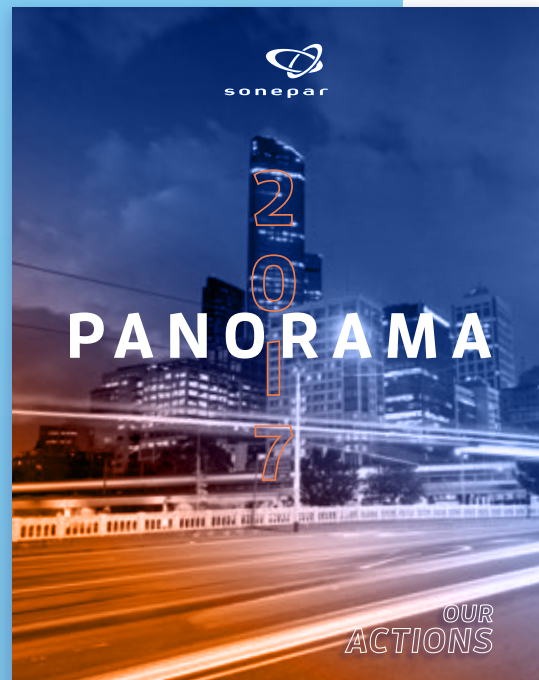




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FACTS

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We are an independent, family-owned group with global reach.
Our job is to make life easier for our customers.

We span a variety of specialties in the B-to-B distribution of next-generation electrical products and solutions.

We are constantly expanding our product and service range so that we can meet our customers' needs.

We support our customers as they develop their business, we work to strengthen our partnerships with suppliers, we invest in the skills and passion of our associates and we make sure they get to share in our success.

What enables us to grow our business is outstanding service, strong customer engagement and a pioneering approach that weds local, hands-on experience to global strategy.

We operate on the basis of shared values, rules of governance and principles of action, because sound, sustainable growth is our goal.

We intend to be, more than ever, "La Référence" in our industry.

We are



sonepar



sonepar

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Footprint



2017 a year of transition


Interview

*Marie-Christine Coisne-Roquette,
Chairman, Sonepar*



// **2017** was a year of transition, or rather **several transitions**. First of all, an interim General Management was put in place to lead the Group. Second of all, we had to find the right person for the job of Chief Executive Officer. And last of all, we set ourselves a new course once again, transforming the Group's organizational structure and getting it up and running.

All three members of the interim executive body—François Poncet (the Chief Financial Officer), Frank Lakerveld (the President of the Board Strategic Committee) and I—had the same degree of involvement and a shared vision. The task at hand was to make Sonepar more profitable, review all its positions, analyze how it operates and identify all the challenges ahead so that we could determine which ones were of strategic importance, and where and how the necessary changes should be made.



We did not
invent the future;
We just made it
possible!

That first, managerial transition was characterized by a common commitment to act in the Group's current and future best interests. We didn't invent the future; we just made it possible! Moreover, the process was managed without any break in continuity. At the same time, we improved corporate governance. To strengthen our executive leadership, we appointed Dave Gabriel to the new position of Chief Operating Officer and created a similar role focused on compliance. In our search for a new CEO from outside the Group, we looked for someone who understood both the keys to our success and the challenges involved in adapting to the extraordinary shifts taking place in our environment.

The second transition had to do with transforming our structures. We were aware that a number of areas had been left as is, without adequately progressing. So we launched a major study in order to get a high-resolution snapshot of our Group. The study brought to light specific areas requiring greater oversight, immediate attention or a hefty push in the right direction. The various results were then divided up into three major focal points: performance management, talent and digital. They offer a clear view of Sonepar's strengths, but also of the challenges to be overcome. We set up task forces, two thirds of which had completed their work by the end of 2017. The others will do so this year.

The work on performance management showed us where improvement was necessary. We found out in particular that the chain of decision-making could at times be blurry and that the various roles needed to be clarified. That was particularly true of the division of responsibilities among General Management, the boards and country management. We therefore redefined our chain of management, giving General Management a genuine decision-making role and shortening the decision-making process by eliminating the regional management level. We also wanted to take a more demanding approach to company acquisitions, based on more extensive and more objective data. That led us to make our internal processes more rigorous and at the same time more efficient. In addition, we introduced a hands-on approach to ensure that newly acquired businesses would be fully "adopted" by Sonepar.



Our first five-year plan

Our second focal point is talent. Talent is crucial to the success of a Group that derives such strength from decentralized operations. But Sonepar was in danger of losing an essential resource—widely shared skills and knowledge. So we set ourselves the task of making such sharing both possible and effective. That's no new issue, but globalization and the digital revolution have unquestionably amplified it. We possess a pool of talented, highly qualified young people who get extensive training (through the Sonepar Junior Committee, the Sonepar Leadership Program, etc.). Those programs, which provide ample opportunities to trade views, are subsequently reinforced by the corporate social network and a platform for sharing experience and projects. Those young people can even become the Group's "flying doctors" who make their skills available wherever required. But for that to happen, we have to get better at identifying them. So we initiated a broader talent-mapping process which we intend to enrich continually. That approach will foster and energize networking, and therefore sharing, throughout the company.

With respect to digital, our third and last focal point, we also have significant strengths. But we need to move to a higher level. We know that our e-commerce performance will depend on our operational excellence regarding product data, familiarity with and segmentation of our customer base, flawless inventory management and so on. We are now confronted with additional challenges like industrial automation and huge shifts in lighting technology. We must respond to those challenges, and we are reorganizing with that aim in mind.

Sonepar's new organizational structure—now led by our CEO Philippe Delpéch—provides us with the means to craft our strategy for the years to come.

Today more than ever, we aspire to be "La Référence"—the standard-setter in our industry. That isn't a static aspiration, either. We need to regenerate it continually in our rapidly changing world. The CEO's job will be to realize that ambition with four key priorities in mind: our performance, our associates, our customers and our impact on the planet. In more concrete terms, our goal is to be a company with better results than others; a company where it's a pleasure to work; a company viewed by customers as their partner of choice; and lastly, a company that contributes in its own modest way to preserving our environment and furthering sustainable development.

2018 will be the year for drawing up a first five-year strategic plan that sets the milestones for achieving our goals. We can't achieve those goals unless all our people take them on board. But I'm confident that Sonepar associates are thinking in precisely those terms. The men and women in our Group share an urge for expansion—for conquest. It's the magic of that shared mindset that enables us to forge ahead. It also produces a special kind of chemistry that makes me confident in our ongoing success. //



Effective governance reaffirmed

In a rapidly changing world marked by increasing constraints, Sonepar leverages the strength and responsiveness of its governance to achieve lasting growth.

The Governance Charter

In 2017, Sonepar updated its Governance Charter. While the long-standing principles and values in the Charter were maintained, a section on compliance with the laws and regulations currently in force was formally added. The Charter, which covers two governance chapters—corporate governance and operational governance—now explicitly includes the Group's Code of Conduct.

Responsibilities at every decision-making level are clearly spelled out with the overriding aim of making the Group "La Référence." The rights and responsibilities of all shareholders and executives are presented in detail. The Charter requires everyone to behave toward others as they would want to be treated themselves; refrain from any actions or decisions they would not be able to defend in public; promote integrity, create motivation and reward loyalty, efficiency and initiative; and develop a mindset of mutual respect between the company and its members.

A holding company, *Colam Entreprendre*, brings together the family shareholders. Colam Entreprendre defines the rules on debt levels, sets demanding security ratios and performance targets and ensures the implementation of a calculated risk-taking policy. All associate shareholders hold their shares through an entity called Sonepack. Together, the family and associate shareholders own Sonepar's share capital.

The Shareholders' Meeting

With over 250 direct and indirect Sonepar shareholders attending in person and nearly 1,000 others attend electronically every year, the general Shareholder's Meeting provides an opportunity for shareholders, General Management and other Sonepar executives to exchange views. At this essential annual event, the Group's results for the year and strategic priorities going forward are presented so that everyone can be informed of Sonepar's goals and actions and take part in developing a shared vision of the Group's future. That vision is ratified by a shareholders' vote.

The Strategic Committee

The Strategic Committee suspended its activities last year due to the involvement of its Chairman in the Group's interim executive leadership. In 2018, it will resume them in cooperation with the new CEO and the Chairman of Sonepar, as the Committee goes about making evaluations and providing guidance to the Corporate Board. This year, its work will focus in particular on the issues involved in Sonepar's long-range business-line strategy.

The Country Boards

The Board of Directors for each country or group of countries meets several times a year to examine performance, as well as operational and strategic issues, in its area. As centers for discussion and analysis that extend the work of General Management, the Country Boards are effective instruments of operational governance in our decentralized organization.



The Audit Committee and the Nominations and Compensations Committee

These two Committees act in support of the Corporate Board and the Chairman, both assisting with and consolidating corporate governance. Each one represents a mix of Board members and family shareholders. Their role is to perform studies, make recommendations, investigate particular issues and contribute to the Corporate Board's thinking. In 2017, the Audit Committee monitored the entire development process for the Sapin II law deployment plan. It also supervised the engagement by the IFACI (France's Internal Audit and Control Institute) and reviewed its findings.

The Appointments and Compensation Committee worked on the procedure for recruiting a CEO from outside the Group, taking charge of interviewing the candidates. The Committee also continued to monitor variable compensation and performance targets. In September 2017, the Committee welcomed a new member, Patricia Bellinger.

The Corporate Board

The Corporate Board replaced the Board of Directors in 2016 following Sonepar's change of legal status to a French SAS (a simplified joint-stock company). It is composed of figures from the business world, family entrepreneurs and executives with historical roots in Sonepar who meet several times a year. The Corporate Board draws on a series of reporting tools, Audit Committee reports and papers from the Strategic Committee to examine Group performance. Its members monitor progress and achievements regarding Sonepar's main growth targets and strategic priorities. They also examine the risks and opportunities that come with business diversification and offer opinions to executive management.

In addition, the Corporate Board held extensive discussions in 2017 on recruiting a new CEO and above all on preparing and deploying a plan of action to meet the requirements of France's Sapin II law. On this major point, the Board fully endorsed the spirit and the letter of the Code of Conduct adopted by Sonepar as a supplement to the Governance Charter. Its members worked out procedures for complying with the new law without departing from the Group's basic traits, i.e., a concern with sustainable growth, and considerable

empowerment of country and customer managers, grounded in a combination of trust and adequate control. And while they took pains to devise the most suitable measures, they reaffirmed their confidence in the culture and integrity that have long defined Sonepar. Those values, which are explicitly stated in the Governance Charter, take on concrete form in a chain of control that is up to the highest international standards and best internal audit practices.

The Corporate Board was fully and regularly informed of the exchanges that took place in connection with the review conducted by the AFA, France's anti-corruption agency, from October to December 2017. Those exchanges highlighted in particular the obligation to manage corruption risks even in an industry that might seem relatively unexposed to them. The Board members expressed doubts about the AFA's definition of corruption, which they found much narrower than the approach applied by the Group for the past fifteen years to prevent and counter fraud.

Marie-Christine Coisne-Roquette: Chairman
Henri Coisne: Honorary Chairman
Patricia Bellinger, Michel Bon, Henri-Paul Coisne,
Stéphane Coisne, Denis Gonseth, Frank H. Lakerveld,
Paul-René Lambert, Christian Maurin, Olivier Verley



In celebrating the 150th anniversary of the Coisne and Lambert family group in 2017, the family shareholders once again demonstrated the pride and enthusiasm underpinning their lasting, unwavering support for the Group. In the course of the year, they also strengthened their C.S.R. Approach, Colam Shareholder Responsibility.

The strength of a united family shareholder base

The shareholders grouped together in the family holding company, Colam Entreprendre, have strongly and consistently support Sonepar's lasting growth strategy from the outset. Their close ties to the Group and its executives have fostered mutual trust and helped make Sonepar's values a living reality.

A major strength of the family shareholding group is that it has tackled the generational challenge at an early stage. Young shareholders who have reached age eighteen get to take a special Introductory Seminar and may do internships at Sonepar if they wish to. A further strength is that family shareholders attend not only the annual shareholders meetings of the family holding company and Sonepar, but also the Board meetings of Group subsidiaries. In addition, all shareholders of any age can learn about the governance of family enterprises and the transmission of Sonepar's fundamental values at Colam Education Path sessions.

In 2017, that program was updated to better reflect the Group's new mode of governance based on greater partnership. Some sixty Colam members attended the sessions designed for present or upcoming office-holders in the company. A major focus was on a mode of governance geared to "value creation and sharing."

The program also included a Proximity Path, with a module on *Transmitting and Lasting* that featured talks by a notary public and a sociologist.

Developing the C.S.R. Approach, Colam Shareholder Responsibility

The shareholders have maintained the C.S.R. Approach initiated in 2016, even enriching the content. A good example is the *Colam Awards* contest whose first awards coincided with the Group's anniversary celebration. The *Colam Reporters* initiative launched two years ago has likewise continued. In 2017, two teams of three to five volunteer family shareholders produced two film reports. Both films, one made at SLO in Finland, the other at Technische Unie in the Netherlands, were designed to highlight practical steps being taken to promote sustainable development.

In addition, for the past two years, Colam Entreprendre has been keeping up on companies outside the Group that nonetheless have kindred values and significant involvement with sustainability. That approach led the Group in November 2017 to acquire a minority stake on friendly terms in Akuo Energy, France's leading independent producer of power from renewable energy sources.

The 150th Anniversary of the Coisne & Lambert Family Group

In 2017, the Group celebrated a 150-year history in style (102 years in textiles and 48 years in electrical product distribution). Over 250 Colam Entrepreneurs members attended. A first day was split into two parts: a vast historical fresco from 1867 to the present, followed by a skit called "Signposts on the road to success" in which actors played the parts of the Group's two founders.

The second day focused on the outlook for the Group and governance. A cooperative game of strategy was organized, covering five epochs from prehistory to the distant future. The aim was to ensure the sustainability of the company over time, encompassing all the events that have made its history. There was more than enough material to set the stage for the next 150 years.

And finally, the anniversary celebration hosted the first *Colam Awards* (a contest organized to acknowledge and reward initiatives at Group subsidiaries that have an impact on the environment, sustainable development, people and society as a whole). The Environment Award went to Canada for audits of utilities' power facilities and the recycling of their old equipment. The Social Award was won by Brazil for its program to help with the restructuring of institutions that offer shelter to poor children and teens. The Shareholders' Choice Award was given to the Spanish subsidiary for its program to promote training and jobs for young people.

The Vision 2040 approach

During the 150th anniversary celebration, the day devoted to the outlook for the Group gave shareholders an opportunity to "hand off" in virtual terms to the younger generation, which will be writing the future pages in the Group Charter. Through extensive discussion, the participants identified 250 challenges likely to face the Group in the future, which were eventually consolidated into about one hundred. A Steering Committee then selected 26 concrete challenges reflecting real creativity. Working groups discussed them for several months. Roughly 100 shareholders got involved, a collaborative, interactive, remote tool was made available and ultimately 45 Sonepar associates joined in the process. As a result, 15 challenges chosen in January 2018 and presented to the shareholders' general meeting on a *Vision Day*. About 120 Colam shareholders will be working throughout 2018 on those challenges in order to arrive at a full-fledged, robust vision of the Group's future that rests on concrete facts.



Building our strategy together

Interview

Philippe Delpech,
Chief Executive Officer

// **I joined Sonepar in September 2017 after thirty years of international management experience in industry, which reflected my dual background—an MBA and an engineering degree.** I spent the first few months discovering the company, traveling from country to country and meeting the people. What sticks in my mind is the image of a Group that is proud of its history, rapid growth and global leadership; a Group that has succeeded in outdistancing the competition and achieving a widely envied level of performance; a Group that had a highly encouraging year in 2017 and that has continued to put a lot of energy into meeting its goals.

I now have a much stronger sense of where the pride shown by Sonepar men and women comes from and how we can go about leveraging that pride to respond to the *B-to-B* distribution challenges ahead.

The world is in the throes of extremely rapid change that affects Sonepar at all levels—associates, customers, suppliers, processes—and will continue to do so. The digital age is taking less than a decade to replace more than a century's worth of analog technology. That shift has huge implications, involving great complexity and profound change, but it also brings with it unlimited opportunities.



For Sonepar, the task at hand is figuring out how to manage such a swift, complex transition while upholding the long-standing values that have made the Group so strong and taking full advantage of this unique opportunity for growth.

Sonepar needs to evolve its structures and processes, and also to develop new capabilities that can boost the power of the Group. Digital transformation will lead to a highly complex integration of the legacy processes in our business, making it possible to analyze and forecast data in real time. The successful experience of our teams in countries like Sonepar in Germany and the Netherlands will be a real help in that regard.

The challenge awaiting us is clear. How do we carry out global transformations in a highly decentralized organization without undermining the culture and responsiveness of our subsidiaries?

One of Sonepar's noteworthy strengths is its outstanding customer and sales culture around the world. We need to preserve and encourage that culture, while supporting it with strategic marketing and planning skills. The advent of digital in all of our operations represents a genuine revolution that we have to take on board across the organization. In tackling those new challenges, a key concept should be remembered: "Working together, succeeding together." That means analyzing, deciding and deploying together. It also means enriching Sonepar's DNA with the addition of enhanced skills in planning and using shared tools and processes. We are going to give the Group that additional strength so that we can be even more innovative and deliver more and more to our customers, supplier partners and associates. That will be our primary issue in the coming five years.

Digital transformation isn't a challenge specific to Sonepar. Our suppliers are in the same situations as we are. They are struggling to innovate and evolve towards Industry 4.0, but they also expect to have access to more efficient distribution channels. And in that area, Sonepar is a unique outfit. So it's up to us to broadcast our know-how and capabilities, which means working constantly to understand our suppliers' strategies, their latest innovations, new product ranges and solutions, and the added value they expect. It's also up to us to respond to those expectations by providing relevant training for our staff and our customers. With the help of our manufacturing partners and our knowledge of customer needs, we have to gain deeper insight into market trends so that we can stay attuned to them.

In January 2018, we started working with our local teams on a five-year strategic plan that should be finalized by year-end. We will be putting in place an electric industry-wide vocabulary as a basis for segmenting markets and analyzing each one in detail. Each subsidiary will present its five-year outlook, based on in-depth knowledge of its environment and businesses. Next, we will consolidate that input in order to identify the trends and priorities that it implies for the Group as a whole. At that point, we will be better equipped to anticipate where we most need to invest, what strategic changes we should introduce and what skills have to be developed.

We will enrich Sonepar's DNA

Gearing up a company and its 44,500 associates for an even more promising future is not only an extraordinary, essential challenge. It's also a unique opportunity that should inspire tremendous optimism throughout Sonepar. Our company has everything it takes to succeed: critical mass, responsiveness, a robust balance sheet, human capital, long-standing supplier partners and extensive market knowledge.

The men and women at Sonepar have successfully overcome incredible challenges in these past 49 years. And I'm confident that they will continue to do so. That makes it a real honor for me to be a part of it. //

A strong commitment to legal compliance

As an organization with international scope, Sonepar has been devoting time and effort for several years to the issue of compliance, guided by its values and corporate philosophy. Last year, the Group gave a more formal character to its plans and procedures.

A genetic code made of strong values, ethics and a rigorous approach enabled Sonepar to enter a new stage in 2017 with the appointment of Paul Trudel, a company member for the past twenty years, to the position of Chief Compliance Officer. His role is to ensure that the Group abides by the laws and regulations in force wherever it operates, and that the necessary standards, training programs and preventive plans are in place. He will also be responsible for strengthening ethics and enforcing compliance with them across the organization. While compliance is no new issue for Sonepar, it has taken on greater importance since June 2017 when the French parliament passed the Sapin II Act with the aim of combating all forms of corruption. The new law, which applies to all Group entities wherever they operate, requires Sonepar to establish more formal procedures.

Sonepar supplemented its Governance Charter in late 2017 with a *Code of Conduct* summarizing the main principles of integrity that are valid for all of its 44,500 associates throughout the world. The Code has been made available in all Group languages and locations, with all conventional and digital media being used to ensure that it is known to and understood by everyone. This spring, a highly practical, interactive mobile app will also be introduced. Annexed to the Code of Conduct, the Group issued formal, more detailed *Compliance Guidelines* that will be updated and expanded over time as regulations evolve.

Furthermore, the Whistleblowing Procedure called for by the new law was launched in early 2018. It gives any associate or third party the means to report any suspected wrongdoing. Several Sonepar subsidiaries already had such a procedure, but the entire Group now does. At the same time, all Group countries were checked to ascertain whether they had adopted the required disciplinary rules. The internal review procedures also required by the new law were already in place in the Group.



***Compliance
is everyone's
responsibility at
Sonepar, every day
and in everything
we do.***

Philippe Delpech,
Chief Executive Officer

The appointment of a Chief Risk Officer grew out of Sonepar's determination to establish proper governance of all risks and opportunities facing the Group. The two key focal points are preventing compliance-related risks, and guaranteeing information, data and personal security.

On the first count, the Group goes all-out to prevent serious offenses like corruption, trains all its staff and enacts preventive plans. Even before France's Sapin II Act came into force, Sonepar mapped out those risks country by country, which implied identifying, assessing and monitoring them, in some cases establishing plans of action and arranging for adequate follow-up. The result has been a comprehensive prevention and training policy. In the words of Jean-Luc Meurisse, the former head of the Group Audit function and now Chief Risk Officer, that approach makes it possible *"to maintain control over risks just as you would maintain control over the car you're driving."* The Group continually updates its risk-mapping.

Maintaining control over risks

The Group's second key focus is on information security, an area in which Sonepar's ISCC (International Security Competence Center) plays an active part. The ISCC meets regularly to work out and update security policy and to put forward recommendations and solutions. Last year, it adopted ISO 27001/NIST, an important reference in the eyes of its customers and suppliers, who demand guarantees on good practices and compliance by the Group.

To strengthen the whole approach, Sonepar has developed programs to raise staff awareness of cybersecurity issues, including highly concrete training with appropriate versions for each country.



**Compliance
isn't an illness.
It's a mindset, the
foundation for lasting
growth, for ethical
practice. And it's
not negotiable!**

Sonepar also continued last year with its competition law education program, which will be maintained in 2018. Meanwhile, the Group is designing additional programs for those associates most likely to be exposed to actual or attempted corruption.

The first step consists in identifying the functions and positions affected. The future courses will differ in length and format, and will be offered in every country and language to achieve maximum relevance and efficiency. They will be highly concrete, with clear explanations of what is allowable and what is prohibited, what controls should be performed, and so on.

Twenty-two "Compliance Champions"

Ever since it was founded in 2015, the SILCC (Sonepar International Legal and Compliance Committee) has consistently promoted and practiced the sharing of information and good practices among its members. The Committee has selected twenty-two "Compliance Champions" in the Group, most of them lawyers. As executives in charge of one or several countries in an area, the Champions keep a constant lookout, encourage appropriate initiatives and work to uncover any compliance issues that may arise. They also report their findings to the Chief Compliance Officer using what will eventually be a Group-wide scorecard.

Their role also involves assisting Paul Trudel in explaining and enlightening all Sonepar associates about both the challenges and the positive side of compliance, for example, maintaining their company's reputation and enhancing its corporate culture.



Paul Trudel,
Chief Compliance
Officer

Strong growth in 2017

Interview

François Poncet,
Chief Financial Officer

// **2017** was an excellent year for Sonepar.

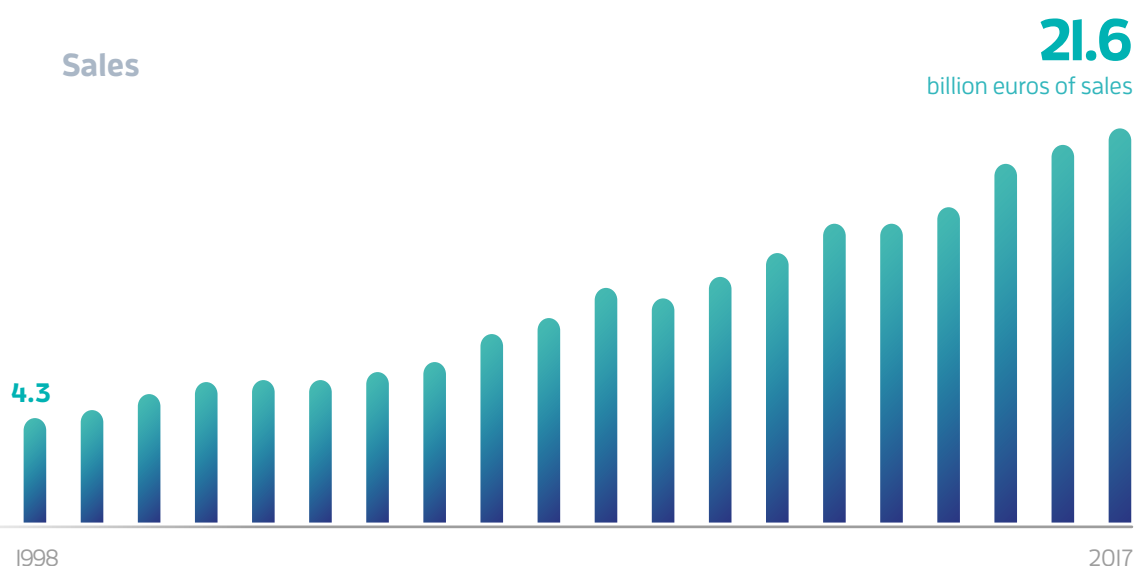
Our sales rose 4.8% over the previous year to €21.6 billion. That result was mildly impacted by currency effects—mainly depreciation of the dollar against the euro—and by the fact that 2016 was a leap year, and thus had a day more than usual. The acquisitions we carried out, above all in Italy and Belgium, accounted for 1.7 of the 4.8 percentage points we gained.

But the most salient feature of our performance in 2017 was a 4.6% autonomous growth rate. In fact, that rate accelerated in the course of the year, producing a particularly good fourth-quarter result. True, we benefited from a “copper effect,” given that prices for what is an essential input in our line of business increased 24% over the year. We estimate that it added 1.3 percentage points to our sales growth.

It's also worth noting that we were operating in a much more buoyant global economy. Almost all world regions achieved decent growth in 2017: 6% in Europe (with 1.9% in France), 4% in the Americas and a lower, but still positive 0.3% rate in Asia-Pacific. That general climate worked to the advantage of our businesses.



Sales



Higher sales figures were a reality across all Group regions and countries. A few examples from Europe will illustrate the trend in 2017. Autonomous growth stood at 5.8% in Germany, 4.2% in France, 6.8% in the Netherlands and 5.8% in the Nordic countries. Sonepar also saw solid autonomous growth across North, Central and South America, with 3.7% in the United States and 5.2% in Canada, for example. Business was also up 3.9% in Brazil. In the last major continental bloc where we operate, Asia-Pacific, Malaysia turned in the best result—12.8% growth, while Australia booked an increase of 8.9%. That still leaves China, however, where we admittedly had a tough year, with conventional electrical products showing lacklustre performance.

Even as we worked further last year to integrate our previous acquisitions, we bought out three other companies, one in Italy, one in Belgium and one in Canada. Together, they will add roughly €500 million to our annual revenue. In 2017, we also maintained our investment policy, investing a hefty €200 million and achieving our objectives. The focus of our investing activity was once again on customer service, operational excellence, logistics and IT, as well as on the Group's digital transformation. The large amount invested clearly reflects Sonepar's determination to sustain a vigorous capital spending policy into next year, with special emphasis on information systems and ERP software.

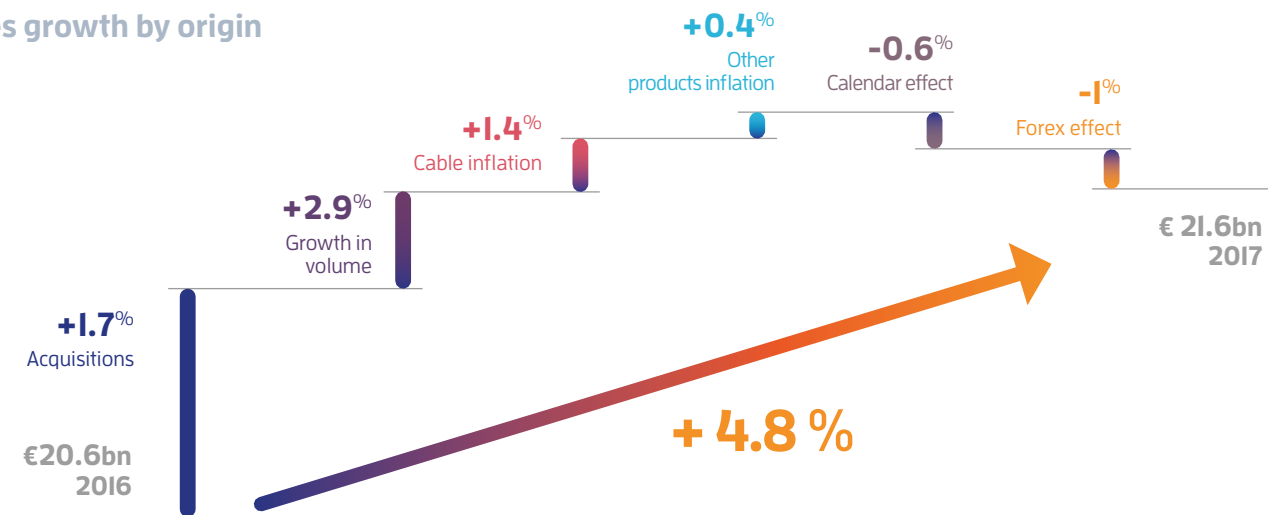
A policy of high investment

The Sacchi acquisition in Italy

The family firm Sacchi acquired by Sonepar in February 2017 enjoys benchmark status in Italy's large electrical wholesaling business. The country, moreover, is Europe's third biggest market. The acquisition has brought Sonepar a stronger presence in Lombardy, Italy's number-one industrial market. It also enhances the Group's geographic positioning as well as its logistical and technical capabilities.



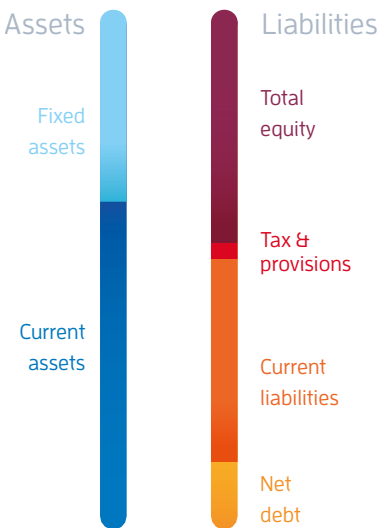
Sales growth by origin



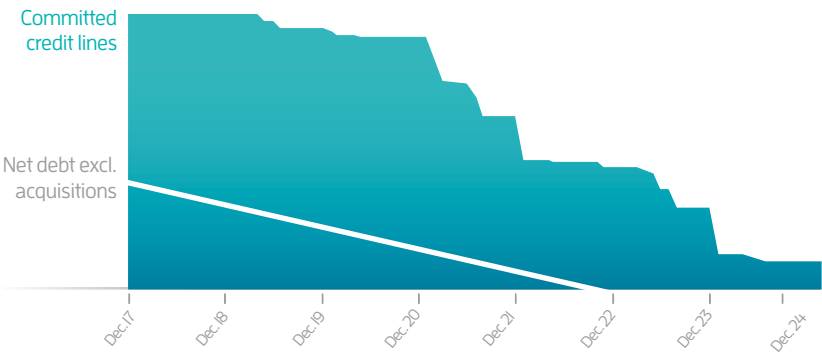
In terms of financial performance in 2017, we succeeded in holding operating expenses down, thanks to effective control over spending in all countries. We grew operating income in accordance with our targets. The cash flow we generated enabled us to reduce our debt further and move to an even stronger financial structure. Sonepar can once again lay claim to a robust balance sheet, and we have continued to apply the best international accounting standards. Lastly, we have maintained our policy of operational audits across the Group, now supplemented by audits on compliance, data security and cybercrime.

We have therefore entered 2018 on a sound footing, and we have every intention of sustaining our growth momentum. A look at the external influences on our results suggests that copper prices will at the very least remain at their current level. We will also need to consider how the dollar evolves against the euro. We believe inflation will stay low. In addition, the tax reforms enacted in the United States and several other countries should help bring about stronger economic growth, with the further advantage of reducing the weight of the tax line item in our accounts. A final point is that our Group is set to continue with the acquisition process. As previously, we will be favoring entities that offer us greater market density, synergies, operational excellence and a rapid return on investment. //

Simplified balance sheet



Debt and lines of credit



Effective, strict financial management

Sonepar upholds the most demanding international audit and management control standards. Moreover, the Group does not do so out of obligation, but by choice—to remain true to its values and be the standard-setter in this field as well. Last year, Sonepar established a more formal approach to its compliance obligations.

90 internal audit engagements

The mission of Sonepar Internal Audit is to provide reasonable assurance on risk management, reporting, control and governance processes. In 2017, sixteen internal auditors based at six locations in Europe, the Americas and Asia-Pacific (where an additional auditor has joined the team in 2018) conducted a total of 90 engagements. One fourth of them pertained to Finance, Credit Management, Internal Control and Governance, the others to Logistics, Inventory and Procurement, IT systems and Sales. The audit methodology was updated to formally incorporate the anti-corruption requirements laid down in France's Sapin II Act. Furthermore, the number of Compliance audits increased. Efforts were maintained to more effectively monitor corrective action plans and the extent to which they are implemented, as well as to step up data analysis work to be able to provide greater assurance to the relevant management bodies. And as every five years, outside independent professionals conducted an evaluation in 2017, based on international standards, of Sonepar Internal Audit with respect to positioning, organization and operations.

Management control, consolidation accounting and reporting

Last year, management control, consolidation accounting and reporting were grouped together in a single department to enhance consistency among engagements. Several major projects were carried out, including the following:

- The process for driving Group performance was overhauled in accordance with strict internal standards. The overhaul encompassed the five-year plan, the budget, and forecasts and regular reviews by General Management of each country's performance.
- The first CBCR, or Country-by-Country Reporting was submitted in compliance with a new regulatory requirement set by the OECD.
- Scorecards were systematically introduced for support functions (e.g., Digital, Human Resources, Logistics) to boost their efficiency. Recommended Group-wide rules for monitoring all costs by function were also issued.

2018 will also be an important year, particularly because new standards are set to come into force. Three new IFRSs (International Financial Reporting Standards) will soon be applicable. The most significant one—IFRS 16—which will be effective beginning in 2019, requires lessees to recognize assets and liabilities for all rights and obligations arising under leases.

Lastly, the Group's internal control standards will be updated, most notably in response to France's new Sapin II Act (the Transparency, Anti-Corruption and Economic Modernization Act of December 9, 2016), which sets a number of obligations with respect to countering corruption and influence-peddling. They will be accompanied by a new Group-wide internal control, audit and risk management tool.

A centrally-run Treasury Department

Cash and financing are centrally managed by Sonepar, which handles close to 95% of the Group's financing needs. This makes it possible to guarantee adequate liquidity, monitor the utilization of cash and optimize management of the associated exchange-rate and interest-rate risks and financing conditions. The tools and procedures involved offer maximum security. In late 2017, the Group negotiated better terms for its invoice discounting and trade receivables securitization facilities, together with longer maturities. A further financing tool is cash pooling, which facilitates the circulation and centralization of liquidity within Sonepar. In every country where cash pooling is permitted, the Group makes use of it. At present, 33 cash pools operate in 26 countries with 14 banks.

Our solid growth will help us tackle the challenges facing us in 2018

Interview

***Philippe Delpech, Chief Executive Officer and
Dave Gabriel, Chief Operating Officer***

Philippe Delpech (PhD): In 2017, the Group delivered solid results thanks to its historical strengths: global footprint coupled with strong local presence, an outstanding customer service culture, innovative multichannel distribution coverage, as well as the passion for continuous improvement shown by our great 44,500 associates. We must build on all those assets to continue to adapt to a highly competitive environment that is changing rapidly. Sonepar needs to accelerate its digital transformation and deliver much greater synergy by leveraging its size so that we can become a more efficient company and increase our global leadership.

Dave Gabriel (DG): As we continued to leverage our size and scale with investments across the Group, 2017 was significant in building density in two specific areas. In Italy, Sacchi a family owned company joined the Group mid-year. With a strong position in Northern Italy and a focus on the industrial market, Sacchi brings our network an additional 68 branches. In Belgium, Cheyins joined the Group, building on our industrial offering and density in the market and further strengthening our capabilities for our customers. In Northern Europe solid execution in Germany, Austria, Finland, and the Netherlands drove organic growth and accelerating profits.

PhD: Our German and Dutch companies are also investing in latest-generation IT systems making them two of the most advanced digital enterprises in the Group. They are truly the Group's laboratories. One of the top challenges currently addressed by Sonepar is digital transformation in all its entities. In the United States, the process is being carried out in conjunction with a drive to optimize our structures.



After a good year in 2017, Sonepar will be drawing on its strengths to accelerate business growth around the world. A key feature will be structural and digital transformation at all its operating companies.

We are pooling support functions and standardizing processes, while maintaining the business autonomy of our operating companies. The same goes for France, with the completion of our logistics transformation, the deployment of sales management tools and the development of new digital services.

DG: Canada had an excellent year in 2017 in spite of continued softness in the oil and gas markets. Lumen played a significant role in that recovery leveraging their new DC and digital investments driving above market growth and profitability. Further south, Brazil also invested in Product Information Management (PIM), digital catalogs, and consolidated shared services while returning back to positive organic growth and improved profitability.

PhD: The growth opportunity of the next decade will unquestionably come from Asia, starting with China. We are counting on Jo Verbeek, the new President of Asia-Pacific, and the local staff to work out and put forward an aggressive profitable growth strategy.

DG: In APAC, Australia, Malaysia and India led the charge with focused growth, execution, and improved performance. Our team in China battled a very difficult and shrinking telecom business and took the corrective actions required to offset the profit impact felt by this dramatic volume decline. Additionally, we would like to welcome Taco Van Vroonhoven to the Group as the President of the Pacific Area. Taco has extensive experience in B2B distribution and he and his team are focused on driving improved performance in Australia and New Zealand.

PhD: 2017 was a year to refocus the organization and strengthen core processes. We successfully increased activities dedicated to our four strategic priorities: Performance, Customer, People, and Planet. In 2018, we are entering a new phase of deep and accelerated digital transformation. The opportunity is to dramatically increase Sonepar customer service and operational productivity through Digital Enterprise Transformation. In concrete terms, that means deploying worldwide sophisticated IT architecture, automated logistic assets and processes, leverage and analyze company data, or improve sales efficiency. In 2018, we will also be drafting a five-year strategic plan to finalize our strategic road map. We are entering together an extremely positive and exciting period for the Group which will create infinite opportunities for our associates. It will be a period of intense activity and immense opportunity for all.



Our footprint

UNITED STATES

Halsey Cook

NO. 1 IN THE MARKET • 682 branches

7,221 M€

CANADA

François Anquetil

NO. 3 IN THE MARKET • 111 branches

1,036 M€

MEXICO

Urcesino Palacios Barro • Camilo Kuri

NO. 2 IN THE MARKET • 136 branches

450 M€

BRAZIL

Hervé Salmon

NO. 1 IN THE MARKET • 104 branches

292 M€

PUERTO RICO, TRINIDAD AND TOBAGO, DOMINICAN REPUBLIC

Oscar Villa

9 branches

81 M€

COLOMBIA AND PANAMA

Ricardo Rodríguez Mutis

NO. 1 IN THE MARKET • 9 branches

72 M€

CHILE

Ricardo Thomson

NO. 1 IN THE MARKET • 19 branches

63 M€

PERU

Abraham Puerta

NO. 3 IN THE MARKET • 10 branches

29 M€

COSTA RICA

Miguel Muñoz

NO. 2 IN THE MARKET • 4 branches

23 M€

GERMANY (AND LUXEMBOURG)

Stefan Stegemann & Holger Heckle

NO. 1 IN THEIR MARKETS • 239 branches

2,747 M€

FRANCE (AND MONACO)

Benoît Pédoussaut

NO. 2 IN THE MARKET • 527 branches

2,319 M€

NETHERLANDS

Jan Ferwerda

NO. 1 IN THE MARKET • 36 branches

1,429 M€

ITALY

Sergio Novello • Marco Brunetti

NO. 1 IN THE MARKET • 156 branches

802 M€

SWEDEN

Anders Nordlöw

NO. 2 IN THE MARKET • 48 branches

636 M€

BELGIUM

Alexander Dewulf

NO. 1 IN THE MARKET • 46 branches

600 M€

AMERICAS

SPAIN*Luis Arconada*

NO. 1 IN THE MARKET • 129 branches

427 M€**FINLAND***Mika Høijer*

NO. 1 IN THE MARKET • 35 branches

419 M€**UNITED KINGDOM (AND
UNITED ARAB EMIRATES)***Ian Stewart • Andrew Percival*

NO. 1 IN THEIR MARKETS • 16 branches

297 M€**SWITZERLAND***David von Otv*

NO. 2 IN THE MARKET • 13 branches

268 M€**AUSTRIA***Bernhard Weber*

NO. 2 IN THE MARKET • 9 branches

166 M€**POLAND***Wiesław Romanczuk*

NO. 2 IN THE MARKET • 40 branches

132 M€**AUSTRALIA***Ross Swepson*

NO. 2 IN THE MARKET • 177 branches

609 M€**MAINLAND CHINA***Jo Verbeek*

NO. 2 IN THE MARKET • 33 branches

403 M€**MALAYSIA***Francis Sa*

NO. 1 IN THE MARKET • 46 branches

225 M€**NORWAY***Lars Hamborg*

13 branches

119 M€**BALTIC COUNTRIES
(ESTONIA, LATVIA, LITHUANIA)***Heiki Liiser*

19 branches

77 M€**CZECH REPUBLIC***Jiri Louda*

NO. 3 IN THE MARKET • 30 branches

71 M€**HUNGARY***János Ágner*

NO. 2 IN THE MARKET • 14 branches

38 M€**ROMANIA***Dan Georgia*

13 branches

24 M€**THAILAND***Surote Panasatham*

NO. 2 IN THE MARKET • 3 branches

56 M€**OAKWELL GROUP***Christine Liew (China, South Korea, Thailand, Malaysia, Singapore, Vietnam)*

7 branches

38 M€**INDIA***Raja Sivaji Ghosh*

7 branches

37 M€**SINGAPORE***Ko Cheng Han • Lawrence Tam*

NO. 1 IN THE MARKET • 3 branches

28 M€**INDONESIA***Chin Hon Lim*

1 branch

11 M€**NEW ZEALAND***Steve Priest*

NO. 3 IN THE MARKET • 48 branches

104 M€**INTEGRATED SUPPLY***Andrew Bennett (China, Malaysia, Singapore, Thailand)*

13 branches

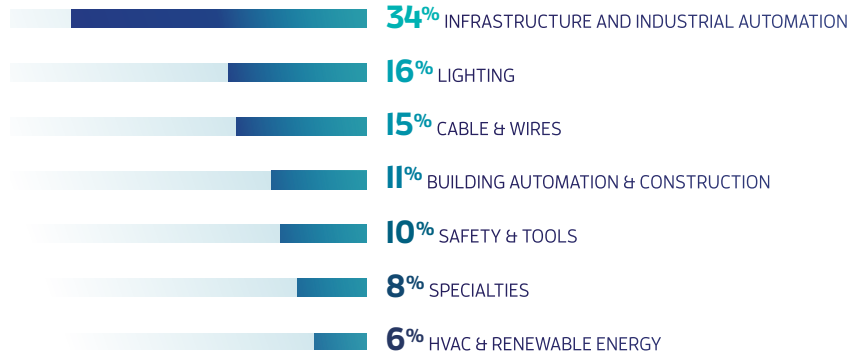
72 M€**HONG KONG AND MACAU SAR***Alvin Mak*

6 branches

65 M€

Our business

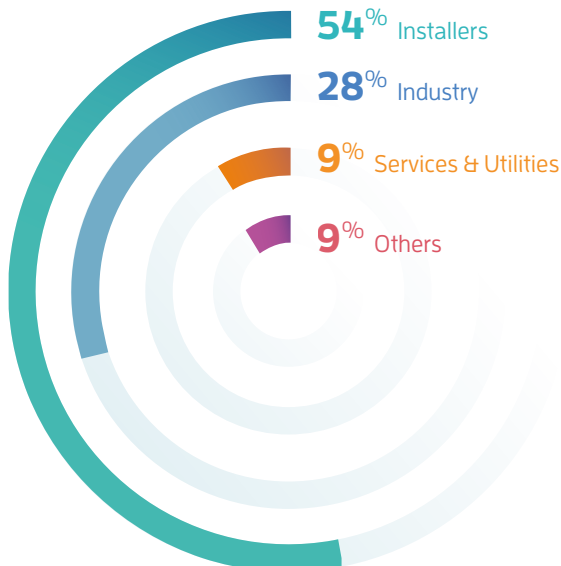
PRODUCTS AND SOLUTIONS



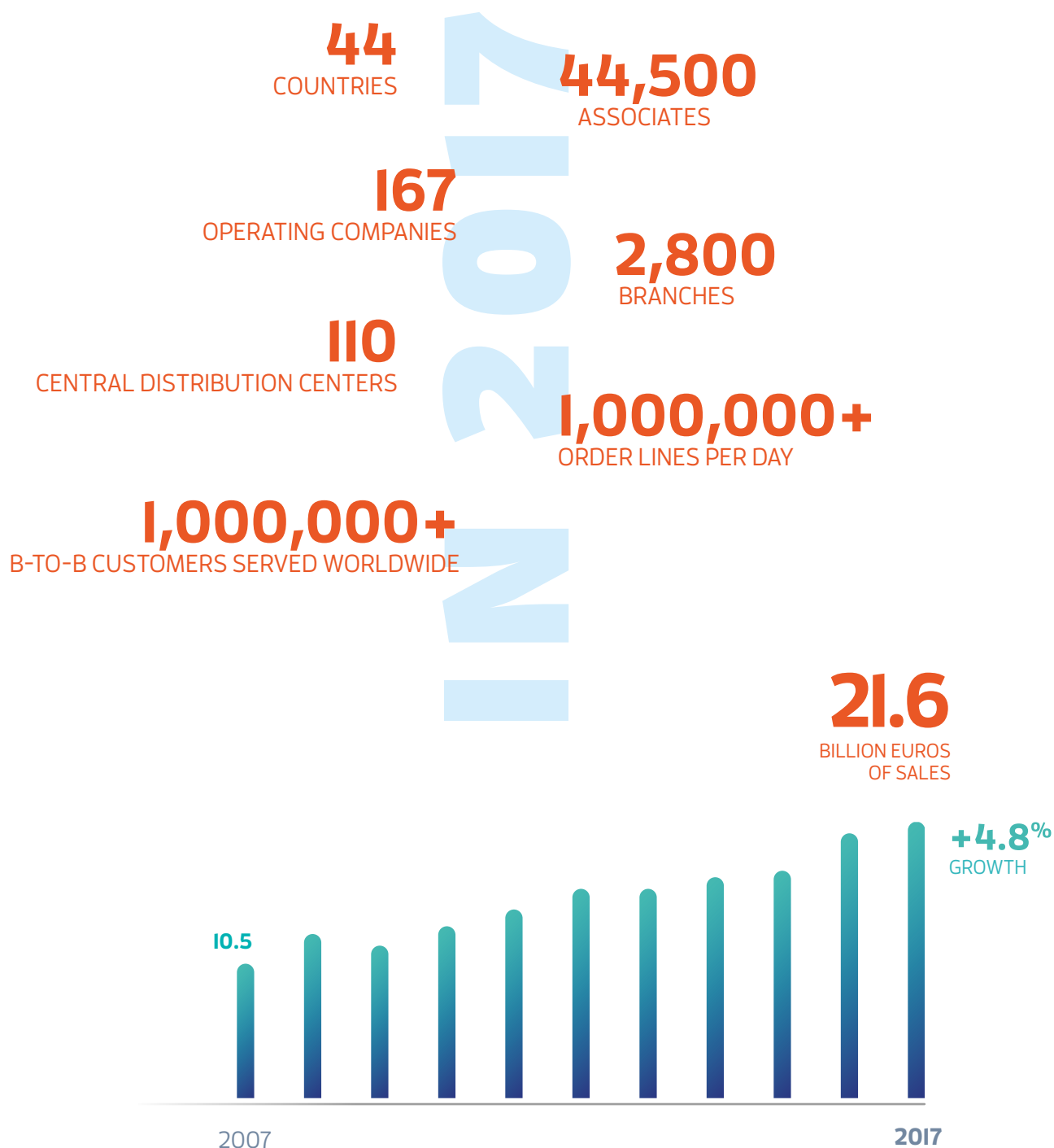
Any time and on time, Sonepar provides the most relevant responses to its customers in such major markets as industry, building and utilities.

CUSTOMERS

As a global organization with a strong local presence, Sonepar considers every customer unique, wherever they are and whatever their needs.



Sonepar is an independent family-owned company with global market leadership in B-to-B distribution of electrical products, solutions and related services.





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Société par actions simplifiée, au capital de 107 936 507,94 euros
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