Half year financial report as of June 30, 2019

REXEL

un monde d'énergie

Société Anonyme (corporation)
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Half-year financial report as of June 30, 2019

This document is a free translation from French to English of Rexel's original condensed consolidated interim financial statements and activity report for the period ended June 30, 2019 and is provided solely for the convenience of English speaking readers. In the event of any ambiguity or discrepancy between this unofficial translation and the original condensed consolidated interim financial statements and activity report for the period ended June 30, 2019, the French version will prevail.

I. Activity report

(Unaudited)

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1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

IFRS 16 “Leases” has been applied for the first time in 2019 with comparative information presented for previous year (see paragraphs 1.1.4, 1.2.1, 2.1 and 2.2).

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

1.1 | Financial position of the Group

1.1.1 | Group Overview

The Group is a worldwide leader in the professional distribution of low and ultra-low voltage electrical products, based on sales and number of branches. The Group principally operates in three geographic areas: Europe, North America and Asia-Pacific. This geographic segmentation is based on the Group’s financial reporting structure.

In the first half of 2019, the Group recorded consolidated sales of €6,799.5 million, of which €3,644.9 million were generated in Europe (54% of sales), €2,583.7 million in North America (38% of sales) and €570.9 million in Asia-Pacific (8% of sales).

The Group’s activities in Europe (54% of Group sales) are in France (which accounts for 38% of Group sales in this region), the United Kingdom, Germany, Sweden, Switzerland, Belgium, Austria, the Netherlands, Norway, Finland, Spain, Ireland, Italy, Slovenia, Portugal, Russia and Luxembourg.

The Group’s activities in North America (38% of Group sales) are in the United States and Canada. The United States account for 80% of Group sales in this region, and Canada for 20%.

The Group’s activities in Asia-Pacific (8% of Group sales) are in Australia, China, New Zealand, India and in Middle East. Australia accounts for 42% of Group sales in this region and China for 41%.

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

1.1.2 | Seasonality

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

1.1.3 | Impact of changes in copper price

The Group is indirectly exposed to fluctuations in copper price in connection with its distribution of cable products. Cables represent approximately 14% of the Group’s sales and copper accounts for approximately 60% of the composition of cables. This exposure is indirect since cable prices also reflect suppliers’ commercial policies and the competitive environment of markets in which the Group operates. Changes in copper price have an estimated “recurring” and “non-recurring” effect on the Group’s performance, assessed as part of the monthly internal reporting process of the Rexel Group:

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

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

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

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

Excluding the effects of acquisitions and disposals

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

Excluding the effects of exchange rate fluctuations

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

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

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

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

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

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

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

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

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

Change in accounting policies

On January 1, 2019, Rexel has initially adopted the new accounting standards IFRS 16 "Leases" with retrospective application effective on January 1, 2018. Prior period comparative information was restated accordingly and presented together with a reconciliation of prior year reported figures.

This new standard supersedes IAS 17 "Leases". Under IAS 17, payments made under operating leases were recognized as rent expense in the income statement on a straight-line basis over the term of the lease. Upon adoption of IFRS 16, in the balance sheet, the Group recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In the income statement, right-of-use assets are depreciated on the straight-line over the shorter of its estimated useful life and the lease term, and interest expenses are recognized on lease liabilities.

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

	Semester ended June 30,	
(in millions of euros)	2019	2018
Operating income before other income and other expenses	**312.5**	**278.6**
Effect of IFRS16 adoption	-	16.5
Operating income before other income and other expenses restated for IFRS16	**312.5**	**295.1**
Changes in scope of consolidation	-	2.6
Foreign exchange effects	-	5.8
Non-recurring effect related to copper	(0.4)	1.3
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	7.1	8.3
Adjusted EBITA on a constant basis	**319.2**	**313.1**

1.2 | Comparison of financial results as of June 30, 2019 and as of June 30, 2018

1.2.1 | Rexel Group's consolidated financial results

The following table sets out Rexel's consolidated income statement for 2019 and 2018, in millions of euros and as a percentage of sales. Rexel has adopted the new accounting standard IFRS 16 "Leases" with retrospective application, effective on January 1, 2018. Prior year comparative figures have been restated accordingly.

In addition, the table below sets out the net effect of acquisitions and disposals and the effect of exchange rate fluctuation on prior year comparative figures. This table also presents comparable data adjusted for copper price fluctuation according to paragraph 1.1.4

	Semester ended June 30, 2019		**Semester ended June 30, 2018**				Δ %	
	Reported	**Adjusted for copper**	**Reported**	**Effect of IFRS16 adoption**	**Restated for IFRS16**	**2018 comparable adjusted for copper**	Restated for IFRS16	Comparable adjusted for copper
	①	②	③	④	⑤ = ③+ ④	⑥	①/⑤	②/⑥
Sales	**6,799.5**	**6,799.5**	**6,555.8**	**-**	**6,555.8**	**6,670.4**	**3.7%**	**1.9%**
Same-day basis								*2.7%*
Gross profit	1,699.1	1,698.6	1,626.9	-	1,626.9	1,659.2	4.4%	2.4%
as a % of sales	*25.0%*	*25.0%*			*24.8%*	*24.9%*		
Operating expenses	(1,240.2)	(1,240.1)	(1,291.4)	98.0	(1,193.4)	(1,214.3)	3.9%	2.1%
Depreciation	(139.3)	(139.3)	(48.5)	(81.5)	(130.0)	(131.8)	7.1%	5.6%
Distribution and administrative expenses (1)	(1,379.5)	(1,379.4)	(1,339.9)	16.5	(1,323.4)	(1,346.1)	4.2%	2.5%
as a % of sales	*(20.3)%*	*(20.3)%*			*(20.2)%*	*(20.2)%*		
EBITA	**319.6**	**319.2**	**287.0**	**16.5**	**303.4**	**313.1**	**5.3%**	**2.0%**
as a % of sales	***4.7%***	***4.7%***			***4.6%***	***4.7%***		
Amortization of intangible assets (2)	(7.1)	-	(8.3)	-	(8.3)	-	(14.9)%	-
Operating income before other income and expenses	**312.5**	**-**	**278.6**	**16.5**	**295.1**	**-**	**5.9%**	-
Other income and expenses	(22.4)	-	(60.7)	(0.4)	(61.1)	-	(63.3)%	-
Operating income	**290.1**	**-**	**217.9**	**16.1**	**234.1**	**-**	**23.9%**	**-**
Net financial expenses	(93.6)	-	(50.2)	(22.3)	(72.5)	-	29.1%	-
Income taxes	(32.6)	-	(66.9)	1.4	(65.5)	-	(50.2)%	-
Net income	**163.9**	**-**	**100.9**	**(4.8)**	**96.1**	**-**	**70.6%**	-

(1) Of which depreciation and amortization

(2) Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions.

Sales

In the first half of 2019, Rexel's consolidated sales amounted to €6,799.5 million, as compared to €6,555.8 million in the first half of 2018.

On a reported basis, sales were up 3.7% year-on-year, including a positive foreign exchange currency impact of 2.1% and a negative net effect from divestments of 0.4%.

- The positive impact of currency amounted to €138.0 million, mainly due to the appreciation of the US dollar against the euro.

- The negative net effect from the change in structure amounted to €23.3 million, resulting from the divestment of the retail business in China.

On a constant and same-day basis, sales increased by 2.7%, including a negative impact of 0.3 percentage point due to change in copper-based cable prices. By geography, North America increased by 7.6% and Asia-Pacific by 0.8% while Europe decreased by 0.2%. Excluding the effect of Spain and Germany restructurations occurred in 2018, sales increased by 4.2% as compared to the first half 2018.

On a constant and actual number of working days basis, sales increased by 1.9%, impacted by an unfavorable calendar impact of 0.8 percentage point.

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

	Semester ended June 30, 2019
Growth on a constant and same-days basis	2.7%
Number of working days effect	(0.8)%
Growth on a constant and actual-day basis	***1.9%***
Changes in scope effect	(0.4)%
Foreign exchange effect	2.1%
Total scope and currency effect	***1.7%***
Growth on a reported basis (1)	**3.7%**

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

Gross profit

In the first half of 2019, gross profit amounted to €1,699.1 million, up 4.4%, on a reported basis, as compared to €1,626.9 million in the first half of 2018.

On a constant basis, adjusted gross profit increased by 2.4% and adjusted gross margin increased by 11 basis points to 25.0% of sales.

Distribution & administrative expenses

In the first half of 2019, distribution and administrative expenses amounted to €1,379.5 million, a 4.2% increased on a reported basis (restated for IFRS 16 adoption), as compared to €1,323.4 million in first half of 2018.

On a constant basis, adjusted distribution and administrative expenses increased by 2.5%, representing 20.3% of sales in the first half of 2019, up 11 basis points year on year, as compared to 20.2% of sales in the first half of 2018.

EBITA

<u>In the first half of 2019</u>, as a result, EBITA stood at €319.6 million, increasing by 5.3%, on a reported basis (restated for IFRS 16 adoption), as compared to €303.4 million in the first half of 2018, including a positive foreign exchange currency impact of €5.8 million and a positive net effect from divestments of €2.6 million.

<u>On a constant basis</u>, adjusted EBITA increased by 2.0% to €319.2 million and adjusted EBITA margin stood at 4.7% of sales, stable year-on-year despite impacted by an unfavorable calendar impact of 0.8 days.

Other income and expenses

<u>In the first half of 2019</u>, other income and expenses represented a net expense of €22.4 million, consisting mainly of:

- €13.5 million restructuring plans in connection with the closure of a distribution center in the UK and the last stage of the transformation plan in Germany.
- €9.3 million Finland impairment of remaining intangible asset with indefinite life, due to lower than expected prospects.

<u>In the first half of 2018</u>, other income and expenses represented a net expense of €61.1 million, consisting mainly of restructuring plans in Germany and Spain. These plans included the closure of a significant number of branches, the reorganization of logistics and the downsizing of headquarters in these countries.

Net Financial expenses

Net financial expenses increased from €72.5 million in the first half of 2018 to €93.6 million in the first half of 2019. Excluding a €20.8m one-off expense, recognized in the first half of 2019 related to the cost of the early repayment of the €650 million senior notes due 2023, net financial expenses were stable with effective interest rate unchanged at 2.8%.

Tax expense

In the first half of 2019 income tax expense decreased to €32.6 million from €65.5 million in the first half of 2018 mainly as a result of the release of the tax exposure reserve of €29.5 million following the positive outcome in March 2019 of a tax proceeding with the French tax authorities. As a result, effective tax rate for the period ended June 30, 2019 was 16.6% as compared to 40.5% in the first half 2018.

Net income

As a result of the above items, net income was up 70.6% at €163.9 million in the first half of 2019, as compared to €96.1 million in the first half of 2018.

1.2.2 | Europe (54% of Group sales)

	Semester ended June 30, 2019		Semester ended June 30, 2018				Δ %	
	Reported	Adjusted for copper	Reported	Effect of IFRS16 adoption	Restated for IFRS16	2018 comparable adjusted for copper	Restated for IFRS16	Comparable adjusted for copper
	①	②	③	④	⑤ = ③+ ④	⑥	①/⑤	②/⑥
Sales	**3,644.9**	**3,644.9**	**3,681.0**	**-**	**3,681.0**	**3,680.9**	**(1.0)%**	**(1.0)%**
Same-day basis								*(0.2)%*
Gross profit	999.9	998.4	994.7	-	994.7	996.3	0.5%	0.2%
as a % of sales	*27.4%*	*27.4%*	*27.0%*		*27.0%*	*27.1%*		
Operating expenses	(704.1)	(704.1)	(760.9)	56.2	(704.6)	(704.7)	(0.1)%	(0.1)%
Depreciation	(77.5)	(77.5)	(29.0)	(47.1)	(76.1)	(76.1)	1.9%	1.9%
Distribution and administrative expenses	(781.7)	(781.6)	(789.8)	9.1	(780.7)	(780.8)	0.1%	0.1%
as a % of sales	*(21.4)%*	*(21.4)%*	*(21.5)%*		*(21.2)%*	*(21.2)%*		
EBITA	**218.2**	**216.8**	**204.9**	**9.1**	**214.0**	**215.5**	**2.0%**	**0.6%**
as a % of sales	*6.0%*	*5.9%*	*5.6%*		*5.8%*	*5.9%*		

Sales

In the first half of 2019, sales in Europe amounted to €3,644.9 million, a 1.0% decrease on a reported basis, as compared to €3,681.0 million in first half of 2018.

Exchange rate variations accounted for an decrease of €0.2 million, mainly due to the depreciation of the Swedish krona against the Euro.

On a constant and same-day basis, sales decreased by 0.2% as compared to the first half of 2018, including the negative impact of 0.3 percentage point due to the lower copper-based cable prices.

On a constant and actual number of working days basis, sales decreased by 1.0%, impacted by an unfavorable calendar impact of 0.8 percentage point. Excluding the effect of Spain and Germany restructurations occurred in 2018, sales increased by 2.5% as compared to the first half 2018.

In **France**, sales amounted to €1,388.6 million in the first half of 2019, an increase of 2.7% as compared to the first half of 2018 on a constant and same-day basis, supported by good momentum in commercial projects, a dynamic residential end-market and continued growth in specialty businesses (eg: Heating, Ventilation and Air Conditioning "HVAC").

In **the United-Kingdom**, sales amounted to €377.6 million in the first half of 2019, a decrease of 7.8% from the first half of 2018 on a constant and same-day basis, mainly due to increased business selectivity (accounting for 6.9 percentage points of the overall decrease) and the effect of branch closures in 2018 and 2019. The effect of the 47 branches closed in 2018 & 2019 represented 2.7 percentage points in an environment of low visibility.

In **Germany**, sales stood at €319.3 million in the first half of 2019, a 20.8% decrease from the first half of 2018 on a constant and same-day basis, reflecting the transformation of the country's business to refocus on profitable activities (industrial segment on a national basis and C&I in the southern part of the country). Excluding the impact of the 17 branch closures, sales were up 1.1%.

In **Scandinavia** sales amounted to €472.4 million in the first half of 2019, an increase of 4.1% from the first half of 2018 on a constant and same-day basis, with a positive momentum in Sweden up 5.9%, mainly driven by large C&I customers. Sales in Norway and Finland increased respectively by 2.9% and 1.0%.

In **Belgium** and in **the Netherlands**, sales amounted respectively to €221.9 million and €165.4 million in the first half of 2019, an increase from the first half of 2018 of respectively 11.7% and 14.0% on a constant and same-day basis. Sales increase in Belgium are mainly driven by photovoltaic equipment (which accounted for 2.5 percentage points) and cable sales (2.9 percentage points) on top of the acquisition of a branch in the Courtrai area in 2018 contributing for 2.7 percentage points.

In **Switzerland** and **Austria**, sales amounted respectively to €232.6 million and €177.7 million in the first half of 2019. Sales in Switzerland increased by 2.9% from the first half of 2018, on a constant and same-day basis, driven by building installation equipment and pricing initiatives to regain market share. Sales in Austria increased by 4.8% from the first half of 2018, on a constant and same-day basis, driven by the overall favorable economic environment.

Gross profit

In the first half of 2019, Europe recorded a gross profit of €999.9 million, up 0.5%, on a reported basis, as compared to €994.7 million in the first half of 2018.

On a constant basis, adjusted gross profit increased by 0.2% and adjusted gross margin increased by 32 basis points to 27.4% of sales due to the reprofiling of the operations in Germany and in the UK as well as business selectivity in France.

Distribution & administrative expenses

In the first half of 2019, distribution and administrative expenses amounted to €781.7 million, up 0.1%, on a reported basis (restated for IFRS16 adoption), as compared to €780.7 million in the first half of 2018.

On a constant basis, adjusted distribution and administrative expenses increased by 0.1% in the first half of 2019, representing 21.4% of sales in the first half of 2019, a 23 basis points deterioration as compared to the first half of 2018. This increase in adjusted distribution and administrative expenses as a percentage of sales reflects sales volume growth and in particular variable freight-out costs, inflation on salaries and benefits and some non-recurring consulting fees related to action plans to improve business efficiency and profitability in Germany and Sweden.

EBITA

In the first half of 2019, as a result, on a reported basis (restated for IFRS16 adoption), EBITA amounted to €218.2 million, up 2.0% as compared to €214.0 million in the first half of 2018, including a positive foreign exchange currency impact of €0.2 million.

On a constant basis, adjusted EBITA increased by 0.6% from the first half of 2018 and adjusted EBITA margin increased by 9 basis points to 5.9% of sales.

1.2.3 | North America (38% of Group sales)

	Semester ended June 30, 2019		Semester ended June 30, 2018				Δ %	
	Reported	Adjusted for copper	Reported	Effect of IFRS16 adoption	Restated for IFRS16	2018 comparable adjusted for copper	Restated for IFRS16	Comparable adjusted for copper
	①	②	③	④	⑤ = ③+ ④	⑥	①/⑤	②/⑥
Sales	**2,583.7**	**2,583.7**	**2,280.6**		**2,280.6**	**2,420.3**	**13.3%**	**6.8%**
Same-day basis								*7.6%*
Gross profit	594.6	595.6	524.5		524.5	556.9	13.4%	6.9%
as a % of sales	*23.0%*	*23.1%*	*23.0%*		*23.0%*	*23.0%*		
Operating expenses	(449.3)	(449.3)	(428.9)	29.7	(399.2)	(423.9)	12.5%	6.0%
Depreciation	(41.0)	(41.0)	(10.2)	(24.0)	(34.2)	(36.3)	19.9%	12.9%
Distribution and administrative expenses	(490.2)	(490.2)	(439.1)	5.7	(433.4)	(460.2)	13.1%	6.5%
as a % of sales	*(19.0)%*	*(19.0)%*	*(19.3)%*		*(19.0)%*	*(19.0)%*		
EBITA	**104.3**	**105.3**	**85.4**	**5.7**	**91.1**	**96.7**	**14.5%**	**8.9%**
as a % of sales	*4.0%*	*4.1%*	*3.7%*		*4.0%*	*4.0%*		

Sales

In the first half of 2019, sales in North America amounted to €2,583.7 million, up 13.3%, on a reported basis, as compared to €2,280.6 million in the first half of 2018.

Exchange rate variations accounted for an increase of €139.6 million, mainly due to the appreciation of US dollar against the euro.

On a constant and same-day basis, sales increased by 7.6% as compared to the first half of 2018.

In **the United States**, sales stood at €2,061.6 million in the first half of 2019, a 8.3% increase from the first half of 2018 on a constant and same-day basis, driven by commercial, residential and to a lesser extent, by industrial end-market which saw the first signs of slow-down. This increase reflected also the favorable impact of investment in sales representatives, branch openings (which accounted for 1.0 percentage points) and refresh of existing branches.

In **Canada**, sales amounted to €522.2 million in the first half of 2019, up 4.9% from the first half of 2018 on a constant and same-day basis sustained by strong demand in industry end-users (system integrators & OEM customers) and proximity business notably fueled by the harmonization of the product offer plan over the country.

Gross profit

In the first half of 2019, in North America, gross profit amounted to €594.6 million, increased by 13.4%, on a reported basis, as compared to €524.5 million in the first half of 2018.

On a constant basis, adjusted gross profit increased by 6.9% and adjusted gross margin is 4 basis points higher at 23.1% of sales compared to the first half of 2018, thanks to higher supplier concentration in the US partly offset by channel mix evolution (higher direct sales versus warehouse sales as compared to last year).

Distribution & administrative expenses

In the first half of 2019, distribution and administrative expenses amounted to €490.2 million, increased by 13.1%, on a reported basis (restated for IFRS16 adoption), as compared to €433.4 million in the first half of 2018.

On a constant basis, adjusted distribution and administrative expenses increased by 6.5%, representing 19.0% of sales in the first half of 2019, a 4 basis points improvement as compared to the 19.0% in the first half of 2018, impacted by cost inflation and investments in the branch network and in workforce.

EBITA

In the first half of 2019, as a result, EBITA amounted to €104.3 million, up 14.5%, on a reported basis (restated for IFRS16 adoption), as compared to €91.1 million in the first half of 2018, including a positive foreign exchange currency impact of €5.6 million.

On a constant basis, adjusted EBITA increased by 8.9% from the first half of 2018 and adjusted EBITA margin increased by 8 basis points to 4.1% of sales.

1.2.4 | Asia-Pacific (8% of Group sales)

		Semester ended June 30, 2019		Semester ended June 30, 2018				Δ %	
		Reported	**Adjusted for copper**	**Reported**	**Effect of IFRS16 adoption**	**Restated for IFRS16**	**2018 comparable adjusted for copper**	Restated for IFRS16	Comparable adjusted for copper
		①	②	③	④	⑤ = ③+ ④	⑥	①/⑤	②/⑥
Sales		**570.9**	**570.9**	**594.1**		**594.1**	**569.3**	**(3.9)%**	**0.3%**
	Same-day basis								*0.8%*
Gross profit		104.6	104.6	107.7		107.7	106.0	(2.8)%	(1.3)%
	as a % of sales	*18.3%*	*18.3%*	*18.1%*		*18.1%*	*18.6%*		
Operating expenses		(81.2)	(81.2)	(94.4)	11.0	(83.4)	(79.5)	(2.7)%	2.1%
Depreciation		(13.5)	(13.5)	(3.4)	(9.6)	(12.9)	(12.6)	4.4%	7.1%
Distribution and administrative expenses		(94.7)	(94.7)	(97.8)	1.4	(96.4)	(92.1)	(1.7)%	2.8%
	as a % of sales	*(16.6)%*	*(16.6)%*	*(16.5)%*		*(16.2)%*	*(16.2)%*		
EBITA		**9.9**	**9.9**	**9.9**	**1.4**	**11.3**	**13.9**	**(12.2)%**	**(28.3)%**
	as a % of sales	*1.7%*	*1.7%*	*1.7%*		*1.9%*	*2.4%*		

Sales

In the first half of 2019, sales in Asia-Pacific amounted to €570.9 million, down 3.9%, on a reported basis, as compared to €594.1 million in the first half of 2018.

Exchange rate variations accounted for a decrease of €1.5 million, primarily due to the depreciation of Australian dollar against the euro.

The negative net effect of change in structure of €23.3 million was associated to the divestment of the retail business in China.

On a constant and same-day basis, sales increased by 0.8% as compared to the first half of 2018.

In **Australia**, sales amounted to €238.8 million in the first half of 2019, a 3.2% decrease from the first half of 2018, on a constant and same-day basis, impacted by the disposal of industrial automation business in 2018. Excluding this effect, sales in Australia were up 2.4% mainly driven by positive performance in industrial business, thanks to infrastructure and mining spending (capital expenditures, maintenance and repair) while residential and commercial end-markets are slowing down.

In **China**, sales amounted to €235.1 million in the first half of 2019, a 9.2% increase compared to the first half of 2018, on a constant and same-day basis, with a good momentum in industrial automation products and solutions. Performance in China benefiting from a large contract which contributed for €24.7 million in the first half of 2019.

In addition, Asia-Pacific sales performance in the first half of 2019 as compared to the first half of 2018 was impacted by a large non-recurring project in the Middle East which had a significative contribution of €14.2 million in the first half of 2018.

Gross profit

In the first half of 2019, in Asia-Pacific, gross profit amounted to €104.6 million, down 2.8%, on a reported basis, as compared to €107.7 million in the first half of 2018.

On a constant basis, adjusted gross profit decreased by 1.3% and adjusted gross margin was 18.3% of sales, a 29 basis-point decrease as compared to the first half of 2018, mainly impacted by a lower commercial margin in China due to the increasing weight in the overall sales of the OEM business and system integration with lower margin.

Distribution & administrative expenses

In the first half of 2019, on a reported basis (restated for IFRS16 adoption), distribution and administrative expenses amounted to €94.7 million, decreased by 1.7% as compared to €96.4 million in the first half of 2018.

On a constant basis, adjusted distribution and administrative expenses increased by 2.8% from the first half of 2018, representing 16.6% of sales in the first half of 2019, a 41 basis-point deterioration as compared to the first half of 2018, reflecting investments for growth in China.

EBITA

In the first half of 2019, as a result, EBITA amounted to €9.9 million, down 12.2%, on a reported basis (restated for IFRS16 adoption), as compared to €11.3 million in the first half of 2018, including a positive net effect from divestments of €2.6 million, while there was no effect from foreign exchange currency variation.

On a constant basis, adjusted EBITA decreased by 28.3% from the first half of 2018 and adjusted EBITA margin decreased by 69 basis points to 1.7% of sales, impacted by the disposal of industrial automation business in Australia in 2018.

1.2.5 | Other operations

	Semester ended June 30, 2019	Semester ended June 30, 2018			Δ %
	Reported	Reported	Effect of IFRS16 adoption	Restated for IFRS16	Restated for IFRS16
	①	②	③	④ = ② + ③	①/④
Sales	**-**	**-**	**-**	**-**	**-**
Gross profit	**-**	-	-	-	-
Operating expenses	(5.7)	(6.2)	-	(6.2)	(9.1)%
Depreciation	(7.2)	(6.8)	-	(6.8)	6.6%
Distribution and administrative expenses	(12.9)	(13.0)	0.2	(13.0)	(1.0)%
EBITA	**(12.9)**	**(13.2)**	**0.2**	**(13.0)**	**0.9%**

This segment mostly includes unallocated corporate-hosted expenses. In the first half of 2019, EBITA was negative by €12.9 million compared to €13.0 million in the first half of 2018, impacted by higher information technology and digitalization projects offset by lower corporate overheads.

1.3 | Outlook

Rexel is adapting to become more agile in an increasingly volatile environment. With its “Repair journey” now nearly completed, Rexel’s operational focus is now improving leverage and its strategic priority remains to advance its digital transformation. For the second half of the year 2019, the continued execution of its action plans combined with a calendar impact that will reverse positively, put Rexel on track to achieve its full-year guidance.

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

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

1.4 | Risk factors and uncertainties

Group activities are facing certain macroeconomic, business, operational, market and legal risk factors. The main risk factors to which the Group is exposed are described in the section “Risk factors” of the 2018 Registration Document filed with the *Autorité des Marchés Financiers* on April 3, 2019 under the number D.19-0264. There has not been any significant change in these risk factors in the first half of 2019.

2. LIQUIDITY AND CAPITAL RESOURCES

2.1 | Cash flow

The following table sets out Rexel's cash flow statement for the one first half of 2019 and 2018 together with a reconciliation of free cash flow before and after interest and income tax paid. Following the adoption of IFRS 16, January 1, 2019, prior year figures have been restated accordingly and items in reconciliation are presented separately.

(in millions of euros)	Semester ended June 30, 2019	Semester ended June 30, 2018			
	Reported	Reported	IFRS16 impact	Restated for IFRS16	*Change*
Operating cash flow before interest and taxes	395.5	299.6	76.8	376.3	*19.1*
Financial interest on borrowings paid [1]	(44.4)	(41.8)	0.5	(41.3)	*(3.1)*
Income tax paid	(62.5)	(24.0)	-	(24.0)	*(38.5)*
Operating cash flow before change in working capital	**288.5**	**233.7**	**77.3**	**311.0**	***(22.5)***
Change in working capital requirements	(270.5)	(249.6)	0.5	(249.1)	*(21.4)*
Net cash flow from operating activities	**18.0**	**(15.9)**	**77.8**	**61.9**	***(43.9)***
Net cash flow from investing activities	**(57.0)**	**(32.1)**	**1.9**	**(30.2)**	***(26.9)***
o.w. Operating capital expenditures [2]	*(53.5)*	*(32.1)*	*1.9*	*(30.2)*	*(23.3)*
Net cash flow from financing activities [3]	**(66.8)**	**(55.7)**	**(79.8)**	**(135.4)**	***68.6***
Net cash flow	**(105.8)**	**(103.7)**	**0.0**	**(103.7)**	***(2.2)***
Operating cash flow	395.5	299.6	76.8	376.3	*19.1*
Repayment of lease liabilities	(88.8)	-	(81.5)	(81.5)	*(7.3)*
Change in working capital requirements	(270.5)	(249.6)	0.5	(249.1)	*(21.4)*
Operating capital expenditures	(53.5)	(32.1)	1.9	(30.2)	*(23.3)*
Free cash flow before interest and taxes	**(17.3)**	**17.8**	**(2.2)**	**15.6**	***(32.9)***
Financial interest on borrowings paid	(44.4)	(41.8)	0.5	(41.3)	*(3.1)*
Income tax paid	(62.5)	(24.0)	-	(24.0)	*(38.5)*
Free cash flow after interest and taxes	**(124.2)**	**(48.0)**	**(1.7)**	**(49.7)**	***(74.5)***
Total Free cash flow after interest and taxes	**(124.2)**	**(48.0)**	**(1.7)**	**(49.7)**	***(74.5)***

Working capital requirement as a % of sales [4] **at:**	**June 30, 2019**	**June 30, 2018**
Constant basis	12.2%	11.3%

(1) Excluding interest on lease liabilities

(2) Net of disposals

(3) Including lease liabilities repayment

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

2.1.1 | Effect of IFRS 16 adoption

As a result of IFRS 16 adoption, operating cash flow increased by €77.3 million, representing mostly repayment for the principal portion of recognized lease liabilities that were previously included under the line item "Cash Flow from operating activities" and presented under the line item "Cash Flow from financing activities" under IFRS 16.

The Group elected for including lease payments as a reduction of free cash flow which is a measure commonly used by the Group to measure its cash performance. Free cash flow slightly deteriorated by €1.7 million when adopting IFRS 16 as finance lease obligation repayments, previously presented as part of financing activities are now embedded with lease payments as a reduction of operating free cash flow.

2.1.2 | Cash flow from operating activities

Rexel's net cash flow from operating activities was an inflow of €18.0 million in the first half of 2019 compared to €61.9 million in the first half of 2018.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements increased from €376.3 million in the first half of 2018 to €395.5 million in the first half of 2019 due to improvement on EBITA as a result of increasing sales fostered by the positive impact of the US dollar foreign exchange rate.

Interest and taxes

Net interest paid slightly increased from €41.3 million in the first half of 2018 to €44.4 million in the first half of 2019 reflecting higher average gross debt in the first half of 2019 as compared to the first half of 2018.

Income tax paid increased from €24.0 million in the first half of 2018 to €62.5 million in the first half of 2019, as a result of the one-off tax refund, in the first half of 2018, associated with prior year French tax on dividends which was declared unconstitutional and the refund in 2018 of 2017 income tax over payment in France.

Change in working capital requirements

Change in working capital requirements accounted for an outflow of €270.5 million in the first half of 2019 as compared to €249.1 million in the first half of 2018, or a €21.4 million increase, coming from phasing effect on trade payables in China and in the UK as well as higher customer rebates payments.

Working capital requirements as of June 30, 2019

As a percentage of sales over the last 12 months, on a constant basis, working capital requirements increased by 90 basis points from 11.3% of sales as of June 30, 2018 as compared to 12.2% as of June 30, 2019, mainly due to higher inventory level as a result of the enlargement of products offering to sustain sales growth strategy.

2.1.3 | Cash flow from investing activities

Cash flow from investing activities consisting of acquisitions and disposals of fixed assets, as well as financial investments, amounted to a €57.0 million outflow in the first half of 2019, as compared €30.2 million in the first half of 2018.

(in millions of euros)	Semester ended June 30, 2019	2018 (1)
Acquisitions of operating fixed assets	*-55.9*	*-48.5*
Proceed from disposal of operating fixed assets	*6.3*	*19.6*
Net change in debts and receivables on fixed assets	*-3.9*	*-1.3*
Net cash flow from capital expenditures	**-53.5**	**-30.2**
Acquisition of subsidiaries, net of cash acquired	*-3.2*	*-0.2*
Proceeds from disposal of subsidiaries, net of cash disposed of	*1.5*	*0.0*
Net cash flow from financial investments	**-1.7**	**-0.2**
Net change in long-term investments	**-1.8**	**0.2**
Net cash flow from investing activities	**-57.0**	**-30.2**

(1) Restated for IFRS16

Acquisitions and disposals of operating fixed assets

Acquisitions of operating fixed assets, net of disposals, accounted for an outflow of €49.6 million in the first half of 2019, as compared to €28.9 million in the first half of 2018.

In the first half of 2019, gross capital expenditures stood at €55.9 million (€48.5 million in the first half of 2018), i.e. 0.8% of sales for the period, mainly in information technology and digital projects. Disposals of fixed assets were €6.3 million (€19.6 million in the first half of 2018, including the disposal of the industrial automation business in Australia).

2.1.4 | Cash flow from financing activities

In the first half of 2019, net cash flow from financing activities represented a net cash outflow of €66.8 million, mainly resulting from the:

- Repayment of the €650 million senior notes due 2023 for a total amount of €666.9 million including a redemption premium of €16.9 million;
- €54.9 million decrease in assigned receivables associated with securitization programs;
- €88.8 million lease liabilities repayment.

Partly offset by the:

- €600 million issuance of senior notes due 2026 with coupons of 2.75% for an amount net of transaction costs of €594.4 million;
- €147.8 million increase in Commercial paper and credit facilities.

In the first half of 2018, cash flow from financing activities represented a net cash outflow of €135.4 million, resulting mainly from the:

- Decrease of €79.6 million in financing lease liabilities.
- Decrease of €52.3 million in assigned receivables associated with securitization programs;
- €8.7 million outflow associated with purchase of treasury shares.

partially compensated by the:

- €7.0 million increase in credit facilities and Commercial paper.

2.2 | Sources of financing

In addition to the cash from operations, the Group's main sources of financing are bond issuances, securitization programs and multilateral credit lines. At June 30, 2019, Rexel's consolidated net debt amounted to €2,172.6 million, consisting of the following items:

	As of June 30, 2019			As of December 31, 2018 (1)		
(in millions of Euros)	Current	Non current	Total	Current	Non current	Total
Senior notes	-	1 418,0	1 418,0	-	1 456,2	1 456,2
Securization	598,9	354,6	953,5	517,0	484,2	1 001,2
Bank loans	8,1	0,7	8,8	7,7	0,9	8,6
Commercial paper	160,0	-	160,0	40,0	-	40,0
Bank overdrafts and other credit facilities	112,2	-	112,2	84,1	-	84,1
Accrued interest	4,8	-	4,8	5,0	-	5,0
Less transaction costs	(4,0)	(15,4)	(19,4)	(4,4)	(16,3)	(20,7)
Total financial debt and accured interest	**880,0**	**1 757,9**	**2 638,0**	**649,5**	**1 925,0**	**2 574,4**
Cash and cash equivalents			(438,4)			(544,9)
Accrued interest receivables			(2,5)			(2,2)
Debt hedge derivatives			(24,5)			(12,7)
Net financial debt			**2 172,6**			**2 014,7**

(1) Restated for the adoption of IFRS16. "Lease" : finance lease obligation of €15.8 million recognized previously under IAS17 were derecognized from net financial debt. Lease liabilities recognized under IFRS16 are recognized separately from net financial debt.

At June 30, 2018, the Group's liquidity amounted to €1,051.3 million (€1,304.7 million at December 31, 2018).

In millions of Euros	June 30, 2019	December 31, 2018
Cash and cash equivalents	438,4	563,6
Bank overdrafts	(112,2)	(100,6)
Commercial paper	(160,0)	(41,7)
Undrawn Senior credit agreement	850,0	850,0
Bilateral facilities	35,1	33,4
Liquidity	**1 051,3**	**1 304,7**

Senior Credit Facility Agreement

Under the Senior Credit Facility Agreement, Rexel must maintain a leverage ratio below 3.50 times as at June 30 and December 31 of each year. The indebtedness ratio, as calculated under the terms of the senior credit agreement, stood at 2.86x as of June 30, 2019 (as compared to 2.67x as of December 31, 2018 and 2.91x as of June 30, 2018).

The indebtedness ratio was calculated as if the new standard IFRS16 had not been applied and consistently with the principles used prior to the adoption of IFRS16 to neutralize the impact on the covenant of the change in accounting policies in accordance with the Senior Credit Facilities Agreement terms and conditions.

II. Condensed consolidated Interim financial statements as of June 30, 2019

(unaudited[1])

1. The condensed consolidated interim financial statements as of June 30, 2019 have been subjected to a limited review by Rexel's statutory auditors. The statutory auditors' review report on the 2019 half year information is presented after the condensed consolidated interim financial statements.

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Consolidated Statement of Profit or Loss (unaudited)

(in millions of euros)	***Note***	**For the period ended June 30, 2019**	**2018 (1)**
Sales	***4***	6,799.5	6,555.8
Cost of goods sold		(5,100.4)	(4,928.9)
Gross profit		**1,699.1**	**1,626.9**
Distribution and administrative expenses	***5***	(1,386.6)	(1,331.7)
Operating income before other income and expenses		**312.5**	**295.1**
Other income	***6***	8.0	4.8
Other expenses	***6***	(30.4)	(65.9)
Operating income		**290.1**	**234.1**
Financial income		0.7	1.6
Interest expense on borrowings		(38.0)	(38.2)
Other financial expenses		(35.5)	(35.8)
Non-recurring redemption costs		(20.8)	-
Net financial expenses	***8***	***(93.6)***	***(72.5)***
Net income before income tax		**196.5**	**161.6**
Income tax	***9***	(32.6)	(65.5)
Net income		**163.9**	**96.1**
Portion attributable:			
to the equity holders of the parent		*163.2*	*96.0*
to non-controlling interests		*0.7*	*0.1*
Earnings per share:			
Basic earnings per share (in euros)	***11***	*0.54*	*0.32*
Fully diluted earnings per share (in euros)	***11***	*0.54*	*0.32*

(1) Restated for changes in accounting policies following the adoption of IFRS 16 “Leases” (see note 3.2.1).

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

Consolidated Statement of Comprehensive Income (unaudited)

(in millions of euros)	***Note***	For the period ended June 30, **2019**	**2018** [1]
Net income		**163.9**	**96.1**
Items to be reclassified to profit or loss in subsequent periods			
Net gain / (loss) on net investment hedges		(4.8)	(6.1)
Income tax		1.5	2.1
Sub-total		**(3.3)**	**(4.0)**
Foreign currency translation adjustment		34.9	15.1
Income tax		(3.5)	(6.4)
Sub-total		**31.4**	**8.6**
Net gain / (loss) on cash flow hedges		(11.0)	3.5
Income tax		3.5	(1.2)
Sub-total		**(7.5)**	**2.3**
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurements of net defined benefit liability	***14***	(49.4)	22.7
Income tax		5.8	(1.5)
Sub-total		**(43.5)**	**21.2**
Other comprehensive income / (loss) for the period, net of tax		**(22.9)**	**28.0**
Total comprehensive income / (loss) for the period, net of tax		**141.0**	**124.2**
Portion attributable:			
to the equity holders of the parent		*140.3*	*124.0*
to non-controlling interests		*0.7*	*0.1*

(1) Restated for changes in accounting policies following the adoption of IFRS 16 “Leases” (see note 3.2.1).

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

Consolidated Balance Sheet (unaudited)

(in millions of euros)	*Note*	As of June 30, 2019	As of December 31, 2018[1]
Assets			
Goodwill	*4*	3,899.7	3,871.1
Intangible assets		1,027.3	1,037.9
Property, plant and equipment		266.8	266.6
Right-of-use assets	*3.2.1*	843.9	835.4
Long-term investments		52.7	42.6
Deferred tax assets		100.4	88.1
Total non-current assets		**6,190.8**	**6,141.6**
Inventories		1,742.5	1,674.2
Trade accounts receivable		2,292.6	2,091.5
Current tax assets		10.5	14.4
Other accounts receivable		498.8	506.2
Assets held for sale	*13*	2.4	42.5
Cash and cash equivalents	*15.1*	438.4	544.9
Total current assets		**4,985.1**	**4,873.7**
Total assets		**11,175.9**	**11,015.3**
Equity			
Share capital		1,519.9	1,519.9
Share premium		1,446.6	1,554.0
Reserves and retained earnings		1,182.2	1,067.0
Total equity attributable to equity holders of the parent		**4,148.7**	**4,141.0**
Non-controlling interests		5.3	3.9
Total equity		**4,154.0**	**4,144.9**
Liabilities			
Interest bearing debt (non-current part)	*15.1*	1,757.9	1,925.0
Lease liabilities (non-current part)	*3.2.1*	789.4	785.7
Net employee defined benefit liabilities		308.1	266.2
Deferred tax liabilities		195.8	208.1
Provision and other non-current liabilities		46.1	54.5
Total non-current liabilities		**3,097.4**	**3,239.4**
Interest bearing debt (current part)	*15.1*	875.2	644.4
Accrued interest	*15.1*	4.8	5.0
Lease liabilities (current part)	*3.2.1*	165.3	162.7
Trade accounts payable		2,083.3	2,024.1
Income tax payable		11.5	26.8
Dividends payable	*10*	132.9	-
Other current liabilities		651.1	729.0
Liabilities related to assets held for sale	*13*	0.4	38.9
Total current liabilities		**3,924.5**	**3,631.0**
Total liabilities		**7,021.9**	**6,870.4**
Total equity and liabilities		**11,175.9**	**11,015.3**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 “Leases” (see note 3.2.1).

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

Consolidated Statement of Cash Flows (unaudited)

(in millions of euros)	***Note***	For the period ended June 30, **2019**	**2018** [1]
Cash flows from operating activities			
Operating income		290.1	234.1
Depreciation, amortization and impairment of assets and assets write off	***5-6***	130.5	139.7
Employee benefits		(13.8)	(15.8)
Change in other provisions		(14.2)	42.3
Other non-cash operating items		24.6	(1.1)
Interest on lease liabilities		(21.7)	(22.8)
Financial interest paid on borrowings		(44.4)	(41.3)
Income tax paid		(62.5)	(24.0)
Operating cash flows before change in working capital requirements		***288.5***	***311.0***
Change in inventories		(59.1)	(73.4)
Change in trade receivables		(193.0)	(205.3)
Change in trade payables		34.6	58.3
Change in other working capital items		(52.9)	(28.6)
Change in working capital requirements		***(270.4)***	***(249.1)***
Net cash from operating activities		**18.1**	**61.9**
Cash flows from investing activities			
Acquisition of tangible and intangible assets		(59.8)	(49.8)
Proceeds from disposal of tangible and intangible assets		6.3	19.6
Acquisitions of subsidiaries, net of cash acquired		(3.2)	(0.2)
Proceeds from disposal of subsidiaries, net of cash disposed of		1.5	-
Change in long-term investments		(1.8)	0.2
Net cash from investing activities		**(57.0)**	**(30.2)**
Cash flows from financing activities			
Disposal / (Purchase) of treasury shares		1.7	(8.7)
Issuance of senior notes net of transaction costs	***15.2***	594.4	-
Repayment of senior notes	***15.2***	(666.9)	-
Net change in credit facilities, commercial papers, other financial borrowings	***15.2***	147.8	7.0
Net change in securitization	***15.2***	(54.9)	(52.3)
Repayment of lease liabilities		(88.8)	(81.5)
Net cash from financing activities		**(66.8)**	**(135.4)**
Net (decrease) / increase in cash and cash equivalents		**(105.7)**	**(103.7)**
Cash and cash equivalents at the beginning of the period		544.9	563.6
Effect of exchange rate changes on cash and cash equivalents		(0.8)	(7.2)
Cash and cash equivalents at the end of the period		**438.4**	**452.7**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 “Leases” (see note 3.2.1).

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

Consolidated Statement of Changes in Equity (unaudited)

(in millions of euros)	Note	Share capital	Share premium	Retained earnings	Foreign currency translation	Cash flow hedge reserve	Remea-surement of net defined benefit liability	**Total attributable to the equity holders of the parent**	Non-controlling interests	**TOTAL EQUITY**
	Note						**14**			
For the period ended June 30, 2018										
Balance at 1 January 2018 (as reported)		**1,516.7**	**1,559.2**	**1,287.5**	**(20.1)**	**2.6**	**(190.5)**	**4,155.4**	**2.2**	**4,157.6**
Effect of changes in accounting following the adoption of IFRS 16		-	-	(69.7)	-	-	-	**(69.7)**	(0.0)	**(69.8)**
Restated balance at 1 January 2018		**1,516.7**	**1,559.2**	**1,217.8**	**(20.1)**	**2.6**	**(190.5)**	**4,085.6**	**2.2**	**4,087.9**
Net income (restated)		-	-	96.0	-	-	-	**96.0**	0.1	96.1
Other comprehensive income (restated)		-	-	-	4.6	2.3	21.2	**28.0**	0.1	28.1
Total comprehensive income for the period (restated)		**-**	**-**	**96.0**	**4.6**	**2.3**	**21.2**	**124.0**	**0.2**	**124.2**
Cash dividends	**10**	-	-	(126.9)	-	-	-	**(126.9)**	-	(126.9)
Share capital increase		2.8	4.2	(7.0)	-	-	-	**-**	-	-
Share-based payments		-	-	2.2	-	-	-	**2.2**	-	2.2
Disposal / (Purchase) of treasury shares		-	-	(8.5)	-	-	-	**(8.5)**	-	(8.5)
Restated balance at 30 June 2018		**1,519.5**	**1,563.4**	**1,173.6**	**(15.5)**	**4.8**	**(169.3)**	**4,076.5**	**2.4**	**4,078.9**
For the period ended June 30, 2019										
Balance at 31 December 2018 (as reported)		**1,519.9**	**1,554.0**	**1,311.7**	**(6.7)**	**1.8**	**(152.4)**	**4,228.4**	**3.8**	**4,232.2**
Effect of changes in accounting following the adoption of IFRS 16		-	-	(86.7)	(0.8)	-	-	**(87.4)**	0.1	**(87.4)**
Restated balance at 1 January 2019		**1,519.9**	**1,554.0**	**1,225.0**	**(7.5)**	**1.8**	**(152.4)**	**4,141.0**	**3.9**	**4,144.9**
Net income		-	-	163.2	-	-	-	**163.2**	0.7	163.9
Other comprehensive income		-	-	-	28.0	(7.5)	(43.5)	**(23.0)**	0.1	(22.9)
Total comprehensive income for the period		**-**	**-**	**163.2**	**28.0**	**(7.5)**	**(43.5)**	**140.2**	**0.7**	**141.0**
Cash dividends	**10**	-	(104.9)	(28.0)	-	-	-	**(132.9)**	-	(132.9)
Allocation of free shares and free shares cancelled		-	(2.5)	2.5	-	-	-	**-**	-	-
Share-based payments		-	-	4.1	-	-	-	**4.1**	-	4.1
Acquisition of non controlling interests		-	-	(5.0)	-	-	-	**(5.0)**	1.7	(3.4)
Disposal of subsidiaries		-	-	-	(0.2)	-	-	**(0.2)**	(1.0)	(1.2)
Disposal / (Purchase) of treasury shares		-	-	1.5	-	-	-	**1.5**	-	1.5
Balance at 30 June, 2019		**1,519.9**	**1,446.6**	**1,363.3**	**20.3**	**(5.7)**	**(195.9)**	**4,148.7**	**5.3**	**4,154.0**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 "Leases" (see note 3.2.1).

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

Accompanying Notes (unaudited)

1. | GENERAL INFORMATION

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

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

2. | SIGNIFICANT EVENTS OF THE PERIOD ENDED JUNE 30, 2019

In the first semester of 2019, Rexel refinanced the 3.50% €650 million senior notes due 2023 through the issuance of a 2.75% €600 million senior notes due 2026, thus allowing to extend the maturity of its borrowings while optimizing its overall cost. A financial loss of €20.8 million has been recognized related to this refinancing (see note 15.1.1).

3. | SIGNIFICANT ACCOUNTING POLICIES

3.1 | Statement of compliance

The condensed consolidated interim financial statements (hereafter referred to as “the condensed financial statements”) cover the period from January 1 to June 30, 2019 and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These condensed financial statements are also compliant with the standards of the IASB in force at June 30, 2019. In particular, the condensed financial statements have been prepared in accordance with IAS 34, relating to Interim Financial Reporting. In accordance with the aforementioned standard, only a selection of explanatory notes is included in these condensed financial statements. These notes must be read in conjunction with the Group’s consolidated financial statements prepared for the financial year closed on December 31, 2018 and included in the Registration Document filed with the Autorité des Marchés Financiers on April 3, 2019 under the number D.19-0264.

This is the first set of the Group’s financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in Note 3.2.1.

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

These condensed financial statements were authorized for issue by the Board of Directors on July 29, 2019.

3.2 | Basis of preparation

The condensed financial statements as of June 30, 2019 are presented in euros and all values are rounded to the nearest tenth of a million, unless otherwise stated. Totals and sub-totals presented in the consolidated financial statements are first computed in thousands of euros and then rounded to the nearest tenth of a million. Thus, the numbers may not sum precisely due to this rounding.

The accounting principles and adopted methods are identical to those used as of December 31, 2018 and described in the notes to the consolidated financial statements for the financial year ended December 31, 2018, with the exception of the new standards and interpretations disclosed in Note 3.2.1.

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

3.2.1 | Changes in accounting policies - amended IFRS standards

The Group has initially adopted IFRS 16 “Leases” from January 1, 2019 onwards.

A number of other new standards and interpretations are effective from January 1, 2019, among which IFRIC 23 “Uncertainty over Income Tax Treatment”, they do not have a material effect on the Group’s financial statements.

3.2.1.1. | IFRS 16 “Leases”

IFRS 16 “Leases” supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement Contains a Lease”, SIC 15 “Operating Leases-Incentives” and SIC 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and provides a single lessee accounting model.

The Group adopted IFRS 16 using the full retrospective method of adoption with the date of initial application of January 1, 2019. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

Effect of adoption of IFRS 16

The Group entered into lease arrangements for most of its properties including branch network, logistic centers and administrative buildings as well as vehicles and other equipments. Before the adoption of IFRS 16, the Group classified each of its leases as either a finance lease or an operating lease. Assets held under finance leases were stated at an amount equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments were apportioned between interest and reduction of the lease liability. Payments made under operating leases were recognized as rent expense in the income statement on a straight-line basis over the term of the lease. Any prepaid rent and accrued rent were recognized under Prepayments and other payables, respectively.

Upon adoption of IFRS 16, the Group applies a single recognition and measurement approach for all leases the Group is a tenant, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Group has been applied IFRS 16 as of January 1, 2018 which is the date of initial application as if it had already been effective at the commencement date of lease contracts or at the last renewal date when contracts have been subsequently modified. Accordingly, for comparative purpose, the information for 2018 has been restated.

Summary of significant new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (*i.e.* the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees if any. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (a change in the lease term, in the in-substance fixed lease payments or in the assessment to purchase the underlying asset).

Short term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (*i.e.* those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of office equipments (including copiers, printers, lap-tops) that are individually considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Income tax impact

The Group elected for the recognition of deferred tax calculated on the right-of-use assets and the lease liabilities.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its lease agreements to extend the lease term of properties part of its branch network. The Group considers all relevant factors that create an economic incentive for it to exercise the renewal on a site by site basis among which: the cost of relocation including the effect of potential business disruptions on operations resulting from a lease termination, the attractiveness of the location, and the investments in leasehold improvements. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (*i.e.* a change in business strategy).

Discount rate

The Group uses the incremental borrowing rate to measure the lease liability as the implicit interest rate of lease agreements is not readily available. The incremental borrowing rate is determined by reference to the currency swap applicable to each of the Group's entities after adding back the Group's credit spread.

Effects of adopting IFRS 16

- Impact on the balance sheet as of December 31, 2018:

(in millions of euros)	As reported	As of December 31, 2018 Restatements		IFRS 16 restated
Assets				
Goodwill	3,871.1	-		3,871.1
Intangible assets	1,038.8	(1.0)	(1)	1,037.9
Property, plant and equipment	281.1	(14.5)	(1)	266.6
Right of use assets	-	835.4	(2)	835.4
Long-term investments	42.6	-		42.6
Deferred tax assets	85.8	2.3	(3)	88.1
Total non-current assets	**5,319.4**	**822.2**		**6,141.6**
Inventories	1,674.2	-		1,674.2
Trade accounts receivable	2,091.5	-		2,091.5
Current tax assets	14.4	-		14.4
Other accounts receivable	519.0	(12.8)	(4)	506.2
Assets held for sale	41.9	0.6	(2)	42.5
Cash and cash equivalents	544.9	-		544.9
Total current assets	**4,885.9**	**(12.2)**		**4,873.7**
Total assets	**10,205.3**	**809.9**		**11,015.3**
Total equity	**4,232.2**	**(87.4)**	(8)	**4,144.9**
Liabilities				
Interest bearing debt (non-current part)	1,936.2	(11.2)	(5)	1,925.0
Lease liabilities (non-current part)	-	785.7	(6)	785.7
Net employee defined benefit liabilities	266.2	-		266.2
Deferred tax liabilities	225.2	(17.1)	(3)	208.1
Provision and other non-current liabilities	63.2	(8.7)	(7)	54.5
Total non-current liabilities	**2,490.7**	**748.7**		**3,239.4**
Interest bearing debt (current part)	649.0	(4.5)	(5)	644.4
Accrued interest	5.0	-		5.0
Lease liabilities (current part)	-	162.7	(6)	162.7
Trade accounts payable	2,024.6	(0.4)		2,024.1
Income tax payable	26.8	-		26.8
Other current liabilities	738.8	(9.8)	(4)	729.0
Liabilities related to assets held for sale	38.3	0.6	(6)	38.9
Total current liabilities	**3,482.4**	**148.6**		**3,631.0**
Total liabilities	**5,973.1**	**897.3**		**6,870.4**
Total equity and liabilities	**10,205.3**	**809.9**		**11,015.3**

(1) Derecognition under IFRS16 of lease assets, previously recognized under finance lease.

(2) Right-of-use assets net of impairment of €835.4 million were recognized and presented separately or included under Assets held for sale where appropriate.

(3) Decrease of deferred tax liabilities net of deferred tax assets by €19.4 million due to the deferred tax impact of the changes in assets and liabilities.

(4) Prepayments of €12.8 million and trade and other payables of €9.8 million related to previous operating leases were derecognized.

(5) Finance lease obligations recognized previously of €15.8 million and presented under Interest bearing debt were derecognized.

(6) Lease liabilities of €948.4 million were recognized and presented separately under Lease Liabilities or included under Liabilities related to assets held for sale where appropriate.

(7) Provisions for onerous operating leases recognized previously of €8.7 million were derecognized.

(8) The net effect of the above adjustments was recognized as a loss in retained earnings for €87.4 million.

- Impact on the statement of income for the year ended December 31, 2018:

(in millions of euros)	**As reported**	**Restatements**		**IFRS 16 restated**
	For the year ended December 31, 2018			
Sales	13,365.7	-		13,365.7
Cost of goods sold	(10,078.7)	-		(10,078.7)
Gross profit	**3,286.9**	**-**		**3,286.9**
Distribution and administrative expenses	(2,702.2)	31.6	(1)	(2,670.6)
Operating income before other income and expenses	**584.7**	**31.6**		**616.3**
Other income and expenses	(174.9)	(6.2)	(2)	(181.1)
Operating income	**409.8**	**25.4**		**435.2**
Net financial expenses	(100.6)	(43.9)	(3)	(144.5)
Net income before income tax	**309.2**	**(18.5)**		**290.8**
Income tax	(157.0)	1.6	(4)	(155.3)
Net income	**152.3**	**(16.8)**		**135.4**
Basic earning per share (in euros)	**0.50**	**(0.06)**		**0.44**
Fully diluted earnings per share (in euros)	**0.50**	**(0.06)**		**0.44**

(1) Effect of rent expenses derecognition of €196.9 million less depreciation of right-of-use assets of €165.3 million.

(2) Effect of impairment of right-of-use assets of €12.3 million less derecognition of provisions for onerous leases of €5.7 million.

(3) Effect of interest expense on lease liabilities under IFRS16.

(4) Effect of the above adjustments on income tax expense.

- Impact on the statement of income for the six-month period ended June 30, 2018:

(in millions of euros)	**As reported**	**Restatements**		**IFRS 16 restated**
	For the period ended June 30, 2018			
Sales	6,555.8	-		6,555.8
Cost of goods sold	(4,928.9)	-		(4,928.9)
Gross profit	**1,626.9**	**-**		**1,626.9**
Distribution and administrative expenses	(1,348.2)	16.5	(1)	(1,331.7)
Operating income before other income and expenses	**278.6**	**16.5**		**295.1**
Other income and expenses	(60.7)	(0.4)		(61.1)
Operating income	**217.9**	**16.2**		**234.1**
Net financial expenses	(50.2)	(22.3)	(2)	(72.5)
Net income before income tax	**167.7**	**(6.1)**		**161.6**
Income tax	(66.9)	1.4	(3)	(65.5)
Net income	**100.8**	**(4.7)**		**96.1**
Basic earning per share (in euros)	**0.33**	**(0.02)**		**0.32**
Fully diluted earnings per share (in euros)	**0.33**	**(0.02)**		**0.32**

(1) Effect of rent expenses derecognition of €98.0 million less depreciation of right-of-use assets of €81.5 million.

(2) Effect of interest expense on lease liabilities under IFRS16.

(3) Effect of the above adjustments on income tax expense.

- Impact on the cash flow statement for the six-month period ended June 30, 2018:

(in millions of euros)	As reported	Restatements	IFRS 16 restated
	For the period ended June 30, 2018		
Net cash from operating activities	**(15.9)**	**77.8**	**61.9**
Net cash from investing activities	**(32.1)**	**1.9**	**(30.2)**
Net cash from financing activities	**(55.7)**	**(79.8)**	**(135.4)**
Net (decrease) / increase in cash and cash equivalents	**(103.7)**	**-**	**(103.7)**

Cash flow from operating activities improved by €77.8 million and cash flow from financing activities deteriorated by €79.8 million, representing mainly the repayments for the principal portion of recognized lease liabilities.

Amounts recognized in the balance sheet and in the income statement

Set out below, are the carrying amounts of the Group's right-of-use assets, lease liabilities and the movements for the year ended December 31, 2018 and for the period ended June 30, 2019:

(in millions of euros)	Properties	Others equipments	**Total right-of-use**	**Total lease liabities**
As of January 1, 2018	**755.4**	**66.6**	**822.0**	**918.4**
Additions	159.9	32.5	**192.4**	**192.0**
Depreciation expenses and impairment	(149.1)	(33.8)	**(182.9)**	
Interest expenses				**44.9**
Payments				**(211.8)**
Currency translation adjustment	3.0	0.9	**3.9**	**5.0**
As of December 31, 2018	**769.2**	**66.2**	**835.4**	**948.4**
Additions	71.9	21.9	**93.8**	**90.6**
Depreciation expenses and impairment	(71.7)	(17.4)	**(89.1)**	
Interest expenses				**21.7**
Payments				**(110.5)**
Currency translation adjustment	3.7	0.1	**3.8**	**4.4**
As of June 30, 2019	**773.1**	**70.8**	**843.9**	**954.7**

Set out below, are the amounts recognized in profit or loss for the year ended December 31, 2018 and for the periods ended June 30, 2018 and June 30, 2019:

(in millions of euros)	**For the period ended June 30,**		**For the year ended**
	2019	**2018**	**December 31, 2018**
Depreciation of right-of-use	(88.8)	(84.6)	(171.6)
Interest on lease liabilities	(21.7)	(22.8)	(44.9)
Rent on short term and low-value assets leases	(6.9)	(8.1)	(15.4)
Total amount recognized in P&L	**(117.5)**	**(115.5)**	**(231.9)**

3.2.1.2. Other new standards and interpretations effective from January 1, 2019

- IFRIC Interpretation 23 “Uncertainty over Income Tax Treatment”

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 “Income Taxes”. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the interpretation had an impact on its consolidated financial statements. The Group determined, based on its tax compliance study, that it is probable that its tax treatments will be accepted by the taxation authorities.

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

These amendments are applicable for annual periods beginning on or after January 1, 2019 and did not have an impact on the consolidated financial statements of the Group.

4. | SEGMENT REPORTING

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

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

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

Information by geographic segment for the period ended June 30, 2019 and 2018

2019 *(in millions of euros)*	Europe	North America	Asia-Pacific	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
For the period ended June 30,						
Warehouse sales	3,433.8	1,631.6	506.2	**5,571.7**	-	**5,571.7**
Direct sales	317.0	970.1	65.3	**1,352.4**	-	**1,352.4**
Rebates, discount and services	(105.9)	(18.0)	(0.6)	**(124.5)**	-	**(124.5)**
Sales to external customers	**3,644.9**	**2,583.7**	**570.9**	**6,799.5**	**-**	**6,799.5**
EBITA [(1)]	218.2	104.3	9.9	**332.5**	(12.9)	**319.6**
As of June 30,						
Working capital	810.7	807.6	188.1	**1,806.4**	(141.5)	**1,664.9**
Goodwill	2,325.7	1,434.8	139.1	**3,899.7**	-	**3,899.7**

2018 [(2)] *(in millions of euros)*	Europe	North America	Asia-Pacific	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
For the period ended June 30,						
Warehouse sales	3,448.8	1,462.0	529.2	**5,440.0**	-	**5,440.0**
Direct sales	333.2	825.8	65.2	**1,224.2**	-	**1,224.2**
Rebates, discount and services	(101.0)	(7.2)	(0.3)	**(108.4)**	-	**(108.4)**
Sales to external customers	**3,681.0**	**2,280.6**	**594.1**	**6,555.8**	**-**	**6,555.8**
EBITA [(1)]	214.0	91.1	11.3	**316.4**	(13.0)	**303.4**
As of December 31,						
Working capital	655.6	727.2	136.6	**1,519.4**	(3.1)	**1,516.3**
Goodwill	2,324.0	1,408.0	139.0	**3,871.1**	-	**3,871.1**

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

(2) Restated for changes in accounting policies following the adoption of IFRS 16 "Leases" (see note 3.2.1).

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

(in millions of euros)	For the period ended June 30, 2019	2018 [1]
EBITA	**319.6**	**303.4**
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities	(7.1)	(8.3)
Other income and other expenses	(22.4)	(61.1)
Net financial expenses	(93.6)	(72.5)
Net income before tax	**196.5**	**161.6**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 "Leases" (see note 3.2.1).

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

(in millions of euros)	As of June 30, 2019	As of December 31, 2018 [1]
Working capital	1,664.9	1,516.3
Goodwill	3,899.7	3,871.1
Total allocated assets & liabilities	**5,564.6**	**5,387.4**
Liabilities included in allocated working capital	2,864.5	2,752.0
Accrued interest receivable	2.5	2.2
Other non-current assets	2,190.7	2,182.5
Deferred tax assets	100.4	88.1
Current tax assets	10.5	14.4
Assets classified as held for sale	2.4	42.5
Derivatives	1.9	1.5
Cash and cash equivalents	438.4	544.9
Group consolidated total assets	**11,175.9**	**11,015.3**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 "Leases" (see note 3.2.1).

5. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

(in millions of euros)	For the period ended June 30, 2019	2018 [1]
Personnel costs (salaries & benefits)	848.3	816.4
Delivery costs	121.6	119.1
Other external costs	202.8	191.4
Depreciation expense [2]	139.3	130.0
Building and occupancy costs	55.2	53.8
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities	7.1	8.3
Bad debt expense	12.4	12.7
Total distribution and administrative expenses	**1,386.6**	**1,331.7**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 "Leases" (see note 3.2.1).

(2) Including, depreciation expense of right-of-use assets for €88.8 million (€84.6 million for the period ended June 30, 2018).

6. | OTHER INCOME & OTHER EXPENSES

(in millions of euros)		For the period ended June 30, 2019	2018 [1]
Gains on disposal of fixed assets	(2)	4.5	3.1
Gain on disposal of investments in consolidated companies		0.4	-
Gain on lease terminations		3.1	0.2
Release of unused provisions		-	0.6
Gains on earn-out		-	0.3
Other operating income		0.0	0.5
Total other income		**8.0**	**4.8**
Restructuring costs	(3)	(13.5)	(59.0)
Impairment of intangible assets with indefinite useful life	(4)	(9.3)	-
Losses on non-current assets disposed of		(3.1)	(0.4)
Impairment of other assets		(0.3)	(1.3)
Acquisition related costs		(0.1)	-
Other operating expenses		(4.1)	(5.2)
Total other expenses		**(30.4)**	**(65.9)**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 "Leases" (see note 3.2.1).

(2) Including gains on property disposals in France and the UK (Disposal gain in the industrial automation business in Australia for €1.8 million for the period ended June 30, 2018).

(3) Restructuring costs incurred in connection with a logistic center closure in the UK and the last stage of transformation plan in Germany. (For the period ended June 30, 2018, restructuring costs included branch and logistic center closures and headquarters downsizing mainly in Germany and Spain).

(4) Impairment of Finland intangible assets (see note 7).

7. | IMPAIRMENT OF INTANGIBLE ASSETS

Goodwill and intangible assets with indefinite lives are tested for impairment annually at year-end and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model.

The Group considers the actual level of performance compared to the current year forecast of cash generating units (CGUs) when reviewing for indicators of impairment. Any deviation from expected performance is analyzed and cash-flow projections are updated when necessary.

As a result, the company recognized an impairment expense of €9.3 million relating to the distribution network and a private label brand in Finland for the period ended June 30, 2019 (see note 6). Finland operations performance was below budget targets and management revised prospects and expected cash-flows. Other value-in-use key assumptions including long term growth rate, weighted average cost of capital and EBITA margin computed in the terminal value remained unchanged as compared to the test performed as of December 31, 2018. As a result of this impairment, the net carrying value of goodwill and intangible assets with indefinite lives is nil as of June 30, 2019.

8. | NET FINANCIAL EXPENSES

(in millions of euros)		For the period ended June 30, 2019	2018 [1]
Interest income on cash and cash equivalents		0.5	0.7
Interest income on receivables and loans		0.2	0.9
Financial income		**0.7**	**1.6**
Interest expense on financial debt (stated at amortized cost)		(41.7)	(39.7)
Interest gain / (expense) on interest rate derivatives		4.5	3.3
Change in fair value of interest rate derivatives through profit and loss		(0.7)	(1.9)
Financial expense on borrowings		**(38.0)**	**(38.2)**
Non-recurring redemption costs	(2)	**(20.8)**	**-**
Foreign exchange gain (loss)		*1.0*	*0.6*
Change in fair value of exchange rate derivatives through profit and loss		*(0.3)*	*0.3*
Net foreign exchange gain (loss)		0.7	0.9
Net financial expense on employee benefit obligations		(4.3)	(4.2)
Interest on lease liabilities		(21.7)	(22.8)
Others		(10.2)	(9.7)
Other financial expenses		**(35.5)**	**(35.8)**
Net financial expenses		**(93.6)**	**(72.5)**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 “Leases” (see note 3.2.1).

(2) Non-recurring costs related to the repayment of the senior notes due 2023 (see note 15.1.1).

9. | INCOME TAX

Income tax expense for an interim period is calculated based on the average estimated tax rate for the 2019 financial year to the interim income before taxes. The effective tax rate for the period ending June 30, 2019 is 16.6% compared with 40.5% for the period ended June 30, 2018 (Restated for changes in accounting policies following the adoption of IFRS 16 “Leases”).

For the period ended June 30, 2019, income tax included the release of the valuation allowance on tax losses carried forward for €29.5 million.

Following a tax audit, Rexel received in December 2011 a proposed tax reassessment in which the French tax authorities alleged that Rexel did not demonstrate that its borrowings from Ray Finance LP (a subsidiary of Ray Investment SARL) amounting to €952 million were true 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 fiscal years. Rexel disputed the tax authority’s position entirely and referred the case to the Administrative Court which validated Rexel position. This decision was further confirmed by the Appeal Court in March 2019 with effect to close the legal proceedings in favour of Rexel.

10. | DIVIDENDS

On May 23, 2019, the Shareholders' meeting decided a cash distribution of €0.44 per share. The effective date of payment was July 5, 2019.

	For the period ended June 30,	
	2019	2018
Dividends on ordinary shares	€ 0.44	€ 0.42
Dividends paid in cash (in millions of euros)	**132.9**	**126.9**

11. | EARNINGS PER SHARE

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

	For the period ended June 30,	
	2019	2018 [1]
Net income attributed to ordinary shareholders *(in millions of euros)*	***163.2***	***96.0***
Weighted average number of ordinary shares (*in thousands*)	301,994	301,883
Non-dilutive potential shares (in thousands)	-	415
Weighted average number of issued common shares adjusted for non - dilutive potential shares (in thousands)	***301,994***	***302,299***
Basic earning per share (in euros)	**0.54**	**0.32**
Dilutive potential shares (in thousands)	811	494
- of which bonus shares (in thousands) [2]	*811*	*494*
Weighted average number of common shares adjusted for dilutive potential shares (in thousands)	***302,805***	***302,793***
Fully diluted earnings per share (in euros)	**0.54**	**0.32**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 "Leases" (see note 3.2.1).

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

12. | SHARE BASED PAYMENTS

For the period ended June 30, 2019, expenses related to free share accounted for in "Distribution and administrative expenses" amounted to €4.1 million (versus €2.2 million for the period ended June 30, 2018).

On May 23, 2019, Rexel entered into three free share plans for top executive managers amounting to a maximum of 2,082,522 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on three years after the grant date (May 24, 2022) with no subsequent restrictions.

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

Plan		3+0 Performance shares plan	3+0 Restricted and Performance shares plan	3+0 Restricted shares plan	Total
Vesting conditions		Three year service condition from grant date and performance conditions based on: (i) 2018/2021 average growth of EBITA in value (ii) 2018/2021 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2019 to 2021 (iv) Rexel share market performance compared to peers	Limited to a fixed number of shares, three year service condition from grant date with no performance conditions and for the remaining shares, additional performance conditions based on: (i) 2018/2021 average growth of EBITA in value (ii) 2018/2021 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2019 to 2021 (iv) Rexel share market performance compared to peers	Three year service condition from grant date without any performance conditions	
Delivery date		May 24, 2022	May 24, 2022	May 24, 2022	
Share fair value at grant date May 23, 2019	(1)	8.59	8.83	9.23	**8.74**
Maximum number of shares granted on May 23, 2019		**1,016,875**	**932,147**	**133,500**	**2,082,522**

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

13. | ASSETS HELD FOR SALE

On December 10, 2018, the Group entered into two sale share agreements to divest from its investments in LuckyWell (100% shareholding interest) and Maxqueen (60% shareholding interest), two indirect subsidiaries headquartered in Beijing and Shanghai respectively. As of December 31, 2018, the group of assets to be disposed of had been reclassified as Assets Held for Sale on the balance sheet. Net assets were remeasured at fair value less costs to sell before reclassification.

These transactions were closed down in the first semester of 2019 and a €0.4 million gain were recognized as part of the accumulated foreign currency transaction adjustment recycled into profit and loss.

14. | POST-EMPLOYMENT AND LONG-TERM BENEFITS

As of June 30, 2019, the major Group's defined benefit plan obligations were re-measured including pension plans in Canada, in Switzerland and in the United Kingdom. The impacts of actuarial changes were estimated based on a sensitivity analysis that considered changes in discount rates and differences between actual and expected plan asset performance.

For the period ended June 30, 2019, remeasurement of pension and post-retirement benefits accounted for a loss of €49.4 million before tax was recognized in other comprehensive income (versus a gain of €22.7 million for the period ended June 30, 2018). This loss resulted mainly from the decrease in discount rates as of June 30, 2019 as compared to December 31, 2018 such as presented below:

Discount rate (in %)	As of June 2019	As of December 2018	As of June 2018
The United Kingdom	2.25	3.00	2.75
Canada	2.90	3.90	3.50
Switzerland	0.25	1.00	0.75

15. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of June 30, 2019. Financial liabilities include interest-bearing loans from financial institutions, borrowings and accrued interests less transaction costs.

15.1 | Net financial debt

As of June 30, 2019, Rexel's consolidated net debt stood at €2,172.6 million, consisting of the following items:

(in millions of euros)		As of June 30, 2019			As of December 31, 2018 [1]		
		Current	Non-current	Total	Current	Non-current	Total
Senior notes		-	1,418.0	1,418.0	-	1,456.2	1,456.2
Securitization		598.9	354.6	953.5	517.0	484.2	1,001.2
Bank loans		8.1	0.7	8.8	7.7	0.9	8.6
Commercial paper		160.0	-	160.0	40.0	-	40.0
Bank overdrafts and other credit facilities		112.2	-	112.2	84.1	-	84.1
Accrued interests	(2)	4.8	-	4.8	5.0	-	5.0
Less transaction costs		(4.0)	(15.4)	(19.4)	(4.4)	(16.3)	(20.7)
Total financial debt and accrued interest		***880.0***	***1,757.9***	***2,638.0***	***649.5***	***1,925.0***	***2,574.4***
Cash and cash equivalents				(438.4)			(544.9)
Accrued interest receivable				(2.5)			(2.2)
Debt hedge derivatives	(3)			(24.5)			(12.7)
Net financial debt				**2,172.6**			**2,014.7**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 "Leases" (see note 3.2.1): Finance lease obligations amounted for €15.8 million in the net financial debt under IAS17 is part of lease liabilities under IFRS16 and recognized separately from net financial debt.

(2) Of which accrued interests on Senior Notes for €1.6 million as of June 30, 2019 (€1.8 million as of December 31, 2018).

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

15.1.1 | Senior notes

As of June 30, 2019, the carrying amount of the existing senior notes is detailed as follows:

	As of June 30, 2019			As of December 31, 2018		
	Nominal amount *(in millions of euros)*	**Fair value adjust-ments** (1)	**Total**	**Nominal amount** (in millions of euros)	**Fair value adjust-ments** (1)	**Total**
3.500% Senior notes due 2023	-	-	**-**	650.0	0.7	**650.7**
2.625% Senior notes due 2024	300.0	10.1	**310.1**	300.0	2.9	**302.9**
2.125% Senior notes due 2025	500.0	7.3	**507.3**	500.0	2.6	**502.6**
2.750% Senior notes due 2026	600.0	0.7	**600.7**	-	-	**-**
TOTAL	1,400.0	18.0	**1,418.0**	1,450.0	6.2	**1,456.2**

(1) Adjustment to reflect interest rate fluctuations on the part of the notes hedged through fault value hedge derivatives (see note 16).

Issuance of €600 million notes due 2026

On March 12, 2019, Rexel issued €600 million of senior unsecured notes due 2026 which bear interests at 2.75% annually.

The notes rank *pari passu* with Rexel's senior credit facility and other senior unsecured notes. Rexel pays interest on the notes semi-annually on June 15 and December 15, starting from June 15, 2019. The notes mature on June 15, 2026 and are listed on the Luxembourg Stock Exchange.

These notes are redeemable in whole or in part at any time prior to March 15, 2022 at a redemption price equal to 100% of their principal amount, plus a "make-whole" premium and accrued and unpaid interest. On or after March 15, 2022, the notes are redeemable in whole or in part by paying the redemption price set forth below:

Redemption period beginning on :	Redemption price (as a % of principal amount)
March 15, 2022……………………………	101,375%
March 15, 2023……………………………	100,688%
March 15, 2024 and after…………………	100,000%

Repayment of €650 million notes due 2023

Proceeds from the issuance of the 2.75% €600 million senior notes were used to repay its 3.50% €650 million senior notes due 2023 on March 19, 2019 for a total amount of €666.9 million. A loss of €20.8 million has been recognized in the net financial expenses including the early redemption premium of €16.9 million plus unamortized transaction costs and fair value hedge adjustments.

15.1.2 | Securitization programs

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

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

Securitization programs are subject to certain covenants concerning the quality of the trade receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables). As of June 30, 2019, Rexel had satisfied all of these covenants. All the programs are on-going programs and therefore are not subject to seasonality other than seasonality arising in the ordinary course of business.

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

Programs	Commitment as of June 30, 2019	Amount of receivables assigned as of June 30, 2019	Amount drawn down as of June 30, 2019	Balance as of June 30, 2019	Balance as of December 31, 2018	Maturity
		(in millions of currency)		*(in millions of euros)*		
Europe and Australia	EUR 375.0	EUR 449.6	EUR 354.6	354.6	372.3	12/16/2020
Europe (1)	EUR 309.0	EUR 359.2	EUR 231.1	231.1	263.7	11/20/2019
United States - on balance sheet	USD 290.0	USD 509.6	USD 290.0	254.8	253.3	12/20/2019
United States - off balance sheet	USD 225.0	USD 225.0	USD 225.0	197.7	196.5	12/20/2019
Canada	CAD 180.0	CAD 230.5	CAD 168.1	112.9	112.0	01/18/2020
TOTAL				**1,151.1**	**1,197.7**	
Of which :	***- on balance sheet:***			***953.5***	***1,001.2***	
	- off balance sheet :			***197.7***	***196.5***	

(1) In July 2019, Rexel amended its Europe program to extend the maturity date to August 16, 2022 and decreased the commitment of this program from €309 million to €219 million.

These securitization programs pay interest at variable rates including a specific credit spread to each program.

As of June 30, 2019, the total outstanding amount authorized for these securitization programs was €1,167.4 million, of which €1,151.1 million were used.

15.1.3 | Factoring arrangements

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

As a result of these arrangements, the Group transfers the credit risk, interest risk and late payment risk to the factor, and remains liable for collecting the receivable on behalf of the factor.

As of June 30, 2019, Rexel derecognized the trade receivables sold to the factor for €64.7 million (€74.8 million as of December 31, 2018). Cash collected on behalf of the factors in relation with the transferred receivables was recognized in financial liabilities for €13.3 million as of June 30, 2019 (€18.9 million as of December 31, 2018).

15.1.4 | Commercial paper program

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

As of June 30, 2019, the company had issued €160.0 million of commercial paper (€40.0 million as of December 31, 2018).

15.1.5 | Promissory notes

In order to manage its credit risk in China, the Group discounts with no recourse to various financial institutions non-matured promissory notes issued by banks ("Bank Acceptance Drafts") that are received from customers as payment of trade receivables. Rexel transfers risks and benefits associated with discounted Bank Acceptance Drafts.

As of June 30, 2019, Bank Acceptance Drafts were derecognized from the balance sheet for €47.0 million (€52.8 million as of December 31, 2018).

15.2 | Change in net financial debt

As of June 30, 2019, and 2018, the change in net financial debt was as follows:

(in millions of euros)	2019	2018 (1)
As of January 1,	**2,014.7**	**2,020.7**
Issuance of senior notes net of transaction costs	594.4	-
Repayment of senior notes	(666.9)	-
Transaction costs and refinancing costs	-	(1.3)
Net change in credit facilities, commercial papers and other financial borrowings	147.8	8.4
Net change in credit facilities	**75.3**	**7.0**
Net change in securitization	(54.9)	(52.3)
Net change in financial liabilities	***20.4***	***(45.2)***
Change in cash and cash equivalents	105.7	103.7
Effect of exchange rate changes on net financial debt	8.4	9.7
Amortization of transaction costs	2.1	2.2
Non recurring refinancing costs	20.8	1.1
Other changes	0.5	1.6
As of June 30,	**2,172.6**	**2,093.7**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 “Leases” (see note 3.2.1).

15.3 | Liquidity Risk

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

The contractual repayment schedule of financial liabilities and finance lease is as follows:

(in millions of euros)	As of June 30,	As of December 31,
Due within	**2019**	**2018 (1)**
One year	884.1	653.8
Two years	355.2	484.8
Three years	0.1	0.3
Four years	-	-
Five years	310.1	650.7
Thereafter	1,107.9	805.5
Total gross financial debt before transaction costs	**2,657.4**	**2,595.1**
Transaction costs	(19.4)	(20.7)
Gross financial debt	**2,638.0**	**2,574.4**

(1) Restated for changes in accounting policies following the adoption of IFRS 16 “Leases” (see note 3.2.1).

The €300 million notes issued in March 2017 mature in June 2024, the €500 million notes issued in November 2017 mature in June 2025 and the €600 million notes issued in March 2019 mature in June 2026.

The Senior Facility Agreement matures in January 2024 and 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 June 30, 2019, this facility was undrawn.

The US$40 million Credit Facility with Wells Fargo Bank International matures in June 2020. As of June 30, 2019, this facility was undrawn.

Lastly, securitization programs mature in 2019, 2020 and 2022. 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. Rexel expects to finalize the amendments to extend by 3 years its securitization programs maturing in 2019 before year-end.

In addition, the trade accounts payable amounted to €2,083.3 million as of June 30, 2019 (€2,024.1 million as of December 31, 2018 restated for IFRS 16 "Leases") and are due in less than one year.

The Group's liquidity decreased from €1,305.7 million as of December 31, 2018 to €1,051.3 million in excess of €167.2 million compared to €884.1 million expected to be paid within the next twelve months with respect to financial debt repayment schedule.

(in millions of euros)	As of June 30, 2019	As of December 31, 2018
Cash and cash equivalents	438.4	544.9
Bank overdrafts	(112.2)	(84.1)
Commercial paper	(160.0)	(40.0)
Undrawn Senior Facility Agreement	850.0	850.0
Bilateral facilities	35.1	34.9
Liquidity	**1,051.3**	**1,305.7**

16. | FAIR VALUE OF FINANCIAL INSTRUMENTS

As of June 30, 2019, the Group held the following classes of financial instruments measured at fair value:

	As of June 30, 2019		As of December 31, 2018		
(in millions of euros)	Carrying amount	*Fair value*	Carrying amount	*Fair value*	IFRS13 Hierarchy
Financial assets					
Hedging derivatives	26.4	26.4	18.5	18.5	Level 2
Other derivatives	1.2	1.2	0.6	0.6	Level 2
Financial liabilities					
Senior notes	1,418.0	1,451.3	1,456.2	1,433.9	Level 1
Hedging derivatives	9.3	9.3	2.4	2.4	Level 2
Other derivatives	2.2	2.2	1.1	1.1	Level 2

IFRS hierarchy:

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;
- Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable);
- Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

Valuation techniques:

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies.

Interest rate swaps are measured using present value techniques based on observable interest yield curves. The Group also takes into account the counterparties credit risk for derivative assets or the Group's own credit risk for derivatives liabilities.

17. | SEASONALITY

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

18. | LITIGATION & OTHER CONTINGENCIES

Except for the Rexel tax proceedings (see note 9), for the period ended June 30, 2019, there was no significant change relating to the litigation disclosed in the financial statements as of December 31, 2018 with a material impact on Rexel's financial position or profitability.

19. | EVENTS AFTER THE REPORTING PERIOD

At the presentation date of the consolidated financial statements there have been no subsequent events after June 30, 2019 that would have a significant impact on Rexel's financial situation.

III. Statutory auditors report

This a free translation into English of the statutory auditors' review report on the consolidated interim financial information issued in French and is provided solely for the convenience of English-speaking users.
This report also includes information relating to the specific verification of information given in the group's interim management report. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France

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

KPMG Audit
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris la Défense Cedex

Statutory auditors' review report on the interim financial information

(Period from January 1st to June 30, 2019)

Rexel S.A.
13, boulevard du Fort de Vaux
CS 60002
75838 Paris Cedex 17

To the Shareholders,

In compliance with the assignment entrusted to us by your general meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Rexel S.A., for the period from January 1st to June 30, 2019;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to Note 3.2 "Basis of preparation" related to standards and interpretations that the company has adopted from January 1st, 2019, and in particular the change in accounting policy in accordance with IFRS 16 "Leases", which effect on the financial statements is disclosed in the note 3.2.1.1 "IFRS 16 leases" to the condensed interim consolidated financial statements.

II - Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review.

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

Neuilly-sur-Seine and Paris la Défense, July 29, 2019
French original signed by

The statutory auditors

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

IV. Responsibility statement

I hereby certify that, to my knowledge, the half-year financial statements have been prepared in accordance with applicable accounting standards and give a true view of the assets, financial condition and results of operations of the company and of all of the companies included in the scope of consolidation and that the half-year report on business operations provides an accurate description of the important events which have occurred in the first six months of the financial year, the impact of these events on the financial statements, the major transactions between related parties as well as the main risks and uncertainties for the six months remaining in the financial year.

Paris, July 29, 2019

Patrick Bérard
Chief Executive Officer of Rexel