expenses represented a net expense of €253.0 million, consisting mainly of:

- €133.7 million goodwill impairment expense (€46.8 million in 2016) of which €86.2 million allocated to Germany, €34.5 million to Finland and €13.0 million to New Zealand €68.7 million divestment loss due to the disposal of Lenn International Pte. Ltd for €11.1 million and Rexel South East Asia for €57.6 million

- €44.1 million restructuring costs associated with (i) business transformation programs (US, UK, Sweden); (ii) the shut-down of the Oil & Gas business in Thailand, as result of market decline; (iii) changes in corporate senior management.

-

Net Financial expenses

Net financial expenses decreased from €145.6 million in 2017 to €100.6 million in 2018. Excluding a €18.8m one-off expense recognized in 2017 in connection with the 2017 refinancing transactions as well as the discounting effect of letters of credit issued by overseas financial institution of €10.9 million, net financial expenses were down by €15.3m mainly as a result of a 37 basis points decrease in effective interest rate, from 3.2% in 2017 to 2.8% in of 2018, thanks to refinancing transactions occurred in 2017 and a lower average net debt.

Tax expense

In 2018 income tax expense increased to €157.0 million from €71.9 million in 2017. Excluding the €62.9 million positive one-off impacts of the US and French corporate income tax rates decreases enacted in 2017 and resulting in the reevaluation of the deferred tax position as of December 31, 2017, income tax expense increased by €22.2 million as a result of higher taxable income as well as a €13.5 million tax reassessment in Finland. As a result, effective tax rate rose from 40.7% in 2017 to 50.8% in 2018.

Net income

As a result of the items above, net income stood at €152.3 million in 2018, a 45.6% increase as compared to €104.6 million in 2017.

1.2.2| Europe (55% of Group sales)

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**1,902.2**	**1,912.1**	**(0.5)%**	**7,350.0**	**7,286.9**	**0.9%**
Gross profit	508.0	521.2	(2.5)%	1,961.1	1,977.2	(0.8)%
Distribution and administrative expenses	(390.2)	(391.2)	(0.2)%	(1,551.7)	(1,542.2)	0.6%
EBITA	**117.7**	**130.0**	**(9.5)%**	**409.3**	**435.0**	**(5.9)%**
as a % of sales	*6.2%*	*6.8%*		*5.6%*	*6.0%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**1,902.2**	**1,906.0**	**(0.2)%**	**7,350.0**	**7,221.5**	**1.8%**
Same-day basis			*(0.8)%*			*1.7%*
Gross profit	509.6	516.3	(1.3)%	1,966.6	1,949.3	0.9%
as a % of sales	*26.8%*	*27.1%*	*-30 bps*	*26.8%*	*27.0%*	*-24 bps*
Distribution and administrative expenses	(390.3)	(389.9)	0.1%	(1,551.9)	(1,528.4)	1.5%
as a % of sales	*(20.5)%*	*(20.5)%*	-6 bps	*(21.1)%*	*(21.2)%*	5 bps
EBITA	**119.3**	**126.4**	**(5.6)%**	**414.7**	**420.9**	**(1.5)%**
as a % of sales	***6.3%***	***6.6%***		***5.6%***	***5.8%***	

Sales

In 2018, sales in Europe amounted to 7,350.0 million, a 0.9% increase on a reported basis, as compared to €7,286.9 million in 2017.

Currency unfavorable evolution accounted for a decrease of €65.4 million, mainly due to the depreciation of the Swedish krona, the Swiss franc and the British Pound against the Euro.

On a constant and same-day basis, sales were up 1.7% as compared to 2017. Excluding the positive impact of 0.4 percentage point due to the higher copper-based cable prices compared to 2017, sales were up 1.3%.

In the fourth quarter of 2018, sales stood at €1,902.2 million, a 0.5% decrease on a reported basis, as compared to €1,912.1 million in the fourth quarter of 2017.

On a constant and same-day basis, sales decreased by 0.8%. Excluding the negative impact of 0.4 percentage point due to the copper-based cable prices compared to the fourth quarter of 2017, sales were down 0.4%.

In **France**, sales amounted to €2,717.3 million in 2018, an increase of 1.7% as compared to 2017 on a constant and same-day basis, mainly driven by dynamic residential and industrial end-markets especially in the first half, while the second half was impacted by high comparable.
In the fourth quarter of 2018, sales amounted to €724.6 million, a decrease of 1.3% as compared to the fourth quarter of 2017 on a constant and same-day basis.

In **the United Kingdom**, sales amounted to €801.3 million in 2018, a decrease of 4.8% from 2017 on a constant and same-day basis, mainly due to political uncertainty and lower business with six large C&I accounts, productivity ramp-up of recently hired sales force and 33 branch closures in a declining market environment (contribution of -1.2%).
In the fourth quarter of 2018, sales decreased by 6.4% from the fourth quarter of 2017, on a constant and same-day basis.

In **Germany**, sales stood at €764.1 million in 2018, a 6.0% decrease from 2017 on a constant and same-day basis, resulting from the transformation of the country announced in June 2018, including 17 branch closures, as well as refocusing on profitable activities as industrial segment on a national basis and on Contractors & Installors segment in the southern part of the country.
In the fourth quarter of 2018, sales decreased by 15.9% from the fourth quarter of 2017, on a constant and same-day basis due to branch closures.

In **Scandinavia** sales amounted to €962.5 million in 2018, an increase of 4.4% from 2017 on a constant and same-day basis, with good performance in Sweden, up 5.2% driven by healthy industry and commercial end-markets, offsetting a lower pace of growth in the residential, a 5.3% increase in Finland and 1.9% in Norway.
In the fourth quarter of 2018, sales were up 5.2% from the fourth quarter of 2017, on a constant and same-day basis, of which 5.4% increase in Sweden, 8.7% in Norway and 0.3% in Finland.

In **Belgium** and in **the Netherlands**, sales amounted respectively to €403.1 million and €284.7 million in 2018. Sales in Belgium increased by 7.2%, including the positive impact of 1.3% due to acquisition of a branch in the Courtrai area. Excluding this impact, sales were mainly driven by a positive business environment. Sales in the Netherlands were up 11.8% on a constant and same-day basis, with a good momentum on photovoltaic equipment.
In the fourth quarter of 2018, sales increased by 14.6% in Belgium and improved by 11.4% in the Netherlands.

In **Switzerland** and **Austria**, sales amounted respectively to €459.2 million and €366.8 million in 2018. Sales in Switzerland increased by 8.4% from 2017, on a constant and same-day basis, driven by the gain of a large C&I contract and by building installation equipment. Sales in Austria increased by 4.1% from 2017, on a constant and same-day basis.
In the fourth quarter of 2018, sales increased by 6.9% in Switzerland, and were up 4.4% in Austria as compared to the fourth quarter of 2017, on a constant and same-day basis.

In **Southern Europe**, sales amounted to €373.6 million in 2018, a 0.8% decrease from 2017 on a constant and same-day basis. This mainly reflects a 6.1% increase in Italy and a 5.9% decrease in Spain, impacted by the transformation program including 15 branch closures.
In the fourth quarter of 2018, sales decreased by 12.9% on a constant and same-day basis from the fourth quarter of 2017. Sales in Spain decreased by 24.1% (of which 13.0% due to branch closures) and sales in Italy were up 2.1%.

Gross profit

In 2018, Europe recorded a gross profit of €1,961.1 million, decreasing by 0.8%, on a reported basis, as compared to €1,977.2 million in 2017.

On a constant basis, adjusted gross profit increased by 0.9% and adjusted gross margin decreased by 24 basis points at 26.8% of sales due to a competitive environment in Switzerland and Nordics.

In the fourth quarter of 2018, on a constant basis, adjusted gross profit decreased by 1.3% and adjusted gross margin decreased by 30 basis points at 26.8% of sales as compared to the fourth quarter of 2017.

Distribution & administrative expenses

In 2018, distribution and administrative expenses amounted to €1,551.7 million, up 0.6%, on a reported basis, as compared to €1,542.2 million in 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 1.5% in 2018, reflecting higher variable freight out costs and inflation on salaries and benefits. As percentage of sales, adjusted Distribution and Administrative expenses were down 5 basis points to 21.1% due to higher sales volume.

In the fourth quarter of 2018, on a constant basis, adjusted distribution and administrative expenses increased by 0.1%, representing 20.5% of sales, a 6 basis-point decreased as compared to the fourth quarter of 2017.

EBITA

In 2018, EBITA amounted to €409.3 million as compared to €435.0 million in 2017. On a reported basis, EBITA was down 5.9% including a negative currency impact of 0.8% and an unfavorable impact of copper-based cable prices of 3.7%.

On a constant basis, adjusted EBITA decreased by 1.5% from 2017 and adjusted EBITA margin decreased by 19 basis points to 5.6% of sales.

In the fourth quarter of 2018, on a constant basis, adjusted EBITA decreased by 5.6% while the adjusted EBITA margin decreased by 36 basis points to 6.3% of sales.

1.2.3| North America (36% of Group sales)

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**1,280.8**	**1,155.3**	**10.9%**	**4,801.3**	**4,707.1**	**2.0%**
Gross profit	297.0	261.7	13.5%	1,105.3	1,070.0	3.3%
Distribution and administrative expenses	(240.7)	(213.9)	12.5%	(908.1)	(889.8)	2.1%
EBITA	**56.4**	**47.7**	**18.1%**	**197.1**	**180.2**	**9.4%**
as a % of sales	*4.4%*	*4.1%*		*4.1%*	*3.8%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**1,280.8**	**1,180.2**	**8.5%**	**4,801.3**	**4,505.2**	**6.6%**
Same-day basis			*6.9%*			*6.1%*
Gross profit	296.8	267.8	10.8%	1,107.9	1,020.9	8.5%
as a % of sales	*23.2%*	*22.7%*	*49 bps*	*23.1%*	*22.7%*	*41 bps*
Distribution and administrative expenses	(240.7)	(219.1)	9.8%	(908.1)	(851.6)	6.6%
as a % of sales	*(18.8)%*	*(18.6)%*	-22 bps	*(18.9)%*	*(18.9)%*	-1 bps
EBITA	**56.1**	**48.7**	**15.4%**	**199.8**	**169.3**	**18.0%**
as a % of sales	***4.4%***	***4.1%***		***4.2%***	***3.8%***	

Sales

In 2018, sales in North America amounted to €4,801.3 million, up 2.0%, on a reported basis, as compared to €4,707.1 million in 2017.

Currency unfavorable evolution accounted for a €202.0 million, decrease mainly due to the depreciation of US dollar against the Euro.

On a constant and same-day basis, sales increased by 6.1% as compared to 2017.

In the fourth quarter of 2018, sales stood at €1,280.8 million, up 10.9% on a reported basis, as compared to €1,155.3 million in the fourth quarter of 2017.

Currency favorable evolution accounted for a €24.9 million, mainly due to the appreciation of US dollar against the Euro.

On a constant and same-day basis, sales increased by 6.9% from the fourth quarter of 2017.

In **the United States**, sales stood at €3,780.3 million in 2018, a 6.9% increase from 2017 on a constant and same-day basis, as a result of the commercial impact of the regional organization in an overall market good momentum as well as branch openings.
In the fourth quarter of 2018, sales increased by 8.5% from the fourth quarter of 2017, on a constant and same-day basis.

In **Canada**, sales amounted to €1,020.9 million in 2018, up 3.6% from 2017 on a constant and same-day basis mainly driven by industrial end-market, including mining and oil and gas industry.
In the fourth quarter of 2018, sales increased by 1.3% from the fourth quarter of 2017, on a constant and same-day basis.

Gross profit

In 2018, in North America, gross profit amounted to €1,105.3 million, up 3.3%, on a reported basis, as compared to €1,070.0 million in 2017.

On a constant basis, adjusted gross profit increased by 8.5% and adjusted gross margin is 41 basis points higher at 23.1% of sales compared to 2017, due to pricing initiatives especially in Canada.

In the fourth quarter of 2018, on a constant basis, adjusted gross profit increased by 10.8% and adjusted gross margin is 49 basis points higher at 23.2% as compared to the fourth quarter of 2017.

Distribution & administrative expenses

In 2018, distribution and administrative expenses amounted to €908.1 million, up 2.1%, on a reported basis, as compared to €889.8 million in 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 6.6%, representing 18.9% of sales in 2018, a 1 basis point deterioration as compared to 2017, impacted by cost inflation and investments in the branch network and in the workforce.

In the fourth quarter of 2018, on a constant basis, adjusted distribution and administrative expenses increased by 9.8%, representing 18.8% of sales, a 22 basis points decreased year on year.

EBITA

In 2018, EBITA amounted to €197.1 million as compared to €180.2 million in 2017. On a reported basis, EBITA was up 9.4% including a negative currency impact of 4.3% and an unfavorable impact of copper-based cable prices of 3.4%.

On a constant basis, adjusted EBITA increased by 18.0% from 2017.

In the fourth quarter of 2018, on a constant basis, adjusted EBITA increased by 15.4% and the adjusted EBITA margin increased by 26 basis points to 4.4% of sales.

1.2.4| Asia-Pacific (9% of Group sales)

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**313.9**	**336.5**	**(6.7)%**	**1,214.4**	**1,309.0**	**(7.2)%**
Gross profit	58.0	59.6	(2.6)%	220.0	234.9	(6.4)%
Distribution and administrative expenses	(49.0)	(53.3)	(8.1)%	(195.3)	(223.0)	(12.4)%
EBITA	**9.1**	**6.3**	**43.5%**	**24.7**	**11.9**	**107.5%**
as a % of sales	*2.9%*	*1.9%*		*2.0%*	*0.9%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**313.9**	**310.4**	**1.1%**	**1,214.4**	**1,150.0**	**5.6%**
Same-day basis			*(0.1)%*			*5.2%*
Gross profit	58.0	55.5	4.5%	220.0	208.5	5.5%
as a % of sales	*18.5%*	*17.9%*	*60 bps*	*18.1%*	*18.1%*	*-2 bps*
Distribution and administrative expenses	(49.0)	(49.6)	(1.3)%	(195.3)	(192.5)	1.5%
as a % of sales	*(15.6)%*	*(16.0)%*	39 bps	*(16.1)%*	*(16.7)%*	65 bps
EBITA	**9.1**	**5.9**	**54.0%**	**24.7**	**16.0**	**53.9%**
as a % of sales	***2.9%***	***1.9%***		***2.0%***	***1.4%***	

Sales

In 2018, sales in Asia-Pacific amounted to €1,214.4 million, down 7.2%, on a reported basis, as compared to €1,309.0 million in 2017.

Exchange rate variations accounted for a decrease of €60.4 million, primarily due to the depreciation of the Australian Dollar against the euro.

The negative effect scope effect was €98.6 million and was associated to the divestment of South East Asia operations.

On a constant and same-day basis, sales increased by 5.2% as compared to 2017.

In the fourth quarter of 2018, sales stood at €313.9 million, a 6.7% drop on a reported basis, as compared to €336.5 million in the fourth quarter of 2017.

On a constant and same-day basis, sales decreased by 0.1% from the fourth quarter of 2017.

In **Australia**, sales amounted to €501.1 million in 2018, a 0.5% decrease from 2017, on a constant and same-day basis, impacted by the disposal of the Rockwell automation business effective on April 30, 2018, which accounted for a decrease of 3.8 percentage points, partly offset by a good performance in industrial & commercial end-markets while residential has started to decline.
In the fourth quarter of 2018, sales decreased by 8.5% from the fourth quarter of 2017, on a constant and same-day basis, reflecting an intense market competition in major East regions.

In **China**, sales amounted to €495.3 million in 2018, a 6.0% increase compared to 2017, on a constant and same-day basis, mainly driven by industrial automation products and solutions.
In the fourth quarter of 2018, sales increased by 9.3% from the fourth quarter of 2017, on a constant and same-day basis.

In addition, Asia-Pacific sales performance was enhanced by a large non-recurring project in the Middle East which contributed for €27.2 in 2018 and €8.2m in the fourth quarter.

Gross profit

In 2018, in Asia-Pacific, gross profit amounted to €220.0 million, down 6.4%, on a reported basis, as compared to €234.9 million in 2017.

On a constant basis, adjusted gross profit increased by 5.5% and adjusted gross margin was 18.1% of sales, a 2 basis-point decrease as compared to 2017, mainly impacted by a higher weight of project activity in the sales with lower than average margins and in particular in the Middle East.

In the fourth quarter of 2018, on a constant basis, adjusted gross profit increased by 4.5% and adjusted gross margin was 18.5% of sales, an increase of 60 basis points from the fourth quarter of 2017.

Distribution & administrative expenses

In 2018, on a reported basis, distribution and administrative expenses amounted to €195.3 million, down 12.4% as compared to €223.0 million in 2017, reflecting current inflation compensated by lower bad debt expenses, especially in China.

On a constant basis, adjusted distribution and administrative expenses increased by 1.5% from 2017, representing 16.1% of sales in 2018, a 65 basis-point improvement as compared to 2017, reflecting initiatives to boost sales in Asia Pacific.

In the fourth quarter of 2018, on a constant basis, adjusted distribution and administrative expenses decreased by 1.3%, representing 15.6% of sales in the fourth quarter of 2018, an improvement of 39 basis points compared to the fourth quarter of 2017.

EBITA

In 2018, EBITA amounted to €24.7 million as compared to €11.9 million in 2017. On a reported basis, EBITA was up 107.5% including a negative currency impact of 7.4%, a positive net effect from change in scope of 43.1% and an unfavorable impact of copper-based cable prices of 0.7%.

On a constant basis, adjusted EBITA increased by 53.9% from 2017 and adjusted EBITA margin increased by 64 basis points to 2.0% of sales.

In the fourth quarter of 2018, on a constant basis, adjusted EBITA increased by 54.0% while the adjusted EBITA margin increased by 99 basis points to 2.9% of sales.

1.2.5 | Other operations

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**-**	**-**	**n.a.**	**(0.0)**	**(0.0)**	**n.a.**
Gross profit	-	0.0	n.a.	0.6	(0.0)	n.a.
Distribution and administrative expenses	(11.2)	(21.8)		(31.4)	(32.9)	(4.8)%
EBITA	**(11.2)**	**(21.7)**	**48.6%**	**(30.7)**	**(33.0)**	**6.8%**
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**(0.0)**	**-**	**n.a.**	**(0.0)**	**(0.0)**	**n.a.**
Gross profit	-	0.0	n.a.	0.6	(0.0)	n.a.
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	
Distribution and administrative expenses	(11.2)	(21.8)	(48.7)%	(31.4)	(32.9)	(4.7)%
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	
EBITA	**(11.2)**	**(21.7)**	48.6%	**(30.7)**	**(32.9)**	**6.7%**
as a % of sales	***n.a.***	***n.a.***		***n.a.***	***n.a.***	

This segment mostly includes unallocated corporate-hosted expenses. In 2018, EBITA was negative by €30.7 million compared to €32.9 million in 2017, reflecting distribution and administrative expenses savings at corporate headquarters. The €10.5 million EBITA improvement quarter on quarter is due to the adverse effect in the fourth quarter 2017 of the phasing of the reallocation of corporate hosted expenses.

1.3 | Outlook

In 2019, Rexel will continue to benefit from its strategic initiatives, notably the transformation in Europe, the new organization in the US and the investments made in digital.

Consistent with Rexel medium-term ambition and assuming the macro environment remains unchanged, Rexel targets for 2019, at comparable scope of consolidation and exchange rates:

- A 2% to 4% same-day sales growth, excluding an estimated unfavorable impact of 1% from branch closures in Germany and Spain;
- A 5% to 7% increase in adjusted EBITA;
- a further improvement of the indebtedness ratio (net debt-to-EBITDA).

2. | LIQUIDITY AND CAPITAL RESOURCES

2.1 | Cash flow

(in millions of euros)	Quarter ended December 31, 2018	Quarter ended December 31, 2017	*Change*	Year ended December 31, 2018	Year ended December 31, 2017	*Change*
Operating cash flow	158.9	162.2	(3.3)	612.6	612.8	*(0.2)*
Interest	(21.3)	(24.5)	3.2	(85.3)	(101.6)	*16.2*
Taxes	(34.5)	(11.2)	(23.3)	(80.7)	(102.5)	*21.8*
Change in working capital requirements	176.4	235.2	(58.8)	(161.8)	(118.5)	*(43.3)*
Net cash flow from operating activities	**279.5**	**361.6**	**(82.1)**	**284.7**	**290.2**	***(5.5)***
Net cash flow from investing activities	**(31.3)**	**(58.4)**	**27.1**	**(95.5)**	**(134.6)**	***39.1***
o.w. Operating capital expenditures [1]	*(35.0)*	*(32.7)*	*(2.3)*	*(93.8)*	*(110.3)*	*16.5*
Net cash flow from financing activities	**(19.5)**	**(164.3)**	**144.8**	**(158.2)**	**(261.3)**	***103.2***
Net cash flow	**228.6**	**138.9**	**89.7**	**31.1**	**(105.7)**	***136.8***
Operating cash flow	158.9	162.2	*(3.2)*	612.6	612.8	*(0.2)*
Change in working capital requirements	176.4	235.2	*(58.8)*	(161.8)	(118.5)	*(43.3)*
Operating capital expenditures [1]	(35.0)	(32.7)	*(2.3)*	(93.8)	(110.3)	*16.5*
Free cash flow before interest and taxes	**300.4**	**364.7**	***(64.3)***	**357.0**	**384.0**	***(27.0)***
Interest	(21.3)	(24.5)	*3.2*	(85.3)	(101.6)	*16.2*
Taxes	(34.5)	(11.2)	*(23.3)*	(80.7)	(102.5)	*21.8*
Free cash flow after interest and taxes	**244.5**	**329.0**	***(84.4)***	**191.0**	**179.9**	***11.0***
Total Free cash flow after interest and taxes	**244.5**	**329.0**	***(84.4)***	**191.0**	**179.9**	***11.0***

WCR as a % of sales [2] at:	**December 31, 2018**	**December 31, 2017**
Constant basis	11.2%	10.6%

(1) Net of disposals.

(2) Working capital requirements, end of period, divided by last 12-month sales.

2.1.1 | Cash flow from operating activities

Rexel's net cash flow from operating activities was an inflow of €284.7 million in 2018 as compared to an inflow of €290.2 million in 2017.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements stood at €612.6 million in 2018, stable as compared to €612.8 million in 2017.

Interest and taxes

Net interest paid decreased from €101.6 million in 2017 to €85.3 million in 2018, thanks to the refinancing in 2017 of the senior notes at lower interest rates and lower average net debt.

Income tax paid decreased from €102.5 million in 2017 to €80.7 million in 2018, as a result of the refund in 2018 of the excess of tax instalments paid in 2017 in respect of French corporate tax as well as a reimbursement of the prior year French tax on dividends which was declared unconstitutional.

Change in working capital requirements

Change in working capital requirements accounted for an outflow of €161.8 million in 2018 as compared to €118.5 million in 2017, up €43.3 million as a result of non-trade working capital cash out flows relating to higher sales tax and bonus payments in 2018.
As a percentage of sales over the last 12 months, on a constant basis, working capital requirements amounted to 11.2% of sales as of December 31, 2018 as compared to 10.6% as of December 31, 2017 as a result of the enlargement of products offering to sustain sales growth strategy as well as lower payables.

2.1.2| Cash flow from investing activities

Cash flow from investing activities consisting of acquisitions and disposals of fixed assets, as well as financial investments, amounted to a €95.5 million outflow in 2018, as compared to an outflow of €134.6 million in 2017.

(in millions of euros)	Quarter ended December 31,		Year ended December 31,	
	2018	2017	2018	2017
Acquisitions of operating fixed assets	*-45.3*	*-35.8*	*-122.1*	*-112.5*
Proceed from disposal of operating fixed assets	*5.2*	*1.1*	*24.0*	*3.5*
Net change in debts and receivables on fixed assets	*5.1*	*2.1*	*4.3*	*-1.3*
Net cash flow from capital expenditures	**-35.0**	**-32.7**	**-93.8**	**-110.3**
Acquisition of subsidiaries, net of cash acquired	*-0.2*	*0.0*	*-2.7*	*0.0*
Proceeds from disposal of subsidiaries, net of cash disposed of		*-26.7*		*-23.1*
Net cash flow from financial investments	**-0.2**	**-26.7**	**-2.7**	**-23.1**
Net change in long-term investments	**3.9**	**0.9**	**1.0**	**-1.2**
Net cash flow from investing activities	**-31.3**	**-58.4**	**-95.5**	**-134.6**

Acquisitions and disposals of operating fixed assets

Acquisitions of operating fixed assets, net of disposals, accounted for an outflow of €98.1 million in 2018, as compared to €108.9 million in 2017.

In 2018, gross capital expenditures amounted to €122.1 million (€112.5 million in 2017), i.e. 0.9% of sales for the both periods. IT and Digital projects represented 54% of the total gross capex in 2018 (56% in 2017). Disposals of fixed assets were €24.0 million (€3.5 million in 2017), including the disposal of Rockwell automation business in Australia

Financial investments

Net cash flow from financial investments was an outflow of €2.7 million in 2018 as compared to €23.1 million in 2017.

In 2018, investments were relating to the acquisition of a company operating a branch in Belgium

In 2017, net cash flow from financial investments of €23.1 million was associated with group contributions to Rexel South East Asia entities being disposed of.

2.1.3| Cash flow from financing activities

In 2018, cash flow from financing activities represented a net cash outflow of €158.2 million, resulting mainly from the:

- Purchase of Treasury Shares for €10.2 million
- Decrease of 9.6million in credit facilities and Commercial paper.
- Decrease of €6.9 million in assigned receivables associated with securitization programs;
- Dividend distribution of €126.8 million.

In 2017, cash flow from financing activities represented a net cash outflow of €261.3 million, resulting mainly from the:

- Redemption of the remaining outstanding 5.25% USD 330 million senior notes due 2020 for €302.3 million including a redemption premium of €6.3 million; these notes were refinanced by the issuance of the 2.625% €300 million notes due to 2024,
- Redemption of € 500 million of senior notes due 2022 on November 20, 2017 for €517.0 million including a redemption premium of €17.0 million; these notes were refinanced by the issuance of the 2.125% €500 million notes due 2025,
- The decrease by €112.9 million in Commercial paper, other borrowings and securitization,
- And the dividend distribution of €120.8 million.

2.2 | Sources of financing

In addition to the cash from operations, the Group's main sources of financing are bond issuances, securitization programs and bilateral credit facilities. At December 31, 2018, Rexel's consolidated net debt amounted to €2,030.4 million as compared to €2,041.2 million at December 31, 2017, consisting of the following items:

	As of December 31, 2018			As of December 31, 2017		
(in millions of Euros)	Current	Non current	Total	Current	Non current	Total
Senior notes	-	1,456.2	1,456.2	-	1,446.6	1,446.6
Securization	517.0	484.2	1,001.2	-	1,007.6	1,007.6
Bank loans	7.7	0.9	8.6	12.1	1.8	13.9
Commercial paper	40.0	-	40.0	41.7	-	41.7
Bank overdrafts and other credit facilities	84.1	-	84.1	100.6	-	100.6
Finance lease obligations	4.5	11.2	15.8	6.2	14.3	20.5
Accrued interest	5.0	-	5.0	6.3	-	6.3
Less transaction costs	(4.4)	(16.3)	(20.7)	(5.1)	(19.7)	(24.7)
Total financial debt and accured interest	**654.0**	**1,936.2**	**2,590.2**	**161.8**	**2,450.5**	**2,612.3**
Cash and cash equivalents			(544.9)			(563.6)
Accrued interest receivables			(2.2)			(1.0)
Debt hedge derivatives			(12.7)			(6.5)
Net financial debt			**2,030.4**			**2,041.2**

At December 31, 2018, the Group's liquidity amounted to €1,305.7 million (€1,304.7 million at December 31, 2017), as follows:

In millions of Euros	December 31, 2018	December 31, 2017 (1)
Cash and cash equivalents	544.9	563.6
Bank overdrafts	(84.1)	(100.6)
Commercial paper	(40.0)	(41.7)
Undrawn Senior credit agreement	850.0	850.0
Bilateral facilities	34.9	33.4
Liquidity	**1,305.7**	**1,304.7**

(1) Taking into consideration the amendement of the senior facility agreement extended on January 31, 2018.

Senior Credit Facility Agreement

In January 2019, the maturity of the €850 million senior Credit Facility Agreement was extended by one year to January 31, 2024. As of December 31, 2018, this facility was undrawn.

The leverage ratio, calculated according to the senior Credit Facility Agreement provisions, decreased to 2.67x as of December 31, 2018 as compared to 2.84x as of December 31, 2017 in line with group guidance.

II. Consolidated financial statements

TABLE OF CONTENTS

Consolidated Income Statement of profit or loss 27
Consolidated Statement of Comprehensive Income. 28
Consolidated Balance Sheet 29
Consolidated Statement of Cash Flows 30
Consolidated Statement of Changes in Equity 31
Accompanying Notes to the Consolidated Financial Statements 32
1. | General information 32
2. | Significant events of the year ended December 31, 2018 and December 31, 2017 32
3. | Significant accounting policies 32
4. | Business combinations 46
5. | Divestments 46
6. | Segment reporting 47
7. | Distribution & administrative expenses 48
8. | Salaries & Benefits 48
9. | Other income & other expenses 49
10. | Net financial expenses 50
11. | Income tax 50
12. | Long-term assets 53
13. | Current assets 58
14. | Assets held for sale 60
15. | Cash and cash equivalents 60
16. | Summary of financial assets 61
17. | Share capital and premium 61
18. | Dividends 62
19. | Share based payments 63
20. | Earnings per share 68
21. | Provisions and other non-current liabilities 68
22. | Post-employment and long-term benefits 69
23. | Financial liabilities 76
24. | Market risks and financial instruments 82
25. | Summary of financial liabilities 87
26. | Operating leases 87
27. | Related party transactions 88
28. | Statutory auditors fees 88
29. | Litigation & other contingencies 88
30. | Events after the reporting period 90
31. | Consolidated entities as of December 31, 2018 91

Consolidated Statement of Profit or Loss

(in millions of euros)	***Note***	For the year ended December 31, **2018**	**2017** [(1)]
Sales	***6***	13,365.7	13,303.0
Cost of goods sold		(10,078.7)	(10,020.9)
Gross profit		**3,286.9**	**3,282.1**
Distribution and administrative expenses	***7***	(2,702.2)	(2,707.0)
Operating income before other income and expenses		**584.7**	**575.1**
Other income	***9***	15.4	7.1
Other expenses	***9***	(190.3)	(260.1)
Operating income		**409.8**	**322.1**
Financial income		3.3	2.3
Interest expense on borrowings		(76.9)	(91.9)
Non-recurring redemption costs		-	(18.8)
Other financial expenses		(27.0)	(37.3)
Net financial expenses	***10***	***(100.6)***	***(145.6)***
Net income before income tax		**309.2**	**176.5**
Income tax	***11***	(157.0)	(71.9)
Net income		**152.3**	**104.6**
Portion attributable:			
to the equity holders of the parent		*150.7*	*105.5*
to non-controlling interests		*1.6*	*(0.9)*
Earnings per share:			
Basic earnings per share (in euros)	***20***	*0.50*	*0.35*
Fully diluted earnings per share (in euros)	***20***	*0.50*	*0.35*

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(in millions of euros)	***Note***	For the year ended December 31, 2018	2017 [1]
Net income		**152.3**	**104.6**
Items to be reclassified to profit or loss in subsequent periods			
Net gain / (loss) on net investment hedges		(18.7)	51.9
Income tax		6.4	(19.3)
Sub-total		**(12.3)**	**32.6**
Foreign currency translation adjustment		35.9	(281.6)
Income tax		(10.7)	43.0
Sub-total		**25.2**	**(238.6)**
Net gain / (loss) on cash flow hedges		(1.2)	5.1
Income tax		0.5	(1.8)
Sub-total		**(0.8)**	**3.3**
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurements of net defined benefit liability	***22.3***	41.7	(2.4)
Income tax		(3.6)	(2.5)
Sub-total		**38.1**	**(4.9)**
Other comprehensive income / (loss) for the period, net of tax		**50.3**	**(207.5)**
Total comprehensive income / (loss) for the period, net of tax		**202.6**	**(102.9)**
Portion attributable:			
to the equity holders of the parent		*201.0*	*(101.3)*
to non-controlling interests		*1.6*	*(1.6)*

[1] Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

(in millions of euros)	Note	December, 31 2018	December, 31 2017 [1]	January, 1 2017 [1]
Assets				
Goodwill	***12.1***	3,871.1	3,914.9	4,300.2
Intangible assets	***12.1***	1,038.8	1,049.7	1,109.5
Property, plant and equipment	***12.2***	281.1	272.0	282.4
Long-term investments	***12.3***	42.6	38.0	41.8
Deferred tax assets	***11.2***	85.8	96.6	129.3
Total non-current assets		**5,319.4**	**5,371.2**	**5,863.2**
Inventories	***13.1***	1,674.2	1,544.9	1,579.8
Trade accounts receivable	***13.2***	2,091.5	2,074.4	2,184.9
Current tax assets		14.4	48.1	23.5
Other accounts receivable	***13.3***	519.0	512.7	510.1
Assets held for sale	***14***	41.9	-	0.3
Cash and cash equivalents	***15***	544.9	563.6	619.3
Total current assets		**4,885.9**	**4,743.7**	**4,917.8**
Total assets		**10,205.3**	**10,114.9**	**10,781.0**
Equity				
Share capital	***17***	1,519.9	1,516.7	1,514.5
Share premium	***17***	1,554.0	1,559.2	1,561.2
Reserves and retained earnings		1,154.5	1,079.5	1,296.3
Total equity attributable to equity holders of the parent		**4,228.4**	**4,155.4**	**4,372.0**
Non-controlling interests		3.8	2.2	5.2
Total equity		**4,232.2**	**4,157.6**	**4,377.2**
Liabilities				
Interest bearing debt (non-current part)	***23***	1,936.2	2,450.5	2,195.1
Net employee defined benefit liabilities	***22.2***	266.2	319.9	338.5
Deferred tax liabilities	***11.2***	225.2	172.8	238.6
Provision and other non-current liabilities	***21***	63.2	56.3	84.7
Total non-current liabilities		**2,490.7**	**2,999.6**	**2,856.9**
Interest bearing debt (current part)	***23***	649.0	155.5	603.6
Accrued interest	***23***	5.0	6.3	6.3
Trade accounts payable		2,024.6	2,034.8	2,179.0
Income tax payable		26.8	34.8	37.4
Other current liabilities	***25***	738.8	726.3	720.5
Liabilities related to assets held for sale	***14***	38.3	-	-
Total current liabilities		**3,482.4**	**2,957.7**	**3,546.9**
Total liabilities		**5,973.1**	**5,957.3**	**6,403.8**
Total equity and liabilities		**10,205.3**	**10,114.9**	**10,781.0**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(in millions of euros)	***Note***	For the year ended December 31, **2018**	**2017** [(1)]
Cash flows from operating activities			
Operating income		409.8	322.1
Depreciation, amortization and impairment of assets and assets write off	***7-9***	203.5	264.1
Employee benefits		(18.5)	(17.6)
Change in other provisions		10.1	(26.2)
Other non-cash operating items		7.6	70.4
Interest paid		(85.3)	(101.6)
Income tax paid		(80.7)	(102.5)
Operating cash flows before change in working capital requirements		***446.5***	***408.7***
Change in inventories		(130.3)	(80.7)
Change in trade receivables		(28.7)	(24.7)
Change in trade payables		13.9	(41.2)
Change in other working capital items		(16.7)	28.2
Change in working capital requirements		***(161.8)***	***(118.5)***
Net cash from operating activities		**284.7**	**290.2**
Cash flows from investing activities			
Acquisition of tangible and intangible assets		(117.8)	(113.8)
Proceeds from disposal of tangible and intangible assets		24.0	3.5
Acquisitions of subsidiaries, net of cash acquired		(2.7)	-
Proceeds from disposal of subsidiaries, net of cash disposed of	***5***	0.0	(23.1)
Change in long-term investments		1.0	(1.2)
Net cash from investing activities		**(95.5)**	**(134.6)**
Cash flows from financing activities			
Insuance of capital	***17.1***	-	0.5
Disposal / (Purchase) of treasury shares		(10.2)	0.1
Issuance of senior notes net of transaction costs	***23.2***	-	790.6
Repayment of senior notes	***23.2***	-	(819.3)
Settlement of interest rate swaps qualified as fair value hedge		-	0.5
Net change in credit facilities, commercial papers, other financial borrowings	***23.2***	(9.6)	(80.5)
Net change in securitization	***23.2***	(6.9)	(29.3)
Net change in finance lease liabilities	***23.2***	(4.7)	(3.0)
Dividends paid	***18***	(126.8)	(120.8)
Net cash from financing activities		**(158.2)**	**(261.3)**
Net (decrease) / increase in cash and cash equivalents		**31.1**	**(105.7)**
Cash and cash equivalents at the beginning of the period		563.6	619.3
Effect of exchange rate changes on cash and cash equivalents		(20.6)	50.1
Cash and cash equivalent reclassified to assets held for sale		(29.3)	-
Cash and cash equivalents at the end of the period		**544.9**	**563.6**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(in millions of euros)	Note	Share capital	Share premium	Retained earnings	Foreign currency translation	Cash flow hedge reserve	Remea-surement of net defined benefit liability	**Total attributable to the equity holders of the parent**	Non-controlling interests	**TOTAL EQUITY**
	Note	**17.1**	**17.1**							
For the year ended December 31, 2017										
Balance at 1 January 2017 (as reported)		**1,514.5**	**1,561.2**	**1,303.1**	**185.5**	**(0.7)**	**(185.6)**	**4,378.1**	**5.2**	**4,383.3**
Effect of changes in accounting following the adoption of IFRS 15		-	-	(3.0)	-	-	-	**(3.0)**	-	**(3.0)**
Effect of changes in accounting following the adoption of IFRS 9		-	-	(3.1)	-	-	-	**(3.1)**	-	**(3.1)**
Restated balance at 1 January 2017		**1,514.5**	**1,561.2**	**1,297.0**	**185.5**	**(0.7)**	**(185.6)**	**4,372.0**	**5.2**	**4,377.2**
Net income (restated)		-	-	105.5	-	-	-	**105.5**	(0.9)	104.6
Other comprehensive income (restated)		-	-	-	(205.2)	3.3	(4.9)	**(206.8)**	(0.7)	(207.5)
Total comprehensive income for the period (restated)		**-**	**-**	**105.5**	**(205.2)**	**3.3**	**(4.9)**	**(101.3)**	**(1.6)**	**(102.9)**
Cash dividends	**18**	-	-	(120.8)	-	-	-	**(120.8)**	-	(120.8)
Share capital increase		2.2	(2.0)	(0.1)	-	-	-	**0.1**	-	0.1
Share-based payments		-	-	4.9	-	-	-	**4.9**	-	4.9
Disposal of subsidiaries		-	-	-	-	-	-	**-**	(1.4)	(1.4)
Disposal / (Purchase) of treasury shares		-	-	0.6	-	-	-	**0.6**	-	0.6
Restated balance at 31 December 2017		**1,516.7**	**1,559.2**	**1,287.0**	**(19.7)**	**2.6**	**(190.5)**	**4,155.4**	**2.2**	**4,157.6**
For the year ended December 31, 2018										
Restated balance at 1 January 2018		**1,516.7**	**1,559.2**	**1,287.0**	**(19.7)**	**2.6**	**(190.5)**	**4,155.4**	**2.2**	**4,157.6**
Net income		-	-	150.7	-	-	-	**150.7**	1.6	152.3
Other comprehensive income		-	-	-	13.0	(0.8)	38.1	**50.3**	-	50.3
Total comprehensive income for the period		**-**	**-**	**150.7**	**13.0**	**(0.8)**	**38.1**	**201.0**	**1.6**	**202.6**
Cash dividends	**18**	-	-	(126.8)	-	-	-	**(126.8)**	-	(126.8)
Share capital increase		3.2	(5.2)	2.0	-	-	-	**0.0**	0.1	0.1
Share-based payments		-	-	8.4	-	-	-	**8.4**	-	8.4
Disposal / (Purchase) of treasury shares		-	-	(9.6)	-	-	-	**(9.6)**	-	(9.6)
Balance at 31 December 2018		**1,519.9**	**1,554.0**	**1,311.7**	**(6.7)**	**1.8**	**(152.4)**	**4,228.4**	**3.8**	**4,232.2**

The accompanying notes are an integral part of these consolidated financial statements.

Accompanying Notes

1. | GENERAL INFORMATION

Rexel was incorporated on December 16, 2004. Shares of Rexel were admitted to trading on the Eurolist market of Euronext Paris on April 4, 2007. The group consists of Rexel and its subsidiaries (hereafter referred to as “the Group” or “Rexel”).

The Group is mainly involved in the business of the distribution of low and ultra-low voltage electrical products to professional customers. It serves the needs of a large variety of customers and markets in the fields of construction, industry, and services. The product offering covers electrical installation equipment, conduits and cables, lighting, security and communication, climate control, tools, and white and brown goods. The principal markets in which the Group operates are in Europe, North America (the United States and Canada) and Asia-Pacific (mainly in China, Australia and New Zealand).

These consolidated financial statements cover the period from January 1 to December 31, 2018 and were authorized for issue by the Board of Directors on February 12, 2019.

2. | SIGNIFICANT EVENTS OF THE YEAR ENDED DECEMBER 31, 2018 AND DECEMBER 31, 2017

There have been no significant event for the year ended December 31, 2018.

For the year ended December 31, 2017, the Group entered into the following transactions:

- Rexel South East Asia divestment

In 2017, the Group divested from all its operations in South East Asia following strategic priority to place greater focus on the most attractive geographies and businesses. These divestments include operations in Thailand, Indonesia, Singapore, Vietnam, the Philippines, Macau and Malaysia and were completed in two sale transactions effective on May 25, 2017 for Lenn International Pte Ltd and on December 19, 2017 for the remaining. These transactions resulted in disposal losses before tax of €68.7 million (see note 5).

- Refinancing transactions

Rexel entered into two refinancing transactions with the aim of extending its debt maturity profile and optimizing its overall cost of financing. Rexel issued 2.625% €300 million senior notes due 2024 in March 2017 and 2.125% €500 million senior notes due 2025 in November 2017. Proceeds received from these issuances were used to early repay the remaining outstanding 5.25% US$500 million senior notes due 2020 representing US$330 million in principal amount and the 3.25% €500 million senior notes due 2022 (see note 23.1).

3. | SIGNIFICANT ACCOUNTING POLICIES

3.1 | Statement of compliance

The consolidated financial statements (hereafter referred to as “the financial statements”) for the year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the standards of the International Accounting Standards Board (IASB) which are in force at December 31, 2018.

The new standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” have been applied for the first time in 2018. Changes to significant accounting policies are described in note 3.2.1.

IFRS as adopted by the European Union can be consulted on the European Commission’s website (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

3.2 | Basis of preparation

The financial statements are presented in euros and all values are rounded to the nearest tenth of a million, unless otherwise stated. Totals and sub-totals presented in the consolidated financial statements are first computed in thousands of euros and then rounded to the nearest tenth of a million. Thus, the numbers may not sum precisely due to this rounding effect.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed frequently, and thus the effect of changes in accounting estimates is accounted for from the date of the revision.

Information related to the main estimates and judgments made on the application of accounting policies which have significant effect on the financial statements are described in the following notes:

- Business combinations (notes 3.5 and 4);
- Impairment of intangible assets and goodwill (notes 3.5 and 12.1);
- Employee benefits (notes 3.13 and 22);
- Provisions and contingent liabilities (notes 3.15, 21, and 29);
- Supplier rebates (see note 3.17 and 13.3);
- Recognition of deferred tax assets (notes 3.20 and 11);
- Measurement of share-based payments (notes 3.14 and 19).

3.2.1 | Changes in accounting policies - amended IFRS standards

The Group has initially adopted IFRS 15 "Revenue from Contracts with Customers" (see Note 3.2.1.1) and IFRS 9 "Financial Instruments" (see note 3.2.1.2) from January 1, 2018 onwards.

A number of other new standards are effective from January 1, 2018, among which amendments to IFRS 2 "Share-based Payment" and interpretation IFRIC 22 "Foreign Currency Transaction and Advance Consideration", but they do not have a material effect on the Group's financial statements.

3.2.1.1. | IFRS 15 "Revenue from Contracts with Customers"

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard supersedes IAS 18 "Revenues".

The Group has adopted IFRS 15 using the full retrospective method without practical expedients, with the effect of initially applying this standard recognized at the date of initial application (*i.e.* January 1, 2017). Accordingly, the information presented for 2017 has been restated in compliance with IFRS 15 requirements.

IFRS 15 had limited impact on sales recognition. Under IAS 18, the Group recognized sales when the significant risks and rewards attached to the goods were passed on to the customers which usually occurred with the delivery or shipment of the product. Under IFRS 15, control of the goods is transferred to the customer at a point in time where delivery or shipment of the products is effective.

The impact of adopting IFRS 15 on shareholders' equity as of January 1, 2017 was a decrease of €3.0 million.

On a full year basis, the impacts of IFRS 15 on the income statement for the year ended December 31, 2017 were as follows:

(in millions of euros)	For the year ended December 31, 2017			
	As reported	**Adjustments**		**IFRS 15 restated**
Sales	13,310.1	(7.1)	[1]	13,303.0
Cost of goods sold	(10,045.9)	25.0	[2]	(10,020.9)
Gross profit	**3,264.2**	**17.9**		**3,282.1**
Distribution and administrative expenses	(2,688.9)	(18.1)	[3]	(2,707.0)
Operating income	**322.3**	**(0.2)**		**322.1**
Net income before income tax	**176.4**	**0.1**		**176.5**
Income tax	(71.5)	(0.4)		(71.9)
Net income	**104.9**	**(0.3)**		**104.7**

(1) Under IFRS 15, sales were adjusted downwards by €7.1 million of which €(24.2) million associated with direct sales transactions for which the Group is deemed to act as an agent (see [2]) and upwards by €15.7 million in relation with delivery services charged to customers that were previously presented as a reduction of distribution and administrative expenses (see [3]).

(2) Reflects mainly the adjustment of direct sales transactions. Direct sales are arrangements with customers whereby the Group engages a third-party supplier to ship the products to the customer, based on Rexel's purchase order with the customer, without any physical transfer to and from the Group's warehouse. Direct sales represent approximatively 20% of Rexel's total sales. Under IAS 18 guidance based on risks and rewards analysis, the Group carries, in particular, the credit risk on receivables attached to such sales and therefore was deemed to act as a principal. Accordingly, Rexel recognized the gross amount of direct sales transactions in revenue. IFRS 15 moved away from a risks and rewards approach to a transfer of control approach. For the vast majority of its direct sales transactions, the Group is ultimately responsible for fulfillment of the customer's order and has discretion in establishing pricing. It obtains controls of the goods at the point in time they are shipped by the third-party supplier but does not transfer control of the products to the customer until they are delivered to the customer's site. Rexel has inventory risk relating to the specified goods as it bears the risk of loss during the transit and the risk of return from the customer subsequent to the delivery. In very limited instances where these conditions are not fulfilled, the Group is deemed to act as an agent and recognizes a commission income for the excess of the amount invoiced to the customer and the amount charged by the supplier.

(3) Reflects mainly the adjustment associated with delivery services invoiced to customers that were previously matched against transportation costs in the distribution and administrative expenses under IAS 18. These services are analyzed as a performance obligation of Rexel and therefore are presented as revenues when adopting IFRS 15.

3.2.1.2. | IFRS 9 "Financial instruments"

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement" and addresses both classification and measurement, impairment and hedge accounting.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. At inception financial instruments are recognized in balance sheet at their fair value, and classified in the following categories that determine the applicable accounting treatment for the subsequent periods: amortized cost, fair value through other comprehensive income "FVOCI" or fair value through profit or loss "FVPL". Financial assets managed by the Group consist primarily of financial derivatives including interest rate swaps and forward exchange contracts used for hedging, other interest rate derivatives not designated as hedging for accounting purposes, and of trade receivables and cash and cash equivalents.

The Group has not had any impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018 and the impact of expected credit losses adjustment on trade account receivables under IFRS 9.

(in millions of euros)	Original classification and measurement under IAS 39	New classification and measurement under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Fair value hedge interest rate swaps	FVPL	FVPL	8.7	8.7
Cash flow hedge interest rate swaps	FVOCI	FVOCI	3.6	3.6
Other derivative instruments not elligible to hedge accounting	FVPL	FVPL	0.2	0.2
Loans	Loans & Receivables	Amortized cost	0.1	0.1
Security deposits	Loans & Receivables	Amortized cost	25.2	25.2
Total non-current financial assets			**37.8**	**37.8**
Trade accounts receivable [1]	Loans & Receivables	Amortized cost	2,077.0	2,073.2
Supplier rebates receivable	Loans & Receivables	Amortized cost	348.6	348.6
Other accounts receivable	Loans & Receivables	Amortized cost	86.6	86.6
Cash-flow hedge interest rate swaps	FVOCI	FVOCI	1.0	1.0
Other derivative instruments not elligible to hedge accounting	FVPL	FVPL	0.1	0.1
Total current financial assets			**2,513.3**	**2,509.5**
Cash	FVPL	FVPL	563.6	563.6
Total financial assets			**3,114.7**	**3,110.9**

[1] Trade accounts receivable adjusted for the impact of expected credit losses under IFRS 9

FVPL Fair value through profit or loss
FVOCI Fair value through other comprehensive income

As to impairment of financial assets including trade receivables, the model induced by IFRS 9 is based on expected credit loss as opposed to the incurred loss model in IAS 39. Under IAS 39, an impairment loss was recognized based on a standard ageing matrix for past-due trade receivables over 30 days. Under IFRS 9, the Group applied the simplified approach and recorded expected credit losses based on the historical ratio of credit losses to sales on non-due and less than 30 days past-due trade receivables. The impact of adopting the expected credit loss model as of January 1, 2017 on equity was negative by €3.0 million. Impact on income statements for the year ended December 31, 2017 was nil.

With regards to hedge accounting, all existing hedge relationships that were designated in effective hedging relationships under IAS 39 still qualify for hedge accounting under IFRS 9, as IFRS 9 does not change the general principles of how an entity accounts for effective hedges. As such, the adoption of IFRS 9 hedge accounting requirements had no significant impact on the Group's consolidated financial statements.

3.2.2 | New and amended accounting standards and interpretations endorsed by the European Union with effect in future periods

The following standards issued by IASB have been endorsed by the European Union but are not yet effective:

- IFRS 16 "Leases": this new standard issued by the IASB on January 13, 2016 has been endorsed by the European Union on October 31, 2017 and represents a major revision to account for leases. The standard provides a single lessee accounting model requiring to recognize assets and liabilities for all leases unless the term is twelve months or less, or the underlying asset has a low value. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). These remeasurements will be recognized as an adjustment to the right-of-use asset against the lease liability. IFRS 16 applies to reporting period beginning on or after January 1, 2019. When initially applying IFRS 16, entities can choose to apply the new standard using either a full retrospective or a modified retrospective approach with the cumulative effect recognized at the date of first application, i.e. as of January 1, 2019 with no comparative information for the year ended December 31, 2018. The Group has decided to apply the full retrospective method at the transition date.

IFRS 16 should significantly impact Rexel's financial situation and performance presentation as the Group entered into lease arrangements for most of its properties including branch network, logistic centers and administrative buildings. Starting in 2016, Rexel initiated a major transition project Group-wide resulting in the identification and measurement of approximately ten thousand lease agreements including properties and equipment (mainly company cars and logistic equipment). For this purpose, the Group has implemented an IT system to manage lease arrangements in accordance with IFRS 16 requirements. To date, historical data are entered in the system while preliminary numbers are to be finalized. Rexel expects to complete the full transition process in the first half of 2019.

The preliminary analysis conducted as part of the transition process resulted in an estimated right of use asset of €0.8 billion and a lease liability of €0.9 billion.

Key assumptions underlying these estimates are mainly associated with lease durations and discount rates:

- Lease durations were estimated at the last renewal date of lease agreements based on contractual periods including options to extend or terminate the lease when it is reasonably certain that these options will be exercised;
- Discount rates were determined on an historical basis by reference to risk free rates on a currency by currency basis, adding back the Group's credit spread.

Under the Revolver Credit Facility Agreement "RCFA", the leverage ratio calculated for financial covenant purposes (indebtedness to EBITDA) is tested, in case of change in accounting policies, as if the financial statements prepared on the changed basis had been prepared according to accounting principles used prior to the change. Therefore, the adoption of IFRS 16 is neutral on the covenant.

- On October 12, 2017, the IASB issued an amendment to IFRS 9 "Prepayment Features with Negative Compensation" to modify the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation. This amendment is applicable for annual periods beginning on or after January 1, 2019.
- On June 7, 2017, the IFRS Interpretation Committee issued IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments". This interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:
  - whether an entity considers uncertain tax treatments separately,
  - the assumptions an entity makes about the examination of tax treatments by taxation authorities,
  - how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,
  - how an entity considers changes in facts and circumstances.

  IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019, with early application permitted. Rexel does not expect any significant impact from the adoption of IFRIC 23.

3.2.3 | Accounting standards and interpretations issued by IASB and IFRS Interpretation Committee but not yet endorsed by the European Union

The following standards and interpretations issued by IASB and IFRS Interpretation Committee are not yet approved by the European Union. Their potential impact is currently under review by the Group.

On December 12, 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing certain amendments to IFRSs and in particular:

- IAS 12 "Income Taxes" — The amendments clarify that all income tax consequences of dividend payments should be recognized in profit or loss, regardless of how the tax arises.
- IAS 23 "Borrowing Costs" — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

These amendments are applicable for annual periods beginning on or after January 1, 2019.

3.3 | Basis of Consolidation

The consolidated financial statements include the financial statements for Rexel S.A., parent company of the Group, and its direct and indirect subsidiaries as of December 31, 2018. The subsidiaries (including Special Purpose Entities) are controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In assessing control, present and potential voting rights are taken into account.

The subsidiaries are fully consolidated from the date on which control is obtained to the date when control ceases. All assets and liabilities, unrealized gains and losses, income and expenses, dividends, and other transactions arising from intragroup transactions are eliminated when preparing the consolidated financial statements.

Losses within a subsidiary are attributed to the non-controlling interests for their share even if that results in a deficit balance.

3.4 | Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The functional currency of Rexel and the presentation currency of the Group's financial statements are the euro.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate prevailing at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities that are measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated into euro at foreign exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated into euro at rates approximating the foreign exchange rates ruling at the dates of the transactions. All resulting translation differences are recognized as a separate component of equity (foreign currency translation reserve).

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on disposal.

3.5 | Intangible assets

Goodwill

The cost of an acquisition is measured at acquisition date. Any contingent considerations are recognized at their fair value estimated as of the acquisition date. Subsequent changes in the fair value of contingent considerations are recognized in the income statement. For each business combination, the Group measures the non-controlling interests either at fair value or at the proportionate share of the acquiree's identifiable net assets. The costs of acquisition are recognized as expenses.

At the acquisition date, any excess of the consideration transferred and the non-controlling interests over the fair value of the net assets acquired is allocated to goodwill.

Goodwill is then measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (CGUs).

Goodwill is not amortized but subject to an impairment test, as soon as there is an indication that it may be impaired, and at least once a year. Indications that goodwill may be impaired include material adverse changes of a lasting nature affecting the economic environment or the assumptions and objectives made at the time of acquisition.

A goodwill impairment loss is recognized whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement (in “Other expenses”).

Impairment losses in respect of goodwill may not be reversed.

When goodwill is allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Intangible assets other than goodwill are stated at cost less accumulated amortization (see below) and impairment losses.

Identifiable intangible assets existing at the date of acquisition in a business combination are recognized as part of the purchase accounting and measured at fair value. Intangible assets are considered identifiable if they arise from contractual or legal rights or are separable.

Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each annual balance sheet date, at least. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment of indefinite useful life for this asset continues to be justified. If not, a change in the useful life assessment from indefinite to finite is made on a prospective basis. Other intangible assets are amortized from the date that they are available for use. Estimated useful lives of capitalized software development costs range from 3 to 10 years.

3.6 | Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Leased assets

Lease contracts which substantially transfer to the Group all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are stated at an amount equal to the fair value of the leased property or, if this is lower, the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses. Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital gains arising from the sale and leaseback of property, plant and equipment are recognized in full upon sale when the lease qualifies as an operating lease and the transaction is realized at fair value. They are spread on a straight-line basis over the lease term in case of a finance lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the finance lease.

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement on a straight-line basis as an integral part of the total lease expense.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives are as follows:

- Commercial and office buildings 20 to 35 years;
- Building improvements and operating equipment 5 to 10 years;
- Transportation equipment 3 to 8 years;
- Computers and hardware 3 to 5 years.

The assets' residual values, useful lives, and methods of depreciation are reviewed and adjusted if appropriate at each balance sheet date.

3.7 | Inventories

Inventories are mainly composed of goods held for resale. Inventories are stated at the lower of cost and net realizable value. Cost is calculated by reference to a first-in first-out basis, including freight in costs, net of any purchase rebates. Net realizable value is the estimated selling price at balance sheet date, less the estimated selling expenses, taking into account technical or marketing obsolescence and risks related to slow moving inventory.

3.8 | Financial assets

Classification of financial assets and measurement

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income "FVOCI" or fair value through profit or loss "FVPL". Financial assets managed by the Group consist primarily of trade receivables and cash and cash equivalents as well as financial derivatives including interest rate swaps and forward exchange contracts used for hedging and other interest rate derivatives that are not designated as hedging instruments in hedge relationships.

With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component and are initially measured at the transaction cost.

Trade receivables are classified as measured at amortized cost as they are held with the objective to collect contractual cash flows that are solely payments of principal and interests on the principal outstanding. Financial assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial derivative assets designated as cash flow hedge instruments are classified as measured at FVOCI at initial recognition. Fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss (see note 3.10).

Cash and cash equivalent and financial derivatives which the Group had not designated as hedge instruments are classified at FVPL. Cash and cash equivalents comprise cash balances and demand deposits with banks and other short-term highly liquid investments subject to an insignificant risk of changes in value. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition of trade receivables

Rexel runs several on-going securitization and factoring programs which allow the Group to assign eligible trade receivables and receive cash payments in exchange. Trade receivables are derecognized from the balance sheet when the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party under a 'pass-through' arrangement and the Group has transferred substantially all the risks and rewards attached to the receivables.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has not transferred all the risks and rewards of the asset, the Group continues to recognize the transferred receivables. In that case, the Group also recognizes an associated liability for the cash received in exchange of the assigned receivables.

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all trade receivables. The Group applies a simplified approach in calculating ECLs and recognizes a loss allowance based on a standard ageing matrix for defaulted receivables. The Group considers a trade receivable in default when contractual payments are 30 days past due. For non-defaulted receivables (non-due and less than 30 days past-due), the Group recognizes expected credit losses based on the historical ratio of credit losses to sales. However, in certain cases, the Group may also consider a trade receivable to be in default when there is objective evidence that the Group is unlikely to receive the outstanding contractual amounts in full.

3.9 | Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. These costs include fees and commissions paid to agents and advisers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums, or allocations of internal administrative or overhead expenses.

Trade accounts payable include exclusively payables due to suppliers of goods held for resale. Invoices payable to general and administrative suppliers are presented as other payables in other current liabilities. Transaction cost is deemed to be the fair value as payables do not contain significant financing component (due date less than one year).

“Loans and borrowings” category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method (EIR). Transaction costs are included in the calculation of amortized cost using the effective interest rate method and, in effect, amortized through the income statement over the life of the instrument. Gains and losses are recognized in profit or loss when the liabilities are derecognized.

Financial liabilities at fair value through profit or loss include solely derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined. Fair value changes subsequent to initial recognition are recognized in the statement of profit or loss.

Financial derivative liabilities designated as cash flow hedge instruments are classified as measured at FVOCI at initial recognition. Fair value changes are recognized in other comprehensive income “OCI”. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss (see note 3.10).

3.10 | Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Fair value hedges

Fair value hedge accounting is used when a derivative financial instrument is designated as a hedge of the variability of the fair value of a recognized liability, including fixed rate indebtedness such as bonds.

The hedging instrument is measured at fair value with changes in fair value recognized in the income statement. The change in the fair value of the hedged item attributable to the hedged risk is recorded as part of the carrying amount of the hedged item and is also recognized in the income statement.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining life of the hedging instrument using the effective interest rate method. When the hedged item is derecognized, the unamortized fair value is recorded immediately in profit or loss.

Cash flow hedges

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized in the cash-flow hedge reserve as other comprehensive income.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain (loss) is removed from the cash-flow hedge reserve and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognized as other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e., when interest income or expense is recognized).

For cash flow hedges, other than those described in the previous paragraph, the associated cumulative gain (loss) is removed from the cash-flow hedge reserve and recognized in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognized immediately in profit or loss.

If the hedged transaction is no longer expected to take place, then the cumulative unrealized gain (loss) recognized as other comprehensive income is immediately reclassified to profit or loss.

Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognized directly in other comprehensive income. The ineffective portion is recognized immediately in profit or loss. Gains and losses accumulated in equity are recognized in the income statement when the foreign operation is disposed of.

3.11 | Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy:

Level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. This valuation method is referred to as Level 1 in the hierarchy established by IFRS 13.

Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation models incorporating various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward interest rate curves. The assumptions used are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This valuation method is referred to as Level 2 in the hierarchy established by IFRS 13.

Whether a financial instrument is valued using one or the other of these methods is indicated in the summary of financial assets (note 16) and the summary of financial liabilities (note 25).

3.12 | Share capital

Repurchase of equity instruments

When the company purchases its own equity instruments, the amount of the consideration paid, including directly attributable costs, is recognized as a reduction in equity.

Dividends

Dividends paid in cash are recognized as a liability in the period in which the distribution has been approved by the shareholders.

3.13 | Employee benefits

3.13.1 | Short-term employee benefits

Short-term employee benefits include wages, salaries, social security contributions, compensated absences, profit-sharing and bonuses and are expected to be settled wholly before twelve months after the end of the reporting period. Short-term employee benefit obligations are measured on an undiscounted basis and are recognized in operating income as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.13.2 | Post-employment and other long-term benefits

Post-employment and other long-term benefits include:

- Post-employment benefits including pensions, retirement supplements and medical benefits after retirement;
- Other long-term benefits (during employment) mainly including jubilees and long service awards.

These benefits are classified as either:

- Defined contribution plans when the employer pays fixed contributions into a separate entity recognized as an expense in profit and loss and will have no legal or constructive obligation to pay further contributions, or
- Defined benefit plans when the employer guarantees a future level of benefits.

Post-employment benefits

The Group’s net obligation in respect of defined post-employment benefit plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group’s obligations. The calculation is performed periodically by an independent actuary using the projected unit credit method.

The liability recognized in the balance sheet in respect of defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets.

When the calculation results in plan assets exceeding liability, the recognized asset is limited to the present value of any currently available future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved (reduced), the portion of the increased (decreased) benefit relating to past service by employees is recognized immediately as an expense (income) in the income statement. The current and past service costs as well as administrative costs paid from registered pension plans’ assets are presented in the income statement as part of the distribution and administrative expenses. The net interest expenses (income) relating to the discounting of the net funded position (defined benefit obligation less plan assets) is presented in net financial expenses in the income statement.

Remeasurements of net defined benefit obligation including (i) actuarial gains and losses, (ii) actual return on plan assets including administrative expenses allocated to manage plan assets and (iii) changes in the effect of the asset ceiling are recognized in other comprehensive income.

Other long-term benefits

Long-term benefits mainly include jubilees or long service leaves. The Group’s net obligation in respect of long-term benefits, other than post-employment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The value of the obligation is determined using the projected unit credit method. This amount is discounted at the rate based on high quality corporate bonds with maturity dates close to those of the Group’s obligations prevailing on the balance sheet date.

Actuarial gains and losses are immediately recognized in the income statement as part of the distribution and administrative expenses.

3.14 | Share-based payments

Bonus share programs, qualified as equity-settled, allow Group employees to receive shares of the parent company of the Group. The fair value of bonus shares allocated is recognized as a personnel expense with a corresponding increase in other reserves in equity over the period during which the employees become unconditionally entitled to the options (the vesting period). The expense is based on fair value estimate of the equity instruments in accordance with conditions of granting.

Fair value of bonus shares is measured at grant date using an appropriate model depending on the characteristics of the plans.

3.15 | Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when the amount can be estimated reliably.

If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Provision for restructuring

A restructuring is a program that is planned and controlled by management that materially changes either the scope of the business or the manner in which that business is conducted.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Restructuring expenses are presented in “Other expenses” (see note 3.18). Restructuring costs principally include personnel costs (severance payments, early retirement costs, notice period not worked), branch closure costs and indemnities for the breach of non-cancellable agreements.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Provisions for disputes and litigations

Provisions for disputes and litigation include estimated costs for risks, disputes, litigation and third party claims, and the probable costs associated with warranties given by the Group in the context of the disposal of non-current assets or subsidiaries.

These provisions also include costs of personnel disputes and tax litigation. A provision is not made for tax assessments received or in course of preparation when there is a reasonable probability that the Group will succeed in convincing the authority of its position.

Any accepted assessment is recorded as a liability when the amount can be reasonably estimated.

3.16 | Revenues from contracts with customers

Rexel's performance obligations consist mainly of delivery of electrical products and associated transportation services to ship the products to the customer's site. Due to the nature of its business, contracts with customers are generally entered into for a period of less than one year.

Revenues arising from the sale of goods and delivery services invoiced to customers are presented in sales in the income statement. Sales are recognized at the point in time when the control of the goods is transferred to the customer generally on delivery or shipment of the products.

Rexel's performance obligations are fulfilled through warehouse sales or direct sales:

- Warehouse sales consist in goods shipped directly from Rexel's inventory locations to customers
- Direct sales are arrangements with customers whereby the Group engages a third-party supplier to ship the products to the customer, based on Rexel's purchase order with the customer, without any physical transfer to and from the Group's warehouse. For the vast majority of its direct sales transactions, the Group acts as a principal as:
    - it is ultimately responsible for fulfillment of the customer's order and has discretion in establishing pricing,
    - it obtains controls of the goods at the point in time they are shipped by the third-party supplier but does not transfer control of the products to the customer until they are delivered to the customer's site,
    - also, Rexel has inventory risk relating to the specified goods as it bears the risk of loss during the transit and the risk of return from the customer subsequent to the delivery.

In very limited instances where these conditions are not fulfilled, the Group is deemed to act as an agent and recognizes a commission income for the excess of the amount invoiced to the customer and the amount charged by the supplier.

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts and recognizes a refund liability for the expected future rebates.
Certain arrangements provide a customer with a right to return the goods within a specified period. For goods that are expected to be returned, instead of sales, the Group recognizes a refund liability. To estimate the variable consideration for the expected goods returned, the Group applies the most likely amount method. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

3.17 | Supplier rebates

In line with industry practice, Rexel enters into annual agreements with a number of suppliers whereby volume-based rebates, marketing support and other discounts are received in connection with the purchase of goods for resale from these suppliers.

Rebates relating to the purchase of goods for resale are accrued and recognized as a deduction of cost of goods sold or a deduction of inventory for the goods in stock at the balance sheet date.

Part of volume-based rebates are determined by reference to guaranteed rates of rebate (unconditional rebates). These are calculated through a mechanical process with minimal judgement. Another part of volume-based rebates is subject to stepped targets, the rebate percentage increasing as volumes purchased reach agreed targets within a set period of time (conditional rebates). The majority of suppliers' rebate agreements apply to annual purchases eligible to rebates. Determination of the rebate amount recorded in the income statement at the balance sheet date is based on the most likely amount method which relies on estimate of purchases subject to rebates by category of products.

Marketing support, which represents a smaller part of the Group's supplier rebates is recognized in the cost of goods sold once all relevant performance criteria have been met.

3.18 | Other income and other expenses

Other operating income and expenses include, irrespective of their amount, gains and losses on asset disposals, asset impairment and write-offs, expenses arising from the restructuring or integration of acquired companies, separation costs, acquisition related costs from business combinations and gains or losses on earn out as well as other significant items such as disputes. These items are presented separately in the income statement in order to allow the Chief Executive Officer and the Deputy Chief Executive Officer acting as Chief operating decision maker within the meaning of IFRS 8 "Operating Segments", to assess the trading performance of the business segments.

3.19 | Financial expenses (net)

Financial expenses (net) comprise interest payable on borrowings calculated using the effective interest rate method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in profit or loss (see note 3.10).

Interest income is recognized in profit or loss as it accrues, using the effective interest rate method. Dividend income is recognized in profit or loss on the date the entity's right to receive payment is established which in the case of quoted securities is the ex-dividend date. The interest expense component of finance lease payments is recognized in profit or loss using the effective interest rate method.

3.20 | Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in other comprehensive income or in equity, in which case it is recognized respectively in other comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: (i) goodwill not deductible for tax purposes, (ii) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and (iii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available to recover this asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Practically, this is achieved through a valuation allowance recognized against deferred tax assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income tax levied by the same tax jurisdiction and the Group intends to settle its current tax assets and liabilities on a net basis.

Information as to the calculation of income tax on the profit for the periods presented is included in note 11.

3.21 | Segment reporting

In accordance with IFRS 8 “Operating segments”, operating segments are based on the Group's management reporting structure. The information is shown by geographic zone consistently with Group’s internal organization.

Based on this structure, the reportable segments are Europe, North America and Asia-Pacific.

The Group’s financial reporting is reviewed monthly by the Chief Executive Officer acting as the Chief operating decision maker.

3.22 | Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and free shares granted to employees.

4. | BUSINESS COMBINATIONS

In 2017 and 2018, the Group did not proceed to any significant business combination.

5. | DIVESTMENTS

In 2018, Rexel decided to refocus its activities in China on industrial automation business and to exit from its underperforming retail and commercial businesses. As a result, the Group entered into share sale agreements to dispose of its investments in these operations. The sale transactions will be effective in the first quarter of 2019 and Rexel recognized an impairment expense of €25.4 million on the assets to be disposed of. For further details see note 14.

These activities are not material relative to the Group.

In 2017, as part of its divestment program, the Group disposed of all its operations in South East Asia including Thailand, Indonesia, Singapore, Vietnam, the Philippines, Macau and Malaysia. These divestments were completed in two separate sale transactions as follows:

- On May 25, 2017, the Group completed the sale of Lenn International Pte Ltd, an Oil & Gas cable distributor based in Singapore, to its management for a consideration of €3.5 million. The divestment loss was €11.1 million before tax (€10.1 million after tax).
- Effective on December 19, 2017, Rexel sold to American Industrial Acquisition Corporation, a private equity firm, its interest in Rexel South East Asia, a subsidiary controlling the overall Rexel’s operations in South East Asia. Rexel contributed €26.6 million in cash to the disposed entity at the time of the sale transaction. This transaction resulted in a disposal loss before tax of €57.6 million (€47.7 million after tax). Results of operations in South East Asia and cash flows for the year ended December 31, 2017, were consolidated until November 30, 2017.

The share purchase agreements entered into do not provide the purchasers for any specific guaranty for damages and liabilities other than customary.

6. | SEGMENT REPORTING

The reportable segments are Europe, North America and Asia-Pacific.

Information by geographic segment for the period ended December 31, 2018 and 2017

2018 *(in millions of euros)*	Europe	North America	Asia-Pacific	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
For the year ended December 31,						
Warehouse sales	6,889.7	3,056.8	1,073.2	**11,019.7**	-	**11,019.7**
Direct sales	673.8	1,763.7	141.9	**2,579.4**	-	**2,579.4**
Rebates, discount and services	(213.5)	(19.2)	(0.7)	**(233.3)**	-	**(233.3)**
Sales to external customers	**7,350.0**	**4,801.3**	**1,214.4**	**13,365.7**	**-**	**13,365.7**
EBITA [1]	409.3	197.1	24.7	**631.1**	(30.7)	**600.4**
Goodwill impairment	(56.3)	-	-	**(56.3)**	-	**(56.3)**
As of December 31,						
Working capital	660.6	725.8	136.7	**1,523.2**	(4.3)	**1,518.9**
Goodwill	2,324.0	1,408.0	139.0	**3,871.1**	-	**3,871.1**

2017 [2] *(in millions of euros)*	Europe	North America	Asia-Pacific	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
For the year ended December 31,						
Warehouse sales	6,757.1	2,982.7	1,207.2	**10,947.0**	-	**10,947.0**
Direct sales	720.1	1,735.3	103.5	**2,558.9**	-	**2,558.9**
Rebates, discount and services	(190.3)	(10.8)	(1.8)	**(202.9)**	-	**(202.9)**
Sales to external customers	**7,286.9**	**4,707.1**	**1,309.0**	**13,303.0**	**-**	**13,303.0**
EBITA [1]	435.0	180.2	11.9	**627.1**	(33.0)	**594.1**
Goodwill impairment	(120.7)	-	(13.0)	**(133.7)**	-	**(133.7)**
As of December 31,						
Working capital	668.7	616.9	121.3	**1,406.9**	(36.9)	**1,369.9**
Goodwill	2,377.4	1,380.4	157.1	**3,914.9**	-	**3,914.9**

(1) EBITA is defined as operating income before amortization of intangible assets recognized upon purchase price allocation and before other income and other expenses.

(2) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see note 3.2.1).

The reconciliation of EBITA with the Group's consolidated income before income taxes is presented in the following table:

(in millions of euros)	For the year ended December 31, **2018**	**2017** [1]
EBITA	**600.4**	**594.1**
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities	(15.7)	(19.0)
Other income and other expenses	(174.9)	(253.0)
Net financial expenses	(100.6)	(145.6)
Net income before tax	**309.2**	**176.5**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 3.2.1).

The reconciliation of the total allocated assets and liabilities with the Group's consolidated total assets is presented in the following table:

(in millions of euros)	As of December 31, 2018	2017 [1]
Working capital	1,518.9	1,369.9
Goodwill	3,871.1	3,914.9
Total allocated assets & liabilities	**5,389.9**	**5,284.8**
Liabilities included in allocated working capital	2,762.2	2,759.9
Accrued interest receivable	2.2	1.0
Other non-current assets	1,362.6	1,359.7
Deferred tax assets	85.8	96.6
Current tax assets	14.4	48.1
Assets classified as held for sale	41.9	-
Derivatives	1.5	1.1
Cash and cash equivalents	544.9	563.6
Group consolidated total assets	**10,205.3**	**10,114.9**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see note 3.2.1).

7. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

(in millions of euros)	For the year ended December 31, 2018	2017 [1]
Personnel costs (salaries & benefits)	1,631.4	1,643.0
Building and occupancy costs	269.0	271.9
Delivery costs	246.8	238.6
Other external costs	412.9	410.2
Depreciation expense	100.1	99.8
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities	15.7	19.0
Bad debt expense	26.4	24.6
Total distribution and administrative expenses	**2,702.2**	**2,707.0**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see note 3.2.1).

8. | SALARIES & BENEFITS

(in millions of euros)	For the year ended December 31, 2018	2017 [1]
Salaries and social security charges	1,562.6	1,558.4
Share-based payments	9.1	5.4
Pension and other post-retirement benefits-defined benefit plans	14.0	12.6
Other employee expenses	45.7	66.5
Total employee expenses	**1,631.4**	**1,643.0**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see note 3.2.1).

The table below sets forth average number of employees by geographic segment:

	For the year ended December 31,	
	2018	**2017**
Europe	15,723	15,787
North America	8,451	8,274
Asia - Pacific	2,671	3,245
Total operating segments	**26,844**	**27,306**
Corporate Holdings	171	224
Group average number of employees	**27,015**	**27,530**

9. | OTHER INCOME & OTHER EXPENSES

(in millions of euros)		For the year ended December 31,	
		2018	**2017**
Gains on disposal of fixed assets	**(1)**	5.2	1.6
Release of unused provisions		9.4	2.1
Gains on earn-out		0.3	1.9
Other operating income		0.5	1.5
Total other income		**15.4**	**7.1**
Restructuring costs	**(2)**	(82.5)	(44.1)
Impairment of goodwill and intangible assets with indefinite useful life	**(3)**	(61.9)	(133.7)
Impairment of assets held for sale	**(4)**	(25.4)	-
Disposal loss of South East Asia operations	**(5)**	-	(68.7)
Losses on non-current assets disposed of		(1.5)	(4.6)
Impairment of other assets		(3.0)	-
Litigation costs		(4.0)	(4.0)
Other operating expenses	**(6)**	(12.0)	(5.2)
Total other expenses		**(190.3)**	**(260.1)**

(1) Of which €2.9 million gain on real estate properties disposals and €1.8 million gain on disposal of the Rockwell Automation business in Australia for the year ended December 31, 2018.

(2) Of which 2018 business transformation programs in Germany (€46.1 million), Spain (€11.8 million) and in the United Kingdom (€7.9 million). These plans include the closure of a significant number of branches, the reorganization of logistics and the downsizing of headquarters.

Including in 2017 (i) wind-up costs of €8.8 million, mainly consisting in asset write-offs, in relation with the shut-down of Oil & Gas business in Thailand, (ii) restructuring costs of €32.9 million associated with business transformation programs (US new regional organization, UK banners merger, Sweden), and (iii) changes in corporate senior management positions for €2.4 million.

(3) Of which goodwill impairment for €56.3 million including €29.2 million relating to Norway, €21.3 million relating to Finland and €5.8 million relating to Spain and impairment on distribution network for €5.6 million in Finland (€86.2 million of goodwill impairment in 2017 relating to Germany, €34.5 million to Finland and €13.0 million to New-Zealand) (see note 12.1).

(4) Impairment of assets held for sale in China (see note 14).

(5) Consisting in divestment losses of €57.6 million in connection with Rexel South East Asia disposal and €11.1 million related to Lenn International Pte Ltd disposal in 2017 (see note 5).

(6) Of which (i) impact of the equalization of Guaranteed Minimum Pension (GMP) associated with a pension liability for €3.3 million in the United Kingdom and (ii) the effect of senior executives employment contract termination.

10. | NET FINANCIAL EXPENSES

(in millions of euros)		For the year ended December 31, 2018	2017 [1]
Interest income on cash and cash equivalents		1.3	-
Interest income on receivables and loans		2.0	2.3
Financial income		**3.3**	**2.3**
Interest expense on financial debt (stated at amortized cost)		(81.3)	(94.7)
Interest gain / (expense) on interest rate derivatives		7.7	5.1
Change in fair value of interest rate derivatives through profit and loss		(3.3)	(2.3)
Financial expense on borrowings		**(76.9)**	**(91.9)**
Non-recurring redemption costs	(2)	**-**	**(18.8)**
Foreign exchange gain (loss)		*1.3*	*(2.0)*
Change in fair value of exchange rate derivatives through profit and loss		*(0.1)*	*3.2*
Net foreign exchange gain (loss)		1.3	1.2
Net financial expense on employee benefit obligations		(8.4)	(9.8)
Others	(3)	(19.8)	(28.7)
Other financial expenses		**(27.0)**	**(37.3)**
Net financial expenses		**(100.6)**	**(145.6)**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

(2) Relating to the early repayment in 2017 of (i) the €500 million senior notes due 2022 for €12.5 million and (ii) the remaining US$330 million out of the US$500 million senior notes due 2020 for €6.3 million (see note 23.1.2).

(3) Including a €10.9 million loss in 2017 associated with the discounting impact of letters of credit due from overseas financial institutions.

11. | INCOME TAX

Rexel and its French subsidiaries have formed a tax group from January 1, 2005. Rexel uses tax consolidation in other countries where similar options exist.

11.1| Income tax expense

(in millions of euros)	For the year ended December 31, 2018	2017 [1]
Current tax	(110.0)	(66.5)
Deferred tax	(47.5)	(7.6)
Prior year adjustments on income tax	0.6	2.2
Total income tax expense	**(157.0)**	**(71.9)**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

11.2| Deferred tax assets and liabilities

Changes in net deferred tax assets / (liabilities) are as follows:

(in millions of euros)	2018	2017 [1]
Net deferred tax at the beginning of the year	**(76.2)**	**(109.3)**
Deferred tax income (expense)	(50.3)	(4.5)
Other comprenhensive income	(7.3)	19.5
Change in consolidation scope	0.2	0.7
Currency translation adjustment	(5.4)	16.5
Other changes	(0.4)	0.9
Net deferred tax at the end of the year	**(139.4)**	**(76.2)**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

Analysis of deferred tax assets and liabilities by nature is as follows:

(in millions of euros)	As of December 31,	
	2018	**2017 (1)**
Intangible assets	(306.6)	(292.6)
Property, plant and equipment	(9.0)	(5.9)
Financial assets	20.2	21.1
Trade accounts receivable	12.9	13.8
Inventories	20.1	14.9
Employee benefits	78.6	86.8
Provisions	7.0	7.1
Financing fees	2.4	(3.2)
Other items	(15.2)	(10.2)
Tax losses carried forward	233.3	252.2
Deferred tax assets / (liabilities), net	**43.6**	**84.1**
Valuation allowance on deferred tax assets	(183.0)	(160.2)
Net deferred tax assets / (liabilities)	**(139.4)**	**(76.2)**
of which deferred tax assets	85.8	96.6
of which deferred tax liabilities	(225.2)	(172.8)

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

A valuation allowance on deferred tax assets of €183.0 million was recognized as of December 31, 2018 (€160.2 million as of December 31, 2017), as a result of the recoverability assessment of the net deferred tax assets by each tax entity. The recoverable amount excludes risks arising from notified tax reassessments that are contested by the Group and is based on the expected taxable profits over the next 5 years.

As of December 31, 2018, deferred tax assets arising on tax losses carried forward that are not expected to be used within five years were subject to a valuation allowance mostly in Spain, the United Kingdom, Germany and Italy. The expiry date of such tax losses carried forward is as follows:

(in millions of euros)	As of December 31,	
	2018	**2017**
One year	-	0.0
Two years	0.3	0.5
Three years	2.1	0.3
Four years	3.9	2.1
Five years	5.2	4.0
Thereafter	757.6	562.5
Total tax losses carried forward (tax basis) subject to a valuation allowance	**769.1**	**569.4**

11.3| Effective tax rate

(in millions of euros)		For the year ended December 31, 2018		2017 [1]	
Income before tax and before share of profit in associates		309.2		176.5	
French legal tax rate			*34.4%*		*34.4%*
Income tax calculated at the legal tax rate		(106.5)		(60.8)	
2017 Exceptionnal 15% contribution to French tax rate		-	-	(4.9)	-
Differences of tax rates between French and foreign jurisdictions		17.6	*(5.7%)*	4.5	*(2.5%)*
Changes in tax rates	(2)	1.1	*(0.3%)*	62.6	*(35.5%)*
(Current year losses unrecognized), prior year losses recognized	(3)	(30.5)	*9.9%*	(10.4)	*5.9%*
(Non-deductible expenses), tax exempt revenues	(4)	(21.0)	*6.8%*	(49.6)	*28.1%*
Others	(5)	(17.7)	*5.7%*	(13.2)	*7.5%*
Actual income tax expense		**(157.0)**	**50.8%**	**(71.9)**	***40.7%***

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see note 3.2.1).

(2) Including in 2017, (i) a €56.0 million gain relating to the decrease in the US federal tax rate from 35% to 21% effective in 2018 and (ii) a €6.9 million gain relating to the progressive decrease in French tax rate, from 34.4% to 25.8% effective in 2022.

(3) Including unrecognized tax loss carried forward in Germany for €18.1 million (€2.3 million in 2017) and Spain for €5.8 million (€2.8 million in 2017).

(4) Including tax impact of non-deductible goodwill impairment expense of €13.6 million (€36.9 million in 2017).

(5) Of which a €13.5 million tax expense related to Hagemeyer Finance BV Finnish branch tax reassessment (see note 29.1) and tax levy calculated on added value in France (CVAE) for €6.6 million. In 2017 other effects included (i) the tax effect of the non-deductible disposal loss on Rexel South East Asia disposal of €9.8 million, (ii) a €9.9 million gain with respect to the refund of 3% tax levied on distributions of dividends (from years 2013 to 2017), that has been declared unconstitutional and (iii) CVAE for €6.7 million.

12. | LONG-TERM ASSETS

12.1| Goodwill and intangible assets

(in millions of euros)	Strategic partnerships	Distribution networks	Software and other intangible assets	**Total intangible assets**	**Goodwill**
Gross carrying amount as of January 1, 2017	**185.6**	**682.6**	**717.3**	**1,585.5**	**4,741.1**
Change in consolidation scope	-	(1.8)	(1.6)	**(3.4)**	**(40.9)**
Additions	-	-	50.2	**50.2**	**-**
Disposals	-	-	(53.6)	**(53.6)**	**-**
Currency translation adjustment	-	(33.3)	(33.9)	**(67.2)**	**(225.3)**
Other changes	-	-	1.9	**1.9**	**-**
Gross carrying amount as of December 31, 2017	**185.6**	**647.6**	**680.2**	**1,513.4**	**4,474.9**
Change in consolidation scope	-	-	0.1	**0.1**	**2.9**
Additions	-	-	52.3	**52.3**	**-**
Disposals	-	-	(3.9)	**(3.9)**	**(11.2)**
Currency translation adjustment	-	2.9	4.4	**7.3**	**16.5**
Other changes	-	-	(1.0)	**(1.0)**	**(4.6)**
Gross carrying amount as of December 31, 2018	**185.6**	**650.4**	**732.2**	**1,568.3**	**4,478.4**
Accumulated amortization and depreciation as of January 1, 2017	**-**	**(5.8)**	**(470.3)**	**(476.1)**	**(440.8)**
Change in consolidation scope	-	-	0.6	**0.6**	**15.2**
Amortization expense	-	-	(62.1)	**(62.1)**	**(11.6)**
Impairment losses	-	-	-	**-**	**(133.7)**
Release	-	-	49.8	**49.8**	**-**
Currency translation adjustment	-	-	23.9	**23.9**	**10.8**
Other changes	-	-	0.1	**0.1**	**-**
Accumulated amortization and depreciation as of December 31, 2017	**-**	**(5.8)**	**(457.9)**	**(463.7)**	**(560.0)**
Change in consolidation scope	-	-	(0.1)	**(0.1)**	**-**
Amortization expense	-	-	(59.6)	**(59.6)**	**-**
Impairment losses	-	(5.6)	(0.1)	**(5.7)**	**(56.3)**
Release	-	-	3.2	**3.2**	**-**
Currency translation adjustment	-	-	(4.0)	**(4.0)**	**4.3**
Other changes	-	-	0.4	**0.4**	**4.6**
Accumulated amortization and depreciation as of December 31, 2018	**-**	**(11.4)**	**(518.0)**	**(529.4)**	**(607.4)**
Carrying amount as of January 1, 2017	**185.6**	**676.8**	**247.1**	**1,109.5**	**4,300.2**
Carrying amount as of December 31, 2017	**185.6**	**641.8**	**222.3**	**1,049.7**	**3,914.9**
Carrying amount as of December 31, 2018	**185.6**	**639.0**	**214.2**	**1,038.8**	**3,871.1**

Strategic partnerships

Strategic partnerships acquired in business combinations arise from contractual rights. Their valuation is determined on the basis of a discounted cash flow model.

Distribution networks

Distribution networks are considered separable assets as they could be franchised. They correspond to the value added to each branch through the existence of a network and include notably banners and catalogues. Their measurement is performed using the royalty relief method based on royalty rates used for franchise contracts, taking their profitability into account. The royalty rate ranges from 0.4% to 1.0% of sales depending on each country.

Strategic partnerships and distribution networks are regarded as having an indefinite useful life when there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group. They are not amortized and are tested for impairment annually or as soon as there is an indication that these assets may be impaired.

Software and other intangible assets

This caption mainly includes the net book value of software for €126.9 million as of December 31, 2018 (€128.5 million as of December 31, 2017) and customer relationships for €34.7 million as of December 31, 2018 (€47.9 million as of December 31, 2017).

Customer relationships are recognized when the acquired entity establishes relationships with key customers through contracts. Customer relationships are measured using an excess profit method and are amortized over their useful lives based on historical attrition ranging from 5 to 15 years.

Goodwill

Goodwill arising in a business combination represents a payment made in anticipation of future economic benefits arising from assets that are not capable of being identified individually and accounted for separately, such as market shares, the value of workforce, the potential to develop existing business assets and expected synergies from the combination. In the wholesale distribution sector, these synergies notably include those expected in terms of purchasing, logistics, network and administration. Goodwill is tested at least annually for impairment purposes.

The table below sets forth the allocation of goodwill and intangible assets with indefinite useful life by cash generating unit.

(in millions of euros)		As of December 31, 2018			As of December 31, 2017		
CGU	**Geographic segment**	**Goodwill**	**Intangible assets**	**Total**	**Goodwill**	**Intangible assets**	**Total**
France	Europe	1,047.7	169.4	1,217.1	1,047.7	169.4	1,217.1
United States	North America	972.4	149.7	1,122.1	928.3	142.9	1,071.3
Canada	North America	435.7	64.9	500.6	452.1	67.4	519.4
Switzerland	Europe	266.0	37.4	303.4	256.2	36.0	292.2
United Kingdom	Europe	193.4	57.2	250.6	195.0	57.7	252.6
Sweden	Europe	180.5	18.3	198.8	188.0	19.1	207.1
Germany	Europe	98.2	51.7	149.9	98.2	51.7	149.9
Norway	Europe	128.1	12.5	140.5	158.0	12.6	170.6
Australia	Asia-Pacific	101.4	23.9	125.3	118.7	25.3	144.0
Austria	Europe	88.5	13.0	101.5	88.5	13.0	101.5
Belgium	Europe	79.3	-	79.3	76.4	-	76.4
Other		280.0	226.6	506.6	307.8	232.4	540.2
	Total	**3,871.1**	**824.7**	**4,695.8**	**3,914.9**	**827.4**	**4,742.3**

Impairment

The Group performs impairment tests of goodwill at the country level, which represents the lowest level at which operations are monitored by management for the purpose of measuring return on investment.

Value-in-use key assumptions

The recoverable amount of the cash-generating units was determined based on value in use. The calculation of the value in use is based on a discounted cash flow model. The cash flows are derived from the strategic plan prepared during the yearly budget process in November 2018 for the next 3 years and also include an extrapolation of two additional years and a normative terminal value. A long term growth rate has been used for the calculation of the terminal value. Cash-flows were discounted on the basis of the weighted average cost of capital net of tax calculated for each country. Country-specific risk is incorporated by applying individual risk-free rates and equity risk premium. The weighted average cost of capital reflects the time value of money and the specific risks of the assets, not already factored in the projected cash-flow, by taking into account the capital structure and the financing terms and conditions of a standard market participant.

The calculation of value in use is mostly sensitive to the EBITA margin computed in the terminal value, the discount rate and the long term growth rate:

- EBITA Margin

EBITA margin factored in the terminal value cash-flow is set on a country by country basis based on both historical and expected performance, Rexel's market share and characteristics of the local market and by reference to other cash generating units within the Group with similar profile.

- Discount rate and long term growth rate

The following after tax discount rates and long term growth rate were used to estimate the value-in-use of the CGUs:

	2018			2017		
	Discount rate (WACC)	Long term growth rate (g)	WACC - (g)	Discount rate (WACC)	Long term growth rate (g)	WACC - (g)
France	7.3%	1.8%	5.6%	7.8%	1.8%	6.0%
United States	8.5%	2.3%	6.3%	7.8%	1.8%	6.0%
Canada	8.5%	2.3%	6.3%	7.8%	1.8%	6.0%
Switzerland	7.2%	1.0%	6.2%	7.0%	0.8%	6.2%
United Kingdom	7.6%	1.8%	5.9%	7.8%	1.8%	6.0%
Sweden	7.6%	1.8%	5.9%	7.8%	1.8%	6.0%
Germany	6.8%	1.8%	5.1%	7.3%	1.8%	5.5%
Norway	7.7%	1.8%	6.0%	7.8%	1.8%	6.0%
Australia	8.8%	2.5%	6.3%	9.8%	2.5%	7.3%
Austria	7.7%	1.8%	6.0%	7.3%	1.8%	5.5%
Belgium	7.2%	1.8%	5.5%	7.3%	1.8%	5.5%
Other	5.8% to 15.7%	1.0% to 5.0%	4.8% to 10.7%	5.8% to 15.5%	1.0% to 5.0%	4.8% to 13.8%

Impairment loss

Following lower than expected 2018 performance in Norway, Finland and Spain, the Group adjusted downwards its prospects, including the normative EBITA margin factored in the terminal value resulting in a €56.3 million impairment loss of which €29.2 million allocated to Norway, €21.3 million to Finland and €5.8 million to Spain. As a result, the carrying value of goodwill in Norway was reduced to €128.1 million and was nil for Finland and Spain.

Additional impairment on other intangible assets with indefinite useful life was recognized in Finland for €5.6 million.

In 2017, the Group recognized a goodwill impairment expense of €133.7 million, of which €86.2 million allocated to Germany, €34.5 million to Finland and €13.0 million to New Zealand. As a result, the carrying value of goodwill in Germany, Finland and New Zealand was respectively reduced to €98.2 million, €21.3 million and €11.2 million.

Sensitivity analysis

The table below summarizes the impact by cash generating units of a change of 50 bps in EBITA margin, discount rate and long term growth rate on the impairment expense:

	Goodwill & intangible assets with an indefinite useful life	EBITA margin *(-50 bps)*	Discount rate *(+50 bps)*	Long term growth rate *(-50 bps)*
France	1,217.1	-	-	-
United States	1,122.1	-	-	-
Canada	500.6	(27.6)	(26.9)	(15.2)
Switzerland	303.4	-	-	-
United Kingdom	250.6	(40.8)	(27.6)	(19.7)
Sweden	198.8	-	-	-
Germany	149.9	(25.7)	(4.6)	-
Norway	140.5	(13.9)	(14.6)	(10.4)
Australia	125.3	(12.4)	(5.7)	(0.2)
Austria	101.5	-	-	-
Belgium	79.3	-	-	-
Other	506.6	(17.6)	(9.5)	(4.0)
Total	**4,695.8**	**(138.0)**	**(88.9)**	**(49.5)**

12.2| Property, plant & equipment

(in millions of euros)	Land & Buildings	Plant & Equipment	Other tangible assets	**Total property, plant and equipment**
Gross carrying amount as of January 1, 2017	**237.6**	**682.3**	**30.7**	**950.6**
Change in consolidation scope	-	(2.8)	(0.2)	**(3.0)**
Additions	5.9	47.2	9.1	**62.3**
Disposals	(1.0)	(59.8)	(0.6)	**(61.4)**
Currency translation adjustment	(5.9)	(24.0)	(0.7)	**(30.6)**
Other changes	0.1	1.5	(3.5)	**(1.9)**
Gross carrying amount as of December 31, 2017	**236.7**	**644.5**	**34.8**	**916.0**
Change in consolidation scope	-	0.1	-	**0.1**
Additions	4.2	59.3	6.2	**69.8**
Disposals	(5.2)	(30.9)	(2.8)	**(38.9)**
Currency translation adjustment	0.7	0.9	0.1	**1.7**
Other changes	-	(1.5)	(0.1)	**(1.6)**
Gross carrying amount as of December 31, 2018	**236.5**	**672.4**	**38.2**	**947.1**
Accumulated amortization and depreciation as of January 1, 2017	**(138.8)**	**(510.0)**	**(19.4)**	**(668.2)**
Change in consolidation scope	-	1.9	0.1	**2.0**
Depreciation expense	(8.2)	(46.1)	(2.3)	**(56.7)**
Impairment losses	-	-	(0.1)	**(0.1)**
Release	0.6	57.5	0.6	**58.8**
Currency translation adjustment	3.1	16.8	0.1	**20.0**
Other changes	(0.1)	0.2	-	**0.1**
Accumulated amortization and depreciation as of December 31, 2017	**(143.3)**	**(479.7)**	**(21.0)**	**(644.0)**
Change in consolidation scope	-	(0.1)	-	**(0.1)**
Depreciation expense	(7.6)	(46.1)	(2.4)	**(56.2)**
Impairment losses	(0.4)	-	-	**(0.4)**
Release	3.6	29.9	0.3	**33.7**
Currency translation adjustment	(0.3)	(0.2)	-	**(0.5)**
Other changes	(0.1)	1.4	0.1	**1.4**
Accumulated depreciation and amortization as of December 31, 2018	**(148.1)**	**(494.8)**	**(23.1)**	**(666.0)**
Carrying amount as of January 1, 2017	**98.8**	**172.3**	**11.3**	**282.4**
Carrying amount as of December 31, 2017	**93.4**	**164.8**	**13.8**	**272.0**
Carrying amount as of December 31, 2018	**88.4**	**177.6**	**15.1**	**281.1**

Additions of the year 2018 include €2.6 million of assets (€5.4 million in 2017) acquired through finance lease contracts. In the consolidated cash flow statement, these acquisitions have been included in cash flows from investing activities and the corresponding variation of financial debt was included in “Net change in finance lease liabilities” in cash flows from financing activities.

12.3| Long-term investments

(in millions of euros)	As of December 31, 2018	2017
Loans	0.1	0.1
Deposits	24.7	25.2
Derivatives	17.7	12.5
Other long-term investments	0.2	0.2
Long-term investments	**42.6**	**38.0**

13. | CURRENT ASSETS

13.1| Inventories

(in millions of euros)	As of December 31, 2018	2017 [(1)]
Cost	1,753.2	1,622.7
Allowance	(79.0)	(77.8)
Inventories	**1,674.2**	**1,544.9**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

Changes in impairment losses

(in millions of euros)	2018	2017
Allowance for inventories as of January 1,	**(77.8)**	**(96.4)**
Change in consolidation scope	(0.4)	3.7
Net change in allowance	(7.0)	3.2
Currency translation adjustment	(0.5)	4.7
Other changes	6.7	7.0
Allowance for inventories as of December 31,	**(79.0)**	**(77.8)**

13.2| Trade accounts receivable

(in millions of euros)	As of December 31, 2018	2017 [(1)]
Nominal value	2,205.3	2,192.4
Impairment losses	(113.8)	(118.1)
Trade accounts receivable	**2,091.5**	**2,074.4**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

Trade accounts receivable includes sales taxes collected on behalf of tax authorities that, in certain circumstances, may be recovered when the client defaults. Recoverable taxes amounted to €250.0 million as of December 31, 2018 (€234.0 million as of December 31, 2017).

The Group has implemented credit insurance programs in certain significant countries. Trade accounts receivable covered by these programs amounted to €820.1 million as of December 31, 2018 (€867.7 million as of December 31, 2017).

Also, in some countries, the Group benefits from additional guarantees according to the specificities of local jurisdictions, notably in the United States and in Canada. Trade accounts receivable covered by these guarantees represented €225.6 million as of December 31, 2018 (€226.1 million as of December 31, 2017).

Changes in impairment losses:

(in millions of euros)	2018	2017 [1]
Impairment losses on trade accounts receivable as of January 1,	**(118.1)**	**(129.7)**
Change in consolidation scope	(0.1)	3.5
Net allowance [2]	4.5	5.0
Currency translation adjustment	(0.2)	3.2
Impairment losses on trade accounts receivable as of December 31,	**(113.8)**	**(118.1)**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see note 3.2.1).

(2) Of which receivables written-off for €25.5 million in 2018 (€34.3 million in 2017).

As of December 31, 2018, trade receivables were subject to impairment losses estimated on an individual basis following the assessment of the customer default risk for €87.3 million (€87.3 million as of December 31, 2017).

In accordance with the accounting principle stated in note 3.8, all receivables are subject to an impairment loss estimated on ageing-based matrix for €26.5 million as of December 31, 2018 (€30.8 million as of December 31, 2017 (amount restated for changes in accounting principles of IFRS 9).

Ageing of receivables is detailed as follows:

	As of December 31,	
(in millions of euros)	2018	2017 [1]
Non due	1,739.7	1,748.4
From 1 to 30 days	273.2	277.4
From 31 to 60 days	73.7	64.1
From 61 to 90 days	31.1	25.5
From 91 to 180 days	37.5	32.5
Above 180 days	50.2	44.4
Total	**2,205.3**	**2,192.4**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see note 3.2.1).

13.3| Other accounts receivable

	As of December 31,	
(in millions of euros)	2018	2017 [1]
Suppliers' rebates and services [2]	370.0	348.6
VAT receivable and other sales taxes	16.3	23.8
Prepaid expenses	38.6	35.7
Derivatives	1.5	1.1
Other receivables	92.6	103.5
Total accounts receivable	**519.0**	**512.7**

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see note 3.2.1).

(2) Suppliers' rebates and services income recognized for the year ended December 31, 2018 were €874.6 million (€863.1 million for the year ended December 31, 2017).

14. | ASSETS HELD FOR SALE

Assets and liabilities are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of their carrying amount and fair value less costs to sell.

In 2018, Rexel decided to refocus its activities in China on industrial automation business and to exit from its underperforming retail and commercial businesses. In this respect, on December 10, 2018, the Group entered into two sale share agreements to divest from its investments in LuckyWell (100% shareholding interest) and Maxqueen (60% shareholding interest), two indirect subsidiaries headquartered in Beijing and Shanghai respectively. The sale share agreements provide for certain conditions precedent to closing of the said transactions, which are expected to take place in the first quarter of 2019. As of December 31, 2018, the sale transactions being highly probable, the group of assets to be disposed of has been reclassified as Assets Held for Sale on the balance sheet. Net assets were remeasured at fair value less costs to sell before reclassification and an impairment charge of €25.4 million was recognized (see note 9). The sale agreements do not provide the purchasers for any specific guaranty for damages and liabilities other than customary.

Assets and liabilities associated with these activities classified as held for sale are as follows:

(in millions of euros)	As of December 31, 2018
Assets	
Non-current assets	0.7
Current assets	11.9
Cash and cash equivalents	29.3
Total assets	**41.9**
Liabilities	
Interest bearing debt	19.3
Currents liabilities	19.0
Total liabilities	**38.3**
Net assets held for sale	**3.6**

As of December 31, 2018, accumulated foreign currency translation adjustment recognized in equity was €0.4 million. Foreign currency translation adjustment will be recycled to income statement at completion date of the transaction.

15. | CASH AND CASH EQUIVALENTS

(in millions of euros)	As of December 31, 2018	2017
Cash at bank	543.9	562.6
Cash in hand	0.9	1.0
Cash and cash equivalents	**544.9**	**563.6**

16. | SUMMARY OF FINANCIAL ASSETS

(in millions of euros)	Note	Category IFRS 9	Fair value Hierarchy*	As of December 31, 2018		2017 [1]	
				CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Hedging derivatives [2]		FV P&L	2	13.3	13.3	8.7	8.7
Hedging derivatives [2]		FV OCI	2	4.3	4.3	3.6	3.6
Other derivative instruments not elligible to hedge accounting		FV P&L	2	0.0	0.0	0.2	0.2
Deposits		AC		24.7	24.7	25.2	25.2
Loans		AC		0.1	0.1	0.1	0.1
Others [3]		FV P&L		0.2	N/A	0.2	N/A
Total long-term investments	*12.3*			**42.6**	**-**	**38.0**	**-**
Trade accounts receivable	*13.2*	**AC**		**2,091.5**	**2,091.5**	**2,074.4**	**2,074.4**
Supplier rebates receivable	*13.3*	AC		370.0	370.0	348.6	348.6
VAT and other receivable [3]	*13.3*	N/A		16.3	N/A	23.8	N/A
Other accounts receivable	*13.3*	AC		92.6	92.6	103.5	103.5
Other derivative instruments elligible to hedge accounting	*13.3*	FV OCI	2	0.9	0.9	1.0	1.0
Other derivative instruments not elligible to hedge accounting	*13.3*	FV P&L	2	0.6	0.6	0.1	0.1
Prepaid expenses [3]		N/A		38.6	N/A	35.7	N/A
Total other current assets				**480.6**	**-**	**476.9**	**-**
Cash		FV P&L		544.9	544.9	563.6	563.6
Cash and cash equivalents	*15*			**544.9**	**-**	**563.6**	**-**

Amortized cost	AC
Fair value through profit or loss	FV P&L
Fair value through other comprehensive income	FV OCI

* For fair value hierarchy see note 3.11

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

(2) Specific accounting treatment for hedging.

(3) Not a financial instrument under IFRS 9.

17. | SHARE CAPITAL AND PREMIUM

17.1| Changes in share capital and issuance premium

Rexel’s share capital is composed of ordinary shares, with a par value of €5. The following table shows changes in the share capital and issuance premium:

	Number of Shares	Share capital *(in millions of euros)*	Share premium
As of January 1, 2017	**302,898,023**	**1,514.5**	**1,561.2**
Employee share purchase plan	159,899	0.8	0.3
Issuance of shares in connection with free shares plans [1]	285,255	1.4	-
Allocation of free shares	-	-	(9.4)
Free shares cancelled	-	-	7.0
As of December 31, 2017	**303,343,177**	**1,516.7**	**1,559.2**
Employee share purchase plan	86,301	0.4	-
Issuance of shares in connection with free shares plans [2]	559,421	2.8	-
Allocation of free shares	-	-	(9.5)
Free shares cancelled	-	-	4.3
As of December 31, 2018	**303,988,899**	**1,519.9**	**1,554.0**

(1) Issuance of 331,145 shares in connection with the 2013 bonus shares plan (“5+0 Plan”) and 228,276 shares in connection with the 2014 bonus shares plan (“4+0 Plan”).

(2) Issuance of 282,218 shares in connection with the 2013 bonus shares plan (“4+0 Plan”) and 3,037 shares in connection with the 2014 bonus shares plan (“3+2 Plan”).

17.2| Capital Management and treasury shares

The Shareholders' Meeting of May 24, 2018 authorized the Board of Directors, with the option of sub-delegation, to have Rexel buy up to a maximum number of shares representing up to 10% of the company's share capital for a maximum price of €30 per share. This program is capped at €250 million with a term of 18 months from the date of the Shareholders' Meeting (ending November 23, 2019).

The objectives of this program in decreasing order of priority are as follows:

- Ensuring liquidity and activity in the market for the shares through an investment services provider;
- Setting up any stock option plan of the Company;
- Retaining and delivering shares further to an exchange or as a consideration in the context of external growth transactions within the limit of 5% of the share capital of Rexel;
- Granting shares in connection with the exercise of rights attached to securities conferring access to Rexel shares;
- Cancelling all or part of any shares so repurchased;
- Any other actions that comply with applicable regulations in force.

In connection with this share buy-back program, Rexel entered into an agreement with a financial institution to promote the liquidity of Rexel shares on the market, in compliance with the *Autorité des Marchés Financiers* (AMF) requirements, for an amount of €14.2 million as of December 31, 2018 (€16.8 million as of December 31, 2017).

Rexel also repurchased in previous years treasury shares to serve its free share plans (1307,181 shares held as of December 31, 2018).

As of December 31, 2018, Rexel held in aggregate 2,108,720 treasury shares (1,289,369 as of December 31, 2017) valued at an average price of €11.85 per share (€13.47 per share as of December 31, 2017) that were recognized as a reduction in shareholders' equity, for a total of €25.0 million (€17.4 million as of December 31, 2017).
Net capital losses realized on the sale of treasury shares in 2018 amounted to €1.1 million net of tax and were recognized as decrease in shareholders' equity (net capital gains of €0.1 million in 2017).

18. | DIVIDENDS

	For the year ended December 31,	
	2018	**2017**
Dividends on ordinary shares	€ 0.42	€ 0.40
Dividends paid (in millions of euros)	**126.8**	**120.8**
of which: - dividends paid in cash	*126.8*	*120.8*
- dividends paid in shares	-	-

19. | SHARE BASED PAYMENTS

19.1| Bonus share plans

In addition to its employee long-term profit sharing policy, Rexel has annual bonus share plans in place; the principal characteristics of which are described below:

Plans issued in 2018

On May 24, 2018, Rexel entered into three free share plans for top executive managers amounting to a maximum of 1,900,032 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on three years after the grant date (May 25, 2021) with no subsequent restrictions, the so-called "3+0 Plan".

The actual delivery of these bonus shares is subject to service, performance and market conditions as described below:

Vesting conditions		Three year service condition from grant date and performance conditions based on:	Limited to a fixed number of shares, three year service condition from grant date with no performance conditions and for the remaining shares, additional performance conditions based on:	Three year service condition from grant date without any performance conditions	
		(i) 2017/2020 average growth of EBITA in value (ii) 2017/2020 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2018 to 2020 (iv) Rexel share market performance compared to peers			
Delivery date		May 25, 2021	May 25, 2021	May 25, 2021	
Share fair value at grant date May 24, 2018	**(1)**	10.52	10.88	11.50	**10.71**
Maximum number of shares granted on May 24, 2018		**1,007,625**	**822,907**	**69,500**	**1,900,032**
Number of shares cancelled		(59,300)	(29,588)	(1,000)	**(89,888)**
Total maximum number of shares granted as of December 31, 2018		**948,325**	**793,319**	**68,500**	**1,810,144**

(1) The fair value of Rexel's shares was computed based on a Monte-Carlo model which simulates the evolution of Rexel and panel shares quotations at the end of the three or four-year vesting period. The effect of restrictions attached to the dividend rights until the delivery date of the shares to the beneficiaries was computed in the fair value calculation.

Plans issued in 2017

On May 23, 2017, Rexel entered into free share plans for key executives & managers amounting to a maximum of 1,873,975 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on their country of residence:

- either three years after the grant date (May 24, 2020), these being restricted for an additional two-year period (until May 24, 2022), the so-called "3+2 Plan",
- or four years after the grant date (May 24, 2021) with no subsequent restrictions, the so-called "4+0 Plan".

The actual delivery of these bonus shares is subject to service, performance and market conditions as described below:

Vesting conditions		Three year service condition from grant date and performance conditions based on:	Four year service condition from grant date and performance conditions based on:	Total
		(i) 2016/2019 average growth of EBITA in value (ii) 2016/2019 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2017 to 2019 (iv) Rexel share market performance compared to peers		
Plan		3+2	4+0	
Delivery date		May 24, 2020	May 24, 2021	
Share fair value at grant date May 23, 2017	**(1)**	12.75	12.34	**12.48**
Maximum number of shares granted on May 23, 2017		**643 200**	**1 230 775**	**1,873,975**
Number of shares cancelled		(75 475)	(216 675)	**(292 150)**
Total maximum number of shares granted as of December 31, 2018		**567 725**	**1 014 100**	**1 581 825**

(1) The fair value of Rexel's shares was computed based on a Monte-Carlo model which simulates the evolution of Rexel and panel shares quotations at the end of the three or four-year vesting period. The effect of restrictions attached to the dividend rights until the delivery date of the shares to the beneficiaries was computed in the fair value calculation.

Plans issued in 2016

On June 23, 2016, Rexel entered into free share plans for key executives & managers amounting to a maximum of 1,820,625 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on their country of residence:

- either three years after the grant date (June 24, 2019), these being restricted for an additional two-year period (until June 24, 2021), the so-called "3+2 Plan",
- or four years after the grant date (June 24, 2020) with no subsequent restrictions, the so-called "4+0 Plan".

The actual delivery of these bonus shares is subject to service, performance and market conditions as described below:

Vesting conditions		Three year service condition from grant date and performance conditions based on:	Four year service condition from grant date and performance conditions based on:	Total
		(i) 2015/2018 average growth of EBITA in value (ii) 2015/2018 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2016 to 2018 (iv) Rexel share market performance compared to peers		
Plan		3+2	4+0	
Delivery date		June 24, 2019	June 24, 2020	
Share fair value at grant date June 23, 2016	**(1)**	10.91	10.50	**10.64**
Maximum number of shares granted on June 23, 2016		**741,500**	**1,079,125**	**1,820,625**
Adjustment	**(2)**	25,142	36,695	**61,837**
Number of shares cancelled		(323,626)	(311,094)	**(634,720)**
Total maximum number of shares granted as of December 31, 2018		**443,016**	**804,726**	**1,247,742**

(1) The fair value of Rexel's shares was computed based on a Monte Carlo model which simulates the evolution of Rexel and panel shares quotations over three years. The impact of restrictions attached to the dividends until the delivery date of the shares to the beneficiaries was excluded from the fair value.

(2) Following the distribution of dividends by deduction of share premium on July 5, 2016 and in accordance with provisions contained in free share plans issued by Rexel, rights granted under such alive plans were adjusted to allow holders to invest the same amount of money as planned at the grant date.

Plans issued in 2015

On July 28, 2015, Rexel entered into free share plans for key executives & managers amounting to a maximum of 1,798,393 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on their country of residence:

- Either three years after the grant date (July 29, 2018), these being restricted for an additional two-year period (until July 29, 2020), the so-called “3+2 Plan”;
- Or four years after the grant date (July 29, 2019) with no subsequent restrictions, the so-called “4+0 Plan”.

The effective delivery of these bonus shares is subject to service, performance and market conditions as described below:

Vesting conditions		Three year service condition from grant date and performance conditions based on: (i) 2014/2017 average EBITA margin variation (ii) average free cash flow before interest and tax to EBITDA between 2015 to 2017 (iii) Rexel share market performance compared to peers	Four year service condition from grant date and performance conditions based on: (i) 2014/2017 average EBITA margin variation (ii) average free cash flow before interest and tax to EBITDA between 2015 to 2017 (iii) Rexel share market performance compared to peers	**Total**
Plan		3+2	4+0	
Delivery date		July 29, 2018	July 29, 2019	
Share fair value at grant date July 28, 2015	**(1)**	10.56	9.91	
Maximum number of shares granted on July 28, 2015		**795,775**	**1,002,618**	**1,798,393**
Adjustment	**(2)**	26,760	32,913	**59,673**
Number of shares cancelled		(742,787)	(885,068)	**(1,627,855)**
Number of shares delivered		(73,423)	-	**(73,423)**
Total maximum number of shares granted as of December 31, 2018		**-**	**116,188**	**116,188**

(1) The fair value of Rexel’s shares was computed based on a Monte Carlo model which simulates the evolution of Rexel and panel shares quotations over three years. The impact of restrictions attached to the dividends until the delivery date of the shares to the beneficiaries was excluded from the fair value.

(2) Following the distribution of dividends by deduction of share premium on July 5, 2016 and in accordance with provisions contained in free share plans issued by Rexel, rights granted under such alive plans were adjusted to allow holders to invest the same amount of money as planned at the grant date.

Plans issued in 2014

On May 22, 2014, Rexel entered into free share plans for key executives & managers amounting to a maximum of 1,641,008 shares. According to these plans, the beneficiaries will either be eligible to receive Rexel shares:

- Two years after the grant date (May 23, 2016), these being restricted for an additional two-year period (until May 23, 2018), the so-called “2+2 Plan”;
- Three years after the grant date (May 23, 2017), these being restricted for an additional two-year period (until May 23, 2019), the so-called “3+2 Plan”;
- Four years after the grant date (May 23, 2018) with no subsequent restrictions, the so-called “4+0 Plan”.

The effective delivery of these bonus shares is subject to service, performance and market conditions set forth in the plan as described below:

Vesting conditions		Two year service condition from grant date and performance conditions based on: (i) 2013/2015 adjusted EBITA margin increase (ii) average free cash flow before interest and tax to EBITDA between 2014 and 2015 (iii) Rexel share market performance compared to peers		Three year service condition from grant date and performance conditions based on: (i) 2013/2016 adjusted EBITA margin increase (ii) average free cash flow before interest and tax to EBITDA between 2014 and 2016 (iii) Rexel share market performance compared to peers		Total
Plan		2+2	4+0	3+2	4+0	
Delivery date		May 23, 2016	May 23, 2018	May 23, 2017	May 23, 2018	
Share fair value at grant date May 22, 2014	(1)	13.49	12.14	12.78	12.11	
Maximum number of shares granted on May 22, 2014		**348,980**	**471,524**	**348,980**	**471,524**	**1,641,008**
Adjustment	(2)	-	12,433	11,111	12,433	**35,977**
Number of shares cancelled		(233,377)	(351,449)	(293,431)	(388,189)	**(1,266,446)**
Number of shares delivered		(115,603)	(132,508)	(66,660)	(95,768)	**(410,539)**
Total maximum number of shares granted as of December 31, 2018		-	-	-	-	**-**

(1) The fair value of Rexel's shares was computed based on a Monte Carlo model which simulates the evolution of Rexel and panel shares quotations over three years. The impact of restrictions attached to the dividends until the delivery date of the shares to the beneficiaries was excluded from the fair value.

(2) Following the distribution of dividends by deduction of share premium on July 5, 2016 and in accordance with provisions contained in free share plans issued by Rexel, rights granted under such alive plans were adjusted to allow holders to invest the same amount of money as planned at the grant date.

Plans issued in 2013

On April 30, and July 25, 2013, Rexel entered into free share plans for its key executives & managers amounting to a maximum of 2,131,539 shares. According to these plans, these employees and executives will either be eligible to receive Rexel shares two years after the grant date these being restricted for an additional two-year period, the so-called "2+2 Plan", or four years after the granting date with no subsequent restrictions, the so-called "4+0 Plan".

Furthermore, on April 30, 2013, Rexel entered into free share plans for its operational managers amounting to a maximum of 521,600 shares. According to these plans, these employees will either be eligible to receive Rexel shares three years after the grant date (May 2, 2016) these being restricted for an additional two-year period (May 2, 2018), the so-called "3+2 Plan", or five years after the grant date with no subsequent restrictions, the so-called "5+0 Plan".

The effective delivery of these bonus shares is subject to service, performance and market conditions set forth in the plan as described below:

Beneficiaries		**Members of Group Executive Committee and top managers**		**Operational Managers**		**Total**
Vesting conditions		Two year service condition from grant date and performance conditions based on: (i) 2013 adjusted EBITA, (ii) 2012/2014 adjusted EBITA margin increase (iii) average free cash flow before interest and tax to EBITDA between 2013 and 2014 (iv) free cash flow before interest and tax 2013 and (v)Two-year service condition from grant date and Rexel share performance compared with a panel of shares from firms of the same activity segment conditions		Three-year service condition from grant date		
Plan		2+2	4+0	3+2	5+0	
Delivery date		May 4, 2015	May 2, 2017	May 2, 2016	May 2, 2018	
Share fair value at grant date April 30, 2013	**(1)**	13.70	12.04	14.37	12.71	
Maximum number of shares granted on April 30, 2013		793,310	1,259,819	99,100	422,500	**2,574,729**
Delivery date		July 27, 2015	July 26, 2017			
Share fair value at grant date July 25, 2013		15.73	14.07			
Maximum number of shares granted on July 25, 2013		50,694	27,716			**78,410**
Total maximum number of shares granted in 2013		**844,004**	**1,287,535**	**99,100**	**422,500**	**2,653,139**
Adjustment	**(2)**	-	9,404	-	11,174	**20,578**
Number of shares cancelled		(643,484)	(1,014,721)	(21,200)	(102,529)	**(1,781,934)**
Number of shares delivered		(200,520)	(282,218)	(77,900)	(331,145)	**(891,783)**
Total maximum number of shares granted as of December 31, 2018		-	-	-	-	-

(1) The fair value of Rexel's shares was computed based on a Monte Carlo model which simulates the evolution of Rexel and panel shares quotations over three years. The impact of restrictions attached to the dividends until the delivery date of the shares to the beneficiaries was excluded from the fair value.

(2) Following the distribution of dividends by deduction of share premium on July 5, 2016 and in accordance with provisions contained in free share plans issued by Rexel, rights granted under such alive plans were adjusted to allow holders to invest the same amount of money as planned at the grant date.

19.2| Share-based payment expenses

Expenses related to free share plans accounted for in "Distribution and administrative expenses" are summarized as follows:

(in millions of euros)	**For the year ended December 31, 2018**	**2017**
Plans issued in 2013	(0.1)	0.2
Plans issued in 2014	(0.2)	(1.3)
Plans issued in 2015	(0.4)	(0.9)
Plans issued in 2016	1.0	3.6
Plans issued in 2017	5.1	3.1
Plans issued in 2018	3.4	-
Expense related to employee share purchase plan	0.4	0.7
Total free share plans expense	**9.1**	**5.4**

20. | EARNINGS PER SHARE

Information on the earnings and number of ordinary and potential dilutive shares included in the calculation is presented below:

	For the year ended December 31,	
	2018	2017 [1]
***Net income attributed to ordinary shareholders** (in millions of euros)*	***150.7***	***105.5***
Weighted average number of ordinary shares (*in thousands*)	301,846	301,841
Non-dilutive potential shares (in thousands)	248	685
Weighted average number of issued common shares adjusted for non - dilutive potential shares (in thousands)	***302,094***	***302,526***
Basic earning per share (in euros)	**0.50**	**0.35**
Dilutive potential shares (in thousands)	406	354
- of which share options (in thousands)	-	-
- of which bonus shares (in thousands) [2]	*406*	*354*
Weighted average number of common shares adjusted for dilutive potential shares (in thousands)	***302,500***	***302,880***
Fully diluted earnings per share (in euros)	**0.50**	**0.35**

[1] Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

[2] The number of potential dilutive shares does not take into account the free shares whose allocation is subject to future performance or market conditions not yet met at the balance sheet date.

21. | PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(in millions of euros)	As of December 31, 2018	2017
Provisions	53.2	46.2
Derivatives	2.4	1.7
Other non-current liabilities [1]	7.5	8.4
Provisions and other non-current liabilities	**63.2**	**56.3**

[1] Including employee profit sharing related payables in France in the amount of €7.5 million (€8.4 million at December 31, 2017).

The variation in provisions is detailed in the table below:

(in millions of euros)	Restructuring (1)	Tax litigation	Other litigation & warranty claims (2)	Vacant properties (3)	**Total provisions**
As of January 1, 2017	**27.7**	**5.8**	**27.4**	**10.9**	**71.8**
Increase	13.8	-	5.2	2.3	**21.2**
Use	(23.0)	(4.9)	(7.6)	(3.8)	**(39.4)**
Release	(1.5)	-	(0.6)	(0.1)	**(2.2)**
Currency translation adjustment	(0.8)	-	(0.2)	(0.4)	**(1.3)**
Other changes	0.1	(0.2)	(3.8)	-	**(3.9)**
As of December 31, 2017	**16.2**	**0.6**	**20.5**	**8.9**	**46.1**
Increase	25.4	0.3	7.2	8.5	**41.4**
Use	(12.8)	(0.1)	(3.0)	(6.2)	**(22.0)**
Release	(0.3)	-	(9.4)	(0.4)	**(10.2)**
Currency translation adjustment	0.0	-	(0.1)	(0.0)	**(0.1)**
Other changes	(2.9)	-	0.8	-	**(2.1)**
As of December 31, 2018	**25.5**	**0.9**	**16.0**	**10.7**	**53.2**

Provisions mainly comprise:

(1) Provisions for reorganization and business transformation programs to adapt the Group's structure to current trading conditions. These restructuring plans resulted in the closure of branches, optimization of distribution centers and back office reorganization. Provisions for restructuring activities undertaken at December 31, 2018, mainly concerned Europe for €23.1 million (€8.4 million in 2017), North America for €1.3 million (€5.0 million in 2017), Asia-Pacific for €1.0 million (€1.7 million in 2017) and Corporate Holdings for nil (€1.1 million in 2017).

(2) Other litigations and warranty claims amounted to €16.0 million (€20.5 million in 2017), of which €2.6 million relating to litigation with French social security authorities (€9.8 million in 2017), €3.7 million to employee claims (€3.8 million in 2017), €2.0 million relating to sales tax and other litigations in Canada and €1.8 million to trade disputes (€2.3 million in 2017).

(3) Provisions for vacant properties include lease commitments and restoration costs incurred mainly in the United Kingdom for €4.5 million (€4.1 million in 2017), Germany for €3.3 million, and France for €1.0 million (€1.6 million in 2017)

22. | POST-EMPLOYMENT AND LONG-TERM BENEFITS

22.1|Defined benefit plans description

The Group provides employee benefits under various arrangements, including defined benefit and defined contribution plans. The specific conditions of these plans vary according to the rules applying in each country concerned. These plans include pensions, lump-sum payments on retirement, jubilees, early retirement benefits, and health care and life insurance benefits in favor of former employees, including retired employees.

The most significant funded defined benefit pension plans sponsored by the Group are in the United Kingdom, in Canada and in Switzerland. Related funds are managed through independent vehicles.

In the United Kingdom, Rexel operates deferred final salary defined benefits through the *Rexel UK Pension Scheme* fund. All sections under this plan are closed to new entrants with effect of April 5, 2002. Accrued benefits and pensions are subject to indexation. Statutory funding objectives are agreed between the Trustee board and the company. In that respect, the Trustee board carries out a full valuation of the Scheme at least every three years, after which a recovery plan of contributions is agreed with the company to restore any funding deficit. The most recent full valuation was performed on April 5, 2017. The 2018 valuation is a roll-forward based of this full valuation. The Trustee board is also responsible for determining the investment strategy of the plan.

In Switzerland, Rexel provides a second pillar pension plan for their employees. Assets are managed through a pension fund "*Pension Kasse*", the *Elektro Material Pension Plan*. The plan runs under a contribution-based pension plan agreement with guaranteed return, thus qualifying as a defined benefit plan. The Pension Board "*Conseil de Fondation*" is responsible to set up adequate company's and employee's contribution and asset allocation strategy that seeks to meet at least guaranteed return. A full valuation of this plan is performed each year.

In Canada, defined benefit pension plans mainly include:

- The Employees' Plan which is a registered plan and has both defined benefit and defined contribution provisions. The defined benefit provision of the plan has a career average type formula. This plan was closed to new entrants on January 1, 2000.
- The Executives' Pension Plan and the Supplementary Executives' Retirement Plan ("SERP") which provide retirees with a pension based on a percentage of their prior earnings. The Executives' Plan is a final average earnings defined benefit registered plan. The SERP has two provisions: the first provides benefit in excess of the limits of the Executives' Plan and the second portion provides a term annuity upon retirement based on a notional account.

A full actuarial valuation of Canadian plans is performed every three years. The most recent valuations were performed as at December 31, 2016. The 2018 quantitative information on these plans was prepared based on a roll forward of these full valuations.

22.2| Employee Benefit Plan information

The change in the present value of the obligation in respect of defined benefit plans is as follows:

	Defined benefit obligations				
(in millions of euros)	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
As of January 1, 2017	**519.9**	**259.0**	**237.2**	**197.9**	**1,214.0**
Service cost	-	2.5	7.4	5.8	15.6
Interest cost	13.8	8.8	1.1	4.1	27.8
Benefit payments	(15.3)	(12.2)	(5.8)	(9.6)	(42.9)
Employee contributions	-	0.5	3.6	0.4	4.5
Change in consolidation scope	-	-	-	13.4	13.4
Currency translation adjustment	(18.3)	(14.8)	(20.2)	(4.2)	(57.5)
Past service cost / settlement and other	-	-	(2.9)	-	(2.9)
Remeasurements					
Effect of change in demographic assumptions	-	*(6.0)*	-	*(0.8)*	*(6.8)*
Effect of change in financial assumptions	*22.9*	*13.9*	-	*5.4*	*42.2*
Effect of experience adjustments	*(10.1)*	*(3.0)*	*10.6*	*(3.8)*	*(6.3)*
As of December 31, 2017	**512.9**	**248.8**	**231.0**	**208.5**	**1,201.2**
Service cost	-	2.4	6.4	5.5	14.3
Interest cost	12.7	7.9	1.2	3.6	25.3
Benefit payments	(16.2)	(12.1)	(5.9)	(13.2)	(47.4)
Employee contributions	-	0.4	3.8	0.4	4.6
Change in consolidation scope	-	-	-	-	-
Currency translation adjustment	(3.7)	(8.6)	8.6	0.3	(3.5)
Past service cost / settlement and other	3.3	-	-	(0.1)	3.1
Remeasurements					
Effect of change in demographic assumptions	*(28.4)*	-	-	*0.4*	*(28.0)*
Effect of change in financial assumptions	*(29.1)*	*(17.9)*	*(16.1)*	*(12.6)*	*(75.6)*
Effect of experience adjustments	*9.9*	*0.3*	*(0.8)*	*1.0*	*10.4*
As of December 31, 2018	**461.5**	**221.1**	**228.1**	**193.7**	**1,104.4**

The change in the fair value of the defined benefit plan assets breaks down as follows:

(in millions of euros)	Plan assets				
	United Kingdom	*Canada*	*Switzerland*	*Other*	*Group*
As of January 1, 2017	**380.6**	**189.6**	**223.6**	**81.7**	**875.4**
Employer contributions	12.9	7.2	5.7	6.1	31.9
Employee contributions	-	0.5	3.6	0.4	4.5
Interest income	8.4	6.8	1.1	1.7	18.0
Benefit payments	(15.3)	(12.2)	(5.9)	(9.6)	(43.0)
Change in consolidation scope	-	-	-	12.3	12.3
Currency translation adjustment	(13.4)	(10.9)	(19.5)	(1.0)	(44.9)
Past service cost / settlement and other	-	-	-	-	-
Return on plan assets excluding interest income (OCI) [(1)]	1.4	4.5	18.8	2.2	26.8
As of December 31, 2017	**374.6**	**185.5**	**227.3**	**93.8**	**881.1**
Employer contributions	9.8	6.7	7.5	11.8	35.7
Employee contributions	-	0.4	3.8	0.4	4.6
Interest income	8.3	5.9	1.2	1.6	17.0
Benefit payments	(16.2)	(12.1)	(5.9)	(13.2)	(47.4)
Change in consolidation scope	-	-	-	-	-
Currency translation adjustment	(2.9)	(6.5)	8.4	(0.5)	(1.4)
Past service cost / settlement and other	-	-	-	-	-
Return on plan assets excluding interest income (OCI) [(1)]	(19.5)	(11.6)	(17.6)	(2.8)	(51.5)
As of December 31, 2018	**354.1**	**168.3**	**224.6**	**91.1**	**838.0**

[(1)] of which €(14.2) million of asset ceiling on the Switzerland plan (€(6.7) million in 2017).

The change in the net liability / (asset) breaks down as follows:

(in millions of euros)	Net liability / (Asset)				
	United Kingdom	*Canada*	*Switzerland*	*Other*	*Group*
As of January 1, 2017	**139.3**	**69.4**	**13.6**	**116.1**	**338.5**
Service cost	-	2.5	7.4	5.8	15.6
Interest cost	5.3	2.1	0.1	2.3	9.8
Past service cost/settlement and other	-	-	(2.9)	-	(2.9)
Employer contributions	(12.9)	(7.2)	(5.7)	(6.1)	(31.9)
Benefit payments	0.0	-	0.1	-	0.1
Change in consolidation scope	-	-	-	1.1	1.1
Currency translation adjustment	(4.9)	(3.9)	(0.7)	(3.2)	(12.7)
Remeasurements	11.5	0.4	(8.2)	(1.4)	2.3
As of December 31, 2017	**138.3**	**63.2**	**3.7**	**114.7**	**319.9**
Service cost	-	2.4	6.4	5.5	14.3
Interest cost	4.3	2.0	(0.0)	2.0	8.4
Past service cost/settlement and other	3.3	-	-	(0.1)	3.1
Employer contributions	(9.8)	(6.7)	(7.5)	(11.8)	(35.7)
Benefit payments	0.0	-	-	-	0.0
Currency translation adjustment	(0.8)	(2.1)	0.1	0.8	(2.0)
Remeasurements	*(28.0)*	*(6.1)*	*0.8*	*(8.5)*	*(41.7)*
As of December 31, 2018	**107.4**	**52.7**	**3.5**	**102.6**	**266.2**

The reconciliation of the liability recognized on the balance sheet with the present value of the obligation in respect of defined benefit plans is as follows:

	Liability reconciliation				
(in millions of euros)	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
For the year ended December 31, 2017					
Defined benefit obligations	**512.9**	**248.8**	**231.0**	**208.5**	**1,201.2**
of which Funded schemes	*512.5*	*227.3*	*227.3*	*123.9*	*1,091.0*
of which Unfunded schemes	*0.4*	*21.4*	*3.7*	*84.6*	*110.1*
Fair value of plan assets	(374.6)	(185.5)	(227.3)	(93.7)	(881.1)
Recognized net liability for defined benefit obligations	**138.3**	**63.2**	**3.7**	**114.7**	**319.9**
of which "Employee benefits"	*138.3*	*63.2*	*3.7*	*114.7*	*319.9*
For the year ended December 31, 2018					
Defined benefit obligations	**461.5**	**221.1**	**228.1**	**193.7**	**1,104.4**
of which Funded schemes	*461.1*	*201.7*	*224.6*	*114.6*	*1,002.1*
of which Unfunded schemes	*0.4*	*19.4*	*3.5*	*79.0*	*102.3*
Fair value of plan assets	(354.1)	(168.3)	(224.6)	(91.0)	(838.0)
Recognized net liability for defined benefit obligations	**107.4**	**52.7**	**3.5**	**102.6**	**266.2**
of which "Employee benefits"	*107.4*	*52.7*	*3.5*	*102.6*	*266.2*

22.3| Re-measurements of the net defined benefit liability

	Other comprehensive income				
(in millions of euros)	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
Return on plan assets excluding interest income and asset ceiling	(1.4)	(4.5)	(20.5)	(2.2)	(28.5)
Effect of change in demographic assumptions	-	(6.0)	-	(0.3)	(6.3)
Effect of change in financial assumptions	22.9	13.9	-	4.5	41.3
Effect of experience adjustments	(10.1)	(3.0)	12.2	(3.3)	(4.1)
OCI recognized for the year ended December 31, 2017	**11.4**	**0.4**	**(8.2)**	**(1.2)**	**2.4**
Return on plan assets excluding interest income and asset ceiling	19.5	11.6	17.6	2.8	51.5
Effect of change in demographic assumptions	(28.4)	-	-	0.4	(28.0)
Effect of change in financial assumptions	(29.1)	(17.9)	(16.1)	(12.6)	(75.6)
Effect of experience adjustments	9.9	0.3	(0.8)	1.0	10.4
OCI recognized for the year ended December 31, 2018	**(28.0)**	**(6.1)**	**0.8**	**(8.5)**	**(41.7)**

22.4| Employee Benefit expense

The expense recognized in the consolidated income statement breaks down as follows:

(in millions of euros)		Expense				
		United Kingdom	Canada	Switzerland	Other	Group
Service costs	(1)	-	2.5	7.2	5.8	15.5
Past service costs	(1)	-	-	(2.9)	-	(2.9)
Gain on settlement	(3)	-	-	-	0.7	0.7
Net Interest expense	(2)	5.3	2.1	0.1	2.3	9.8
Other	(1)	0.0	0.0	0.0	(0.0)	0.0
Expense recognized for the year ended December 31, 2017		**5.4**	**4.5**	**4.4**	**8.9**	**23.1**
Service costs	(1)	-	2.4	6.4	5.5	14.3
Past service costs	(4)	3.3	-	-	(0.3)	3.0
Net Interest expense	(2)	4.3	2.0	0.0	2.0	8.4
Other	(1)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)
Expense recognized for the year ended December 31, 2018		**7.6**	**4.3**	**6.4**	**7.2**	**25.6**

(1) Recognized as personnel costs (see note 8).

(2) Recognized as net financial expenses (see note 10).

(3) Recognized as other expenses.

(4) Recognized as other expenses impact of the equalization of Guaranteed Minimum Pension (GMP) in the United Kingdom (see note 9) and personal costs (see note 8).

Significant plan amendments and settlements

For the year ended December 31, 2018

There have been no significant event for the year ended December 31, 2018.

For the year ended December 31, 2017

In Switzerland, the pension scheme was amended to reduce the conversion factor of the employee savings capital into pension payments. The reduction of the conversion factor was partly compensated by additional employer contribution into employee savings capital. The net impact of this amendment was recognized as a reduction of past service costs for €2.9 million (CHF3.3 million) for the period ended December 31, 2017.

In addition, as part of its derisking strategy, the Group entered into a 5-year qualifying insurance contract to finance disability coverage benefits, previously funded through the Swiss pension fund. Under this contract, the insurance company will pay the benefit payments to the plan beneficiaries on behalf of the pension fund. As a result, a change of plan assets for €3.8 million was recognized as a gain in other comprehensive income for the period ended December 31, 2017.

22.5| Plan asset allocation

(in millions of euros)	Plan assets class		
	United Kingdom	Canada	Switzerland
Cash and cash equivalents	0.3	0.9	11.1
Equity instruments (quoted in an active market)	14.9	80.7	80.7
Debt instruments (quoted in an active market)	78.4	100.9	86.3
Real estate	-	-	44.8
Investment funds	276.3	-	-
Asset held by insurance company	3.7	3.1	6.9
Other	0.2	-	4.2
As of December 31, 2017	**373.8**	**185.6**	**233.9**
Cash and cash equivalents	4.4	0.8	12.5
Equity instruments (quoted in an active market)	14.1	73.1	84.0
Debt instruments (quoted in an active market)	74.1	91.5	88.0
Real estate	-	-	51.7
Investment funds	257.6	-	-
Asset held by insurance company	3.5	2.9	4.7
Other	0.3	-	4.3
As of December 31, 2018	**354.1**	**168.4**	**245.2**

22.6| Actuarial assumptions

The main actuarial assumptions are as follows:

	United Kingdom		Canada		Switzerland	
	2018	2017	2018	2017	2018	2017
Average plan duration *(in years)*	17	19	12	13	15	15
Discount rate *(in%)*	3.00	2.50	3.90	3.25	1.00	0.50
Future salary increases *(in %)*	N/A	N/A	3.00	3.14	1.00	1.00

Discount rates have been set by reference to market yields on high quality corporate bonds (AA rated-bonds by at least one of the top three rating agencies: Standard & Poor's, Moody's and Fitch) with a similar duration to the underlying obligation. Each future year expected benefit payments are discounted by the corresponding of the yield curve and when there is no deep market in bonds with a sufficiently long maturity to match the maturity of the benefit payments, the discount rate is estimated by extrapolating current market rates along the yield curve. Then a single discount rate is calculated that, when applied to all cash-flows, results in the same interest cost as the application of the individual rates would have produced.

22.7| Post-employment plan risks

In order to identify and deal with the risks in relation to the management of pension and other post-retirement plans, a pension committee made up by Finance and Human Resources representatives, meets on a quarterly basis. This pension committee, supported by experts, reviews, in particular, the funding of pension plans, and the performance of the pension plan's assets. It is informed of any material event in relation to the benefits granted to employees, the financial impact in relation to the plans, or changes in the regulations. The committee reports to Audit Committee on a yearly basis.

The Group's major defined benefit plans are subject to funding requirements that mainly fluctuate based on interest rates, performance of plan assets and changes in local regulations. Depending on changes in the above parameters, the Group may be required to make additional contributions to the pension funds in a defined time frame.

- Volatility in discount rates and inflation

The defined benefit liability is calculated by discounting future expected cash flows. Discount rates are determined based upon bonds yield prevailing at the measurement date which may fluctuate from one period to another. In addition, accrued benefits and pension annuities are usually subject to salary increase and conditional or unconditional indexation which vary depending on inflation level. Any change in the above parameters may adversely affect the defined benefit liability and the service cost, and thus triggers additional contributions to comply with local minimum funding requirements.

- Volatility in asset values

Plan assets mainly include equities, fixed incomes securities and other assets which values are subject to market volatility. A downturn in financial markets would result in an increase of the net liability and, therefore, in reduced funding ratios requiring additional contributions from the Group in a defined time frame.

Sensitivity analysis

	Sensitivity to a 50 basis points decrease in discount rate				
(in millions of euros)	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
Service cost	-	0.1	0.5	0.3	1.0
Defined Benefit Obligation	40.6	14.6	18.9	13.0	87.0
	Sensitivity to a 10% downturn in financial market				
(in millions of euros)	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
Plan assets	(1.4)	(7.3)	(8.4)	(0.5)	(17.6)

Risk Management

To mitigate risks identified above, the Group has already implemented or is currently setting up the following actions which include changes in the design of the defined benefit schemes as well as financial measures:

- Closure of defined benefits schemes, where appropriate, and move to defined contribution plans, with frozen benefit rights;
- Rationalization of benefits including the level of pension benefits, conversion rate factors and indexation caps;
- Selective additional cash contributions to increase funding level, on top of regular contributions;
- Inflation and Interest rate hedging;
- Adoption of investment strategies that broadly match the nature of the liabilities, with a progressive alignment of asset allocation and pension plans duration;
- Regular meetings with trustees;
- Periodic review of investment performance by independent advisors to monitor investment volatility.

22.8| Expected cash flows

	Expected cash flow				
(in millions of euros)	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
Expected benefit payments for 2019	15.0	12.2	6.6	8.5	42.3
Expected benefit payments for 2020	14.8	12.6	6.9	9.5	43.7
Expected benefit payments for 2021	15.3	12.9	7.1	15.3	50.6
Expected benefit payments for 2022	16.4	13.1	7.4	10.1	47.0
Expected benefit payments for 2023 and after	112.1	83.9	51.8	63.0	310.9
Expected benefit contributions for 2019	11.2	6.6	7.1	8.2	33.0

23. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of December 31, 2018. Financial liabilities include interest-bearing loans from financial institutions, borrowings and accrued interests less transaction costs.

23.1| Net financial debt

As of December 31, 2018, Rexel's consolidated net debt stood at €2,030.4 million, consisting of the following items:

(in millions of euros)	As of December 31, 2018			As of December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Senior notes	-	1,456.2	1,456.2	-	1,446.6	1,446.6
Securitization	517.0	484.2	1,001.2	-	1,007.6	1,007.6
Bank loans	7.7	0.9	8.6	12.1	1.8	13.9
Commercial paper	40.0	-	40.0	41.7	-	41.7
Bank overdrafts and other credit facilities	84.1	-	84.1	100.6	-	100.6
Finance lease obligations	4.5	11.2	15.8	6.2	14.3	20.5
Accrued interests (1)	5.0	-	5.0	6.3	-	6.3
Less transaction costs	(4.4)	(16.3)	(20.7)	(5.1)	(19.7)	(24.7)
Total financial debt and accrued interest	***654.0***	***1,936.2***	***2,590.2***	***161.8***	***2,450.5***	***2,612.3***
Cash and cash equivalents			(544.9)			(563.6)
Accrued interest receivable			(2.2)			(1.0)
Debt hedge derivatives (2)			(12.7)			(6.5)
Net financial debt			**2,030.4**			**2,041.2**

(1) Of which accrued interests on Senior Notes for €1.8 million as of December 31, 2018 (€2.5 million as of December 31, 2017).

(2) Debt hedge derivatives include fair value hedge interest rate derivatives and foreign exchange derivatives designated as hedge of financial debt.

23.1.1| Senior Facility Agreement

The Senior Facility Agreement initially executed on March 15, 2013 subsequently amended - the latest amendment being dated January 31, 2018 - provides multicurrency revolving credit facility for an aggregate maximum initial amount of €850 million with BNP Paribas, Crédit Agricole Corporate and Investment Bank, Crédit Industriel et Commercial, HSBC France, ING Bank France, Natixis and Société Générale as Mandated Lead Arrangers and Bookrunners. The final maturity date was set on January 31, 2023. Facilities can also be drawn down through swingline loans for an aggregate amount of €137.8 million. On January 31, 2019, Rexel exercised its option to extend the final maturity date by one additional year, from January 31, 2023 to January 31, 2024.

Interest and margin

Amounts drawn bear interest at a rate determined in reference to (i) the EURIBOR rate when funds are made available in Euro or the LIBOR rate when funds are made available in currencies other than Euro, (ii) the applicable margin, (iii) certain *premia* for loans in currencies other than euro and (iv) mandatory costs (representing the costs to be borne by the lenders for the financing of the banking control system imposed by the banking regulatory authorities of their respective countries), if any.

Swingline drawings bear interest at a rate determined in reference to (i) the EONIA rate, (ii) the applicable margin and (iii) mandatory costs, if any.

The initial applicable margin is 1.25% per annum and varies in accordance with the ratio (defined as the ratio of consolidated adjusted total net debt to consolidated adjusted EBITDA, in each case as such terms are defined under the Senior Facility Agreement) calculated as of December 31 and June 30 of every year. The margin ranges from 0.60% to 2.25%.

In addition, the applicable margin shall be increased by a utilization fee that varies depending on the percentage of the total commitment drawn under the Senior Facility Agreement at any given time.

Rexel shall also pay a commitment fee in the base currency on that lender's available commitment the amount of which varies based on the leverage ratio.

The Leverage Ratio corresponds to adjusted total net debt relative to adjusted EBITDA, as such terms are defined below:

"Adjusted EBITDA" means, in relation to a measurement period, consolidated operating income without double counting before other income (or expenses) as defined in the relevant consolidated accounts of the Group:

- Including the last 12 months of Adjusted EBITDA of any Subsidiary acquired in that measurement period *pro rata* the participation of the Group;
- Including proceeds related to commodity price derivatives entered into to hedge exposure to the price fluctuation of certain commodities which do not qualify for cash flow hedge accounting as per applicable IFRS;
- After adding back EBITDA of assets held for sale and not taking into account EBITDA of assets sold during the measurement period;
- After adding back net operational depreciation/amortization;
- Taking no account of any expense referable to equity settled share based compensation of employees or management, to the extent the balance of it is taken in account into financial indebtedness;
- After adding back non-cash employee share, incentive or remuneration scheme costs entered into as part of equity-based remuneration of employees of the Group, as well as legal profit sharing, to the extent the balance of it is taken into account in financial indebtedness;
- Excluding the non-recurring impact of the evolution of the copper prices as disclosed in the press release published in connection with the consolidated financial statements for such measurement period;
- After adding back any other restructuring and/or acquisition costs relating to any permitted acquisition.

"Adjusted total net debt" means:

- any indebtedness for or in respect of interest bearing debt (whether or not in cash or in kind, both current and non-current) but which shall:
  - Exclude any upfront, legal, advisory costs related to the implementation of such debt as well as the financial charges accounted for as a result of the repayment of any outstanding debt of the borrower;
  - Exclude intragroup loans between members of the Group;
  - Include any indebtedness for or in respect of any amount payable in respect of securities issued by any member of the Group which are not mandatorily redeemable in shares; and
  - Include any other amount raised under any other transaction accounted for as borrowing under the accounting standards;
- Any indebtedness for or in respect of accrued interest (including capitalized interest and any payment in kind) other than in respect of intragroup loans between members of the Group; less
- Cash and cash equivalents.

This ratio may exceed 3.50 on three accounting dates during the life of the Senior Facility Agreement, being specified that only two of such three accounting dates may be consecutive, and provided that (i) such ratio does not exceed 3.75 times on two accounting dates during the life of the Senior Facility Agreement and (ii) such ratio does not exceed 3.90 times on one accounting date during the life of the Senior Facility Agreement.

In addition to the Senior Facility Agreement, Rexel entered into two bilateral term loan agreements of €34.9 million (US$ 40.0 million) and €45.0 million. On June 27, 2017, Rexel extended the maturity date of its US$ 40 million facility with Wells Fargo Bank International to June 26, 2020 whereas the €45 million facility has been cancelled on January 31, 2018.

As of December 31, 2018, all these credit facilities were undrawn.

23.1.2| Senior notes

As of December 31, 2018, the carrying amount of the existing senior notes is detailed as follows:

	As of December 31, 2018					As of December 31, 2017				
	Nominal amount *(in millions of currency)*		Nominal amount *(in millions of euros)*	Fair value adjust-ments [1]	Total	Nominal amount *(in millions of currency)*		Nominal amount *(in millions of euros)*	Fair value adjust-ments [1]	Total
3.500% Senior notes due 2023	EUR	650.0	650.0	0.7	**650.7**	EUR	650.0	650.0	0.1	**650.1**
2.625% Senior notes due 2024	EUR	300.0	300.0	2.9	**302.9**	EUR	300.0	300.0	(1.2)	**298.8**
2.125% Senior notes due 2025	EUR	500.0	500.0	2.6	**502.6**	EUR	500.0	500.0	(2.4)	**497.6**
TOTAL			1,450.0	6.2	**1,456.2**			1,450.0	(3.4)	**1,446.6**

(1) Adjustment to reflect interest rate fluctuations on the part of the notes hedged through fair value hedge derivatives (see note 24.1).

€650 million notes due 2023

On May 18, 2016, Rexel issued €650 million of senior unsecured notes due 2023 which bear interests at 3.50% annually.

The notes rank *pari passu* with Rexel's senior credit facility and other senior unsecured notes. Rexel pays interest on the notes semi-annually on June 15 and December 15, starting from December 15, 2016. The notes mature on June 15, 2023 and are listed on the Luxembourg Stock Exchange.

These notes are redeemable in whole or in part at any time prior to June 15, 2019 at a redemption price equal to 100% of their principal amount, plus a "make-whole" premium and accrued and unpaid interest. On or after June 15, 2019, the notes are redeemable in whole or in part by paying the redemption price set forth below:

Redemption period beginning on:	Redemption price (as a % of principal amount)
June 15, 2019	101.750%
June 15, 2020	100.875%
June 15, 2021 and after	100.000%

€300 million notes due 2024

On March 13, 2017, Rexel issued €300 million of senior unsecured notes due 2024 which bear interests at 2.625% annually.

The notes rank *pari passu* with Rexel's senior credit facility and other senior unsecured notes. Rexel pays interest on the notes semi-annually on June 15 and December 15, starting from June 15, 2017. The notes mature on June 15, 2024 and are listed on the Luxembourg Stock Exchange.

These notes are redeemable in whole or in part at any time prior to March 15, 2020 at a redemption price equal to 100% of their principal amount, plus a "make-whole" premium and accrued and unpaid interest. On or after March 15, 2020, the notes are redeemable in whole or in part by paying the redemption price set forth below:

Redemption period beginning on:	Redemption price (as a % of principal amount)
March 15, 2020	101.313%
March 15, 2021	100.656%
March 15, 2022 and after	100.000%

On June 16, 2017, proceeds from this issuance were used to repay the remaining outstanding 5.25% US$500 million senior notes due 2020 for a principal amount of US$330 million. The redemption price was 102.625% of the principal amount of the redeemed notes and amounted €302.3 million. A loss of €6.3 million has been recognized in the net financial expenses including the early redemption premium plus unamortized transaction costs and fair value hedge adjustments.

€500 million notes due 2025

On November 20, 2017, Rexel issued €500 million of senior unsecured notes due 2025 which bear interests at 2.125% annually.

The notes rank *pari passu* with Rexel's senior credit facility and other senior unsecured notes. Rexel pays interest on the notes semi-annually on June 15 and December 15, starting from June 15, 2018. The notes mature on June 15, 2025 and are listed on the Luxembourg Stock Exchange.

These notes are redeemable in whole or in part at any time prior to December 15, 2020 at a redemption price equal to 100% of their principal amount, plus a "make-whole" premium and accrued and unpaid interest. On or after December 15, 2020, the notes are redeemable in whole or in part by paying the redemption price set forth below:

Redemption period beginning on:	Redemption price (as a % of principal amount)
December 15, 2020	101.063%
December 15, 2021	100.531%
December 15, 2022 and after	100.000%

On December 15, 2017, proceeds from this issuance were used to repay its 3.250% senior notes due 2022 for a total amount of €517.0 million. A loss of €12.5 million has been recognized in the net financial expenses including the early redemption premium amounted to €17.0 million plus unamortized transaction costs and fair value hedge adjustments.

23.1.3| Securitization programs

Rexel runs several on-going securitization programs which enable it to obtain financing at a lower cost than issuing bonds or incurring bank loans.

The specific characteristics of Rexel Group's securitization programs vary depending on the country. The relevant subsidiaries remain responsible for the collection of receivables once assigned. These receivables are assigned to special-purpose entities operating with no action required by the subsidiaries. The special purpose vehicles obtain the financing required to purchase these receivables, notably through the issuance of short-term debt instruments such as French, US, or Canadian commercial paper, which is rated by rating agencies.

In exchange for the assigned receivables, the subsidiaries receive a cash payment from the special purpose vehicle, the amount of which represents the value of the receivables minus an amount committed to guarantee their recovery, which latter amount is only reimbursed, in whole or in part, after complete payment of the receivables. However, under certain programs, the Group also has the option of contributing its receivables in exchange for subscribing the securitization vehicle's subordinated notes.

In view of their characteristics, notably the fact that the Group retains a significant part of the late payment and credit risks, these receivables assignment programs, with the exception of an off-balance sheet US program described in the following paragraphs, do not qualify for derecognition under IFRS 9 requirements. Therefore, assigned receivables remain classified as assets on the Group's balance sheet on the line "Trade accounts receivable" whereas the financing received is shown as financial debt.

In addition to these on-balance sheet programs, in 2009, the Group entered into an agreement with Ester Finance Titrisation (the purchaser), a French subsidiary of CALYON, to sell a participating interest in eligible trade receivables of Rexel's US subsidiaries under a *Receivables Participation Agreement* ("RPA"). This agreement was amended in 2016 and allows the Group to assign eligible receivables and receive cash consideration up to a maximum amount of US$225 million. The maturity of this program was extended to December 2019.

The purchase price of the receivables is equal to the face value of the receivables sold less a discount including a credit risk premium and the funding cost. Under the RPA, the Group is liable for collecting the receivables on behalf of the purchaser and receives servicing fees as remuneration of this obligation. As part of this transaction, the Group entered into a Collateral and Intercreditor Agreement to secure the performance of its obligations under the RPA. The obligations of the Group under the RPA guarantee the transfer of cash collected by the Group on behalf of the purchaser, as well as the payment of expenses and allowances due by the Group. However, these guarantees do not include any compensation obligation in relation to unrecovered receivables.

As a result of this agreement, credit risk, interest risk and late payments risk attached to the receivables assigned in relation to the Ester program are transferred to the purchaser through the credit and funding discounts. The dilution risk is not considered for risks and rewards analysis as this risk is not attached to the receivables but is analyzed as a risk of misuse of the securitization program as disputed receivables are not eligible to the program or as a risk attached to the servicing of the receivables that is guaranteed by a collateral. Therefore, receivables sold under this agreement are derecognized from the balance-sheet at the transfer date.

The difference between the sale price and the carrying value of these receivables is recorded in the income statement as a financial expense.

As of December 31, 2018, derecognized receivables totaled €196.5 million (€183.3 million as of December 31, 2017) and the resulting loss was recorded as a financial expense for €10.4 million (€9.4 million in 2017). Cash collected under the servicing agreement in relation to derecognized receivables and not yet transferred to the purchaser totaled €31.9 million and was recognized in financial liabilities (€33.2 million as of December 31, 2017).

The Group did not retain any interests in the receivables sold under this program.

Securitization programs are subject to certain covenants concerning the quality of the trade receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables). As of December 31, 2018, Rexel had satisfied all of these covenants. All the programs are on-going programs and therefore are not subject to seasonality other than seasonality arising in the ordinary course of business.

Information with respect to Rexel's securitization programs including the off-balance sheet programs is provided in the table below:

Program	Commitment	Amount of receivables assigned as of December 31, 2018	Amount drawn down as of December 31, 2018	Balance as of December 31, 2018	Balance as of December 31, 2017	Maturity
		(in millions of currency)		*(in millions of euros)*		
Europe and Australia	EUR 375.0	EUR 506.7	EUR 372.3	372.3	376.0	12/16/2020
Europe	EUR 309.0	EUR 405.1	EUR 263.7	263.7	288.3	11/20/2019
United States - on balance sheet	USD 290.0	USD 484.0	USD 290.0	253.3	226.8	12/20/2019
United States - off balance sheet	USD 225.0	USD 225.0	USD 225.0	196.5	183.3	12/20/2019
Canada (1)	CAD 180.0	CAD 260.4	CAD 174.6	112.0	116.4	01/18/2020
TOTAL				**1,197.7**	**1,190.8**	
***Of which*:**		*- on balance sheet:*		*1,001.2*	*1,007.6*	
		- off balance sheet :		*196.5*	*183.3*	

(1) In December 2018, Rexel amended its Canadian program to extend the maturity date to January 2020 and increased the commitment of this program from CAD175 million to CAD180 million.

These securitization programs pay interest at variable rates including a specific credit spread to each program. As of December 31, 2018, the maximum commitment of all these securitization programs increased by €3.2 million (CAD5.0 million) as compared to December 31, 2017 in connection with the Canadian program. The total outstanding amount authorized for these securitization programs was €1,249.1 million, of which €1,197.7 million were used.

23.1.4| Factoring arrangements

In addition to its securitization programs, Rexel entered into factoring agreements in France and Belgium. Under these arrangements, Rexel assigns trade receivables to the factor and receives cash payment for a maximum amount of €95 million.

As a result of these arrangements, the Group transfers the credit risk, interest risk and late payment risk to the factor, and remains liable for collecting the receivable on behalf of the factor. As of December 31, 2018, Rexel derecognized the trade receivables sold to the factor for €74.8 million (€73.2 million as of December 31, 2017). Cash collected on behalf of the factor in relation with the transferred receivables was recognized in financial liabilities for €18.9 million as of December 31, 2018 (€25.6 million as of December 31, 2017).

23.1.5| Commercial paper program

Rexel runs a €300 million commercial paper program, with fixed maturities ranging from one to three months depending on the notes, issued to diversify its investor base and minimize the cost of financing.

As of December 31, 2018, the company had issued €40.0 million of commercial paper (€41.7 million as of December 31, 2017).

23.1.6| Promissory notes

In order to manage its credit risk in China, the Group discounts with no recourse to various financial institutions non-matured promissory notes issued by banks (“Bank Acceptance Drafts”) that are received from customers as payment of trade receivables. Rexel transfers risks and benefits associated with discounted Bank Acceptance Drafts. As of December 31, 2018, Bank Acceptance Drafts were derecognized from the balance sheet for €52.8 million (€55.9 million as of December 31, 2017).

23.2| Change in net financial debt

As of December 31, 2018, and December 31, 2017, the change in net financial debt was as follows:

	For the year ended December 31,	
(in millions of euros)	**2018**	**2017**
As of January 1,	**2,041.2**	**2,172.6**
Issuance of senior notes net of transaction costs	-	790.6
Repayment of senior notes	-	(819.3)
Transaction costs and refinancing costs	(1.3)	(0.1)
Net change in credit facilities, commercial papers and other financial borrowings	(8.3)	(80.4)
Net change in credit facilities	**(9.6)**	**(109.3)**
Net change in securitization	(6.9)	(29.3)
Net change in finance lease liabilities	(4.7)	(3.0)
Net change in financial liabilities	***(21.2)***	***(141.6)***
Change in cash and cash equivalents	(31.1)	105.7
Effect of exchange rate changes on net financial debt	22.4	(111.0)
Effect of acquisition	1.1	0.0
Effect of divestment	-	(12.1)
Amortization of transaction costs	4.4	6.0
Non recurring refinancing costs	1.1	23.3
Effect of assets held for sale classification	10.0	-
Other changes	2.7	(1.7)
As of December 31,	**2,030.5**	**2,041.2**

24. | MARKET RISKS AND FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

24.1| Interest rate risk

Rexel is exposed to interest rate risk through its indebtedness and cash management. Hedged items include borrowings, cash and cash equivalents and highly probable forecasted transactions derived from the 3-year Group business plan. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing debt, including senior notes, securitization and factoring arrangements, credit facilities and commercial paper. The risk component is limited to the risk-free interest rate, excluding credit spread and other financing components.

In order to hedge its exposure to changing interest rates, the Group has adopted an interest rate hedging strategy aimed at maintaining a 80% hedging ratio on a one-year rolling basis, 50% on a two-year rolling basis, 25% on a three-year rolling basis of its net financial debt at fixed or capped rates with the remainder at variable interest rates with a flexibility of +/- 20%. To manage this, the Group mainly enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

The breakdown of financial debt between fixed and variable rates, before and after hedging, is as follows:

(in millions of euros)	As of December 31, 2018	2017
Senior Notes and other fixed rate debt	1,446.5	1,445.7
Floating to fixed rate swaps	1,221.4	1,037.0
Fixed to floating rate swaps	(850.0)	(850.0)
Sub total fixed or capped rate instruments	***1,817.9***	***1,632.6***
Floating rate debt before hedging	1,128.8	1,159.2
Floating to fixed rate swaps	(1,221.4)	(1,037.0)
Fixed to floating rate swaps	850.0	850.0
Cash and cash equivalents	(544.9)	(563.6)
Sub total floating rate debt instruments	**212.5**	**408.6**
Total net financial debt	**2,030.4**	**2,041.2**

Fair value hedge derivatives

As of December 31, 2018, the portfolio of interest rate swaps used as hedge for exposure of changes in fair value of its senior notes disclosed in note 23.1.2 is as follows:

	Total notional amount *(in millions of currency)*	Total notional amount *(in millions of euros)*	Maturity	Weighted average fixed rate received	Floating rate paid	Fair value [1] *(in millions of euros)*
Swaps paying variable rate						
Euro	500.0	500.0	June 2022	0.55%	Euribor 3M	11.1
	50.0	50.0	June 2023	0.31%	Euribor 3M	0.6
	300.0	300.0	June 2024	0.33%	Euribor 3M	1.9
Total		**850.0**				**13.6**

(1) Derivative instruments are presented at fair value, including accrued interest receivable for €0.3 million.

The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized in the income statement as interest expenses on borrowings. The changes in fair value of the derivatives and the changes in the fair value of the hedged item are recognized in the income statement to match each other.

Any adjustment to carrying value of items carried at amortized cost is amortized through profit or loss over the remaining term.

The change in fair value of these fair value hedging swaps for the year ended December 31, 2018 represented a gain of €6.6 million, offset by a loss of €9.6 million resulting from the change in the fair value of the senior notes.

Cash-flow hedge derivatives

In accordance with the policy described above, the Group has entered into several fixed interest rate swap contracts.

Cash-flow hedge swaps mature until December 2021. The Group intends to renew a significant portion of these swaps in order to hedge the variability of future interest expense related to its floating interest debt mainly associated with securitization programs, in accordance with the strategy described above. The allocation of hedging instruments among currencies hinges upon the Group's expectations concerning trends of the interest rates linked to those currencies.

As of December 31, 2018, derivative instruments classified as cash flow hedges are as follows:

	Total notional amount *(in millions of currency)*	**Total notional amount** *(in millions of euros)*	**Maturity**	**Floating rate received**	**Weighted average fixed rate paid (received)**	**Fair value** [(1)] *(in millions of euros)*
Swaps paying fixed rate						
American dollar……………………	100.0	87.3	December 2019	Libor 3M	1.68%	0.9
	150.0	131.0	April 2020	Libor 3M	1.78%	1.7
	150.0	131.0	September 2020	Libor 3M	1.68%	2.5
	250.0	218.3	December 2021	Libor 3M	2.88%	(1.8)
Canadian dollar……………………	30.0	19.2	June 2020	CDOR 3M	1.11%	0.3
	50.0	32.0	August 2021	CDOR 3M	2.34%	(0.1)
Australian dollar…………………	75.0	46.2	July 2020	SW AUD 3M	1.94%	(0.0)
Swiss franc………………………	50.0	44.4	October 2021	Libor 3M	(0,43)%	(0.2)
Euro………………………………	150.0	150.0	January 2019	Euribor 3M	(0,30)%	(0.0)
	200.0	200.0	January 2020	Euribor 3M	(0,19)%	(0.3)
Total		**1,059.6**				**3.1**

(1) Derivative instruments are presented at fair value, including accrued interest receivable for €0.2 million.

The change in fair value of the cash flow hedging instruments for the year ended December 31, 2018 was recorded as a €1.8 million decrease in cash-flow hedge reserve (before tax). The ineffectiveness recognized in profit and loss in 2018 was immaterial.

Derivatives not eligible for hedge accounting

In line with its hedging strategy to fix a portion of its net debt, the Group uses interest rate swaps as hedges of variable cash-flows which are not designated as cash flow hedges.

	Total notional amount *(in millions of currency)*	**Total notional amount** *(in millions of euros)*	**Maturity**	**Floating rate received (paid)**	**Weighted average fixed rate paid (received)**	**Fair value** [(1)] *(in millions of euros)*
Swaps paying fixed rate						
Swedish Krona……………………	750.0	73.1	February 2020	Stibor 3M	(0.07)%	(0.0)
Swiss franc………………………	100.0	88.7	February 2020	Libor 3M	(0.69)%	(0.2)
Total		**161.9**				**(0.3)**

(1) Derivative instruments are presented at fair value, including accrued interest payable of €0.1 million.

These derivatives are designated primarily as hedges of variable cash flows arising from interest rate swaps and are not eligible to hedge accounting under IFRS 9 requirements.

Sensitivity to interest rate variation

As of December 31, 2018, a 1% increase in interest rates on variable debt after effective interest rate hedging would lead to an increase in the current annual interest expense estimated to €8.8 million and a €17.5 million gain related to the change in fair value of the hedging instruments of which a €3.2 million in the income statement and €14.3 million in other comprehensive income.

24.2| Foreign exchange risk

The Group's financing policy is to centralize external borrowings and to provide financing to its foreign subsidiaries in their own functional currencies. The foreign currency risk arises principally from intercompany financings denominated in currencies other than euro and is managed at corporate level. In order to neutralize foreign exchange risk exposure, the Group's parent company incurs external indebtedness in foreign currencies other than euro or enters into foreign exchange derivatives (forward contracts or exchange rate swaps). For the year ended December 31, 2018, unrealized exchange loss in other comprehensive income related to external borrowings qualified as net investment hedges account for €18.7 million before tax.

As of December 31, 2018, the notional value of foreign exchange derivatives was €622.0 million (€637.6 million of forward sales and €15.6 million of forward purchases). Forward contracts are recognized at their fair value for a net negative amount of €0.6 million. The change in fair value of forward contracts for the year ended December 31, 2018 was recorded as a financial gain of €0.4 million.

Sensitivity to changes in foreign exchange rates

The Group's financial statements are presented in euros, and it is therefore required to translate into euro those assets, liabilities, revenues and expenses denominated in currencies other than the euro.

The results of these operations are included in the Group's consolidated income statement after conversion at the average rate applicable to the period. On an annual basis, a 5% increase (or decrease) of the euro against the main currencies (US dollar, Canadian dollar, Australian dollar and British Pound) would lead to a decrease (increase) in sales of €307.0 million and a decrease (increase) in operating income before other income and other expenses of €11.3 million.

The Group's financial liabilities and shareholders' equity are likewise included on its consolidated balance sheet after conversion at the financial year-end exchange rate. Thus, a 5% appreciation (depreciation) of the euro against the other currencies as compared to the closing exchange rates as of December 31, 2018 would result in a corresponding decrease (increase) in financial debt and shareholders' equity of €46.4 million and €137.2 million respectively.

Financial debt per repayment currency

The table below presents the financial debt's sensitivity to exchange rate changes for each repayment currency:

(in millions of euros)	**Euro**	**US dollar**	**Canadian dollar**	**Australian dollar**	**Norwegian krone**	**Swedish krona**	**British pound**	**Swiss franc**	**Chinese Renminbi**	**Other currencies**	**Total**
Financial liabilities	1,929.5	287.3	112.8	86.5	0.0	1.2	128.0	0.2	25.4	6.6	2,577.5
Cash and cash equivalents	(203.7)	(58.5)	(54.6)	(12.2)	(11.3)	(10.3)	(176.7)	(22.7)	(13.9)	16.9	(547.0)
Net financial position before hedging	**1,725.8**	**228.8**	**58.2**	**74.3**	**(11.3)**	**(9.1)**	**(48.7)**	**(22.5)**	**11.5**	**23.5**	**2,030.4**
Impact of hedges	(623.5)	216.5	-	33.5	15.3	47.1	-	309.3	-	1.9	0.0
Net financial position after hedging	**1,102.3**	**445.3**	**58.2**	**107.8**	**4.0**	**38.0**	**(48.7)**	**286.7**	**11.5**	**25.3**	**2,030.4**
Impact of a 5% increase in exchange rates	-	*22.3*	*2.9*	*5.4*	*0.2*	*1.9*	*(2.4)*	*14.3*	*0.6*	*1.3*	*46.4*

24.3| Liquidity Risk

The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its financial liabilities when they are due. The Group aims to maintain the level of its cash and cash equivalents and available credit facilities at an amount in excess of its cash outflows on financial liabilities over the next 12 months.

The contractual repayment schedule of financial liabilities is as follows:

(in millions of euros)	As of December 31,	
Due within	**2018**	**2017**
One year	658.4	166.9
Two years	488.2	638.2
Three years	2.2	379.4
Four years	1.2	1.7
Five years	651.8	0.8
Thereafter	809.0	1,450.2
Total gross financial debt before transaction costs	**2,610.9**	**2,637.1**
Transaction costs	(20.7)	(24.7)
Gross financial debt	**2,590.2**	**2,612.3**

As of December 31, 2018, the remaining contractual cash-flows in relation to financial indebtedness and derivatives, including interest owed, are as follows:

(in millions of euros)	As of December 31,		
Due within	**Financial debt & interests**	**Derivatives**	**Total**
One year	722.4	(9.2)	713.1
Two years	536.2	(6.1)	530.2
Three years	44.6	(2.5)	42.0
Four years	43.4	(0.3)	43.1
Five years	681.5	1.3	682.8
Thereafter	826.5	0.8	827.3
Total	**2,854.6**	**(16.1)**	**2,838.5**

The €650 million notes issued in May 2016 mature in June 2023, the €300 million notes issued in March 2017 mature in June 2024 and the €500 million notes issued in November 2017 mature in June 2025.

The Senior Facility Agreement maturity date was extended by one year until January 31, 2024 following the extension option exercised on January 31, 2019. The Senior Facility Agreement provides a five-year multicurrency revolving credit facility for an aggregate maximum available amount of €850 million which can also be drawn down through swingline loans for an aggregate amount of €137.8 million. As of December 31, 2018, this facility was undrawn.

On June 26, 2017, Rexel extended the maturity of its US$40 million Revolving Credit Facility Agreement with Wells Fargo Bank International for a period of three years ending on June 26, 2020. As of December 31, 2018, this facility was undrawn.

Lastly, as a result of amendments executed in 2016, 2017 and 2018 (see note 23.1.3), securitization programs mature in 2019 and 2020. The financing under these programs directly depends on the amounts and quality of transferred receivables. In the event that the relevant companies do not comply with certain obligations, these securitization programs may have to be repaid early, which could have an adverse effect on the Group's liquidity and financial situation. In addition, if the special purpose entities to which the receivables have been transferred were unable to issue short term debt (commercial paper) under conditions that are equal to those available up to now, the Group's liquidity and financial position could be affected.

In addition, the trade accounts payable amounted to €2,024.6 million as of December 31, 2018 (€2,034.8 million as of December 31, 2017) and are due in less than one year.

The Group's liquidity increased from €1,304.7 million as of December 2017 to €1,305.7 million as of December 2018. The Group's liquidity is in excess of €647.3 million compared to €658.4 million expected to be paid within the next twelve months with respect to financial debt repayment schedule.

(in millions of euros)	As of December 31,	
	2018	**2017** [1]
Cash and cash equivalents	544.9	563.6
Bank overdrafts	(84.1)	(100.6)
Commercial paper	(40.0)	(41.7)
Undrawn Senior Facility Agreement	850.0	850.0
Bilateral facilities	34.9	33.4
Liquidity	**1,305.7**	**1,304.7**

[1] Taking into consideration the amendment of the Senior Facility Agreement executed on January 31, 2018 (see note 23.1.1).

24.4| Counterparty risk

The financial instruments that could expose the Group to counterparty risk are mainly trade accounts receivable, cash and cash equivalents and derivative instruments.

Credit risk with respect to trade accounts receivable is limited due to the large number of customers, the diversity of their activities (contractors, manufacturers, municipalities), and their geographical spread in France and abroad. In addition, credit insurance programs have been implemented within the Group. As of December 31, 2018, the maximum risk corresponding to the total accounts receivable amounted to €2,091.5 million (€2,074.4 million as of December 31, 2017 restated) and is detailed in note 13.2 Trade accounts receivable.

The counterparty risk concerning cash, cash equivalents and hedging instruments is likewise limited by the quality of the relevant counterparties, which are the Group's traditional banking partners for its financing and are almost exclusively based in Europe. The outstanding amount was €563.9 million as of December 31, 2018 (€577.3 million as of December 31, 2017 restated), which equals the net book value of the aforementioned items.

The maximum counterparty risk on the Group's other financial assets was €561.6 million (€550.7 million as of December 31, 2017 restated) and mainly corresponds to supplier discounts receivable.

25. | SUMMARY OF FINANCIAL LIABILITIES

(in millions of euros)	Category IFRS 9	Fair value Hierarchy*	As of December 31, 2018		2017 [1]	
			CARRYING AMOUNT	**FAIR VALUE**	**CARRYING AMOUNT**	**FAIR VALUE**
Bonds	AC	1	1,456.2	1,433.9	1,446.6	1,481.4
Other financial debts, including accrued interest	AC		1,134.0	1,134.0	1,165.7	1,165.7
Total financial liabilities			**2,590.2**	**-**	**2,612.3**	**-**
Hedging derivatives [2]	FV P&L	2	-	-	1.6	1.6
Hedging derivatives [2]	FV OCI	2	2.4	2.4	-	-
Other derivative instruments not elligible to hedge accounting	FV P&L	2	0.0	0.0	0.1	0.1
Other liabilities [3]	N/A	2	7.5	N/A	8.4	N/A
Total other non-current liabilities			**9.9**	**-**	**10.1**	**-**
Trade accounts payable	AC		**2,024.6**	**2,024.6**	**2,034.8**	**2,034.8**
Customer rebates payable	AC		155.1	155.1	137.9	137.9
Personal and social obligations [3]	N/A		253.0	N/A	253.7	N/A
VAT payable and other sales tax [3]			61.8	N/A	76.1	N/A
Hedging derivatives [2]	FV OCI	2	-	-	0.1	0.1
Other derivative instruments not elligible to hedge accounting	FV P&L	2	1.1	1.1	1.1	1.1
Other liabilities	AC		259.9	259.9	248.9	248.9
Deferred income [3]	N/A		7.9	N/A	8.6	N/A
Total other debts			**738.8**	**-**	**726.3**	**-**

Financial liabilities - stated at amortized cost	AC
Fair value through profit or loss	FV P&L
Fair value through other comprehensive income	FV OCI

* For fair value hierarchy see note 3.11

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see note 3.2.1).

(2) Specific accounting treatment for hedging.

(3) Not classified as a financial instrument under IFRS 9.

26. | OPERATING LEASES

The following table details the Group’s obligations in relation to operating lease contracts, representing in 2018 the payments under non-cancelable leases:

(in millions of euros)	Payments outstanding as of December 31,	
Due within	**2018**	**2017**
One year	217.3	201.8
Two years	164.1	155.8
Three years	133.9	123.4
Four years	94.1	94.8
Thereafter	234.7	185.2
Total	**844.1**	**761.0**

Due to the forthcoming adoption of IFRS 16 “Leases”, as of December 31, 2018, the Group has modified the calculation of future lease payments to better reflect the expected duration of the lease agreements rather than minimum lease payments.

The total expense under operating lease contracts was €212.1 million for the year ended December 31, 2018 (€218.6 million as of December 31, 2017).

27. | RELATED PARTY TRANSACTIONS

Executive compensation

Expenses relating to compensation of the Executive Committee members of the Group are as follows:

(in millions of euros)	For the year ended December 31, 2018	2017
Salaries and other short-term benefits	7.1	8.8
Post-employment benefits (service costs)	0.4	0.3
Indemnities at termination of contract	1.0	2.1
Free shares and stocks options (1)	1.5	1.8

(1) Share-based payment expense is detailed in note 18 Share based payments.

Salaries and other short-term benefits comprise the social security contributions and payroll taxes paid by the Group.

In the event of a breach of employment contract, the Group could have to compensate the Executive Committee members a total amount of €7.8 million.

28. | STATUTORY AUDITORS FEES

The table below is provided in accordance with regulation n° 2016-09 of the French Accounting Standard Authority (ANC) and sets forth the fees paid to statutory auditors in connection with their engagement in the parent company and the French subsidiaries. Amounts are exclusive of VAT and out-of pocket expense.

	PWC Audit		KPMG Audit		Total Auditors	
(in millions of euros)	2018	2017	2018	2017	2018	2017
Audit services	0.8	1.0	0.9	0.9	1.7	1.9
Audit related services	0.2	0.2	0.1	0.1	0.3	0.3
Total	**1.0**	**1.2**	**1.0**	**1.0**	**2.0**	**2.2**

Other related services include the fees related to mandatory services performed in accordance with French regulation, as well as comfort letters and CSR report.

29. | LITIGATION & OTHER CONTINGENCIES

29.1| Litigations

Rexel Group is subject to legal, administrative and regulatory proceedings in the normal course of its business. A provision is recognized in the balance sheet when it is probable that an outflow of economic benefits from Rexel or one of its subsidiaries will be required to settle the obligation and when the amount can be estimated reliably.

The principal proceedings are set out below:

Asbestos litigation

The Group is party to several proceedings relating to exposure to asbestos-containing materials in the United States. The Group believes that the risk of it being ordered to pay significant amounts in connection with these proceedings is limited, and that these lawsuits will not therefore have, individually or as a whole, a material adverse effect on its financial condition or results of operations, since the claims may be rejected or settled for amounts partially or fully covered by Rexel's insurance policies. Considering the wide range of these claims, the different stages in the proceedings, the number of defendants and the absence of any individual claim, the Group cannot precisely assess the financial consequences that may result from these proceedings.

Antitrust investigation

On September 6, 2018, raids were performed in the offices of Rexel in relation to a judiciary investigation from the Tribunal de Grande Instance of Paris (Paris magistrate's court). This investigation, conducted with the assistance of the French Competition Authority, mainly deals with the mechanisms of price formation on the market of distribution of electrical equipment.

At this point, Rexel is not party to the proceedings and therefore is not aware of the practices that it might be accused of. While information has been released in the press, it does not allow to determine the offences that Rexel could be accused of.

It is therefore not possible to date to evaluate the degree of probability of formal indictments being made against Rexel nor of a possible adverse judgment and thus to evaluate the financial risk which Rexel is potentially exposed to.

Rexel tax proceedings

Following a tax audit, Rexel received in December 2011 a proposed tax reassessment in which the French tax authorities alleged that Rexel did not demonstrate that its borrowings from Ray Finance LP (subsidiary of Ray Investment SARL) amounting to €952 million were real transactions; they also alleged that Ray Finance LP enjoyed a privileged tax regime and accordingly, rejected the deduction of €91 million of interest expense related to the 2005 to 2007 tax years. Rexel disputes the tax authority's position entirely and referred the case to the Administrative Court in April 2014. A provision amounting to €30 million was recorded by writing down deferred tax assets on tax losses carried forward. The Administrative Court decided in March 2016 that Rexel's position was correct. Tax authorities lodged an appeal against that judgment in July 2016, thus, the provision was maintained. The hearing of the Administrative Appeal Court is scheduled on February 12, 2019.

Hagemeyer Finance BV Finnish branch tax proceedings

In a report in May 2014, Finnish tax authorities asserted that the interest on the financing used to acquire Elektroskandia Oÿ in 2008 should have been allocated to the Dutch head office of Hagemeyer Finance BV, rather than to the Finnish branch. On that ground, tax authorities issued, in December 2014, the reassessment decision for years 2008-2012, resulting in an amount of tax payable of €11.3 million. The branch lodged an appeal in 2015 before the Board of Adjustments. In December 2015, reassessments for fiscal years 2013 and 2014 were issued, resulting in additional amount of tax of €1.5 million, which the branch also contested. In April 2017, the Board of Adjustments rejected the branch's claim. In July 2017, the Group referred the case before the Helsinki Administrative Court. In November 2018, the court decided the position of the tax authorities was correct. In December 2018, Rexel lodged an appeal before the Supreme Administrative Court. A €13.5 million tax expense was recorded in 2018 financial statements.

To the best of Rexel's knowledge, over the last financial year there were no other legal or arbitration proceedings that might have or recently had a material impact on the financial situation or profitability of Rexel.

29.2| Other contingent liabilities

The Group has granted the following warranties to purchasers in connection with the disposal of certain assets.

Latin America

With respect to the divestment of Latin America operations, the Group committed to indemnify for any damage incurred by the purchaser up to US$9 million. No claim is pending as of the balance sheet date.

Slovakia, Poland and Baltics

The agreements entered into with Würth group in connection with the disposal of operations in Slovakia, Poland and the Baltics provide for indemnification of any damage and liability incurred by the purchaser. The aggregate liability for indemnification shall not exceed €8 million. This warranty had not been called as of the balance sheet date.

Environmental warranty

Under an agreement signed on February 28, 2003 with Ashtenne, a real estate company, concerning a sale and leaseback transaction relating to 45 sites in Europe, the Group agreed to indemnify the purchaser for any environmental liabilities with respect to third party claims and governmental injunctions. This warranty covers a maximum of €4 million free of VAT for all of the properties sold, with a minimum threshold of €30,000. This commitment expires five years after the expiration of the leases. This warranty had not been called as of the balance sheet date.

30. | EVENTS AFTER THE REPORTING PERIOD

At the presentation date of the consolidated financial statements there have been no subsequent events after December 31, 2018 that would have a significant impact on Rexel's financial situation.

31. | CONSOLIDATED ENTITIES AS OF DECEMBER 31, 2018

	Head office	*% Interest*
FRANCE		
Holding companies and Group services companies		
Rexel	Paris	Parent company
Rexel Développement S.A.S.	Paris	100.00
Rexel Amérique Latine S.A.S.	Paris	100.00
Operating companies		
Rexel France S.A.S.	Paris	100.00
Dismo France S.A.S.	St-Ouen l'Aumône	100.00
Espace Elec S.A.S.	Ajaccio	100.00
Bizline S.A.S.	Paris	100.00
BCCT	Paris	100.00
Conectis S.A.S.	Paris	100.00
Francofa Eurodis S.A.S.	Neuilly-Plaisance	100.00
SBEM	Paris	100.00
La Boîte Electrique	Paris	100.00
Esabora Digital Services	Paris	100.00
Sofinther	Bouguenais	100.00
Cordia	Mitry-Mory	100.00

EUROPE		
Germany		
Rexel GmbH	Munich	100.00
Hagemeyer Deutschland GmbH & Co KG	Munich	100.00
Hagemeyer Deutschland Verwaltungs GmbH	Munich	100.00
Hagemeyer Beteiligungs GmbH	Munich	100.00
Silstar Deutschland GmbH	Emmerich am Rhein	100.00
Hagemeyer Holding Deutschland GmbH	Munich	100.00
Rexel Industrial Solutions GmbH	Munich	100.00
United Kingdom		
Rexel Senate Ltd	Birmingham	100.00
Denmans Electrical Wholesalers Ltd	Birmingham	100.00
Senate Group Ltd	Birmingham	100.00
Rexel (UK) Holdings Ltd.	Birmingham	100.00
Rexel (UK) Ltd	Birmingham	100.00
Newey & Eyre Ltd.	Birmingham	100.00
Parker Merchanting Limited	Birmingham	100.00
WF Electrical Plc	Birmingham	100.00
Newey & Eyre (C.I.) Ltd.	Guernsey	100.00
Warrior (1979) Ltd.	Birmingham	100.00
H.A. Wills (Southampton) Ltd.	Birmingham	100.00
Rexel UK Pension Trustees Ltd.	Birmingham	100.00
J&N Wade Limited	Birmingham	100.00
Clearlight Electrical Company	Birmingham	100.00
Power Industries Limited	Birmingham	100.00
Sweden		
Rexel Sverige AB	Älvsjö	100.00
Moel AB	Bredaryd	100.00
Austria		
Rexel Central Europe Holding GmbH	Vienna	100.00
Rexel Austria GmbH	Vienna	100.00

	Head office	% Interest
The Netherlands		
Rexel Nederland B.V.	Zoetermeer	100.00
Cosa Liebermann B.V.	Hoofddorp	100.00
Rexel Holding Netherlands B.V.	Hoofddorp	100.00
Hagemeyer Finance B.V.	Hoofddorp	100.00
Borsu International B.V.	Hoofddorp	100.00
Rexel Holding Benelux BV	Hoofddorp	100.00
Italy		
Rexel Italia SpA	Milano	100.00
Spain		
Rexel Spain, SL	Madrid	100.00
Suministros Eléctricos Erka, S.L.	Renteria	100.00
Belgium		
Rexel Belgium S.A.	Zellik	100.00
DES-Elektro, N.V.	Moen	100.00
Portugal		
Rexel Distribuição de Material Elecrico S.A.	Lisboa	100.00
Ireland		
Rexel Electrical Supply & Services Holding Ltd.	Tralee	100.00
M Kelliher 1998 Ltd.	Tralee	100.00
Astrotek Ireland Limited	Tralee	100.00
Switzerland		
Elektro Material AG	Zurich	100.00
Digitalfeld AG	Zurich	70.00
Luxembourg		
Rexel Luxembourg S.A.	Luxembourg	100.00
REXEL RE S.A.	Luxembourg	100.00
Czech Republic		
Rexel CZ s.r.o.	Brno	100.00
Hungary		
Rexel Hungary General Supply & Services kft	Fót	100.00
Slovenia		
Elektronabava d.o.o.	Ljubljana	100.00
Russia		
OOO Elektroskandia Rus	St. Petersburg	100.00
Finland		
Rexel Finland Oy	Hyvinkää	100.00
Norway		
Elektroskandia Norge AS	Langhus	100.00
Elektroskandia Norway Holding AS	Langhus	100.00
NORTH AMERICA		
United States		
Rexel USA, Inc	Dallas	100.00
SKRLA LLC	Dallas	100.00
SPT Holdings Inc.	Dallas	100.00
Rexel of America LLC	Dallas	100.00
Rexel Patriot Acquisition, LLC	Dallas	100.00
Canada		
Rexel North America Inc.	St Laurent	100.00
Rexel Canada Electrical Inc.	Mississauga	100.00

	Head office	% Interest
ASIA OCEANIA		
Hong Kong SAR		
Rexel Hong Kong Ltd	Hong Kong	100.00
Huazhang Electric Automation Holding Co. Ltd	Hong Kong	100.00
LuckyWell Int'l Investment LTD	Hong Kong	100.00
China		
Rexel Ouneng (Beijing) Technology Co. Ltd	Beijing	55.00
Rexel Hailongxing Electrical Equipment Co. Ltd	Beijing	65.00
Rexel Electric Co. Ltd	Shanghai	100.00
Zhejiang Huazhang Automation Equipment Co. Ltd	Huanzhou	100.00
Rexel Integrated Solutions (Shanghai) Co. Ltd	Shanghai	100.00
Rexel China Management Co. Ltd	Shanghai	100.00
Suzhou Xidian Co. Ltd	Suzhou	100.00
Beijing LuckyWell-ZN Electrical Co. Ltd	Beijing	100.00
Beijing Zhongheng Hengxin Automation Equipment Co. Ltd	Beijing	100.00
Henan Qixin Automation Equipment Co. Ltd	Zhengzhou	100.00
Shanghai Suhua Industrial Control Equipment Co. Ltd	Shanghai	100.00
LinElec Business Consulting (Shanghai) Limited	Shanghai	100.00
Shanghai Maxqueen Industry Development Co. Ltd	Shanghai	60.00
Zhonghao (Shanghai) Technology Co. Ltd.	Shanghai	60.00
Jinan Rexel Enterprise Management Service Co., Ltd.	Jinan	100.00
India		
Rexel India Private Limited	Pune	100.00
Korea		
Gexpro Korea Co. Ltd	Seoul	100.00
Australia		
Rexel Holdings Australia Pty Ltd	Sydney	100.00
Rexel Electrical Supplies Pty Ltd	Sydney	100.00
Australian Regional Wholesalers Pty Ltd	Sydney	100.00
EIW Holding Pty Ltd	Sydney	100.00
Hagemeyer Holdings (Australia) Pty Ltd	Sydney	100.00
New Zealand		
Rexel New Zealand Limited	Auckland	100.00
Redeal Pensions Ltd	Auckland	100.00
Kingdom Saudi Arabia		
Rexel Services KSA LLC	Riyadh	100.00
Rexel Arabia Electrical Supplies LLC	Riyadh	65.00
United Arab Emirates		
Redco FZE	Jebel Ali	100.00
Rexel Emirates LLC	Abu Dhabi	90.00

III. Statutory auditors' report

PricewaterhouseCoopers Audit
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

KPMG Audit
Département de KPMG S.A.
Tour Eqho
2, avenue Gambetta
92066 Paris La Défense

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and is provided solely for the convenience of English speaking users.
This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

REXEL S.A.
STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2018

To the Annual General Meeting of Rexel S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Rexel S.A. for the year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2018 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Basis for Opinion

Audit Framework

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

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

Independence

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

Emphasis of matter

We draw your attention to the Note 3.2.1 “Changes in accounting policies – amended IFRS standards” to the consolidated financial statements, which describes the impacts of the initial application on January 1st, 2018 of IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments”. Our opinion is not modified in respect of this matter

Justification of Assessments - Key Audit Matters

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

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

Measurement of the recoverable amount of goodwill and other intangible assets with indefinite useful lives

Notes 3.5, 12.1 to the consolidated financial statements

Description of risk

As of December 31, 2018, goodwill and other intangible assets with indefinite useful lives were recorded in the balance sheet for a net carrying amount of €3,871.1 million and €824.6 million, respectively, representing 46% of the Group’s total assets. An impairment test for these assets is performed at least once a year at the level of the cash-generating units (CGU) to which they have been allocated. As described in Notes 3.5 and 12.1 to the consolidated financial statements, an impairment loss is recorded when the recoverable amount of the CGU falls below its carrying amount.

The recoverable amount of a CGU (country) is measured based on discounted future cash flows and requires a significant degree of judgment from management, especially for the determination of revenue and EBITA margin forecasts as well as the selection of discount rates and long term growth rates.

As described in Note 12.1 to the consolidated financial statements, performance in 2018 was lower than expected in some countries, which led the Group to adjust downwards its future cash flows, including the normative EBITA margin for those countries. As a result, the Group recognized a €61.9 million impairment charge for the year ended December 31, 2018.

Accordingly, we deemed the measurement of the recoverable amount of goodwill and other intangible assets with indefinite useful lives to be a key audit matter, due to the weighting of these assets in the consolidated balance sheet and the inherent uncertainty of specific inputs, in particular the likelihood of achieving forecast results included in such measurement and the impact of sensitivity analyses described in Note 12.1.

How our audit addressed this risk

We examined the Group's budgeting process upon which the forecasted cash flows used for the impairment tests are based.

For those CGUs for which the recoverable amount is close to the carrying amount, we performed the following:

- Assessed the components of the carrying amount of the CGUs to which the Group has allocated goodwill;
- Assessed the consistency of cash-flow projections with the economic environments in which the Group's subsidiaries operate, as well as the reliability of the estimate process in particular by examining any differences between past cash-flow projections and actual cash flows;
- Assessed, with the assistance of our valuation experts, the reasonableness of the discount rates applied to the forecasted cash flows of the various CGUs;
- Compared the long-term growth rates of CGUs with macro-economic forecasts;
- Corroborated including through interviews with management the reasonableness of the main data and assumptions underlying cash-flow projections (sales growth, EBITA margin);
- Tested the mathematical accuracy of the discounted cash-flow model used and the sensitivity analyses;
- Verified that Note 12.1 to the consolidated financial statements included the appropriate disclosures.

Suppliers rebates

Notes 3.7, 3.17 and 13.3 to the consolidated financial statements

Description of risk

The Group enters into contracts with its suppliers, through which it benefits from rebates, generally on an annual basis, based on the volumes of goods purchased and the performance of certain specific commercial actions. These rebates may be conditional or not on the achievement of pre-defined purchasing targets (unconditional or conditional rebates).

These rebates are recorded as a reduction of the cost of goods sold.

We deemed the recognition of suppliers rebates to be a key audit matter, due to:

- the significance of suppliers rebates,
- the variety of contracts,
- the estimates required in terms of determining the purchasing data to which contract clauses apply to calculate receivables at the closing date,
- and their impact on the valuation of inventories.

How our audit addressed this risk

We analysed the internal control procedures relating to the follow-up of rebates on contracts signed with suppliers and to estimating rebates in order to determine the cost of goods sold.

We also performed the following procedures:

- analysed, on a sample basis, the contracts signed with suppliers as well as the proper application of the terms and conditions of those contracts where used to determine rebates recognized during the year, particularly in terms of the volumes purchased and including for the estimation of suppliers rebates receivables at year-end;
- reconciled, on a sample basis, the amount of purchases made with the calculation bases for determining rebate receivables at year-end, as well as with any purchasing confirmations received from suppliers, and assessed the fulfilment of any conditional targets in terms of volumes purchased;
- assessed the recoverability of supplier rebate receivables and verified that there are no aged uncollected receivables;
- compared the rebates collected after year-end with the rebate receivables recorded at year-end to assess the reliability of management estimates;
- verified, on a sample basis, the appropriate allocation of suppliers rebates to the valuation of inventories.

Specific verifications

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

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

We confirm that the consolidated statement of the non-financial performance required by Article L.225-102-1 of the French Commercial Code (*Code de commerce*) is included within the management report, being specified that, in accordance with Article L.823-10 of this Code, the information provided in this statement have not been verified by us with respect to their fair presentation or consistency with the consolidated financial statements and has to be the subject to a report by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Rexel SA by the Annual General Meetings held on May 16, 2012 for PricewaterhouseCoopers Audit and May 25, 2016 for KPMG Audit.

As at December 31, 2018, PricewaterhouseCoopers Audit was in the seventh year and KPMG Audit in the second year of total uninterrupted engagement, respectively.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it 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 and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for 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 from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

Report to the Audit Committee

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

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this audit 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 such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris La Défense and Neuilly-sur-Seine, February 13, 2019

KPMG Audit Department of KPMG S.A.		PricewaterhouseCoopers Audit	
Valérie Besson	Jean-Marc Discours	Amélie Wattel	Pierre Clavié