



## DISCLAIMER

*This document does not constitute or form part of, and should not be construed as, an offer or invitation to sell securities of Rexel or its consolidated subsidiaries (the “Group”), or the solicitation of an offer to subscribe for or purchase securities of the Group, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever.*

## CERTAIN DEFINITIONS

In this document:

- “Rexel Group”, “Group”, “us” or “we” refers to Rexel and its subsidiaries;
- “2018 Activity Report” means the financial information for the year ended December 31, 2018 including the activity report with the audited consolidated financial statements for the year ended December 31, 2018 and the related statutory auditors’ report;
- “3.500% Notes” means Rexel’s 3.500% Notes due 2023 issued on May 18, 2016 in the original aggregate principal amount of € 650,000,000;
- “2.625% Notes” means Rexel’s 2.625% Notes due 2024 issued on March 13, 2017 in the original aggregate principal amount of € 300,000,000;
- “2.125% Notes” means Rexel’s 2.125% Notes due 2025 issued on November 20, 2017 in the original aggregate principal amount of € 500,000,000;
- “Senior Facility Agreement” means the €850 million revolving credit facility agreement, dated March 15, 2013 (as most recently amended on January 31, 2018), among Rexel, as borrower, and, *inter alios*, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Crédit Industriel et Commercial, HSBC France, ING Belgium SA, succursale en France, Natixis, and Société Générale Corporate & Investment Banking as Mandated Lead Arrangers and Bookrunners, and Crédit Agricole Corporate and Investment Bank as Facility Agent and Swingline Agent. The facility under the Senior Facility Agreement is referred to herein as the “Senior Credit Facility”.

## RISK FACTORS

*The realization of one or more of these risks could individually or together with other circumstances adversely affect the business activities and have material adverse effects on the financial condition and results of operations of Rexel or the Group. The risks described below may not be the only risks to which Rexel or the Group is exposed. Additional risks that are presently not known to Rexel or that are currently considered immaterial could also adversely affect the business operations of the Group and have material adverse effects on the financial condition and results of operations of Rexel or the Group. The sequence in which the risks factors are presented below is not necessarily indicative of their likelihood of occurrence, the scope of their financial consequences or the importance of the risk factors mentioned below.*

### **Strategic risks**

#### ***Risks relating to the general economic environment***

The Rexel Group's end-markets are the industrial and construction (for commercial and residential buildings) markets. These markets can be further subdivided into investment (projects) and maintenance, on the one hand, and new construction and renovation, on the other hand. The Rexel Group's business is sensitive to changes in general macroeconomic conditions and, more particularly, those affecting industrial investments and the construction, renovation and maintenance of residential and commercial buildings. In addition, the demand for the products distributed by the Rexel Group, the prices of such products and the Rexel Group's margins depend on many factors, such as inflation, interest rates, bank credit availability, and changes in economic and monetary policy.

The impact of changes in macroeconomic conditions varies depending on the end-markets and geographic regions in which the Rexel Group operates. Europe, North America and Asia-Pacific accounted for 55%, 36% and 9% of the Rexel Group's 2018 sales respectively. In addition, the Rexel Group estimates that the industrial, commercial and residential markets, represented, respectively, 30%, 45% and 25% of its 2018 sales. However, this distribution varies by region and by country. For example, the industrial market accounted for approximately 37% of the Rexel Group's 2018 sales in North America while it was close to 90% of the Rexel Group's 2018 sales in China after retail business divestment, and approximately 17% in France. In each geographical region, construction, renovation, and maintenance activities evolve differently.

An economic downturn in one or more of the Rexel Group's markets, or across all of its markets, may have an adverse effect on its financial condition, results of operations or its ability to implement its strategic decisions. Similarly, political or economic instability in one or more of the countries where the Rexel Group operates may have an adverse impact on the results of operations in such country and on the Rexel Group. Uncertainties such as the Brexit process or the commercial tensions between China and the United States of America may have an impact on Rexel's performance in these markets.

#### **Management of risk**

While the Rexel Group may not be in a position to control the occurrence of external risks related to the general economic environment, it operates certain tools to assess the overall risk levels and their impact on the Group. An active, permanent and consistent monitoring, aiming at measuring and analyzing financial and extra-financial data is implemented by the country and regional management teams as well as by the Rexel Group's investor relations department. The results of this monitoring are communicated on a regular basis to the Group's management.

These data are taken into account in the budget process and may lead to measures aimed to adapt the Rexel Group's strategy to the economic and political context.

Regarding risks related to Brexit, it is difficult, as of the date of this document, to foresee its real impact given the uncertainty relating to the practical procedures and calendar of the exit process. The Rexel Group is following closely the evolution of the UK economic environment and regularly updates different scenarios that may impact the operations.

#### ***Risks relating to the competitive environment***

The market for professional distribution of low voltage electrical products is highly competitive, as the products distributed by the Rexel Group are generally available from other distributors. At the international level, the Rexel Group competes with several large professional electrical distributors, such as Anixter, CED, Graybar, Sonepar and Wesco.

The Rexel Group also competes with independent distributors that operate on the international, national, regional or local level which are part of, or may occasionally create, cooperative purchasing organizations (for example, buying groups such as Imelco or Fegime).

Furthermore, the Rexel Group may compete with:

- manufacturers that sell their products directly to certain clients in the industrial and services markets, typically in connection with large-scale projects;
- specialists in e-commerce that, distribute a variety of building materials including electrical materials to professionals or end-users;
- any larger web-based B2B e-commerce company, trading a variety of construction material products, including electrical products;
- general building trade distributors, who could further expand their electrical product offerings or acquire companies already operating in the electrical product distribution sector and thereby create increased competition for the acquisition of market share; and
- service providers specialized in building maintenance or energy efficiency.

Actions undertaken by these competitors may have an adverse effect on the Rexel Group's strategy to gain new clients and market shares.

In addition, regional competitors and new market entrants could attempt to hire Rexel Group's employees, particularly sales and branch management personnel, which may have an adverse effect on the Rexel Group's operations.

The competitive pressures that the Rexel Group faces may therefore have an adverse effect on its financial condition or results of operations.

#### Management of risk

To limit the competition risks inherent in its business, the Rexel Group relies on the density of its network of branches and sales personnel, the efficiency of its logistical systems as well as the quality of its services. In addition to its branch network, Rexel is developing a multichannel offering in most countries, including e-commerce, thereby responding to clients' expectations by simplifying administrative tasks and giving them technical advice.

A comprehensive e-business platform is progressively rolled out in different countries to support Rexel's digitally powered multichannel business model. By developing multichannel relationships with customers, the Rexel Group is seeking to increase customers' loyalty, and new multichannel features, are constantly released in the webshop to better respond to customers' needs. Furthermore, dealing with a professional distributor rather than a manufacturer allows customers to have access to a larger, more complete and more available product offering.

Each year, the Rexel Group reviews its strategy and makes decisions taking into account market growth opportunities as well as its competitors' presence and market shares to adapt its branches and subsidiaries network.

Lastly, to limit the risk of its key employees joining the competition, the Rexel Group entities aim to ensure that their remuneration policies are competitive and include non-compete clauses in employment agreements when such provision makes sense in the local market.

#### ***Risks relating to digital advent***

Many changes are under way in the environment in which Rexel operates due to the digital advent, whether from a market perspective, in its customers' behavior or in the evolution of the offer:

- the Rexel Group's market is marked by a diversification of the access roads to customers and end users. The competitive environment includes new formats, such as on-line players, specialized marketplaces and "Do it Yourself" which are focused on the end users;
- customer behavior also evolves, driven by, among others, the digital experience of B2C customers. The expectation for a multi-channel offer, the importance of a seamless customer experience and the sensitivity to prices, quality and expertise form full part of this evolution; and
- the offer is driven by the generalization of connected products and by the emergence of new services in the digital economy. In addition, the value of data (customers, products and transactions data) is more taken into account in an environment where data monetization is key for value creation.

In this context, Rexel faces an increasing risk of disintermediation that could have an adverse effect on its financial condition and results.

#### Management of risk

The Rexel Group aims to take advantage of these changes to turn them into opportunities and will continue to allocate resources and means in this respect.

Over the short term, the fundamentals which have been strengthened over the last years constitute barriers to entry allowing to avoid a disintermediation based on logistics. Indeed, Rexel relies on an end-to-end logistical model, on strong relationships with its suppliers and on additional services reinforcing customer proximity (training, designing electrical installation, supporting large projects, financing, etc.).

In addition, Rexel has launched a transformation of its model to become a leading data-driven services company. Rexel intends to fully take advantage of the opportunities resulting from the digital advent, notably through the reinforcement of a service logic adapted to each customer, the wise use of data and the increase of selectivity in the use of capital, that form as many levers available to Rexel.

#### ***Risks relating to acquisitions and disposals***

Rexel manages actively its assets portfolio (both in terms of acquisitions and divestments) to ensure the implementation of its strategy and to meet its deleveraging objective pursuant to strict value-creation criteria. Regarding its acquisition strategy, Rexel seeks to achieve three main objectives: strengthening its footprint in the most attractive geographies and market segments (with a priority on the US market), expanding to adjacent segments in key markets and capturing more of the value chain. In the last few years, the Rexel Group has carried out acquisitions to increase its market shares, as well as disposals.

However, the Rexel Group may be unable to identify appropriate targets, complete deals under satisfactory terms or ensure compliance with the terms of the relevant sale or purchase agreement. In addition, while the Rexel Group seeks the successful integration of acquired entities and businesses, it cannot guarantee that this integration will occur within the planned timeframes, and integration costs could prove higher than expected. Moreover, the Rexel Group may have difficulties in retaining the key employees identified during the acquisition process or achieving expected synergies within planned timeframes. The Rexel Group may also bear charges or liabilities not identified during the due diligence exercise carried out during the acquisition process and integration costs may be higher than initially anticipated. Lastly, in certain cases, minority shareholders may retain interests in the share capital of the companies that the Rexel Group takes control of, to ensure continuity, implying increased complexity in decision-making processes.

With respect to disposals, certain assets may lack liquidity and the Group may therefore be unable to dispose of those assets in fair financial conditions and/or may dispose of those assets at a loss. The disposal may also damage Rexel's relationships with, and reputation towards its stakeholders. Last, past liabilities may arise post transaction and be subject to indemnification obligation by Rexel vis-à-vis the purchaser of the assets.

Acquisitions carried out by the Rexel Group are reflected in its consolidated financial statements through the recognition of goodwill representing the expected future economic benefits from the purchased assets. Downward revisions of these expected benefits, including due to changes in macroeconomic conditions or in the context of a portfolio review, may lead to goodwill impairments, which would then have an adverse impact on the financial condition and results of the Rexel Group. At December 31, 2018, the goodwill recognized in the Rexel Group's assets amounted to €3,871.1 million and the goodwill impairments recognized in the consolidated income statement for 2018 amounted to €56.3 million (see note 12.1 of the Notes to the consolidated financial statements of the Rexel Group for the year ended December 31, 2018 included in the 2018 Activity Report).

#### Management of risk

The Rexel Group monitors the implementation of acquisitions, in accordance with a dedicated procedure, largely communicated among the Rexel group, as well as extensively used practices. An Investment Committee reviews the suitability of each acquisition and evaluates whether it is in line with the Group strategy. The Investment Committee, composed by members of the Executive Management and of the concerned executives, meets at several stages of the acquisition process to perform comprehensive analyses for an optimum execution. Moreover, throughout the entire acquisition process, the Rexel Group employs specialized advisors and ensures optimized use of its internal resources. Any material acquisition or disposal is submitted directly to the Rexel Board of Directors.

Divestments are monitored through a process at large similar to the process relating to acquisitions to ensure that they are in line with the active assets portfolio management Group strategy. A Divestment Committee reviews the

divestment projects at several stages of their execution and notably the financial conditions applicable to the transaction. Specialized advisors are engaged to support the Rexel project teams throughout the divestment process.

In relation to the post-acquisition stage, a detailed integration plan is implemented, and synergies are followed-up on a regular basis.

## **Operating risks**

### ***Risks relating to procurement***

While rationalizing its purchasing policy, the Rexel Group is aiming to reduce the number of its suppliers to strengthen its relationships with a smaller number of manufacturers. In 2018, the Rexel Group's 25 leading suppliers accounted for approximately 50% of its total purchases and the Group's 200 leading suppliers accounted for approximately 74% of its total purchases.

In one or several geographical regions, some entities of the Rexel Group may be dependent on certain suppliers. In the event such a supplier reduces its product offering or in case of default or non-compliance by one or more such suppliers which would interrupt business relationships, the Rexel Group cannot guarantee that it will be able to offer a satisfactory alternative to its customers, as a result of which they may turn to one or more competitors to obtain products.

The occurrence of any of these events may have an adverse effect on the Rexel Group's financial condition or results.

### **Management of risk**

In general, the Rexel Group's distribution business involves entering into short and medium-term agreements with suppliers from which terms and conditions are subject to periodic re-negotiations. The relative importance of the Rexel Group to its main suppliers limits the risks of termination of contracts or material change in the product offers.

In addition, while constantly seeking for innovation, the Rexel Group entities adapt their suppliers' portfolios depending on demand. Some entities of the Group may thus have to identify new suppliers for the key products categories that they offer.

### ***Risks relating to pricing policy***

The nature of the activities of Rexel and the diversity of its clients require a careful management in the determination of pricing in each of its entities. In addition, in an environment where new digital players increase price transparency, the Rexel Group has to constantly adapt its pricing policy in order to continue to satisfy its clients' needs and expectations.

### **Management of risk**

The Group develops a more and more segmented customer approach in order to take into account its customers' multi-channel behaviors, online and offline. In this respect, Rexel capitalizes on the most innovating local initiatives in terms of pricing policy to disseminate and promote them within all the entities of the Group.

### ***Risks relating to information technology system***

In a context where cyber-attacks are more and more frequent and sophisticated, the Rexel Group has to face an increasing number of internal or external threats which may elude the safety of its information technology systems and may cause, in particular, business disruption or data theft.

Taking into account the rapid evolution of systems and software, the Rexel Group is unable to provide assurances that information systems will operate so as to allow the conduct of its activities under sustainable conditions. Given the importance of information technology systems in the daily operations of the Group, a major malfunction or a force majeure event affecting the Rexel Group or one of its IT service providers may have an adverse impact on the activity, financial situation or results of operations of the Rexel Group. The Rexel Group may also be required to make unforeseen expenditures or may experience temporary or lasting disruptions with respect to its personnel, operations or information processing.

## Management of risk

Rexel is highly focused on the protection, confidentiality, integrity and maintenance of the operational capacity of its information systems and the data included in these systems.

Rexel is continually adapting its strategy by adapting its IT services to address the necessary risks. In order to strengthen its cybersecurity policy, the Rexel group implements hybrid computing environments and realizes ongoing investments in technologies to detect attacks and reduce weaknesses, for both its internal and externally facing applications.

Internal control procedures require a periodic validation of disaster recovery plans and incident response procedures. In addition, compliance with rules related to change management, planning and execution of complex projects as well as access rights management and control is regularly audited. Rexel frequently carries out assessments of the level of protection of its critical information systems through external services providers and has defined an organization, governance principles and technologies required to increase their protection against intrusion attempts. Acknowledging that new practices emerge with respect to mobility at work, Rexel reinforces its practices regarding data management and protection on the various computing devices made available to its employees.

Despite a constant investment in protection measures, residual risks may exist. The Rexel Group re-evaluates its safety plan on a regular basis to reduce them as much as possible.

### ***Risks relating to human resources***

It is a priority for the Rexel Group to attract, develop and retain talents to support its growth and strategy and develop innovative solutions. In this respect, talents loyalty is key. The Group's in-house and external strategy to become a leading reference in human resources management and development focuses on 4 main areas: managers and change management, performance culture, employer brand, and organizational effectiveness.

However, adverse changes in local employment markets and the increasing competitive pressure for recruiting top talents could have a negative impact on the profitability of operations.

In addition, Rexel employees are exposed to safety risks. The main risks for employees relate to road traffic, falls, machine operation, materials handling, handling of cables and computer work.

## Management of risk

Various in-house programs have been launched to boost the performance-oriented corporate culture (such as, new continuous management program of development and performance, top 100 development program, as well as identifying and promoting high-potential employees with key management and technical skills). In particular, the Rexel Group is committed to proposing to its employees a large training offer, whether through on-site sessions or distance learning thanks to the Group's e-learning platform (Rexel Academy), in order to develop their competencies and to retain talents.

Recruitment of external candidates with proven track records helps the Group ramp up skills and expertise in key domains, especially digital transformation. The continuous strengthening of the internal recruitment teams, as well as the use of selection tools and innovative recruitments aim at allowing Rexel to be able to strengthen its teams according to its needs.

Moreover, the Rexel Group undertakes to set up an attractive working environment, by providing its employees with numerous training opportunities. It is also committed to providing all its employees and all people operating on its sites a safe working environment. In addition to its legal obligations, the Group's responsibility is demonstrated through the constant attention paid to the health and safety of its employees. A responsible, efficient, and consistent safety policy has been deployed since 2015 in the countries in which the Group operates. To reinforce responsible culture and practices, the Group enhances and supplements the procedures and rules in place to promote a common framework for all its entities.

### ***Risks relating to the Rexel Group logistical structure***

Considering the Group's distribution business, the proper operation of its logistical structures is essential to allow Rexel to serve its customers as efficiently as possible. Any disruption of its logistical chain may result in temporary or long-lasting disruptions of its business and prevent the supply of its branches and deliveries to customers.

In addition, projects such as the implementation of new distribution centers, designed to improve the efficiency of the supply chain and better serve customers, may face delays or difficulties. The occurrence of any of these events could have a negative impact on the reputation and the financial results of the Group.

#### Management of risk

The Rexel Group's logistical structure is organized at the local level, as opposed to the international level, and homogenous processes supported by warehouse management systems are shared across several countries, which allow to limit the impact of this risk. Should a malfunction occur in a distribution center, the disruptions may be limited through the use of another distribution center or through inter-branch transfers.

Furthermore, various daily service quality indicators shared in all entities of the Group, as well as data relating to the security of logistical platforms and of the employees working on these platforms are reported by the entities and followed up in detail by the teams at country and Group level. This regular follow-up aims to timely identify any issue and implement potential corrective action if necessary.

Lastly, the Rexel Group has set up and manages good practice sharing initiatives and international working groups promoting the development of the lean approach in the different countries in which it operates to harmonize and improve service quality within the Group.

#### ***Risks relating to operations in emerging or non-mature countries***

Rexel develops its activities, including in emerging or non-mature countries where the control environment is lower mainly due to the small size of local teams and/or due to a potentially changing economic, political, legal or tax environment.

#### Management of risk

Continuous risk assessment, integration and monitoring processes of these entities or activities have been defined to ensure an adequate level of internal control on operational risks on the long run. However, Rexel is unable to provide assurances that no deficiency will affect these processes, which would impact the Rexel Group's financial conditions or results.

#### ***Environmental risks***

The Rexel Group, due to its international activity and footprint, is exposed to environmental risks in the course of its operations and in its value chain, such as non-compliance with local environmental regulations, inadequate response to climate change challenges or inadequate management of natural resources and activities-related waste.

#### Management of risk

The Rexel Group endeavors to continuously comply with local environmental regulations.

#### **Legal and regulatory risks**

##### ***Risks relating to pending litigation***

Entities of the Rexel Group may, from time to time, be involved in contentious proceedings. The main pending proceedings are described in detail in note 29 of the Notes to the consolidated financial statements of Rexel for the year ended December 31, 2018 included in the 2018 Activity Report. For further information on legal proceedings, see "Business — Legal proceedings".

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 a possible adverse judgment and thus to evaluate the financial risk which Rexel is potentially exposed to.



## Management of risk

Proceedings involving entities of the Rexel Group have been analyzed by the Group management who concluded that, as of closing date, they should be subject to no additional provisions, other than those already booked.

Considering the status of pending tax litigations and discussions with the tax authorities, Rexel believes that no material effect is to be expected with regards to its financial condition or its results of operations. However, Rexel cannot predict the outcome of these cases with certainty or assess the potential tax adjustments that may result therefrom.

There are no other governmental, judicial or arbitration proceedings (including any outstanding or threatened proceedings of which Rexel is aware of) that might have or that had during the last twelve months a material impact on the financial condition or profitability of Rexel or the Rexel Group.

The Rexel Group cannot rule out the possibility that new claims or lawsuits may arise as a result of facts or circumstances that are not known and the risks of which cannot, therefore, be ascertained or quantified at the date of this document. Such proceedings may have an adverse effect on its financial condition or results of operations.

### ***Risks relating to non-compliance***

As any other company, the Rexel Group is exposed to the risk of non-compliance with laws and regulations, such as, but not limited to, those relating to preventing and combating corruption, export control, combating money-laundering and terrorism financing, data protection or competition. This exposure is increased in a context where laws and regulations are constantly evolving.

Rexel cannot guarantee that none of its employees or partners will ever violate these laws and regulations or procedures voluntary or involuntarily, which may impact its reputation or financial situation.

## Management of risk

The Rexel Group implements policies and procedures to ensure compliance with applicable local and international laws, such as those mentioned above. In 2018, the Rexel Group continued to roll out the tools of its compliance policy, such as specific training sessions via e-learning and on-site sessions, increasingly relevant internal procedures, guidelines and codes of conduct in addition to regular information and sensitization communication on legal and regulatory compliance topics.

As regulations evolve, regarding in particular, international sanctions, combating corruption and data protection (European General Data Protection Regulation which came into force in May 2018), the Rexel Group aims to ensure that its compliance program is updated and adequate actions are effectively implemented.

As such, the Rexel Group constantly enhances its compliance program as well as tools for implementing and controlling the effectiveness of its compliance policy.

### ***Risks relating to tax regulation***

Like any international group operating in multiple jurisdictions, the Rexel Group has structured its commercial and financial activities in a manner which notably takes into consideration various tax requirements, derived from internal laws of countries where the Group is set up as well as international treaties between these countries.

The application of tax regimes to the Rexel Group's operations, intra-Group transactions or reorganizations may require reasoned interpretations. The Rexel Group cannot guarantee that such interpretations will not be questioned by the relevant tax authorities, which may adversely affect its financial condition or results.

Furthermore, the Rexel Group may record deferred tax assets on its balance sheet, reflecting future tax savings resulting from discrepancies between the tax and accounting valuation of the assets and liabilities or in respect of tax loss carry-forwards from its entities. The actual recognition of these assets in future years depends on tax laws and regulations, the outcome of potential tax audits and on the expected future results of the relevant entities. Any reduction in the ability to use these assets due to changes in local laws and regulations, potential tax reassessments or lower-than-expected results could have a negative impact on the Rexel Group's financial condition or results. As at December 31, 2018, the Rexel Group's deferred tax assets linked to tax loss carry-forwards amount to €233.3 million, depreciated in an amount of €183.0 million (for more information regarding deferred tax, see note 11.2 of the Notes to the consolidated financial statements of Rexel for the year ended December 31, 2018 included in the 2018 Activity Report).

## Management of risk

To limit the risks related to tax rules applicable in the various countries where the Rexel Group is established, the legal and tax management of the Rexel Group, as well as tax experts assist local management in their transactions in respect of local or international applicable laws.

### ***Risks relating to product conformity***

The products that the Rexel Group distributes are subject to numerous local legal and regulatory requirements applicable in the jurisdictions in which the Rexel Group operates. These products are also subject to quality and safety regulations and inspections resulting from national and international standards. These regulations notably involve European Union Directives and standards adopted by international organizations, such as the European Committee for Electrotechnical Standardization and the International Electrotechnical Commission. Changes in such laws and regulations and their implementation may necessitate a change in the product offering or cause an increase in its distribution expenses.

## Management of risk

The Rexel Group's liability is generally covered by the legal obligation of the manufacturer or the warranties and insurance coverage obtained from the manufacturers and transferred to the clients.

### ***Risks relating to fraud***

As a global retailer, the Rexel Group is exposed to the risk of fraud on a daily basis. As fraud attempts are increasingly sophisticated and diverse (hacking, social engineering, phishing, etc.), the Rexel Group cannot guarantee that one or more of its entities will not be victims of fraud that could have significant financial consequences.

## Risk Management

For many years, the Rexel Group has implemented a comprehensive anti-fraud program. Indeed, the Group regularly carries out awareness and training actions against fraud to the benefit of its employees, has robust accounting and financial controls in place to stop as many fraud attempts as possible and has implemented increasingly effective tools to secure its information systems (detailed in paragraph "Risks relating to information technology systems" above).

### ***Risks relating to the Rexel Group's reputation***

Considering its international foothold and visibility, the Rexel Group is exposed to various types of criticism or allegations concerning its reputation. Communication channels such as the Internet and social media react to information in real time and exponentially increase the amount of information made available. This may accelerate the impact on the Rexel Group's reputation, its governance, its financial situation or its results.

## Management of risk

To limit such risk and to mitigate its impact, the Rexel Group has implemented monitoring systems and carries out informational and educational campaigns towards all of its employees. All the employees of the Group have access to a set of stringent communication rules, which include a best practices guide and a charter for the use of social medias

## **Financial risks**

### ***Risks relating to changes in copper prices***

In connection with the distribution of cable products, which account for approximately 15% of its sales, the Rexel Group is exposed to fluctuations in cable prices. As copper accounts for approximately 60% of the composition of cables, cable prices change in accordance with copper prices. These changes are not, however, solely and directly linked to copper price fluctuations to the extent that the cable prices paid by the Rexel Group also depend on suppliers' situation and commercial policies, the competitive environment of the Rexel Group and exchange rates. The Rexel Group's exposure to copper price variations is therefore indirect, and the Rexel Group is unable to provide a relevant sensitivity analysis in connection with copper-based cable price variations.

The Rexel Group believes that a decrease in copper-based cable prices would have the following effects:

- A negative recurring impact linked to a decrease in sales, insofar as the Rexel Group passes on most of the price decreases in the purchase prices of these cables through lower sales prices. The recurring effect in

relation to the price variation of copper-based cables reflects the price impact linked to the change in value of the copper part included in the selling price of cables from one period to another. This effect mainly relates to sales and margin; and

- A negative non-recurring impact on gross margin corresponding to the impact of copper-based cable price decreases between the time they were purchased and the time they were sold, until complete turnover of inventory. The non-recurring effect in relation to the price variation of copper-based cables reflects the effect of copper price variations on the selling prices of cables between the moment they are purchased and the time they are sold, until all such inventory is sold (direct effect on gross profit). This impact mainly relates to the gross margin and, as the case may be, the non-recurring part of the change in administrative and commercial expenses.

An increase in copper-based cable prices would have the reverse effects of those described above.

#### Management of risk

These two effects are assessed, where possible, on all of the cable sales of the period, with the countries in this situation representing over two-thirds of the Rexel Group's consolidated sales (excluding activities other than the distribution of electrical products). The Rexel Group's internal procedures also provide that entities without information systems allowing them to carry out these calculations on an exhaustive basis must assess these effects based on a sample representing at least 70% of sales of the period, with the results being then extrapolated to all of the cable sales of the period. Taking into account the sales covered, the Rexel Group believes that the effects so measured represent a reasonable estimation.

In 2018, the Rexel Group estimates that variations in cable prices have contributed to increase, on a recurring basis, its sales by approximately 0.4% on a constant basis and same number of days. Furthermore, the change in cable prices in 2018 had resulted in a negative non-recurring impact on EBITA estimated at €7.9 million.

By comparison, in 2017, the Rexel Group had estimated that variations in cable prices had contributed to increase, on a recurring basis, its sales by approximately 1.4% on a constant basis and same number of days. Furthermore, the change in cable prices in 2017 had resulted in a positive non-recurring impact on EBITA estimated at €14.2 million.

Although the occurrence of external risks cannot be managed, the Rexel Group has implemented tools to monitor and assess the risk level and impact. A specific monthly reporting process has been developed and is analyzed by the central teams. Furthermore, the Rexel Group discloses results adjusted to exclude the non-recurring effects of copper price variations.

#### ***Risks relating to the change in the price of raw materials (excluding copper)***

The Rexel Group is also exposed to variations in prices of other commodities which are part of the components of distributed products such as metals (steel, aluminum or nickel) or oil and its derivatives (PVC, polyamide or polycarbonate). Oil also impacts transportation costs for products distributed by the Rexel Group. In 2018, transportation costs accounted for 2.8% of the Rexel Group's sales. Changes in prices of certain commodities may have an adverse effect on the financial situation or the results of the Rexel Group.

#### Management of risk

Rexel monitors the evolution of commodity prices at Group level. Most of the entities of the Rexel Group have entered into transport outsourcing agreements, which allow the impact of changes in oil prices to be managed.

#### ***Risks relating to indebtedness***

As at December 31, 2018, the Rexel Group's gross indebtedness amounted to €2,590.2 million and its net indebtedness amounted to €2,030.4 million. In 2016 and 2017, Rexel issued bonds for a total outstanding amount of €1,450.0 million.

Subject to certain conditions, Rexel and its subsidiaries may also incur or guarantee new borrowings.

Rexel Group's level of indebtedness may affect its financing capacity as well as the related financial costs.

The Rexel Group may be required to devote a significant portion of its cash flow to service the principal amount and the interests of its debt, which may result in a reduction of funds available to finance its operations, capital

expenditures, organic growth initiatives or acquisitions. In particular, the Rexel Group's financial expenses may increase in the event of a material increase in interest rates, particularly in relation to the unhedged portion of its debt.

The Rexel Group may thus be at a disadvantage compared to competitors that do not have a similar level of indebtedness.

Furthermore, the Rexel Group's ability to meet its obligations, in particular complying with the restrictions and contractual obligations, contained in certain of its credit agreements (in particular those in connection with the Senior Facility Agreement, the 3.500% Notes, the 2.625% Notes and the 2.125% Notes or the securitization programs, as described in note 23.1 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report), or to pay interest on its loans or to refinance or repay its loans in accordance with the terms of its debt agreements will depend on the Rexel Group's future operating performance, which may be affected by a number of factors (general economic conditions, conditions in the debt market, legal and regulatory changes, etc.), some of which are beyond the Rexel Group's control.

If at any time the Rexel Group has insufficient cash to service its debt, it may be forced to reduce or delay acquisitions or capital expenditures, sell assets, refinance its debt or seek additional funding, which may adversely affect its business or financial condition. The Rexel Group may not be able to refinance its debt or obtain additional financing on acceptable terms.

#### Management of risk

The measures implemented to manage these risks are described in paragraphs "Risks relating to bank and bond financing (excluding securitizations)" and "Risks relating to securitization programs" below. In addition, this debt exposes the Rexel Group to interest rate risk, which is described in "Risks relating to interest rate" below.

#### ***Risks relating to bank and bond financing (excluding securitizations)***

Certain bank loans and bond financings, including the Senior Facility Agreement, the 3.500% Notes, the 2.625% Notes and the 2.125% Notes (as described in note 23.1 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report), contain customary restrictions limiting the Rexel Group's operations. In particular, these restrictions limit its capacity to grant guarantees on assets, dispose of certain assets, carry out acquisitions, merger or restructuring transactions, borrow or lend money, provide collateral and make certain investments, set up joint ventures, or change the business operations of the Rexel Group. The Senior Facility Agreement, the 3.500% Notes, the 2.625% Notes and the 2.125% Notes also contain provisions under which the Rexel Group's creditors could demand full or partial early repayment of borrowings, particularly in the event of the disposal of certain assets or change of control. These restrictions may impact the Rexel Group's ability to respond to competitive pressures, downturns in its markets or, in general, overall economic conditions.

The Rexel Group's borrowings include various financial commitments described in note 23.1 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in 2018 Activity Report. As of December 31, 2018, the Rexel Group complied with all of its applicable financial commitments. The Rexel Group must provide for each financial commitment a certificate of compliance with the relevant undertakings. This certificate must show how the items were calculated so that compliance with such undertakings may be assessed, including the pro forma indebtedness ratio (i.e., adjusted consolidated net debt compared to adjusted consolidated EBITDA). The Rexel Group's Statutory Auditors issue their own attestation on this certificate.

Rexel's ability to meet these commitments will depend on the financial and operating performance of the Rexel Group as well as on various factors, some of which are beyond the Rexel Group's control. Non-compliance by the Rexel Group with its financial covenants, in particular with the financial ratios set out in the Senior Facility Agreement, the 3.500% Notes, the 2.625% Notes and the 2.125% Notes may result in early termination by the borrowers of the agreements entered into with the Rexel Group. Under such agreements, the borrowers may require early repayment of any amounts of principal or interest that are due.

In such cases, the Rexel Group may not be able to refinance its indebtedness under similar terms, which may have a material adverse effect on its financial condition or results of operations.

As the group holding company without business operations of its own, Rexel relies on distributions from its subsidiaries. Rexel's inability to obtain sufficient funds from its subsidiaries could have an adverse effect on its capacity to meet its obligations under its indebtedness or to distribute dividends.

## Management of risk

To monitor compliance with its financial ratios and its financing agreements, the Rexel Group's Management regularly reviews the current and forecasted situation and corrective action is proposed to the Board of Directors if needed. The Audit and Risk Committee follows up on these situations on a regular basis.

### ***Risks relating to securitization programs***

Certain Rexel Group companies are engaged in securitization programs. Such programs are subject to customary terms applicable to these types of financial transactions and impose certain obligations with respect to service levels and collection of assigned accounts receivable (within the terms described in note 23.1.3 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report).

As at December 31, 2018, the Rexel Group complied with all of its financial commitments under these securitization programs.

If Rexel Group companies do not comply with their obligations as established by the credit institutions or the investors, such programs could be terminated. Furthermore, the quality of the receivables assigned has an impact on the cost and amount of the financing obtained, which could affect the Rexel Group's financial condition if the quality of the receivables deteriorates. In addition, the Rexel Group's receivables are transferred to special purpose entities that are financed through the issuance of short-term debt instruments subscribed by investors. In exceptional circumstances, the Rexel Group cannot guarantee that the special purpose entities could continue to issue such instruments, or to do so under similar terms. In such circumstances, the Rexel Group may be forced to refinance all or part of the programs affected by such events under less favorable terms.

The securitization programs are a material source of financing of the Rexel Group. In the cases described in the paragraph above, Rexel cannot provide assurances that the Rexel Group may refinance itself under similar terms, if at all. Refinancing under less favorable terms may have a material adverse effect on the financial condition or results of operations of the Rexel Group.

## Management of risk

The Finance-Treasury department conducts a monthly follow-up of the contractual obligations to be complied with. For pan-European plans, a simulation of the various ratios' sensitivity to the evolution of sales forecasts (which determines the amount of liabilities) and the evolution of certain parts of the aged trial balance is carried out on a monthly basis by the Rexel Group's Finance-Treasury department with the help of the financial management of the relevant countries. For the other programs, subject to lower risk, a monthly review of the ratios is carried out.

The accounting treatment of the securitization programs is described in note 23.1.3 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

### ***Risks relating to pension plans***

Risks relating to pension plans and the corresponding risk management tool are described in note 22.7 of the Notes to the consolidated financial statements of the Rexel Group for the year ended December 31, 2018, included in the 2018 Activity Report.

### ***Risks relating to interest rate***

The interest rate risk and the system in place to manage this risk are detailed in note 24.1 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

The applicable margin to the Senior Facility Agreement (as described in note 23.1.1 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018, included in the 2018 Activity Report) is determined based on the leverage ratio (as defined in the Senior Facility Agreement), in accordance with the mechanism described in note 23.1.1 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018, included in the 2018 Activity Report. Thus, depending on the Indebtedness Ratio, the margin applicable to the Senior Facility Agreement may vary between 0.60% and 2.25% (*i.e.*, a range of 165 base points), which may result in an increase in the financial expenses. Based on the leverage ratio as at December 31, 2018, it amounts to 1.00%.

### ***Risks relating to foreign exchange rate***

The exchange rate risk and the system in place to manage this risk are described in note 24.2 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

### ***Risks relating to liquidity***

The liquidity risk and the system in place to manage this risk are detailed in note 24.3 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

A description of the Rexel Group's indebtedness is provided in paragraph 2.2 "Sources of financing" of the Rexel Group's activity report for the year ended December 31, 2018 included in the 2018 Activity Report.

A quarterly review of the Group's liquidity level is performed during Audit and Risk Committees. Corrective measures would be taken if the level of liquidity became lower than adequate.

### ***Risks relating to counterparty***

The counterparty risk and the system in place to manage this risk are described in note 24.4 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

### ***Risks relating to equity instruments***

With the exception of Rexel's treasury shares, the Rexel Group does not hold, as of the date of this document, any interests in listed companies.

As at December 31, 2018, Rexel held 2,108,720 of its own shares.

Therefore, the Rexel Group believes that it is not subject to any risk in relation to shares of listed companies, other than the risk relating to the hedging assets of the pension obligations referred to above in "Risks relating to pension plans".

## BUSINESS

### Overview

Our corporate name is “Rexel”.

We are registered with the Trade and Companies Register (*Registre du commerce et des sociétés*) of Paris under identification number 479 973 513 RCS Paris.

Our LEI (Legal Entity Identifier) is 969500N6AVPA51648T62.

We were incorporated on December 16, 2004 as a *société par actions simplifiée*, for a term of 99 years, expiring, except in the event of extension or early dissolution, on December 16, 2103. We were converted into a French *société anonyme* with a Management Board and a Supervisory Board by a decision of the Combined General Shareholders’ Meeting of its members on February 13, 2007. We were converted into a French *société anonyme* with a Board of Directors by a decision of the Combined General Shareholders’ Meeting on May 22, 2014.

Our registered office is located at: 13, boulevard du Fort de Vaux, 75017 Paris, France (telephone: +33 (0)1 42 85 85 00). We are a *société anonyme* under French law, with a Board of Directors, and governed in particular by the legislative and regulatory provisions of Book II of the French Commercial Code.

Our website is [www.rexel.com](http://www.rexel.com).

### History

Rexel Distribution was founded in 1967 under the name “Compagnie de Distribution de Matériel Electrique (CDME)” and adopted the name of Rexel in 1993, and later Rexel Distribution in 2007.

The shares of Rexel Distribution were admitted for trading on the Second Marché of the Paris stock market on December 8, 1983, and were admitted for trading on the Premier Marché of the Paris stock market in 1990. In 1990, Pinault-Printemps-Redoute (“PPR”) became the majority shareholder of Rexel Distribution upon acquisition of Compagnie Française de l’Afrique Occidentale (C.F.A.O.), of which CDME, renamed Rexel and later Rexel Distribution, was a subsidiary.

Under the terms of a purchase agreement entered into on December 10, 2004, PPR, through its subsidiary Saprodis S.A.S., transferred to a consortium of funds and investment capital companies, composed of Clayton Dubilier & Rice, Eurazeo S.A. and Merrill Lynch Global Private Equity (which became BAML Capital Partners) a controlling stake representing 73.45% of the share capital of Rexel Distribution. This disposal was followed by a share price guarantee, a public buyout offer followed by a compulsory squeeze-out, after which the shares of Rexel Distribution were delisted from the regulated Euronext market on April 25, 2005. Rexel’s shares were admitted for trading on the regulated Euronext market on April 4, 2007. After the last disposals that took place during 2014, the consortium no longer holds any share in Rexel.

We initially developed our wholesale distribution operations for low and ultra-low voltage electrical products in France. We next undertook our international development by making acquisitions.

After implementation of restructuring and reorganizational measures between 2002 and 2003, we concentrated, in 2004, on accelerating our organic growth, in particular with the objective of developing our range of services, and to multiply local marketing initiatives. We also continued to optimize our operational structure, both in terms of commercial networks and in support functions, in particular, logistics and IT.

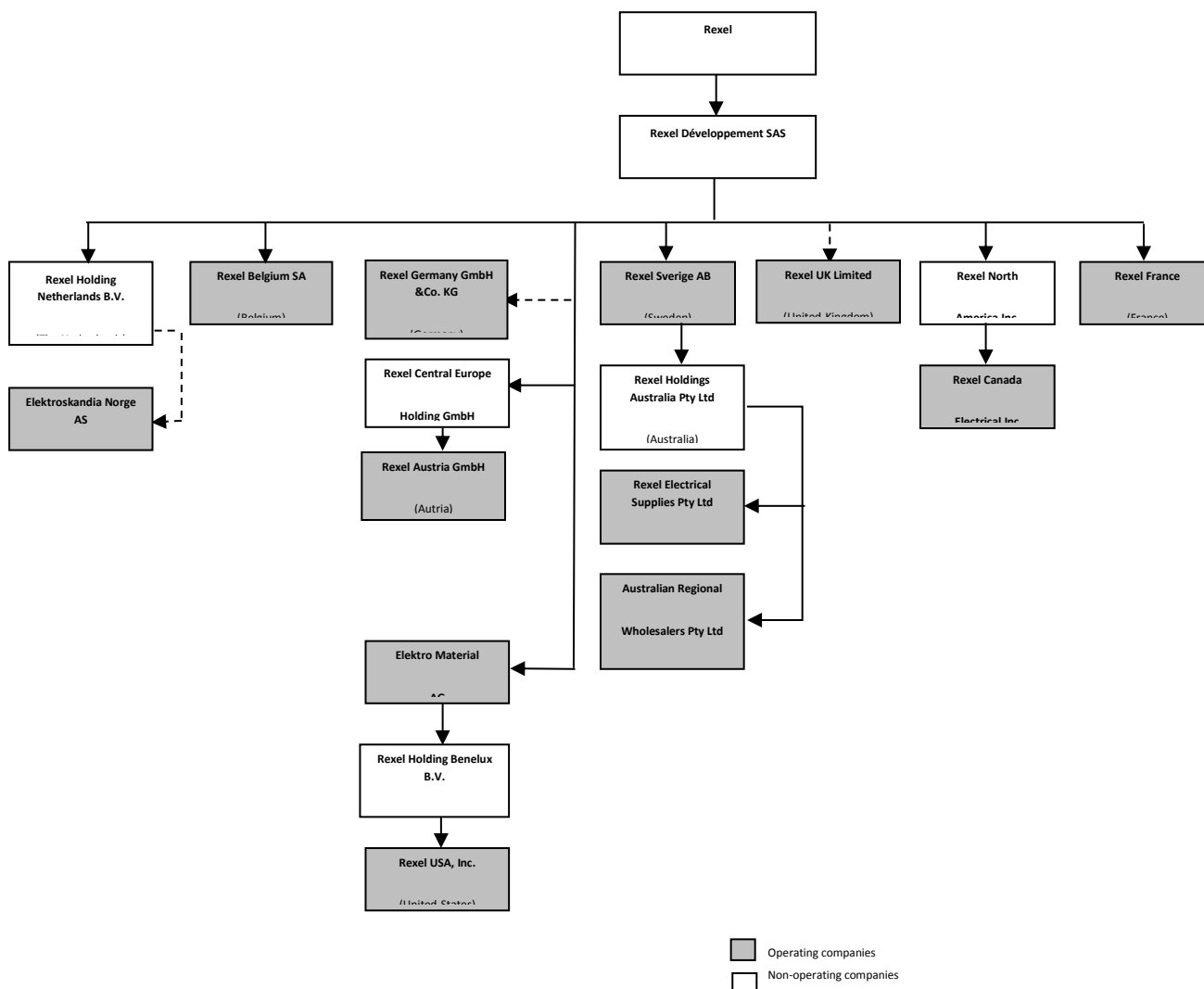
The organic growth was supplemented by a strategy of selective external growth. We acquired companies of regional, national, or international scale, enabling us to reinforce our position in targeted zones, as well as companies in countries with strong growth potential. Since 2010, we completed 41 consolidating acquisitions, including 1 in 2018.

In the context of the reorganization of the business portfolio started in early 2015, we sold in September 2015 six of our companies previously acquired in Latin America, and sold in January 2016 our activities in Poland, Slovakia and the Baltic States. In the context of our €650 million disposal plan launched early 2017 to focus our business portfolio, we sold in December 2017 all of our operations in South East Asia, including: Thailand, Indonesia, Singapore, Vietnam, the Philippines, Macau and Malaysia. The whole disinvestment plan represents an updated sales amount of €650 million. The plan, as a whole, is expected to be completed by the end of June 2019. For more information see note 5 of the Notes to the Rexel Group’s consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

## Corporate structure

### Structure chart

The organizational chart below is a simplified organizational chart of the Rexel Group as of December 31, 2018. As at December 31, 2018, our Group comprised 115 subsidiaries. The list of all of the companies consolidated by Rexel as of December 31, 2018, and their geographical location is detailed in note 31 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.



### Principal subsidiaries as of December 31, 2018

Our Group comprises Rexel and its subsidiaries.

Rexel is the parent company of the Rexel Group and the head of the tax consolidation group implemented as of January 1, 2005. Rexel determines the orientation and strategy of the Rexel Group. Rexel has entered into loan agreements with Rexel Développement and certain of its subsidiaries.

Rexel Développement is an operational holding company (*holding d'animation*). It centralizes the functional and operating management teams of the Rexel Group. It employs the staff dedicated to the management of the Rexel Group. It holds the Rexel Group operational companies, directly or indirectly.

Rexel Développement has entered into service agreements with certain of its subsidiaries in the financial, cash management, legal, accounting, human resources, activities (purchases, logistics) or IT systems fields.



Rexel Développement has entered into cash management agreements and / or loan agreements with certain of its subsidiaries in order to allow for their financing.

Rexel's principal direct and indirect subsidiaries are described below. With the exception of the equity securities of the Rexel Group's companies and certain intellectual property rights, held, *inter alia*, by Rexel Développement, such subsidiaries do not hold any strategic economic assets.

**Rexel Développement SAS** is a simplified joint stock company (*société par actions simplifiée*) governed by the laws of France with a share capital of €2,098,654,090. Its registered office is at 13, boulevard du Fort de Vaux, 75017 Paris, France. The company is registered under number 480 172 840 R.C.S. Paris. Rexel holds 100% of its share capital and acts as chairman of Rexel Développement SAS. Rexel Développement SAS provides services (management, strategic planning, finance, human resources, IT/Telecoms and legal) to the Group companies. Furthermore, Rexel Développement SAS directly or indirectly holds Rexel Group operating investments and, among other things, provides cash management services for certain Rexel Group operating subsidiaries in France and abroad.

#### *Europe*

**Rexel Austria GmbH** is a company governed by the laws of Austria, with a share capital of €10,000,000, having its registered office at 1, Murbangasse, 1100 Vienna, Austria. It is registered with the registry of commerce and companies of Vienna under number FN 155978f. Its main activity is the distribution of electrical products. It is wholly owned by Rexel Central Europe Holding GmbH.

**Rexel Germany GmbH & Co. (formerly known as Hagemeyer Deutschland GmbH & Co. KG)** is a limited partnership with a share capital governed by the laws of Germany (*Kommanditeinlage*) with a share capital of €13,001,000. Its registered office is at Landsberger Str. 312, 80687, Munich, Germany. It is registered with the registry of commerce and companies under number HRA 48737. Its main activity is the supply and distribution of electrical products as well as the acquisition and management of equity investments in other companies. It is indirectly wholly owned by Rexel Développement.

**Rexel Belgium SA** is a company governed by the laws of Belgium, with a share capital of €30,000,000, having its registered office at Zuiderlaan 91, 1731 Zellik, Belgium. It is registered with the Companies House under number 0437.237.396. Its main activity is the supply and distribution of electrical products. It is wholly owned by Rexel Développement.

**Rexel Sverige AB** is a company governed by the laws of Sweden with a share capital of SKR 80,000,000 paid-up at SKR 46,500,000. Its registered office is at Prästgårdsgränd 4, 125 44 Älvsjö, Stockholm, Sweden. It is registered with the registry of commerce and companies under number 556062-0220. Its main activity is the distribution of electrical products as well as holding equity investments in companies in the electrical products distribution business. It is wholly owned by Rexel Développement.

**Elektroskandia Norge AS** is a company governed by the laws of Norway with a share capital of NOK 82,150,000. Its registered office is in Fugleåsen 6, N-1405, Langhus, Norway. It is registered with the registry of commerce and companies under number 977 454 700. Its main activity is the supply and distribution of electrical products. It is indirectly wholly owned by Rexel Holdings Netherlands B.V.

**Elektro-Material A.G.** is a joint stock company (*Aktiengesellschaft*) governed by the laws of Switzerland with a share capital of CHF 136,350,000. Its registered office is at Heinrichstrasse 200, 8005 Zurich, Switzerland. It is registered with the registry of commerce and companies under number CH-626.3.005.380-6. Its main activity is the distribution of electrical products, the management of shareholdings and the provision of services. It is wholly owned by Rexel Développement.

**Rexel France** is a simplified joint stock company (*société par actions simplifiée*) governed by the laws of France with a share capital of €41,940,672. Its registered office is at 13, boulevard du Fort de Vaux, 75017 Paris, France. The company is registered with the registry of commerce and companies under number 309 304 616 R.C.S. Paris. Its purpose is to distribute all electrical and electronic products, household appliances, IT equipment and derivative products, and more generally the supply of all materials and products for the construction and manufacturing industries, local authorities and individuals. In addition, its purpose is also to hold and manage shareholdings in other companies. It is wholly owned by Rexel Développement.

**Rexel UK Limited** is a limited company governed by the laws of the United Kingdom with a share capital of 30,000,000 pounds sterling. Its registered office is at Ground Floor, Eagle Court 2 — Hatchford Brook, Hatchford Way — B26 3RZ — Sheldon, Birmingham, United Kingdom. It is registered with the Companies House under

number 434724. Its main activity is the sale of electrical products and the holding and the management of equity investments in other companies. It is indirectly wholly owned by Rexel Développement.

#### *North America*

**Rexel USA, Inc.** (formerly known as Rexel Holdings USA Corp.) is a corporation governed by the laws of Delaware with a share capital of US \$1,001, registered under number 20-5021845. Its registered office is at 14951 Dallas Pkwy — Dallas, TX 75254, USA. Its main activity is the distribution of electrical products, the acquisition and management of equity investments in other companies and the provision of services. It is fully owned by Rexel Holding Benelux B.V.

**Rexel North America Inc.** is a Canadian corporation with a share capital of CAD 33,904,500 governed by the laws of Canada, registered under number 381380-1. Its registered office is at 505 Locke, suite 200, Saint Laurent, Quebec H4T, 1X7 Canada. Its main purpose is the acquisition and management of equity investments in other companies and the provision of services. It is wholly owned by Rexel Développement.

**Rexel Canada Electrical Inc.** is a Canadian corporation with a share capital of CAD 1,829,744 governed by the laws of Canada, registered under number 428874 2. Its registered office is at 5600 Keaton Crescent, L5R 3G3 Mississauga, Canada. Its main activity is the distribution of electrical equipment. It is wholly owned by Rexel North America Inc.

#### *Asia-Pacific*

**Rexel Electrical Supplies Pty Ltd** is a New South Wales corporation with a share capital of AUD 39,000,000 governed by the laws of New South Wales, Australia, registered under number ACN 000 437 475 NSW. Its registered office is at First Floor — Building B, 12 Julius Avenue — North Ryde, 2113 NSW, Australia. Its main activity is the distribution of electrical equipment. It is indirectly wholly owned by Rexel Sverige AB.

**Rexel Holdings Australia Pty Ltd** is a New South Wales corporation with a share capital of AUD 169,598,471 governed by the laws of New South Wales, Australia, registered under number ACN 081 022 068 NSW. Its registered office is at First Floor — Building B, 12 Julius Avenue — North Ryde, 2113 NSW, Australia. Its main activity is the holding and management of interests in other companies. It is indirectly wholly owned by Rexel Sverige AB.

Contributions from subsidiaries or significant sub-groups as of December 31, 2018, are as follows:

| <b>Consolidation value (excluding dividends)<br/>(in millions of euros)</b> | <b>Fixed assets (including goodwill)</b> | <b>Gross debt (excluding the Rexel Group)</b> | <b>Cash and cash equivalents</b> | <b>Cash from operations</b> | <b>Dividends paid and due to Rexel</b> |
|---|--|---|----------------------------------|-----------------------------|--|
| Rexel (France) .....  | 0.2                                      | 1,480.2                                       | 0.0                              | 49.3                        | 0.0                                    |
| Rexel Développement SAS<br>(France).....                                    | 34.5                                     | (274.8)                                       | (413.7)                          | (25.4)                      | 0.0                                    |
| Rexel France (France).....  | 1,275.3                                  | 439.8   | 14.0                             | 149.5                       | 0.0                                    |
| Rexel USA, Inc. (USA) .....   | 1,203.6                                  | 285.3   | 42.2                             | (4.1)                       | 0.0                                    |
| Elektro-Material A.G.<br>(Switzerland).....                                 | 715.8                                    | (0.4)   | 3.5                              | 47.2                        | 0.0                                    |
| Rexel North America Inc.<br>(Canada).....                                   | 525.9                                    | 112.1   | 9.5                              | 32.7                        | 0.0                                    |
| Rexel UK Limited (United Kingdom).....                                      | 323.8                                    | 196.4   | 12.6                             | 10.0                        | 0.0                                    |
| Rexel Germany GmbH & Co. KG (Germany) .....                                 | 166.7                                    | 104.6   | (0.1)                            | (26.0)                      | 0.0                                    |
| Rexel Sverige AB (Sweden) .....   | 209.4                                    | 1.1   | 0.0                              | 3.5                         | 0.0                                    |
| Rexel Holdings Australia Pty Ltd<br>(Australia) .....                       | 140.6                                    | 86.6  | 0.7                              | 2.7                         | 0.0                                    |
| Elektroskandia Norge AS<br>(Norway).....                                    | 145.2                                    | (0.0)   | 0.5                              | 8.9                         | 0.0                                    |
| Rexel Austria GmbH (Austria) .....  | 130.5                                    | 0.0   | 1.7                              | 19.7                        | 0.0                                    |
| Rexel Belgium SA (Belgium) .....  | 85.8                                     | 7.2   | 0.4                              | 21.1                        | 0.0                                    |
| Other .....   | 233.9                                    | 152.2   | 46.1                             | (4.4)                       | 0.0                                    |
| <b>Total consolidated .....</b>   | <b>5,191.1</b>                           | <b>2,590.2</b>                                | <b>544.9</b>                     | <b>284.7</b>                | <b>0.0</b>                             |

We analyze our sales based on geographic areas, to which the legal entities referred to above belong based on their localization. Therefore, an analysis of sales with a breakdown by legal entity would not be relevant. Breakdown of sales by geographic area is detailed in section “Activity Report” of the 2018 Activity Report.

## *Strategy*

In February 2017, we announced a strategy based on a growth and value-creation approach through three strategic initiatives:

- accelerating growth through “More Customers & More SKUs”;
- increasing selective capital allocation; and
- improving operational and financial performance.

For the coming years, we reaffirm these fundamentals, while launching a transformation of our model, with the aim of becoming a benchmark for services and data use in the world of energy sector distribution.

Thus, our strategy is now based on two pillars:

- “perform”: continued organic growth and continuous improvement of the gross margin and cost structure; and
- “transform”: migration to a leading data driven services company. This transformation will take place through the adoption of a new service-oriented customer approach, the shift to a data-driven company and selective capital allocation.

### “Perform”: constant strengthening of the Rexel Group to guarantee profitable organic growth

#### *Growth in volume, in line with a “More customers & More SKUs” approach*

This organic growth is based on a “More Customers & More SKUs” dual-approach.

We target both net customer gains and increasing our portfolio share with each customer.

This “More Customers & More SKUs” strategy is supported by accelerated digitization of sales and operations, including the development and implementation of new tools and applications. The growth in demand for energy efficiency solutions and renewable energies is also a level for the performance of this strategy.

Consistent with this strategy, we have adapted our business KPIs and created new scorecards across the Group, revised our incentive policies and are constantly adapting our human resources strategy to reflect the need for new skills.

Our medium-term ambition is to achieve organic sales growth above market growth in the markets where we operate.

#### *Continuous improvement of the gross margin and cost structure*

In 2019 and in the medium term, we plan to increase our adjusted EBITA and improve our adjusted EBITA margin by leveraging the investments of the past two years: investments in development, team transformation and recent restructuring.

Beyond the investments of the past two years, the continuous improvement of margin and costs is also based on the best practices shared within the group, including:

- managing the pricing conditions and customer discounts;
- drastically increasing the number of suppliers in order to rationalize purchasing and further develop existing partnerships;
- optimizing sales force efficiency by intensifying business planning and regular training;
- digitalizing back office activities and regularly reviewing processes. This is reflected in particular in the digitization of invoicing, credit and payment processes, and the administration of human resources;
- flexibilizing costs; and

- achieving an environmental and social performance improving the profitability, while contributing to the development of sales;

In addition, we will continue to benefit from specific restructuring initiatives, the benefits of which we expect will increase in kind and in magnitude in the coming years.

#### “Transform”: migration to a leading data driven services company

##### *Adoption of a service strategy, segmented around three types of product and service offers*

We wish to evolve towards a more segmented product and service offering adapted to the different needs of our customers.

The approach is differentiated according to three types of product and service offers:

- “Proximity” value offer (representing approximately 65% of our sales), based on a strengthened presence thanks to a density of agency/counter coverage, a systematic multi-channel approach and continuous improvement in service levels;
- “Projects” value offer (representing approximately 20% of our sales), based on a process of offering specific products and solutions supported by a catalogue of services for industrial or commercial projects; and
- “Specialty” value offer (representing approximately 15% of our sales) through an ability to advise and satisfy customers with very specific needs on typical products and solutions.

In future years, we plan to multiply digital approaches in tandem with the physical networks of these three proposals.

##### *Migration to a data-driven company*

The second part of our transformation is to become a data-driven company. It is about using available and relevant data to make decisions based on facts and analyses and not simply on beliefs or experiences. This transformation is derived along three axes:

- an Internal axis, consisting of performance improvement through the implementation of use cases based on the use of algorithms using artificial intelligence. We have identified a first approach list of 16 potential data use cases adapted to our business. Out of these 16 use cases, we are in the process of rolling out two cases to improve the efficiency of our customer portfolio and agency supply management;
- a Customer axis, consisting of enriching the customer experience. We aim to deepen our insight on our customers’ experience and use the data available to target an ever simpler and more fluid experience. Initiatives will be prioritized starting with those with the greatest customer impact. In this context, we are particularly committed to comply with the various aspects of the legislative environment for the protection of personal data; and
- a Supplier axis, consisting of the development and generalization of a dedicated data analysis offer for each supplier. This offer allows each supplier who subscribes to it to receive factual information on its market positioning, its multi-channel offer and its digital conversion rate by product category.

##### *Selectivity in capital allocation and strengthening of our financial structure*

We have increased our selectivity in capital allocation, both in terms of capital expenditure and investment. We have also strengthened our financial structure and increased our financial flexibility through deleveraging.

Reflecting our strategy of increasing our focus on geographies and market segments that offer the best profitable growth and value-creation opportunities, we initiated a divestment program that will be completed by the end of June 2019. Based on full-year 2016 consolidated accounts, total divestments, once achieved, should have the following financial impacts:

- a reduction of approximately €650 million in our consolidated sales;
- a positive contribution of approximately 25 basis points to our consolidated Adjusted EBITA margin; and

- a slight improvement in our indebtedness ratio.

As regards capital expenditure, our investments are focused on both organic growth enablers and productivity enhancers, through increasing digitization and optimization of our branch network, on the one hand, and automation of logistics and back-office digitization, on the other hand. Two-thirds of capital expenditure are directed towards digital and information systems.

We aim also at strengthening our balance-sheet through deleveraging, while maintaining an attractive dividend policy of paying out at least 40% of recurring net income.

We continue our targeted bolt-on acquisition strategy, in line with our deleveraging objective and strict value-creation criteria. This acquisition strategy follows three main objectives: broaden our footprint in the most attractive geographies and segments (with a priority on the US market), expand to adjacent segments in key markets and capture more of the value chain.

Our medium-term ambition is to annually allocate capital to high growth/high profitability geographies and segments and to use solid cash generation to (by order of priority):

- fund capital expenditure of between €100 and €150 million;
- pay-out a dividend of at least 40% of recurring net income;
- finance selective bolt-on acquisitions from 2018 onwards, with strict value-creation criteria; and
- reduce our indebtedness ratio.

### ***Market and Competition***

On a global level, the market for the professional distribution of low and ultra-low voltage electrical products is characterized by a large number of players.

In 2018, we estimate that around 25% of world sales in the professional distribution of low and ultra-low voltage electrical products market were generated by ten major distributors: Rexel and Sonepar, operating in the main world markets, and to a lesser extent WESCO International, Graybar Electric Company, Anixter International, Consolidated Electrical Distributors and Border States Electric, primarily located in North America as well as Solar, Electrocomponets and Würth, located essentially in Europe.

Around 75% of global sales in the professional distribution of low and ultra-low voltage electrical products market are, therefore, generated by a large number of companies operating at national, regional or local levels.

Levels of market consolidation are very different depending on the country. In the United States, the market can be divided into two categories of players: multi-regional distributors (including the Rexel Group), which we estimate represent around 36% of the total sales generated in 2018, and players with a more regional and local presence. This configuration can be explained, in particular, by the geographical scope of the market and the historical presence of numerous local players. However, in some countries such as Australia, Canada, France, the Netherlands, the United Kingdom, Scandinavia and Switzerland, a large share of the market is occupied by a limited number of distributors. Such a situation arises from the historical presence of players that have consolidated and structured these markets.

This market fragmentation in some countries, combined with the search for productivity savings and economies of scale, favors distributor consolidation. Indeed, we believe that size (materialized by the market share) has a direct impact on the quality and profitability of our operations in a given country.

In parallel, in some countries, small-sized distributors of electrical products are looking to increase their relative size by forming central purchasing offices. These can be national distribution chains as well as independent distributors managing one or several branches. Similar dynamics exist with certain independent customers who decide to gather in groups purchasing agencies in order to increase their negotiating power in respect of professional distributors.

At December 31, 2018, we estimate that we held globally a market share of approximately 6%, allowing us to continue to develop our market share, in particular through external growth, while remaining one of the main players in the market consolidation for the professional distribution of low and ultra-low voltage electrical products.

Our leadership position allows us to have competitive advantages compared to distributors whose size or organization is not similar:

- Meet the demands of customers operating in several geographical zones while offering a comparable level of service and advice worldwide;
- Determine and apply the best practices in terms of business management and development within our network, thanks to Group-wide operations in the most important functions (purchasing, logistics, sales and training);
- Benefit from a common logistics model, and, at a regional level, from information systems shared among several operational platforms;
- Benefit from equivalent or better purchasing conditions than our smaller competitors, by entering into partnership agreements with our strategic suppliers;
- Share IT and digital solutions and streamline contracts with partners in these areas;
- Ensure that our clients, in all our area, apply the best environmental and social standards in the sector; and
- Better identify external growth opportunities in countries we target and integrate acquired businesses according to processes defined based on our experience.

The countries in which we consider that we have a market share over 15% represented close to 59% of our sales in 2018. We are convinced of the importance of reaching a critical size in each of the markets where we are present in order to guarantee the quality and profitability of our operations in such country. We therefore must give priority to our investments in countries where this critical size has been reached or is reachable.

Our local leadership is primarily based on the following factors:

- Our ability to offer customers a range of products and services adapted to local needs, and that is more comprehensive than other independent distributors;
- An extensive network of branches paired with webshops, offering a good fit with customers' needs in terms of proximity to their operations;
- The development of multi-brand commercial networks that help increase our market share in countries where it is already significant;
- A logistics organization adapted to customer demand and market density;
- Our ability to employ qualified personnel with deep knowledge of the local market and of the product offering and to provide them with ongoing training; and
- Our attractiveness for suppliers as a leading distributor in a given geographical zone to promote their products.

In the context of a fragmented market with numerous acquisition opportunities, we consider that our size and strong local market shares, as well as our experience in terms of acquisitions and integration, allow us to better identify targets and carry out these acquisitions more effectively than our smaller-sized competitors or those with less experience in identifying potential acquisition synergies at the time of acquisitions. Since 2010, we have carried out 41 consolidating acquisitions.

This context of fragmented market could create several risks of competition. The market for professional distribution of low voltage electrical products is highly competitive, as the products we distribute are generally available from other distributors. At international level, we compete with several large professional electrical distributors, such as Anixter, CED, Graybar, Sonepar and Wesco.

We also compete with independent distributors that operate on the international, national, regional or local level which are part of, or may occasionally create, cooperative purchasing organizations (for example, buying groups such as Imelco or Fegime).

Furthermore, we may compete with:

- Manufacturers that sell their products directly to certain clients in the industrial and services markets, typically in connection with large-scale projects;

- Specialists in e-commerce that distribute a variety of building materials, including electrical materials to professionals or end-users;
- Any larger web-based B2B webshop company that trades a variety of construction material products, including electrical products;
- General building trade distributors, who could further expand their electrical product offerings or acquire companies already operating in the electrical product distribution sector and thereby create increased competition for the acquisition of market share; and
- Service providers specialized in building maintenance or energy efficiency.

Actions undertaken by these competitors may have an adverse effect on our strategy to gain new clients and market shares.

In addition, regional competitors and new market entrants could attempt to hire our employees, particularly sales and branch management personnel, which may have an adverse effect on our operations.

The competitive pressures that we face may therefore have an adverse effect on our financial condition or results of operations.

In order to limit the competition risks inherent in its business, we rely on the density of our network of branches and sales personnel, the efficiency of our logistical systems as well as the quality of our services. In addition to our branch network, we are developing a multichannel offering in most countries, including e-commerce, thereby responding to clients' expectations by simplifying administrative tasks and giving them technical advice.

A comprehensive e-business platform is progressively rolled out in different countries to support our digitally powered multichannel business model. By developing multichannel relationships with customers, we are seeking to increase customers' loyalty, and new multichannel features, are constantly released in the webshop to better respond to customers' needs. Furthermore, dealing with a professional distributor rather than a manufacturer allows customers to have access to a larger, more complete and more available product offering.

Each year, we review our strategy and make decisions taking into account market growth opportunities as well as our competitors' presence and market shares to adapt our branches and subsidiaries network.

Lastly, to limit the risk of our key employees joining the competition, our entities ensure that their remuneration policies are competitive and include non-compete clauses in employment agreements when such provision makes sense in the local market.

### ***Economic model***

We aim at continuously increasing its profitability through gross margin enhancement and strict cost control.

Gross margin improvement is carried out by systematic implementation of pricing initiatives and supplier relationship management. Rexel also strictly manages its cost base, reducing overhead and improving productivity, while, at the same time, reallocating operating expenses to accelerate sales growth and digitization.

In addition to these initiatives, we drove deep transformations to enhance its profitability in key geographies, in particular in the United States, Germany, the United Kingdom and Spain.

- During the February 2017 strategic plan, the priority was to increase the quality of service, in particular by improving inventory levels and product availability. This resulted in 25 openings of branches in 2018, including five in the United States. In this area, we have moved in early 2018 from a national approach by brand to a multi-banner regional approach, focusing on eight key regions (Northwest, Midwest, Northeast, Southeast, Florida, Gulf Central, Mountain Plains & California). Through these initiatives, we aim in particular at improving operational efficiency, leading to market share gains and improving our profitability. These changes have resulted in a 2% increase in the United States sales compared to 2017 (almost null at country level in other countries), and a significant forthcoming improvement in profitability.
- In Germany, our priority is to develop our industrial offering at the national level and we have exited the residential and commercial markets in the north, to focus on the south of the country in this business. This change took the form of the closure of 17 branches and the rationalization of head office and logistics costs.

- In Spain, we closed 15 branches in 2018 and have changed our logistics from a national CLR model to a hub and spoke model.
- In the United Kingdom, we merged our commercial brands from five (Newey & Eyre, WF Senate, Wilts, Parker and Denmans) to two (Rexel and Denmans), thus enabling us to improve our purchasing terms and the effectiveness of our back office. This merger was accompanied by a review of the geographical footprint with the closure of 33 branches in 2018.

Our operating profitability, associated with the rigorous management of our working capital requirements and low capital intensity, allows us to generate significant cash flows.

A component of our managers' variable compensation is based on efficiently managing working capital requirements, aimed at reducing inventories and customer payment terms thanks to the continuous optimization of logistics and credit management. The deployment of the logistics model to a structure based on hub branches and regional distribution centers as well as the implementation of debt recovery monitoring software are examples of initiatives that have led to a reduction in working capital requirements in percentage of sales.

In addition, we have increased our gross capital expenditure over the last three years, by increasing the share allocated to IT and digital up to almost two-thirds of the investments. This investment policy is representative of the low capital intensity of the professional distribution of low and ultra-low voltage electrical products.

We consider that our mainly fixed cost structure is an important driver of profitability, favoring improvements to our operating margin in growth periods. Indeed, as the cost base is mainly fixed, we are in a position to increase our business volumes without increasing in the same proportions our costs; growth therefore comes with higher marginal profitability. We have engaged in developing digitalization and a sales organization relying on shared structures that allow cost flexibility.

Based on our financial information for the year ended December 31, 2018, we consider that the structure of our operating costs before amortization comprised:

- Variable costs depending on the level of activity of 25% (transport, commissions, etc.); and
- Fixed costs, flexible in the short- to medium-term of 75% (salaries, rents, information systems costs, etc.).

We also aim at streamlining our expenses through the use of cloud-based solutions, which tend to replace fixed amortization expenses by variable operating expenses.

In the context of a fragmented market with numerous acquisition opportunities, we consider that our size and strong local market shares, as well as our experience in terms of acquisitions and integration, allow us to better identify targets and carry out these acquisitions more effectively than our smaller-sized competitors or those with less experience in identifying synergies at the time of acquisitions.

Since 2010, we have carried out 41 consolidating acquisitions.

### ***Business lines***

Our product range, spread across eight families, aims to cover all needs of electrical product contractors and industrial and commercial customers: electrical installation equipment, cables and conduits, lighting, security and communication, climate control, tools, renewable energies and energy management, white and brown goods and other services and products.

This offer is enhanced by combining products with services, in particular, logistics, technical assistance, financing and training aiming at addressing all of the needs of our customers.

We permanently develop and adapt our product offer to take into account innovations offered by suppliers, technological innovations, and new customer demands associated in particular with increased needs for comfort, security, ergonomics, home automation, automation, and energy performance. The innovations developed by manufacturers in each of these product categories to meet the changes in user needs or applicable standards (in particular, in the area of energy consumption management or fire safety) allow us to improve the value of our offer.

We have acquired the technical mastery of all product families corresponding to the needs of electrical contractors. Our close relations with our key strategic suppliers make it a privileged contact between contractors and suppliers.



## Core divisions

We target three end-markets:

- the residential market (25% of 2018 sales), which mainly covers the use of electrical products in housing, building complexes, buildings and public housing, as part of their construction, extension, renovation or upgrading;
- the commercial market (45% of 2018 sales), covering the use of electrical products in stores, health institutions, schools, offices, hotels, public facilities as well as energy power plants, public networks and transport infrastructure, as part of their construction, extension, maintenance, renovation or upgrading; and
- the industrial market (30% of 2018 sales), which covers the use of electrical products in plants and other industrial sites, either as part of their construction or extension, or for maintenance, renovation or upgrading.

Our businesses are spread over three main geographical regions (Europe, North America, and Asia-Pacific). Our 2018 sales amounted to € 13,365.7 million. The breakdown between the different zones is as follows:

|                     | <u>In millions of Euros</u> | <u>In percentage</u> |
|---------------------|-----------------------------|----------------------|
| Europe.....         | 7,350.0                     | 55                   |
| North America ..... | 4,801.3                     | 36                   |
| Asia-Pacific .....  | 1,214.4                     | 9                    |
| Total.....          | 13,365.7                    | 100                  |

Our presence in a number of countries over several continents limits our exposure to the fluctuations of local economic cycles.

Europe: According to our estimates, we are the second player in the market for the professional distribution of low and ultra-low voltage electrical products in Europe, with a 2018 market share of around 16%. We consider that the residential, commercial and industrial markets represented respectively 38.0%, 40.5% and 21.4% of our 2018 sales in Europe. At December 31, 2018, we were located in 18 European countries. We consider that we occupy the first or second place in 11 of these countries.

North America: According to our estimates, and based on our 2018 sales, our market share for 2018 was around 5% for the professional distribution of low and ultra-low voltage electrical products market in North America. We consider that we are one of the four leaders in this zone, with market shares of around 4% in the United States and 23% in Canada. In North America, we operate essentially in the industrial and commercial markets and to a lesser extent in the residential market. We consider that the residential, commercial and industrial, markets represented respectively 6.8%, 56.2% and 37.0% of our 2018 sales in North America.

Asia-Pacific: Based on our estimates and our 2018 sales, we consider that we are number two in Asia-Pacific and held a market share of approximately 4% in 2018. According to our estimates, the residential, commercial and industrial, markets represented respectively 19.9%, 22.8% and 57.3% of our 2018 sales in Asia-Pacific. At December 31, 2018, we were located in 6 Asia-Pacific countries, following the disposal of the South East Asia operations in December 2017.

The breakdown of our sales in 2018 by end market is as follows:

|                   | <u>North America</u> | <u>Europe</u> | <u>Asia-Pacific</u> | <u>Rexel Group</u> |
|-------------------|----------------------|---------------|---------------------|--------------------|
| Residential ..... | 6.8%                 | 38.0%         | 19.9%               | 25.3%              |
| Commercial .....  | 56.2%                | 40.5%         | 22.8%               | 44.6%              |
| Industrial.....   | 37.0%                | 21.4%         | 57.3%               | 30.1%              |

The balanced breakdown of our activity between these three end-markets (industrial, commercial and residential) and between the geographic regions is a factor of global resilience.

For these three end-markets, we are a key link of the value chain between electrical equipment providers and customers and end-users. We offer our solutions and services to a wide range of customers, in particular electrical equipment contractors, end-users with internal installation departments, parts manufacturers and panel builders, industrial companies and tertiary companies. This diversity allows us to avoid being dependent on any customer, although the degree of customer concentration in some countries or product ranges can be higher than in others.

As at December 31, 2018, we had a network, comprising 50 logistical centers and 1,950 branches across 26 countries employing 27,000 people (full time equivalent).

By geographical zone, the number of branches changed as follows between December 31, 2016 and December 31, 2018:

| (number of branches) | At December 31, |                     |                        |
|----------------------|-----------------|---------------------|------------------------|
|                      | 2018            | 2017 <sup>(1)</sup> | 2016 <sup>(1)(2)</sup> |
| Europe.....          | 1,127           | 1,183               | 1,196                  |
| North America .....  | 574             | 574                 | 560                    |
| Asia-Pacific .....   | 249             | 255                 | 250                    |
| <b>Total .....</b>   | <b>1,950</b>    | <b>2,012</b>        | <b>2,006</b>           |

(1) Excluding South East Asia

(2) Excluding Latin America

We regularly check the fit of our branch network with market needs, which can lead to branch openings, transfers, regrouping or closures. With changing technology and customer habits, the agency concept is strengthened by the increasing power of digital data and by the available product offering search engines with optimized delivery in terms of location and deadlines.

We consider that our market should grow in volume over the long term, following the trend in electricity consumption. This anticipated growth trend is notably driven by a combination of macroeconomic factors such as:

- the development of access to electricity linked to demographic growth and distribution, as well as increasing urbanization, creating demand for the construction of new infrastructure;
- energy issues awareness entailing the will to increase energy efficiency of equipment. The desire to promote low-carbon energy favors the future development of electricity, as is the willingness of customers to pay more for products or solutions that help protect the environment. The development of solutions to reduce energy consumption or the production of new energy solutions is also a consequence of this awareness of energy issues and opens up new opportunities;
- the development of the Internet of Things, that offer increased functionalities, in particular in terms of security, ease of use and energy efficiency, leading to the modernization of existing equipment. The offer is driven towards complex systems of connected products, steerable on-site or remotely, and of interconnected multi-purpose products. This emergence paves the way for a trend towards more added value and the need for consistent offerings, including software offerings; and
- the aging of the population and the advent of new medical solutions and the maintenance of elderly people at home thanks to connected objects.

In addition to the macroeconomic factors, we consider that the professional distribution market for low and ultra-low voltage electrical products is driven by a combination of different factors:

- a changing regulatory environment, which varies by country. The modification of safety and energy consumption standards constitutes a factor for equipment renewal;
- the development of technical assistance and maintenance services, due notably to the technological evolution of installations and customers' increasing demand for value added services;
- the consolidation of international customers looking for a value-consistent service delivery offer across all countries in which they operate; and
- the ongoing development and renewal of the higher value added product offer encourages regular growth and an increase in the price of the average basket. This trend is particularly noticeable in the most technical product families, such as industrial automation, lighting, security and communication, but can also be seen in simpler product families such as outlets. It is also supported by the change in safety and energy savings standards, promoting the renewal and shift to more advanced products.

We rely on eight distribution channels, both physical and remotely-managed, in order to optimize contacts with customers and adapt to their preferences and needs:

- Branch network: local channel offering an immediate availability of several thousand products, the withdrawal of orders placed until the evening before on tens of thousands of additional references and access to the expertise of sales consultants;
- Call center: in order to place orders or obtain a quick response to quotes and technical queries;
- Sales force: a unique and dedicated contact point for each customer for a customized response to their needs;
- Know-how center: access to specialists in all fields;
- EDI: a digital catalogue directly integrated into the customer's systems for simple and efficient ordering;
- E-commerce site: an extensive offer available online, as well as a wide range of services such as online chat with experts, the "click & collect" allowing to select a drop-off point to pick up the order (including safe deposit lockers);
- Web-based configurator: online tools for product configuration; and
- Applications: many applications aimed at making our customers' lives easier, such as: a network of professional advisers ("The Grid"), sales applications allowing them to create their shopping cart offline, geolocation of the nearest branch, etc..

The complementarity of skills and expertise available in the various channels allows us to build complete and personalized solutions for our customers, positioning us as a unique partner for the supply of electrical solutions and equipment.

This multichannel offer improves customer loyalty and the share of purchases made with us. It represents a major competitive advantage, particularly in the face of players specializing in digital technology. It goes together with the will to increase the share of digital sales (online tools and EDI), which amounts to 16% of our sales in 2018

Our distribution activities are based on an adaptable logistics model organized around three variants:

- Logistics centers which are generally used in areas with high customer density to carry out logistics functions, stock a large number of referenced products and are directly supplied by suppliers. Sales of products are carried out by the branches attached to these distribution centers;
- Hub spoke branches whose implementation allowed us to develop in areas with lower customer density. Each hub branch provides logistics support to its spoke branches, in addition to its own sales activity; and
- Autonomous branches which are generally located in areas with low customer density, where logistics centers and hub branches would not be economically efficient. All products are stocked in the branches, which are directly supplied by the suppliers.

The choice of one of these distribution modes for a given region depends on numerous parameters, in particular the customer concentration, market size, the density of the branch network, the product offer, competition, as well as the type and diversity of services to be supplied. In addition, we can adapt each of these variants to take into account the characteristics of each region.

If the sales densities allow it, we seek to centralize flows through logistics centers.

### ***Product overview***

Our product offer can be broken down into eight families:

- Electrical installation products (41% of 2018 sales) groups coupling and circuit protection devices (switches, circuit breakers, meters, fuses), energy conversion and storage devices (transformers, accumulators and chargers, generating sets), command control devices (industrial automation, command control networks), sensors, actuators and consumers (pumps, fans, blowers, compressors). All these devices have an important role in the management and optimization of energy consumption;

- Lighting (19% of 2018 sales) which includes, on the one hand, sources such as low energy consumption bulbs, incandescent, halogen and fluorescent tubes and LEDs and, on the other hand, light fixtures, such as indoor and outdoor lighting systems, sensors and decorative accessories;
- Cables and conducts (21% of 2018 sales) that allow the distribution of electrical current and that also groups raceways, wiring ducts and cable troughs;
- Security and communication (3% of 2018 sales) including primarily voice, data and image transmission systems (VDI), and detection (intrusion and fire) surveillance and access control devices;
- Climate control (5% of 2018 sales) which covers ventilation, air conditioning and heating systems (in particular, those based on renewable energies);
- Tools (4% of 2018 sales) including hand and electrical tools, and instrumentation tools;
- Renewable energies and energy management (2% of 2018 sales) including equipment related to renewable energies control (solar, photovoltaic panels, wind, batteries for energy storage) and energy management systems; and
- White and brown goods (1% of 2018 sales) including household appliances and consumer electronic products.

The product families and percentages presented above correspond only to the professional distribution of low and ultra-low voltage electrical products business. These product families do not include the specific services provided by certain of our specialist entities, such as Gexpro Services in the United States, or the provision of services or software. The sales we generated for these other business was around 2% in 2018.

Among these eight product families, we offer a wide range of technical solutions that allow us to address local consumption behavior and applicable standards as well as technological innovations. The product range may, therefore, be widened, in particular within the framework of MRO (Maintenance, Repair and Operations) contracts. The product offer is generally marketed under the suppliers' brands, whose brand awareness is an important element in the contractors' purchase decision. Thus, the change in the product range is the result of a dynamic, continuous approach that takes into account customer requirements.

### Customers

Based on our estimates, we consider that the professional distribution market for low and ultra-low voltage electrical products in which we are present represented around €168.3 billion worldwide in 2018. For areas where we are present, this market represents approximately €44.1 billion in Europe, approximately €93.1 billion in North America and approximately €28.2 billion in Asia-Pacific. This market, which demonstrated its resilience in the past five years, slightly decreased compared to 2017, at constant foreign exchange rates.

Breakdown between the main countries for the professional distribution of electrical products where we are present<sup>(1)</sup>:

| <u>Country</u>                      | <u>United States</u> | <u>Canada</u> | <u>Germany</u> | <u>France</u> | <u>United Kingdom</u> |
|-------------------------------------|----------------------|---------------|----------------|---------------|-----------------------|
| Size (€ billion) .....              | 88.9                 | 4.2           | 8.8            | 7.5           | 4.1                   |
| Exchange rate used (1 euro =) ..... | 1.18                 | 1.53          | —              | —             | 0.89                  |

(1) Source : Our estimates (depending on the data available locally, these estimates are based on the figures of local professional associations, external market analyses such as Euroconstruct, as well as internal estimates). We are present in China however, the data collected do not allow estimating the market on a reliable basis

The valuation of this market does not include a certain number of services that exceed the simple distribution of electrical products, such as the production of energy audits or complementary services in logistics, such as inventory management.

We aim to position ourselves for our customers as a technical solutions supplier. We seek to enhance the value of our product offer by combining it with varied value-added services. These services are carried out by qualified personnel benefiting from continuous training that allows them to master technological changes. The services we provide allow our customers to handle the technical changes involved in the distributed products families and support them along their projects. These services notably include:

- Training, support for automation programming and support for drafting cabling diagrams;

- Electrical installations design services;
- Support for major projects, *inter alia* international projects, in particular for logistics needs;
- Outsourcing programs for the supply chain, in particular in the area of inventory and assembly management, distribution of spare parts and the outsourcing of logistics services;
- The provision of turnkey solutions and the calculation of potential savings, in particular in the areas of energy efficiency; and
- Financing services adapted to the profiles of our customers.

These additional services increase the value of our distributor role and help improve customer loyalty. In addition, these services are part of a customer loyalty and development policy, in particular, through the widening of skills to products incorporating the most recent technological evolutions.

Due to the technical nature of our business, we employ highly experienced personnel with in-depth knowledge of product specificities, local needs and applicable regulations. This know-how and training offered to customers allows us to direct them to higher value-added systems for end-customers, which allows to improve such customers' loyalty and to develop the market share held with them. We can therefore act as an advisor in technical solutions.

To preserve this competitive advantage, our employees benefit from an active training program in performance-oriented technical and sales areas. The evolution of employees' capacities is part of a desire to ensure that everyone's skills are updated, which represents a strong commitment in a context of global digitalization. We also aim to improve the productivity of our support functions (in particular, administrative services) to optimize operating costs.

Our managers have a broad experience in professional distribution as well as expertise in operational, financial and mergers and acquisitions (M&A) matters.

### ***Suppliers***

In order to adapt our supply structure to the specificities of each country or geographical zone, and to optimize our purchasing conditions, we have implemented partnerships with our suppliers on several levels:

- On a global level, around 40 international suppliers are considered "strategic suppliers" by the Rexel Group. These suppliers are present in different countries on one or several continents and are committed with us in international development programs;
- At each country level, our subsidiaries negotiate specific purchasing conditions with national suppliers; and
- At a local level, the branches may also negotiate specific sales conditions with their suppliers.

We have a policy of concentrating our suppliers, with the aim of rationalizing our purchasing policy and strengthening our relations with the most important suppliers.

In this way, we promote the development of sustainable relations with our strategic suppliers, who have the ability to contribute to the growth of our business both on global and local levels. The development of these relations also takes into account the technological advance of the suppliers (in terms of products and services) and their digital maturity. These privileged relations enable us to have more bargaining power, obtain productivity gains, generate economies of scale in logistics; benefit from the supplier's marketing resources as well as their support in introducing innovations on the market. Our active supplier management has resulted in a gradual concentration in our purchases.

Our supplier relations are governed by short-to-medium-term contracts.

We consider that we have generally favorable relations of interdependence with most of our major suppliers, thus limiting the inherent risks in a concentration of suppliers, as shown in the table below:

| <b>December 31, # of suppliers to achieve</b> | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| 50% of purchases .....                        | 26          | 26          |
| 80% of purchases .....                        | 363         | 345         |
| 100% of purchase .....                        | 10,879      | 11,682      |

## Funding

In addition to the cash from operations, our main sources of financing are bond issuances, securitization programs and bilateral credit facilities. At December 31, 2018, our 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:

| <i>(in millions of euros)</i>                          | 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 interest .....                                 | 5.0                     | —              | 5.0            | 6.3                     | —              | 6.3            |
| Less transaction cost .....                            | (4.4)                   | (16.3)         | (20.7)         | (5.1)                   | (19.7)         | (24.7)         |
| <b>Total financial debt and accrued interest .....</b> | <b>654.0</b>            | <b>1,936.2</b> | <b>2,590.2</b> | <b>161.8</b>            | <b>2,450.5</b> | <b>2,612.3</b> |
| Cash and cash equivalents .....                        |                         |                | (544.9)        |                         |                | (563.6)        |
| Accrued interest receivables .....                     |                         |                | (2.2)          |                         |                | (1.0)          |
| Debt hedge derivative .....                            |                         |                | (12.7)         |                         |                | (6.5)          |
| <b>Net financial debt.....</b>                         |                         |                | <b>2,030.4</b> |                         |                | <b>2,041.2</b> |

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

| <i>(in millions of euros)</i>         | As of December 31, |                     |
|---------------------------------------|--------------------|---------------------|
|                                       | 2018               | 2017 <sup>(1)</sup> |
| 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                |
| <b>Liquidity .....</b>                | <b>1,305.7</b>     | <b>1,304.7</b>      |

(1) Taking into consideration the amendment of the Senior Facility Agreement executed on January 31, 2018 (see note 23.1.1 of the Notes to Rexel's audited consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

## 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:

| <i>(in millions of euros)</i>                                    | As of December 31, |                |
|--|--------------------|----------------|
|  | 2018               | 2017           |
| <b>Due within</b>  |                    |                |
| 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        |
| <b>Total gross financial debt before transaction costs .....</b> | <b>2,610.9</b>     | <b>2,637.1</b> |
| Transaction costs .....  | (20.7)             | (24.7)         |
| <b>Gross financial debt.....</b>                                 | <b>2,590.2</b>     | <b>2,612.3</b> |

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

| <i>(in millions of euros)</i> | <b>Financial debt &amp;</b> |                    |                |
|-------------------------------|-----------------------------|--------------------|----------------|
| <b>Due within</b>             | <b>Interests</b>            | <b>Derivatives</b> | <b>Total</b>   |
| 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          |
| <b>Total .....</b>            | <b>2,854.6</b>              | <b>(16.1)</b>      | <b>2,838.5</b> |

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 of the Notes to the Rexel Group's consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report), 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.

| <i>(in millions of euros)</i>           | <b>As of December 31,</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>2018</b>               | <b>2017<sup>(1)</sup></b> |
| 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                      |
| <b>Liquidity .....</b>                  | <b>1,305.7</b>            | <b>1,304.7</b>            |

(1) Taking into consideration the amendment of the Senior Facility Agreement executed on January 31, 2018 (see note 23.1.1 of the Notes to the Rexel Group's audited consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

#### **Table setting forth assets and liabilities**

| <i>(in millions of euros)</i>        | <b>As of December 31,</b> |                           |
|--------------------------------------|---------------------------|---------------------------|
|                                      | <b>2018</b>               | <b>2017<sup>(1)</sup></b> |
| <b>Assets</b>                        |                           |                           |
| Goodwill .....                       | 3,871.1                   | 3,914.9                   |
| Intangible assets.....               | 1,038.8                   | 1,049.7                   |
| Property, plant and equipment .....  | 281.1                     | 272.0                     |
| Long-term investments .....          | 42.6                      | 38.0                      |
| Deferred tax assets.....             | 85.8                      | 96.6                      |
| <b>Total non-current assets.....</b> | <b>5,319.4</b>            | <b>5,371.2</b>            |
| Inventories .....                    | 1,674.2                   | 1,544.9                   |
| Trade accounts receivable.....       | 2,091.5                   | 2,074.4                   |
| Current tax assets .....             | 14.4                      | 48.1                      |

|  |                 |                 |
|--|-----------------|-----------------|
| Other accounts receivable .....  | 519.0           | 512.7           |
| Assets held for sale .....   | 41.9            | —               |
| Cash and cash equivalents .....  | 544.9           | 563.6           |
| <b>Total current assets</b> .....                                      | <b>4,885.9</b>  | <b>4,743.7</b>  |
| <b>Total assets</b> .....  | <b>10,205.3</b> | <b>10,114.9</b> |
| <b>Equity</b>  |                 |                 |
| Share capital .....  | 1,519.9         | 1,516.7         |
| Share premium .....  | 1,554.0         | 1,559.2         |
| Reserves and retained earnings .....                                   | 1,154.5         | 1,079.5         |
| <b>Total equity attributable to equity holders of the parent</b> ..... | <b>4,228.4</b>  | <b>4,155.4</b>  |
| Non-controlling interests .....  | 3.8             | 2.2             |
| <b>Total equity</b> .....  | <b>4,232.2</b>  | <b>4,157.6</b>  |
| <b>Liabilities</b>   |                 |                 |
| Interest bearing debt (non-current part) .....                         | 1,936.2         | 2,450.5         |
| Net employee defined benefit liabilities .....                         | 266.2           | 319.9           |
| Deferred tax liabilities .....   | 225.2           | 172.8           |
| Provision and other non-current liabilities .....                      | 63.2            | 56.3            |
| <b>Total non-current liabilities</b> .....                             | <b>2,490.7</b>  | <b>2,999.6</b>  |
| Interest bearing debt (non-current part) .....                         | 649.0           | 155.5           |
| Accrued interest .....   | 5.0             | 6.3             |
| Trade accounts payable .....   | 2,024.6         | 2,034.8         |
| Income tax payable .....   | 26.8            | 34.8            |
| Other current liabilities .....  | 738.8           | 726.3           |
| Liabilities related to assets held for sale .....                      | 38.3            | —               |
| <b>Total current liabilities</b> .....                                 | <b>3,482.4</b>  | <b>2,957.7</b>  |
| <b>Total liabilities</b> .....   | <b>5,973.1</b>  | <b>5,957.3</b>  |
| <b>Total equity and liabilities</b> .....                              | <b>10,205.3</b> | <b>10,114.9</b> |

(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 of the Notes to the Rexel Group’s consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report.

### *Derivative financial instruments and hedge accounting*

#### Derivative financial instruments

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; and
- 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 measurement*

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

All assets and liabilities for which value is measured or disclosed in the financial statements are categorized 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 of the Notes to our consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report) and the summary of financial liabilities (note 25 of the Notes to our consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report).

### Hedge accounting

#### *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.

#### *Foreign exchange exposure*

Our financing policy is to centralize external borrowings and to provide financing to our 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, our 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

Our 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 our 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.

Our 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:

| <i>(in millions of euros)</i>                | <b>Euro</b>    | <b>US dollar</b> | <b>Canadian dollar</b> | <b>Australian dollar</b> | <b>Norwegian krone</b> | <b>Swedish krona</b> | <b>British pound</b> | <b>Swiss franc</b> | <b>Chinese Renminbi</b> | <b>Other currencies</b> | <b>Total</b>   |
|--|----------------|------------------|------------------------|--------------------------|------------------------|----------------------|----------------------|--------------------|-------------------------|-------------------------|----------------|
| 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)        |
| <b>Net financial position</b>                |                |                  |                        |                          |                        |                      |                      |                    |                         |                         |                |
| <b>before hedging .....</b>                  | <b>1,725.8</b> | <b>228.8</b>     | <b>58.2</b>            | <b>74.3</b>              | <b>(11.3)</b>          | <b>(9.1)</b>         | <b>(48.7)</b>        | <b>(22.5)</b>      | <b>11.5</b>             | <b>23.5</b>             | <b>2,030.4</b> |
| Impact of hedges .....                       | (623.5)        | 216.5            | —                      | 33.5                     | 15.3                   | 47.1                 | —                    | 309.3              | —                       | 1.9                     | 0.0            |
| <b>Net financial position</b>                |                |                  |                        |                          |                        |                      |                      |                    |                         |                         |                |
| <b>after hedging.....</b>                    | <b>1,102.3</b> | <b>445.3</b>     | <b>58.2</b>            | <b>107.8</b>             | <b>4.0</b>             | <b>38.0</b>          | <b>(48.7)</b>        | <b>286.7</b>       | <b>11.5</b>             | <b>25.3</b>             | <b>2,030.4</b> |
| Impact of 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           |

#### **Interest rate exposure**

We are 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. Our exposure to the risk of changes in market interest rates relates primarily to our 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 our exposure to changing interest rates, we have 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 our net financial debt at fixed or capped rates with the remainder at variable interest rates with a flexibility of +/- 20%. To manage this, we mainly enter 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:

| <i>(in millions of euros)</i>               | <b>As of December 31,</b> |             |
|---|---------------------------|-------------|
|   | <b>2018</b>               | <b>2017</b> |
| 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)        |
| <b>Sub-total fixed or capped rate instruments .....</b> | <b>1,817.9</b> | <b>1,632.6</b> |
| 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)        |
| <b>Sub-total floating rate debt instruments .....</b>   | <b>212.5</b>   | <b>408.6</b>   |
| <b>Total net financial debt.....</b>                    | <b>2,030.4</b> | <b>2,041.2</b> |

#### 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 our senior notes disclosed in note 23.1.2 of the Notes to Rexel's audited consolidated financial statements for the year ended December 31, 2018 included in the 2018 Activity Report is as follows:

|                                       | <u>Total<br/>notional<br/>amount</u><br>(in millions<br>of currency) | <u>Total<br/>notional<br/>amount</u><br>(in millions of<br>euros) | <u>Maturity</u> | <u>Weighted<br/>average fixed<br/>rate received</u> | <u>Floating rate<br/>period</u> | <u>Fair value<sup>(1)</sup></u><br>(in millions of euros) |
|---------------------------------------|--|---|-----------------|---|---------------------------------|---|
| <b>Swaps paying variable<br/>rate</b> |  |   |                 |   |                                 |   |
| Euro .....                            |  |   | June<br>2022    | 0.55%   | Euribor 3M                      | 11.1  |
|                                       | 500.0  | 500.0   | June<br>2023    | 0.31%   | Euribor 3M                      | 0.6   |
|                                       | 50.0   | 50.0  | June<br>2024    | 0.33%   | Euribor 3M                      | 1.9   |
| <b>TOTAL .....</b>                    | <b>300.0</b>   | <b>300.0</b>  |                 |   |                                 | <b>13.6</b>   |
|                                       |  | <b>850.0</b>  |                 |   |                                 |   |

(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<br>notional<br>amount<br>(in millions<br>of<br>currency) | Total<br>notional<br>amount<br>(in millions<br>of euros) | Maturity          | Floating rate<br>received | Weighted<br>average<br>fixed<br>rate paid | Fair value <sup>(1)</sup><br><br>(in millions of euros) |
|--------------------------------|--|--|-------------------|---------------------------|---|---|
| <b>Swaps paying fixed rate</b> |  |  |                   |                           |   |   |
| American dollar .....          | 100.0  | 87.3   | December<br>2019  | Libor 3M                  | 1.68%                                     | 0.9   |
|                                | 150.0  | 131.0  | April 2020        | Libor 3M                  | 1.78%                                     | 1.7   |
|                                | 150.0  | 131.0  | September<br>2020 | Libor 3M                  | 1.68%                                     | 2.5   |
|                                | 250.0  | 218.3  | December<br>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<br>2021    | CDOR 3M                   | 2.34%                                     | (0.1)   |
| Australian dollar .....        | 75.0   | 46.2   | July 2020         | SW AUD<br>3M              | 1.94%                                     | (0.0)   |
| Swiss franc .....              | 50.0   | 44.4   | October<br>2021   | Libor 3M                  | (0.43)%                                   | (0.2)   |
| Euro .....                     | 150.0  | 150.0  | January<br>2019   | Euribor<br>3M             | (0.30)%                                   | (0.0)   |
|                                | 200.0  | 200.0  | January<br>2020   | Euribor<br>3M             | (0.19)%                                   | (0.3)   |
| <b>TOTAL .....</b>             |  | <b>1,059.6</b>   |                   |                           |   | <b>3.1</b>  |

(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

|                                | Total<br>notional<br>amount<br>(in millions<br>of currency) | Total<br>notional<br>amount<br>(in millions<br>of euros) | Maturity         | Floating rate<br>received (paid) | Weighted<br>average fixed<br>rate paid<br>(received) | Fair value <sup>(1)</sup><br><br>(in millions of euros) |
|--------------------------------|---|--|------------------|----------------------------------|--|---|
| <b>Swaps paying fixed rate</b> |   |  |                  |                                  |  |   |
| Swedish Krona .....            | 750.0   | 73.1   | February<br>2020 | Stibor 3M                        | (0.07)%  | (0.0)   |
| Swiss franc .....              | 100.0   | 88.7   | February<br>2020 | Libor 3M                         | (0.69)%  | (0.2)   |
| <b>TOTAL .....</b>             |   | <b>161.9</b>   |                  |                                  |  | <b>(0.3)</b>  |

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

#### **Contingent liabilities**

We have 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, we 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, we 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.

## ***Change in reporting***

In 2019, we will also implement the IFRS 16 accounting standards, effective in our half-year 2019 release, with our half-year 2018 comparable numbers. This change has the following estimated impact on our 2018 numbers (subject to change in the final proforma and auditor's review):

- increase in net debt of €0.9 billion, to be disclosed under "Lease liabilities" on the balance sheet
- increase in EBITDA margin of 150 bps
- increase in EBITA margin of 30 bps
- no impact/reclassification on cash flow
- this evolution will not affect Rexel's financial flexibility as the indebtedness ratio calculation, according to the Senior Facility Agreement, will not take into consideration the IFRS 16 standard.

## ***Anti-money laundering, "KYC" checks and sanctions compliance***

As any other company, we are exposed to the risk of non-compliance with laws and regulations, such as, but not limited to, those relating to preventing and combating corruption, export control, combating money-laundering and terrorism financing, data protection or competition. This exposure is increased in a context where laws and regulations are constantly evolving. We cannot guarantee that none of our employees or partners will ever violate these laws and regulations or procedures voluntary or involuntarily, which may impact our reputation or financial situation.

We implement policies and procedures to ensure compliance with applicable local and international laws, such as those mentioned above. In 2018, we continued to roll out the tools of our compliance policy, such as specific training sessions via e-learning and on-site sessions, increasingly relevant internal procedures, guidelines and codes of conduct in addition to regular information and sensitization communication on legal and regulatory compliance topics.

As regulations evolve, regarding in particular, international sanctions, combating corruption and data protection (European General Data Protection Regulation which came into force in May 2018), we ensure that our compliance program is updated and adequate actions are effectively implemented.

As such, we constantly enhance our compliance program as well as tools for implementing and controlling the effectiveness of our compliance policy

## ***Legal proceedings***

We are subject to legal, administrative and regulatory proceedings in the normal course of our business. A provision is recognized in the balance sheet when it is probable that an outflow of economic benefits from us or one of our 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. We are party to several proceedings relating to exposure to asbestos-containing materials in the United States. We believe 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 our financial condition or results of operations, since the claims may be rejected or settled for amounts partially or fully covered by our 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, we cannot precisely assess the financial consequences that may result from these proceedings;
- Antitrust investigation. On September 6, 2018, raids were performed in our offices 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, we are not party to the proceedings and therefore are not aware of the practices that we might be accused of. While information has been released in the press, it does not allow to determine the offences that we could be accused of. It is therefore not possible to date to evaluate the degree of probability of formal indictments being made against us nor of a possible adverse judgment and thus to evaluate the financial risk which we are potentially exposed to.
- Tax Proceedings. The principal tax proceedings involving our Group companies as of December 31, 2018 are described below:

Rexel. Following a tax audit, we received in December 2011 a proposed tax reassessment in which the French tax authorities allege that we did not demonstrate that our 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. We dispute 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 our 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. In a report in May 2014, Finnish tax authorities asserted that the interest on the financing used to acquire Elektroskandia Oyj 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 our knowledge, over the last financial year there were no other legal or arbitration proceedings that might have or recently had a material impact on our financial situation or profitability.

Proceedings involving our entities have been analyzed by the Group management who concluded that, as of closing date, they should be subject to no additional provisions, other than those already booked.

Considering the status of pending tax litigations and discussions with the tax authorities, we believe that no material effect is to be expected with regards to our financial condition or our results of operations. However, we cannot predict the outcome of these cases with certainty or assess the potential tax adjustments that may result therefrom.

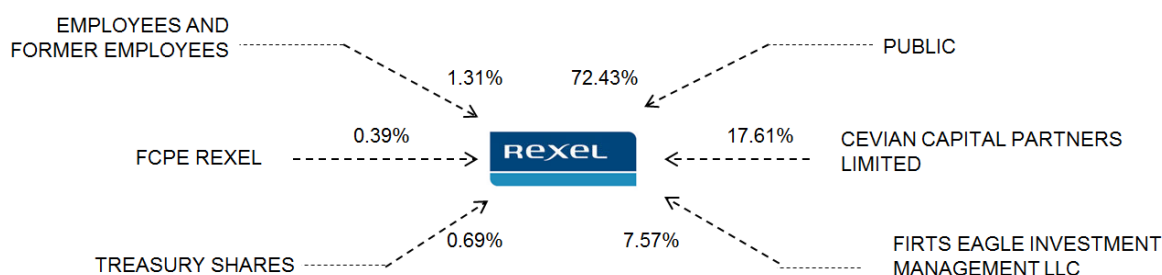
There are no other governmental, judicial or arbitration proceedings (including any outstanding or threatened proceedings of which we are aware of) that might have or that had during the last twelve months a material impact on our or our Group's financial condition or profitability.

We cannot rule out the possibility that new claims or lawsuits may arise as a result of facts or circumstances that are not known and the risks of which cannot, therefore, be ascertained or quantified at the date of this document. Such proceedings may have an adverse effect on our financial condition or results of operations.

## SHARE CAPITAL AND OWNERSHIP

### Principal shareholders

The chart below shows the simplified shareholding structure of Rexel as of December 31, 2018:



### Share capital and voting rights

#### Breakdown of shares and voting rights by shareholders

The table below shows the breakdown of the shareholding and of the voting rights of Rexel as of December 31, 2018, 2017 and 2016:

| Shareholders  | At December 31,  |                         |   |   |                  |                         |   |   |                  |                         |   |   |
|---|------------------|-------------------------|---|---|------------------|-------------------------|---|---|------------------|-------------------------|---|---|
|   | 2018             |                         |   |   | 2017             |                         |   |   | 2016             |                         |   |   |
|   | Number of shares | Number of voting rights | Theoretical % of voting rights <sup>(1)</sup> | % of Exercisable voting rights <sup>(2)</sup> | Number of shares | Number of voting rights | Theoretical % of voting rights <sup>(1)</sup> | % of Exercisable voting rights <sup>(2)</sup> | Number of shares | Number of voting rights | Theoretical % of voting rights <sup>(1)</sup> | % of Exercisable voting rights <sup>(2)</sup> |
| Cevian Capital Partners Limited <sup>(3)</sup> .....      | 53,521,593       | 53,521,593              | 17.61%  | 17.73%  | 47,400,225       | 47,400,225              | 15.63%  | 15.69%  | 38,007,054       | 38,007,054              | 12.55%  | 12.60%  |
| First Eagle Investment Management LLC <sup>(4)</sup> .... | 23,023,337       | 23,023,337              | 7.57%   | 7.63%   | 23,023,337       | 23,023,337              | 7.59%   | 7.62%   | 23,023,337       | 23,023,337              | 7.60%   | 7.64%   |
| Employees and former employees.....                       | 3,978,149        | 3,978,149               | 1.31%   | 1.32%   | 3,865,410        | 3,865,410               | 1.27%   | 1.28%   | 3,767,218        | 3,767,218               | 1.24%   | 1.25%   |
| FCPE Rexel.....   | 1,185,495        | 1,185,495               | 0.39%   | 0.39%   | 1,227,986        | 1,227,986               | 0.40%   | 0.41%   | 1,326,887        | 1,326,887               | 0.44%   | 0.44%   |
| Public.....   | 220,171,605      | 220,171,605             | 72.43%  | 72.93%  | 226,536,850      | 226,536,850             | 74.68%  | 75.00%  | 235,424,300      | 235,424,300             | 77.72%  | 78.07%  |
| Treasury shares.....                                      | 2,108,720        | 2,108,720               | 0.69%   | 0%  | 1,289,369        | 1,289,369               | 0.43%   | 0%  | 1,349,227        | 1,349,227               | 0.45%   | 0%  |
| Total.....  | 303,988,899      | 303,988,899             | 100%  | 100%  | 303,343,177      | 303,343,177             | 100%  | 100%  | 302,898,023      | 302,898,023             | 100%  | 100%  |

- (1) Percentages of voting rights calculated based on all of the shares entitling to voting rights, including shares disqualified for voting purposes.
- (2) Percentages calculated by excluding treasury shares held by Rexel that are disqualified for voting purposes.
- (3) Based on the declarations of crossing of threshold dated July 1, 2016, September 14, 2017 and November 22, 2018.
- (4) Based on the declarations of crossing of threshold dated September 11, 2015 and February 11, 2016.

#### Shareholding threshold disclosures

Since December 31, 2018 and as of the date of this document, we received the following thresholds crossing disclosures:

| Company              | Date of the declaration | Legal and bylaw thresholds | Type of crossing | % of capital and voting rights after crossing | Number of shares held after crossing |
|----------------------|-------------------------|----------------------------|------------------|---|--------------------------------------|
| BlackRock, Inc ..... | January 14, 2019        | 5%                         | Up               | 5.06%   | 15,377,024                           |
| BlackRock, Inc ..... | January 11, 2019        | 5%                         | Down             | 4.99%   | 15,194,947                           |
| BlackRock, Inc ..... | January 10, 2019        | 5%                         | Up               | 5.14%   | 15,614,024                           |

### Shareholders' voting rights

Each share of Rexel entitles the holder to one vote. Consequently, as of the date of this document, the Rexel's shareholders hold the same number of voting rights as the number of shares they own. Pursuant to the option provided for in article L.225-123 of the French Commercial Code, shares fully paid up that have been held in a registered form for 2 years at the name of the same shareholder do not benefit from double voting rights.

### Control structure

The creation of Committees of the Board of Directors, the appointment of independent Directors and at the Committees of the Board of Directors, the performance of reviews of the operation and work of the Board of Directors and of its Committees, enable Rexel, *inter alia*, to avoid being controlled in an "abusive manner" within the meaning of European Commission Regulation N°809/2004 dated April 29, 2004.

### Agreements potentially leading to a change of control

Rexel is not aware of any other agreements between its shareholders.



## MANAGEMENT OF REXEL

We have been a French *société anonyme* with a board of directors since May 22, 2014. This governance model is aimed at:

- Simplifying the decision-making process;
- Speeding up the implementation of the Rexel Group's strategy;
- Strengthening the Board of Directors' responsibility; and
- Creating greater proximity between the members of the Board of Directors and the members of the Executive Committee.

### ***Separation of the roles of Chairman of the Board of Directors and Chief Executive Officer***

The Board of Directors is chaired by Ian Meakins, non-executive director.

The Chief Executive Officer is Patrick Berard.

This separation of the duties was decided by the Board of Directors, following the recommendation of Rexel's Nomination and Compensation Committee, upon its meeting of June 23, 2016, effective July 1, 2016. The Board of Directors considered, in particular in view of the difficult macroeconomic and competitive environment of the Rexel Group, that the interests of the Rexel Group would be better served by dissociating the duties of Chairman and of Chief Executive Officer, thus allowing the Chief Executive Officer to focus all of his efforts on the implementation of the Rexel Group's strategy

### ***Board of Directors***

In accordance with the by-laws, the Board of Directors is made up of a minimum of 5 members and a maximum of 15 members, subject to the exceptions provided for by law in the event of a merger.

They are appointed for a maximum term of 4 years.

The Board of Directors is renewed in quarters, rounded to the higher whole number every year so that it is fully renewed every four years.

As at December 31, 2018, the Board of Directors was made up of 11 Directors, including a director representing the employees. As at the same date, the Board of Directors also included an observer (*censeur*).

Excluding the director representing the employees and the observer, the Board of Directors had 80% of independent members (*i.e.* 8 members out of 10) and 40% of female members (*i.e.* 4 females out of 10).

### **Detailed membership of the Board of Directors**

As at December 31, 2018, the Board of Directors was made up of the following eleven Directors and one Observer, as set out below:

**Ian Meakins** (62 years old)

Professional address:  
13, boulevard du Fort de Vaux —  
75017 Paris — France

Number of Rexel shares held:  
115,250

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**Chairman of the Board of Directors, Member of the Audit and Risk Committee, the Nomination Committee and the Compensation Committee**

Ian Meakins was co-opted as director by the Board of Directors on July 1, 2016, in replacement of Rudy Provoost. He was also appointed Chairman of the Board of Directors on July 1, 2016, effective October 1, 2016. The co-option of Ian Meakins as well as the renewal of his term of office have been approved by the Shareholders' Meeting of May 23, 2017.

Ian Meakins is a British citizen.

Ian Meakins was chief executive officer for Wolseley from July 2009 to August 2016, when he retired from Wolseley. He was previously chief executive officer for Travelex, an international company dealing with currency exchange and payments. Before that he was chief executive officer for Alliance UniChem plc until its merger with Boots in July 2006. Between 2000 and 2004, he was President, European Major Markets and Global Supply for Diageo plc, a company for which he has held various international management positions for more than 12 years.

He was a non-executive director and senior director of Centrica plc.

Ian Meakins is a graduate of Cambridge University.

**TERM OF OFFICE**

First Appointment:  
July 1, 2016

Current Title:  
From May 23, 2017, until the Shareholders' Meeting deciding on the accounts for the financial year ending December 31, 2020

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

Titles and duties within the Rexel Group:

**Current:**

*In France*

- Chairman of the Board of Directors of Rexel
- Member of Rexel's Audit and Risk Committee
- Member of Rexel's Nomination Committee
- Member of Rexel's Compensation Committee

*Abroad*

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Titles and duties outside the Rexel Group:

**Current:**

*In France*

—

*Abroad*

- Non-executive Chairman of Van Dyke Enterprises (The Netherlands — unlisted company)

**Over the last five financial years:**

*In France*

- Member of Rexel's Strategic Investment Committee
- Member of Rexel's Nomination and Compensation Committee

*Abroad*

—

**Over the last five financial years:**

*In France*

—

*Abroad*

- Chief Executive Officer of Wolseley plc (United Kingdom — listed company)
  - Chairman of Wolseley plc Executive Committee (United Kingdom — listed company)
  - Non-Executive Director and Senior Independent Director of Centrica plc (United Kingdom — listed company)
  - Member of the compensation committee, nomination committee and audit committee of Centrica plc (United Kingdom — listed company)
-

**Francois Henrot** (69 years old)

Professional address:  
23 Bis Avenue de Messine — 75008  
Paris — France

Number of Rexel shares held:  
7,133

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**Senior Independent Director, Deputy Chairman of the Board of Directors, Member of the Nomination Committee and Member of the Compensation Committee.**

François Henrot has served on the Board of Directors of Rexel as Senior Independent Director referent and Deputy Chairman of the Board since May 22, 2014. He served as interim Chairman of the Board of Directors between July 1, 2016, and October 1, 2016. He was previously a member of the Supervisory Board of Rexel further to his co- option by the Supervisory Board on October 30, 2013, to replace Manfred Kindle. The ratification of François Henrot's co-option as member of the Supervisory Board was approved by the Shareholders' Meeting of May 22, 2014. The renewal of his term of office has been approved by the Shareholders' Meeting of May 23, 2017.

François Henrot is a French citizen.

François Henrot has been Managing Partner of Rothschild & Cie since 1998 and he serves as Chairman of the investment bank of the Rothschild Group. He started his career in 1974 at the French Council of State. In 1979, he became Director of France's Telecommunications Department. In 1985, he joined the Compagnie Bancaire where he became COO and Chairman of the Management Board. He was a Management Board Member at Compagnie Financière de Paribas from 1995 to 1998 before joining Rothschild. François Henrot is a director of Paris-Orléans SA (the holding company of the Rothschild Group), Yam Invest NV and Cobepa, which he presides.

François Henrot is a graduate of the École Nationale d'Administration (ENA) and of the University of Stanford.

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**TERM OF OFFICE**

First Appointment:

October 30, 2013 (as member of the Supervisory Board)  
May 22, 2014 (as member of the Board of Directors)

Current Title:

From May 23 , 2 017 until the Shareholders'  
Meeting deciding on the accounts for the financial year  
ending December 31, 2020

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

Titles and duties within the Rexel Group:

**Current:**

*In France*

- Senior Independent Director of Rexel
- Deputy Chairman of the Board of Directors
- Member of Rexel's Nomination Committee
- Member of Rexel's Compensation Committee

*Abroad*

—

Titles and duties outside the Rexel Group:

**Current:**

*In France*

- Chairman of the investment bank of the Rothschild Group (France — unlisted company)
- Managing partner of Rothschild & Cie (France — unlisted company)
- Member of the Supervisory board of Paris Orléans SA (holding of the Rothschild Group) (France — listed company)

*Abroad*

- Member of the Supervisory Board of Yam Invest NV (The Netherlands — unlisted company)
- Chairman of the Board of Directors of Cobepa (Belgium — unlisted company)

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**Over the last five financial years:**

*In France*

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**Over the last five financial years:**

*In France*

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- Member of Rexel’s Strategic Investment Committee
- Chairman of the Board of Directors of Rexel from July 1, 2016 to September 30, 2016
- Member of Rexel’s Supervisory Board
- Chairman of Rexel’s Nomination Committee
- Member of Rexel’s Compensation Committee
- Member of Rexel’s Strategic Committee
- Chairman of Rexel’s Nomination and Compensation Committee
- Member of Rexel’s Audit and Risk Committee
- Managing partner of Rothschild & Cie Banque (France — unlisted company)
- Member of the Board of Directors of 3 Suisses (France — unlisted company)
- Member of the Supervisory Board of Vallourec (France — listed company)
- Observer (censeur) of the Supervisory Board of Vallourec (listed company)

*Abroad*

—

*Abroad*

—

**Thomas Farrell** (62 years old)

Professional address:  
13, boulevard du Fort de Vaux —  
75017 Paris — France

Number of Rexel shares held:  
8,437

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**EXPERIENCE AND EXPERTISE**

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**Director, member of the Audit and Risk Committee and of the Nomination Committee.**

Thomas Farrell has been serving on the Board of Directors of Rexel since May 22, 2014. The renewal of his term of office as director will be submitted by anticipation to the shareholders meeting of May 23, 2019. Since May 16, 2012, he had been a member of the Supervisory Board. From November 2011 to May 2012, Thomas Farrell served as observer in the Supervisory Board of Rexel.

Thomas Farrell is a US citizen.

Thomas Farrell has worked with Lafarge between 1990 and 2015, after serving as corporate attorney with Shearman & Sterling, working at both their New York and Paris offices. At Lafarge, Thomas Farrell first worked at the Paris headquarters as Vice President of Strategy for two years. From 1992 to 2002, he managed various Lafarge operating units in France, Canada and India. From 1998 through 2002 he was CEO of Lafarge India. In June 2002, Thomas Farrell was appointed EVP of Lafarge North America. In September 2007, he was appointed Lafarge Group EVP, Co-President of the Aggregates & Concrete Division, and a member of the Executive Committee. In January 2012, he became Group EVP, Operations, responsible for the Group's operations in 20 countries.

Thomas Farrell is a graduate of Brown University (BA 1978) and of Georgetown University Law Center (JD 1981).

**TERM OF OFFICE**

First Appointment:

May 16, 2012 (as member of the Supervisory Board) and  
May 22, 2014 (as member of the Board of Directors)

Current Title:

From May 25, 2016 until the Shareholders' Meeting  
deciding on the accounts for the financial year ended  
December 31, 2019

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE  
LAST FIVE FINANCIAL YEARS**

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Titles and duties within the Rexel Group:

**Current:**

*In France*

- Director of Rexel
- Member of Rexel's Audit and Risk Committee
- Member of Rexel's Nomination Committee

*Abroad*

—

**Over the last five financial years:**

*In France*

- Member of the Supervisory Board of Rexel
- Observer (censeur) of the Supervisory Board of Rexel
- Member of Rexel's Nomination Committee

Titles and duties outside the Rexel Group:

**Current:**

*In France*

—

*Abroad*

—

**Over the last five financial years:**

*In France*

- Lafarge Group EVP, Operations (France — listed company)
- Chairman, Lafarge North America (non listed company)

- Member of Rexel's Audit Committee
- Member of Rexel's Strategic Committee
- Member of Rexel's Nomination and Compensation Committee

*Abroad*

—

- Chairman, Lafarge Russia (Russia — non listed company)
  - Chairman, Lafarge Bangladesh (Bangladesh — listed company)
  - Co-Chairman, Lafarge Tarmac (United-Kingdom — listed company)
  - Board Member, Lafarge India (India — non listed company)
  - Board Member, Bamburi Cement (Kenya — listed company)
-

**Fritz Froehlich** (77 years old)

Professional address :  
13, boulevard du Fort de Vaux —  
75017 Paris — France

Number of Rexel shares held:  
5,300

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**Director, Chairman of the Audit and Risk Committee.**

Fritz Froehlich has served on the Board of Directors of Rexel since May 22, 2014. Since April 4, 2007, he had been a member of Rexel's Supervisory Board.

Fritz Froehlich is a German citizen. Previously, Fritz Froehlich served as Deputy Chairman and Chief financial officer of AKZO Nobel from 1998 to 2004 and member of the executive board in charge of fibers from 1991 to 1998. Prior to joining AKZO Nobel, Fritz Froehlich was CEO of Krupp Widia from 1984 to 1991 and CEO of Sachs Dolmar from 1976 to 1984. He began his career by working in the fields of Marketing and Economic studies. Fritz Froehlich is a member of the Supervisory Board of Allianz Nederland Groep N.V.

Fritz Froehlich holds a doctorate in economics from Cologne University and a Master of Business Administration (MBA).

**TERM OF OFFICE**

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First Appointment:  
April 4, 2007 (as member of the Supervisory Board) and  
May 22, 2014 (as member of the Board of Directors)

Current Title:  
From May 27, 2015 until the Shareholders' Meeting  
deciding on the accounts for the financial year ending  
December 31, 2018

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE  
LAST FIVE FINANCIAL YEARS**

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Titles and duties within the Rexel Group:

**Current:**

*In France*

- Director of Rexel

- Chairman of Rexel's Audit and Risk Committee

*Abroad*

—

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Titles and duties outside the Rexel Group:

**Current:**

*In France*

—

*Abroad*

- Member of the Supervisory Board of Allianz Nederland Groep N.V. (The Netherlands — unlisted company)

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**Over the last five financial years:**

*In France*

- Member of Rexel's Supervisory Board

- Chairman of Rexel's Audit Committee

- Member of Rexel's Nomination Committee

- Member of Rexel's Compensation Committee

- Member of Rexel's Nomination and Compensation Committee

*Abroad*

—

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**Over the last five financial years:**

*In France*

—

*Abroad*

- Chairman of the Supervisory Board of Randstad Holding N.V. (The Netherlands — listed company)

- Member of the Supervisory Board of ASML N.V. (The Netherlands — listed company)

- Member of the Supervisory Board of Prysmian SpA (Italy — listed company)
-



**Elen Phillips** (59 years old)

Professional address:  
13, boulevard du Fort de Vaux —  
75017 Paris — France

Number of Rexel shares held:  
5,000

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**Director, Member of the Audit and Risk Committee and Nomination Committee.**

Elen Phillips was co-opted as director by the Board of Directors on March 8, 2016 in replacement of Isabel Marey-Semper. The co-option of Elen Phillips as Director as well as the renewal of her term of office have been approved by the Shareholders' Meeting of May 25, 2016.

The renewal of her term of office as director will be submitted by anticipation to the shareholders meeting of May 23, 2019.

Elen Phillips is a dual citizen of the United Kingdom and the United States.

Elen Phillips was Vice-President Fuel Sales and Marketing of Shell Oil for the American continent from 2010 until her retirement from the Shell group at the end of March 2016.

Elen Phillips had previously occupied various executive positions within the Shell Group and in particular, she served as Vice-President in charge of the Shell International worldwide distribution network from 2004 to 2010 and Manager of the Shell Retail International distribution network from 2002 to 2004 and Chief Executive Officer in charge of network development of Shell Oil from 2000 to 2002. Elen Phillips served as Chief Executive Officer Retail Sales for the Gulf Coast region of the United States of Motiva Entreprises LLC from 1998 to 2000. Previously, she was Commercial Manager Retail for the East region of Shell Oil from 1997 to 1998. She acted as consultant within the enterprise transformation team of Shell Oil from 1995 to 1997. Elen Phillips acted as commercial manager in charge of aircraft fuels of Shell Oil Products from 1993 to 1995. She was also in charge of program development for Shell Chemical from 1991 to 1993 as well as of the strategic development of Shell International Chemical from 1988 to 1990. Elen Phillips had started her career within the Shell group in 1983, and she was in charge of business development and of product management until 1988.

Elen Phillips holds a BSc in Chemistry & Business (Salford University) and a Master in Business Science (Manchester Business School).

**TERM OF OFFICE**

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|  |   |
|--|---|
| <u>First Appointment:</u><br>March 8, 2016 | <u>Current Title:</u><br>March 8, 2016 until the Shareholders' Meeting deciding on the accounts for the financial year ending December 31, 2019 |
|--|---|

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

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| <u>Titles and duties within the Rexel Group:</u> | <u>Titles and duties outside the Rexel Group:</u> |
|--|---|
| <b>Current:</b>                                  | <b>Current:</b>                                   |
| <i>In France</i>                                 | <i>In France</i>                                  |
|  | —   |
| • Director of Rexel                              | <i>Abroad</i>                                     |
| • Member of Rexel's Audit and Risks Committee    | —   |
| • Member of Rexel's Nomination Committee         |   |
| <i>Abroad</i>                                    |   |
| —  |   |

---

**Over the last five financial years:**

*In France*

- Member of Rexel's Strategic Investment Committee

*Abroad*

—

**Over the last five financial years:**

*In France*

—

*Abroad*

- Vice-President, Fuel Sales and Marketing of Shell Oil for the American continent (United States — listed company)
-

**Maria Richter** (64 years old)

Professional address :  
13, boulevard du Fort de Vaux —  
75017 Paris — France

Number of Rexel shares held:  
4,500

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**EXPERIENCE AND EXPERTISE**

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**Director, member of the Audit and Risk Committee and member of the Compensation Committee.**

Maria Richter was co-opted as director by the Board of Directors on May 22, 2014, to replace Roberto Quarta. Maria Richter's co-option as director and the renewal of her directorship have been approved by the Shareholders' Meeting of May 27, 2015.

The renewal of her term of office was approved by anticipation by the shareholders meeting of May 24, 2018.

Maria Richter is a dual citizen of the Republic of Panama and the United States.

Maria Richter is a former Investment Banker and currently sits as a non-executive director on public and private company boards. From 2003 to July 2014, she was a Non-Executive Director of National Grid plc and Chairman of its Finance Committee and a member of its Audit Committee and Appointments Committee. Since 2008, she has been a director of Bessemer Trust, a US wealth management company and is a member of its Remuneration Committee. Since January 1, 2015 she has also served as a Non-Executive Director of Johannesburg based Anglo Gold Ashanti and a member of the company's Audit and Risk Committee and Human Resources & Compensation Committee. Since September 1, 2017, Maria Richter has also served as non-executive director of Barclays Bank plc. Maria Richter began her career as an attorney for the then law firm Dewey Ballantine (1980-1985) before joining The Prudential (1985-1992) where she held a number of executive positions latterly as a Vice-President of Prudential Power Funding Associates. She joined Salomon Brothers (1992-1993) as Vice President and then joined Morgan Stanley (1993-2002) as Executive Director and Head of Independent Power and Structured Finance and later became Managing Director and Head of South America Investment Banking and Managing Director of Corporate Finance Retail.

Maria Richter has a Bachelor of Arts degree from Cornell University and a Juris Doctor degree from Georgetown University Law Center.

**TERM OF OFFICE**

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|   |   |
|---|---|
| <u>First Appointment:</u><br>May 22, 2014 (as member of the Board of Directors) | <u>Current Title:</u><br>From May 24, 2018 until the Shareholders' Meeting deciding on the accounts for the financial year ending December 31, 2021 |
|---|---|

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

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|   |   |
|---|---|
| <u>Titles and duties within the Rexel Group:</u><br><b>Current:</b><br><br><i>In France</i> <ul style="list-style-type: none"><li>• Director of Rexel</li><li>• Member of Rexel's Audit and Risk Committee</li><li>• Member of Rexel's Compensation Committee</li></ul><br><i>Abroad</i><br>— | <u>Titles and duties outside the Rexel Group:</u><br><b>Current:</b><br><br><i>In France</i><br>—<br><br><i>Abroad</i> <ul style="list-style-type: none"><li>• Member of the Board of Directors and member of the Compensation Committee of Bessemer Trust (United States — unlisted company)</li><li>• Non-executive director, member of the Audit and Risk Committee and member of the Human Resource and Compensation Committee of Anglo Gold Ashanti (South Africa — listed company)</li><li>• Member of the Board of Directors of Pro Mujer International (United States — unlisted organization) and Chairman of the Board of Trustees of Pro Mujer</li></ul> |
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**Over the last five financial years:**

*In France*

- Member of Rexel's Compensation Committee
- Member of Rexel's Nomination and Compensation Committee

*Abroad*

—

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**Over the last five financial years:**

*In France*

—

*Abroad*

- Non-executive director, Chairman of the Finance Committee, member of the Audit Committee and member of the Appointments Committee of National Grid, plc (United Kingdom — listed company)
  - Member of the Board of Directors, member of the Governance Committee and member of the Finance Committee of The Pantry, Inc. (United States — listed company)
  - Non-executive director, member of the Audit Committee, member of the Appointments Committee and member of the Remuneration Committee of Vitec Group plc (United Kingdom — listed company)
  - Director of Pro Mujer International (United States — unlisted organization) and Chairman of the Board of Trustees of Pro Mujer UK (United Kingdom — unlisted organization)
-

**Herna Verhagen** (52 years old)

Professional address :

Prinses Beatrixlaan 23 — 2595 AK —

La Hague — The Netherlands

Number of Rexel shares held:

1,000

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**Director, Chair of the Nomination Committee.**

Herna Verhagen has served on the Board of Directors of Rexel since May 22, 2014. She was previously a member of the Supervisory Board further to her co-option by the Supervisory Board on November 28, 2013, to replace Akshay Singh. The ratification of Herna Verhagen's co-option as member of the Supervisory Board as well as the renewal of her term of office as member of the Supervisory Board were approved by the Shareholders' Meeting of May 22, 2014. The renewal of the term of office of Herna Verhagen was approved by anticipation by the shareholders meeting of May 24, 2018.

Herna Verhagen is a Dutch citizen.

Herna Verhagen has been Chairman and Chief Executive Officer of PostNL since April 2012. Prior to this, from 2011 she served as a member of the Management Board of PostNL N.V., and was Managing Director Parcels and International of PostNL.

Herna Verhagen joined TNT Post in 1993 as a sales manager before going on to hold a number of senior positions including Commercial Director, Coordinating Managing Director Mail NL and Managing Director Group HR of TNT. She is a member of the executive committee and of the general council of the Confederation of Netherlands Industry and Employers VNO-NCW. She is also member of the supervisory board of Concertgebouw.

Herna Verhagen obtained a Master's Degree in Law from the University of Nijmegen, a Master's degree in Human Resources from the Tilburg University, an International Management degree from INSEAD, a degree in Economics from the London School of Economics and an Executive MBA degree from Stanford University.

**TERM OF OFFICE**

First Appointment:

November 28, 2013 (as member of the Supervisory Board)  
and May 22, 2014 (as member of the Board of Directors)

Current Title:

From May 24, 2018 until the Shareholders' Meeting  
deciding on the accounts for the financial year ending  
December 31, 2021

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE  
LAST FIVE FINANCIAL YEARS**

Titles and duties within the Rexel Group:

**Current:**

*In France*

- Director of Rexel

- Chairwoman of Rexel's Nomination Committee

*Abroad*

—

Titles and duties outside the Rexel Group:

**Current:**

*In France*

—

*Abroad*

- Chair, CEO and member of the Management Board of PostNL NV (The Netherlands — listed company)
- Member of the supervisory board of Concertgebouw (The Netherlands — unlisted company)
- Member of the executive committee of the general council of the Confederation of Netherlands Industry and Employers VNO NCW

**Over the last five financial years:**

*In France*

- Member of Rexel's Strategic Investment Committee
- Member of Rexel's Supervisory Board
- Member of Rexel's Nomination Committee
- Member of Rexel's Strategic Committee
- Member of Rexel's Audit and Risk Committee

*Abroad*

—

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**Over the last five financial years:**

*In France*

—

*Abroad*

- Member of the Supervisory Board of Nutreco NV (The Netherlands — listed company)
- Non-executive director of Idorsia SA (Switzerland — listed company)

**Agnès Touraine** (64 years old)

Professional address :

11 bis, rue Portalis —  
75008 Paris — France

Number of Rexel shares held:

1,012

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## **EXPERIENCE AND EXPERTISE**

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### **Director, Chair of the Compensation Committee.**

Agnès Touraine was co-opted as director by the Board of Directors on February 10, 2017 in replacement of Marianne Culver. The co-option of Agnès Touraine was approved by the Shareholders' Meeting of May 23, 2017.

Agnès Touraine is a French citizen.

Agnès Touraine is Chairman of the IFA (Institut Français des Administrateurs).

Agnès Touraine is also the CEO and founder of Act III Consultants, a consultancy firm dedicated to digital transition. Previously, she acted as Chairman and CEO of Vivendi Universal Publishing after having spent 10 years at Groupe Lagardère and 4 years at McKinsey. She is a Director of GBL, Keesing Proximus and of the Supervisory Board of Tarkett. She previously acted as non-executive director of Cable&Wireless Plc (UK), Neopost and Darty Plc. She is also a member of the Board of various non-profit organizations such as IDATE and the French American Foundation.

Agnès Touraine is a graduate in law of Sciences-Po Paris and of Columbia University Business School (MBA).

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## **TERM OF OFFICE**

First Appointment:

February 10, 2017

Current Title:

February 10, 2017 until the Shareholders' Meeting deciding on the accounts for the financial year ending December 31, 2019

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## **TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

Titles and duties within the Rexel Group:

**Current:**

*In France*

- Director of Rexel
- Chairwoman of Rexel's Compensation Committee

*Abroad*

—

Titles and duties outside the Rexel Group:

**Current:**

*In France*

- Chairwoman of the IFA (Institut Français des Administrateurs, France — association, non-listed).
- Member of the Supervisory Board of Tarkett (France — listed company).

- Member of the Supervisory Board of 21Partners (France — non-listed company).

- Member of the Supervisory Board of the French American Foundation (France — non-listed association).

*Abroad*

- Director of Proximus (Belgium — listed company)
  - Director of Keesing (The Netherlands — unlisted company)
  - Director of GBL (Belgium — listed company)
- 

**Over the last five financial years:**

*In France*

**Over the last five financial years:**

*In France*

---

- Member of Rexel's Nomination and Compensation Committee

*Abroad*

—

- Member of the Board of Directors of Neopost (France — listed company)

*Abroad*

- Member of the Board of Directors of Darty Plc (United Kingdom — listed company)
  - Member of the Board of Directors of Cable&Wireless Plc (United Kingdom — listed company)
-



Marcus Alexanderson was co-opted as Director by the Board of Directors on May 15, 2017, to replace Pier-Luigi Sigismondi. His co-option as well as the renewal of his term of office were approved by the shareholders meeting of May 24, 2018:

|   |                                    |                                     |
|---|------------------------------------|-------------------------------------|
| <b>Marcus Alexanderson</b> (43 years old) | <u>Professional address</u> :      | <u>Number of Rexel shares held:</u> |
|   | Cevian Capital Engelbrektskatan, 5 | 5,000                               |
|   | 11432 Stockholm — Sweden           |                                     |

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**Director, Member of the Nomination Committee and member of the Compensation Committee**

Marcus Alexanderson is a Swedish citizen.

Marcus Alexanderson is a partner of Cevian Capital AB, an investment advisor to Cevian Capital, an investment fund managing.

EUR 13 billion of assets and investing in listed European companies. He joined Cevian Capital at its founding in 2002 and is co-responsible.

for the investment and active shareholding businesses of Cevian. Previously, Marcus Alexanderson was an investment analyst with AB Cutos (Sweden).

Marcus Alexanderson holds a Master of Science in Economics and Business Administration from the Stockholm School of Economics.

**TERM OF OFFICE**

|   |  |
|---|--|
| <u>First Appointment:</u><br>May 15, 2017<br>(co-option)<br>May 24, 2018<br>(ratification of the cooption by the Shareholders' meeting) | <u>Current Title:</u><br>From May 24, 2018 until the shareholders' meeting deciding on the accounts for the financial year ended December 31, 2021 |
|---|--|

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

|  |  |
|--|--|
| <u>Titles and duties within the Rexel Group:</u> | <u>Titles and duties outside the Rexel Group:</u>          |
| <b>Current:</b>                                  | <b>Current:</b>  |
| <i>In France</i>                                 | <i>In France</i>   |
| —  | —  |
| • Director of Rexel                              |  |
| • Member of Rexel's Nomination Committee         |  |
| • Member of Rexel's Compensation Committee       |  |
| <i>Abroad</i>                                    | <i>Abroad</i>  |
| —  | • Partner of Cevian Capital AB (Sweden — unlisted company) |

**Over the last five financial years:**

|                  |                  |
|------------------|------------------|
| <i>In France</i> | <i>In France</i> |
| —                | —                |
| <i>Abroad</i>    | <i>Abroad</i>    |
| —                | —                |

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**Patrick Berard** (65 years old)

Professional address :

Rexel  
13, Boulevard du Fort de Vaux 75017  
Paris — France

Number of Rexel shares held:

373,006

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**Director, Chief Executive Officer**

Patrick Berard has been a director of Rexel since May 23, 2017.

He is a French citizen.

Patrick Berard has been serving as Chief Executive Officer of the Group since July 1, 2016. In 2003, he joined Rexel as Chief Executive Office of Rexel France. In 2007, he also became Manager of the southern Europe area (France, Italy, Spain, Portugal), then, in 2013, of Belgium and Luxembourg, prior to being appointed Chief Executive Officer Europe in 2015.

His career started in 1978 with the Pulp and Paper Research Institute of Canada. From 1980 to 1987, Patrick Berard was a consultant with McKinsey, then Manager of Planning and Strategy of the Industry and Engineering Division of Thomson.

From 1988 to 1999, he occupied various duties with Polychrome, including those of Chief Executive Officer Europe and Vice President of the Group, prior to becoming a member of the executive committee of Kodak Polychrome Graphics.

He served as Operations Manager of Antalis (Groupe Arjo Wiggins) from 1999 to 2002, prior to being appointed, in 2002 as Chairman and Chief Executive Officer of Pinault Bois & Matériaux, a company of the Kering group (formerly PPR Group).

Patrick Berard holds a PhD in Economics of the University of Grenoble.

**TERM OF OFFICE**

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First Appointment:  
May 23, 2017

Current Title:  
From May 23, 2017 until the shareholders' meeting  
deciding on the accounts for the financial year ending  
December 31, 2020.

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**TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

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Titles and duties within the Rexel Group:

**Current:**

*In France*

- Director of Rexel
- Chief Executive Officer of Rexel
- Director of Rexel France (France — unlisted company)

*Abroad*

- Director of Rexel Sverige AB (Sweden — unlisted company)
- Director of Rexel North America Inc. (Canada — unlisted company)
- Chairman of the Board of Directors of Rexel USA Inc. (United States — unlisted company)
- Chairman of the Board of Directors of Rexel Italia S.p.A (Italy — unlisted company)

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Titles and duties outside the Rexel Group:

**Current:**

*In France*

—

*Abroad*

—

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**Over the last five financial years:**

*In France*

- President of Rexel France (France — unlisted company)
- President of Dismo France (France — unlisted company)
- President of Sofinther (France — unlisted company)

*Abroad*

- 
- Director of Rexel Belgium SA (Belgium — unlisted company)
  - Director of Electro-Industrie en Acoustiek NV (Belgium — unlisted company)
  - Director of Rexel Luxembourg SA (Luxembourg — unlisted company)
  - Director of Elektroskandia Norge AS (Norway — unlisted company)
  - Director of Elektroskandia Norway Holdings AS (Norway — unlisted company)
  - Director of Rexel Finland Oy (Finland — unlisted company)
  - Director of Rexel UK limited (United Kingdom — unlisted company)
- 

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**Over the last five financial years:**

*In France*

—

*Abroad*

—

- Director of Rexel Holding Benelux BV (the Netherlands — unlisted company)
  - Chairman of the Board of Directors of ABM Rexel (Spain — unlisted company)
  - Director of Moel AB (Sweden — unlisted company)
-

**Julien Bonnel** (33 years old)

Professional address :  
Rexel Spain  
Avenida de la Recomba, 7  
28914 Leganès — Madrid  
Spain

Number of Rexel shares held:  
798  
(In accordance with Article 14 of the by-laws, the Director representing the employees does not have to hold a minimum number of shares of the Company)

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## **EXPERIENCE AND EXPERTISE**

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### **Director representing the employees, member of the Compensation Committee**

Julien Bonnel was appointed on November 17, 2017 as director representing the employees by the most representative trade union in the French subsidiaries of the Rexel Group.

Julien Bonnel is a French citizen.

Julien Bonnel is Chief Transformation Officer within ABM Rexel (Spain) since 2018. He joined the Rexel Group in 2012, when he worked within the Strategy Division of the Group, and subsequently as a branch Manager in Nîmes. He started his career as a consultant and strategy with Estin & Co (2009-2012).

Julien Bonnel is a graduate of the École Centrale de Paris.

### **TERM OF OFFICE**

First Appointment:  
November 17, 2017

Current Title:  
From November 17, 2017 until the shareholders' meeting deciding on the accounts for the financial year ending December 31, 2020.

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### **TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

Titles and duties within the Rexel Group:

**Current:**

*In France*

- Director of Rexel

- Member of Rexel's Compensation Committee

*Abroad*

—

**Over the last five financial years:**

*In France*

—

*Abroad*

—

Titles and duties outside the Rexel Group:

**Current:**

*In France*

—

*Abroad*

—

**Over the last five financial years:**

*In France*

—

*Abroad*

—

Observer:

**François Auque** (62 years old)

Professional address :  
77 rue madame  
75006 Paris

Number of Rexel shares held:  
0

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## **EXPERIENCE AND EXPERTISE**

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François Auque has been an observer on Rexel's Board of Directors and Audit and Risk Committee since October 24, 2018 with a view to submitting his candidacy as Director, to replace Fritz Froehlich, for approval to the Shareholders' Meeting to be held on May 23, 2019.

François Auque is a French national.

François Auque was Chairman of the Airbus Investment Committee from July 2016 to September 2018. Previously, for 16 years, he headed the Space Division of the Airbus group as a member of the Executive Committee.

Previously, he was Chief Financial Officer of Aerospatiale Matra after having been Chief Financial Officer of Aerospatiale from 1991 to 2000. He began his career at the French Court of Auditors (*Cour des comptes*), then joined the Suez Group and Credisuez.

He has been a member of various Boards of Directors: Dassault Aviation, Arianespace, GIFAS, Starsem (Russia), MBDA, OneWeb (United Kingdom/United States), Seraphim Space Fund (United Kingdom) and Chairman of the Board of Bordeaux Ecole de Management.

François Auque is a graduate of HEC (*Ecole des hautes études commerciales*), IEP (*Institut d'études politiques*) and ENA (*Ecole nationale d'administration*).

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## **TERM OF OFFICE**

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First Appointment:  
October 24, 2018

Current Title:  
From October 24, 2018 until the Shareholders Meeting deciding on the accounts for the financial year ended December 31, 2018

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## **TITLES AND OTHER DUTIES EXERCISED IN FRENCH AND FOREIGN COMPANIES DURING THE LAST FIVE FINANCIAL YEARS**

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Titles and duties within the Rexel Group:

**Current:**  
*In France*

- Observer of the Board of Directors of Rexel and of the Audit and Risk Committee

*Abroad*

—

**Over the last five financial years:**  
*In France*

—

*Abroad*

—

Titles and duties outside the Rexel Group:

**Current:**  
*In France*

- Chairman of François Auque Consulting

*Abroad*

- Director of Cyber Ark (US)
- 

**Over the last five financial years:**  
*In France*

- Director of Arianespace

- Director of Starsem

• Director of MBDA  
*Abroad*

- Deputy Director of OneWeb (UK/US)

- Director of Seraphim Space Fund (UK)
-

- Director of Airbus Espana (Spain)
- Director of Airbus America (US)

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*Departure, Nomination and renewal of Board members*

During the financial year ended on December 31, 2018, the following changes took place in the membership of the Board of Directors:

| <b>Director</b>     | <b>Appointment /<br/>Co-option /<br/>Approval</b> | <b>Renewal</b> | <b>Departure</b> | <b>Comment</b>   |
|---------------------|---|----------------|------------------|--|
| Marcus Alexanderson | x   | x              |                  | Approval by the shareholders' meeting of May 24, 2018 of his co-option as director by the Board of Directors on May 15, 2017 in replacement of Pier Luigi Sigismondi. Renewal of his term of office as director for 4 years by the shareholders meeting of May 24, 2018. |
| Hendrica Verhagen   |   |                | x                | Renewal of her term of office as director for 4 years by the shareholders meeting of May 24, 2018  |
| Maria Richter       |   | x              |                  | Renewal of her term of office as director by anticipation pursuant to article 14.2 of the by-laws, for a term of 4 years, by the shareholders' meeting of May 24, 2018.  |
| François Auque      | x   |                |                  | Nomination by the Board of Directors of October 24, 2018, in view of submitting his candidacy as a director, to replace Fritz Froehlich, to the shareholders meeting of May 23, 2019.  |

It will be proposed to the Shareholders' Meeting of May 23, 2019 to:

- appoint François Auque in the capacity of new director for a term of office of 4 years, to replace Fritz Froehlich, whose term of office expires at the end of the shareholders meeting;
- renew in advance the term of office of Agnès Touraine for a term of four years, pursuant to article 14.2 of the by-laws, which provides for a renewal in quarters, rounded up to the nearest whole number each year; and
- renew in advance the term of office of Elen Phillips for a term of four years pursuant to article 14.2 of the by-laws, which provides for a renewal in quarters, rounded up to the nearest whole number each year.

*Multiple corporate offices*

Regarding multiple corporate offices, we aim to comply with the recommendations of the AFEP-MEDEF Code.

The Board of Directors reviews, upon each appointment of a director or of the Chief Executive Officer or upon each suggested appointment of a director or of the Chief Executive Officer within a board of directors of another listed

company, the potential impact of such an appointment on the limitations on multiple corporate offices in accordance with the recommendations of the Afep-Medef Code.

### Rules governing the membership and operation of the Board of Directors

#### *Executive Management*

Rexel's Executive Management is performed, under his/her responsibility, by the Chairman of the Board of Directors, or by another private person, who need not be a Director, appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The Chief Executive Officer has been Patrick Berard since July 1, 2016.

#### *Committees of the Board of Directors*

The Board of Directors may create Committees to assist it in carrying out its duties.

As at December 31, 2018, the three Committees of the Board of Directors were as follows: the Audit and Risk Committee, the Nomination Committee and the Compensation Committee.

The Committees are responsible for providing the Board of Directors with their opinions, proposals or recommendations. Their powers are strictly advisory and they discharge their duties under the Board of Directors' responsibility.

In order to validly deliberate, at least half of the members must be in presence. A Committee member may not be represented by another member.

A Committee's recommendations or proposals are issued by a majority vote of the members and the chairman does not have a casting vote in case of a tie.

After having informed the Chairman of the Board of Directors (and the Chief Executive Officer in cases (i) and (ii) below) and subject to reporting to the Board of Directors, each of the Committees may, in the exercise of its duties:

- (i) have Rexel provide it with any document that it deems useful for the performance of its duties;
- (ii) organize a meeting with the Chief Executive Officer or any other person that the Committee deems fit to meet with; and
- (iii) be assisted in its meeting by any third party of its election (expert, counsel, lawyer or statutory auditor).

The Committees may also invite the Chief Executive Officer to attend their meetings.

Each of the Board of Directors' Committees may draw up internal regulations that shall be approved by the Board of Directors and which complement the provisions of the internal regulations of the Board of Directors.

#### *Statements concerning the Board of Directors*

To our knowledge:

- There are no family ties between the Directors and the members of Rexel's Executive Management;
- No Director or member of Rexel's Executive Management has been convicted of fraud within the last five years;
- No Director or member of Rexel's Executive Management has been associated with any "bankruptcy", receivership or liquidation within the last five years;
- No Director or member of Rexel's Executive Management has been the subject of any official public incrimination or sanctions by statutory or regulatory authorities within the last five years; and
- No Director or member of Rexel's Executive Management has been disqualified by a court from acting as a member of an administrative, management or supervisory body of any issuer or from participating in the management or conduct of the business of any issuer within the last five years.



### ***Conflicts of interest***

Directors who have a conflict of interest must inform the Senior Independent Director. The Board of Directors has appointed François Henrot as Deputy Chairman of the Board of Directors and Senior Independent Director in charge of (*inter alia*) managing conflict of interest situations.

All potential conflicts of interest are submitted to a debate within the Board of Directors.

Directors who are in a situation of conflict of interest shall abstain from taking part in the discussions and in the vote of the relevant decisions.

As of the date of the 2018 Activity Report and to Rexel's knowledge, there exists no situation that could give rise to a conflict between the private interests of Directors or of Rexel's executive management and Rexel's interests.

### ***Service agreements between members of the Board of Directors and Rexel or one of its subsidiaries***

There are no service agreements between members of the Board of Directors or members of Rexel's executive management and Rexel or any of its subsidiaries and providing for the award of any benefits.