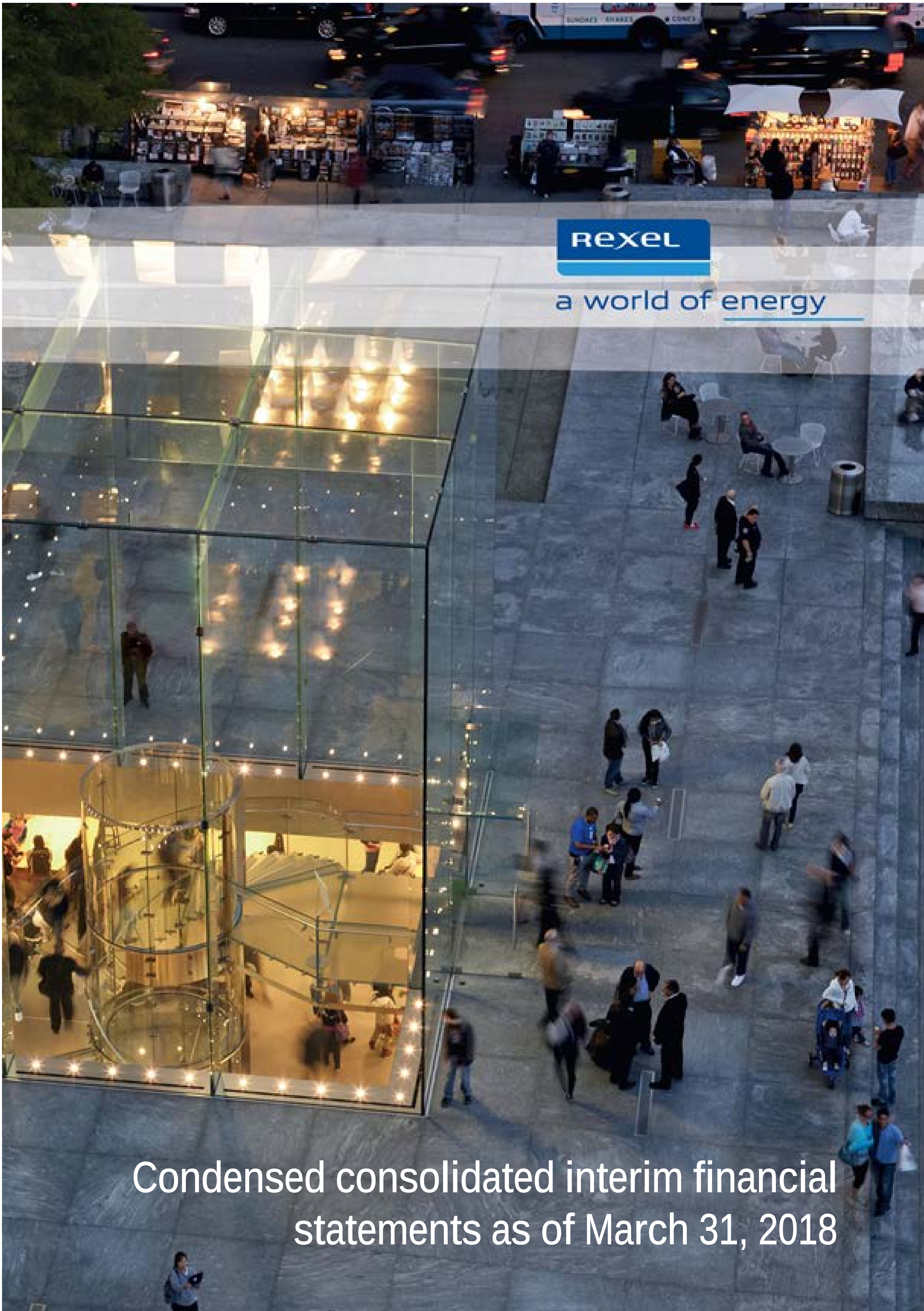


# Condensed consolidated interim financial statements as of March 31, 2018

*Société anonyme*
with share capital of €1,516,715,885
Registered office: 13, boulevard du Fort de Vaux – CS 60002
75017 Paris - France
479 973 513 R.C.S. Paris

# Condensed consolidated Interim financial statements as of March 31, 2018 (unaudited)

This document is a free translation into English of Rexel's original condensed consolidated interim financial statements for the period ended March 31, 2018 issued in the French language 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 condensed consolidated interim financial statements for the period ended March 31, 2018, the French version will prevail.

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# Consolidated income statement (unaudited)

| *(in millions of euros)* | ***Note*** | For the period ended March 31, **2018** | **2017** [1] |
|---|---|---|---|
| Sales | ***3*** | 3,178.3 | 3,318.3 |
| Cost of goods sold | | (2,383.0) | (2,482.8) |
| **Gross profit** | | **795.3** | **835.5** |
| Distribution and administrative expenses | ***4*** | (674.3) | (695.6) |
| **Operating income before other income and expenses** | | **121.0** | **139.9** |
| Other income | ***5*** | 1.2 | 0.3 |
| Other expenses | ***5*** | (8.6) | (10.0) |
| **Operating income** | | **113.6** | **130.2** |
| Financial income | | 0.8 | 0.5 |
| Interest expense on borrowings | | (18.7) | (22.8) |
| Non-recurring redemption costs | | - | (6.7) |
| Other financial expenses | | (7.0) | (4.5) |
| ***Net financial expenses*** | ***6*** | ***(24.9)*** | ***(33.6)*** |
| **Net income before income tax** | | **88.7** | **96.6** |
| Income tax | ***7*** | (28.0) | (33.5) |
| **Net income from continuing operations** | | **60.7** | **63.1** |
| **Portion attributable:** | | | |
| *to the equity holders of the parent* | | *60.7* | *63.3* |
| *to non-controlling interests* | | *(0.0)* | *(0.2)* |
| **Earnings per share:** | | | |
| *Basic earnings per share (in euros)* | ***8*** | *0.20* | *0.21* |
| *Fully diluted earnings per share (in euros)* | ***8*** | *0.20* | *0.21* |

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1)

***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 March 31, 2018 | 2017 [1] |
|---|---|---|---|
| **Net income** | | **60.7** | **63.1** |
| ***Items to be reclassified to profit and loss in subsequent periods*** | | | |
| Net gain / (loss) on net investment hedges | | 4.5 | 2.0 |
| Income tax | | (1.5) | (0.7) |
| **Sub-total** | | **3.0** | **1.3** |
| Foreign currency translation adjustment | | (71.0) | (17.2) |
| Income tax | | 5.5 | 3.4 |
| **Sub-total** | | **(65.6)** | **(13.7)** |
| Net gain / (loss) on cash flow hedges | | 2.3 | 0.5 |
| Income tax | | (0.8) | (0.2) |
| **Sub-total** | | **1.5** | **0.3** |
| ***Items not to be reclassified to profit and loss in subsequent periods*** | | | |
| Remeasurements of net defined benefit liability | *9* | 20.0 | (22.1) |
| Income tax | | (0.7) | 1.2 |
| **Sub-total** | | **19.3** | **(20.8)** |
| **Other comprehensive income / (loss) for the period, net of tax** | | **(41.8)** | **(32.9)** |
| **Total comprehensive income / (loss) for the period, net of tax** | | **18.8** | **30.2** |
| **Portion attributable:** | | | |
| *to the equity holders of the parent* | | *18.9* | *30.4* |
| *to non-controlling interests* | | *(0.0)* | *(0.2)* |

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1)

***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 March 31, 2018** | **As of December 31, 2017 [1]** |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | | 3,845.3 | 3,914.9 |
| Intangible assets | | 1,035.2 | 1,049.7 |
| Property, plant and equipment | | 268.6 | 272.0 |
| Long-term investments | | 42.2 | 38.0 |
| Deferred tax assets | | 68.0 | 96.6 |
| **Total non-current assets** | | **5,259.3** | **5,371.2** |
| Inventories | | 1,558.2 | 1,544.9 |
| Trade accounts receivable | | 2,155.5 | 2,074.4 |
| Current tax assets | | 39.9 | 48.1 |
| Other accounts receivable | | 501.1 | 512.7 |
| Assets held for sale | | 13.5 | - |
| Cash and cash equivalents | ***10.1*** | 394.3 | 563.6 |
| **Total current assets** | | **4,662.6** | **4,743.7** |
| **Total assets** | | **9,921.9** | **10,114.9** |
| **Equity** | | | |
| Share capital | | 1,516.7 | 1,516.7 |
| Share premium | | 1,559.2 | 1,559.2 |
| Reserves and retained earnings | | 1,100.3 | 1,079.5 |
| **Total equity attributable to equity holders of the parent** | | **4,176.2** | **4,155.4** |
| Non-controlling interests | | 2.1 | 2.2 |
| **Total equity** | | **4,178.4** | **4,157.6** |
| **Liabilities** | | | |
| Interest bearing debt (non-current part) | ***10.1*** | 2,249.9 | 2,450.5 |
| Net employee defined benefit liabilities | | 288.1 | 319.9 |
| Deferred tax liabilities | | 144.8 | 172.8 |
| Provision and other non-current liabilities | | 56.1 | 56.3 |
| **Total non-current liabilities** | | **2,738.8** | **2,999.6** |
| Interest bearing debt (current part) | ***10.1*** | 328.1 | 155.5 |
| Accrued interest | ***10.1*** | 17.3 | 6.3 |
| Trade accounts payable | | 1,949.5 | 2,034.8 |
| Income tax payable | | 25.6 | 34.8 |
| Other current liabilities | | 684.1 | 726.3 |
| **Total current liabilities** | | **3,004.7** | **2,957.7** |
| **Total liabilities** | | **5,743.5** | **5,957.3** |
| **Total equity and liabilities** | | **9,921.9** | **10,114.9** |

[1] Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1)

***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 March 31, **2018** | **2017 [1]** |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating income | | 113.6 | 130.2 |
| Depreciation, amortization and impairment of assets and assets write off | ***4-5*** | 28.8 | 29.8 |
| Employee benefits | | (11.8) | (4.9) |
| Change in other provisions | | (1.1) | (6.6) |
| Other non-cash operating items | | 0.7 | (0.4) |
| Interest paid | | (21.2) | (25.7) |
| Income tax paid | | (22.5) | (24.2) |
| ***Operating cash flows before change in working capital requirements*** | | ***86.5*** | ***98.1*** |
| Change in inventories | | (38.4) | (68.4) |
| Change in trade receivables | | (104.4) | (99.4) |
| Change in trade payables | | (67.1) | (140.7) |
| Change in other working capital items | | (16.4) | (20.8) |
| ***Change in working capital requirements*** | | ***(226.3)*** | ***(329.2)*** |
| **Net cash from operating activities** | | **(139.8)** | **(231.1)** |
| **Cash flows from investing activities** | | | |
| Acquisition of tangible and intangible assets | | (24.0) | (25.8) |
| Proceeds from disposal of tangible and intangible assets | | 0.9 | 0.3 |
| Acquisitions of subsidiaries, net of cash acquired | | (0.2) | 0.0 |
| Change in long-term investments | | (2.4) | (1.9) |
| **Net cash from investing activities** | | **(25.7)** | **(27.4)** |
| **Cash flows from financing activities** | | | |
| Insuance of capital | | - | 0.5 |
| Disposal / (Purchase) of treasury shares | | 1.0 | 1.6 |
| Issuance of senior notes net of transaction costs | ***10.2*** | - | 295.8 |
| Settlement of interest rate swaps qualified as fair value hedge | | - | 0.5 |
| Net change in credit facilities, commercial papers, other financial borrowings | ***10.2*** | 81.6 | 116.8 |
| Net change in securitization | ***10.2*** | (86.9) | (98.2) |
| Net change in finance lease liabilities | ***10.2*** | (0.6) | (1.6) |
| **Net cash from financing activities** | | **(4.9)** | **315.4** |
| **Net (decrease) / increase in cash and cash equivalents** | | **(170.4)** | **56.9** |
| Cash and cash equivalents at the beginning of the period | | 563.6 | 619.3 |
| Effect of exchange rate changes on cash and cash equivalents | | 1.1 | (0.1) |
| **Cash and cash equivalents at the end of the period** | | **394.3** | **676.1** |

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1)

***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)* | Share capital | Share premium | Retained earnings | Foreign currency translation | Cash flow hedge reserve | Remeasurement of net defined benefit liability | Total attributable to the equity holders of the parent | Non-controlling interests | TOTAL EQUITY |
|---|---|---|---|---|---|---|---|---|---|
| ***For the period ended March 31, 2017*** | | | | | | | | | |
| **As of January 1, 2017 (as reported)** | **1,514.5** | **1,561.2** | **1,303.1** | **185.5** | **(0.7)** | **(185.6)** | **4,378.1** | **5.2** | **4,383.3** |
| Effect of changes in accounting following the adoption of IFRS 15 | - | - | (3.0) | - | - | - | **(3.0)** | **-** | **(3.0)** |
| Effect of changes in accounting following the adoption of IFRS 9 | - | - | (3.0) | - | - | - | **(3.0)** | **-** | **(3.0)** |
| **As of January 1, 2017 [(1)]** | **1,514.5** | **1,561.2** | **1,297.1** | **185.5** | **(0.7)** | **(185.6)** | **4,372.1** | **5.2** | **4,377.3** |
| Net income | - | - | 63.3 | - | - | - | **63.3** | (0.2) | 63.1 |
| Other comprehensive income | - | - | - | (12.4) | 0.3 | (20.8) | **(32.9)** | - | (32.9) |
| **Total comprehensive income for the period** | **-** | **-** | **63.3** | **(12.4)** | **0.3** | **(20.8)** | **30.4** | **(0.2)** | **30.2** |
| Share capital increase | 0.2 | 0.3 | - | - | - | - | **0.5** | - | 0.5 |
| Share-based payments | - | - | (0.6) | - | - | - | **(0.6)** | - | (0.6) |
| Disposal / (Purchase) of treasury shares | - | - | 1.4 | - | - | - | **1.4** | - | 1.4 |
| **As of March 31, 2017 [(1)]** | **1,514.7** | **1,561.5** | **1,361.3** | **173.1** | **(0.4)** | **(206.5)** | **4,403.9** | **5.0** | **4,408.9** |
| ***For the period ended March 31, 2018*** | | | | | | | | | |
| **As of January 1, 2018** | **1,516.7** | **1,559.2** | **1,287.5** | **(20.1)** | **2.6** | **(190.5)** | **4,155.4** | **2.2** | **4,157.6** |
| Net income | - | - | 60.7 | - | - | - | **60.7** | (0.0) | 60.6 |
| Other comprehensive income | - | - | - | (62.6) | 1.5 | 19.3 | **(41.8)** | - | (41.8) |
| **Total comprehensive income for the period** | **-** | **-** | **60.7** | **(62.6)** | **1.5** | **19.3** | **18.9** | **(0.0)** | **18.8** |
| Cash dividends | - | - | - | - | - | - | **-** | - | - |
| Share capital increase | - | - | - | - | - | - | **-** | - | - |
| Share-based payments | - | - | 0.9 | - | - | - | **0.9** | - | 0.9 |
| Disposal of subsidiaries | - | - | - | - | - | - | **-** | - | - |
| Disposal / (Purchase) of treasury shares | - | - | 1.0 | - | - | - | **1.0** | - | 1.0 |
| **As of March 31, 2018** | **1,516.7** | **1,559.2** | **1,350.1** | **(82.7)** | **4.1** | **(171.2)** | **4,176.2** | **2.1** | **4,178.4** |

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1)

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

# Accompanying Notes

## 1. | GENERAL INFORMATION

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

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

## 2. | SIGNIFICANT ACCOUNTING POLICIES

### 2.1 | Statement of compliance

The condensed consolidated interim financial statements (hereafter referred to as “the condensed financial statements”) cover the period from January 1 to March 31, 2018 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 March 31, 2018. 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, 2017 and included in the Registration Document filed with the Autorité des Marchés Financiers on April 4, 2018 under the number D.18-0263.

This is the first set of the Group’s financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 2.2.1.

IFRS as adopted by the European Union can be consulted on the European Commission’s website (https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/law-details_fr).

These condensed financial statements were authorized for issue by the Board of Directors on April 26, 2018.

### 2.2 | Basis of preparation

The condensed financial statements as of March 31, 2018 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, 2017 and described in the notes to the consolidated financial statements for the financial year ended December 31, 2017, with the exception of the new standards and interpretations disclosed in Note 2.2.1.

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.

### *2.2.1 | Changes in accounting policies - amended standards*

The Group has initially adopted IFRS 15 "Revenue from Contracts with Customers" (see Note 2.2.1.1) and IFRS 9 "Financial Instruments" (see Note 2.2.1.2) from January 1, 2018 onwards.

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

#### *2.2.1.1. | IFRS 15 "Revenue from Contracts with Customers"*

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

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

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

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

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

| *(in millions of euros)* | **As reported** | **Adjustments** | | **IFRS 15 restated** |
|---|---|---|---|---|
| Sales | 13,310.1 | (22.7) | **(1)** | 13,287.4 |
| Cost of goods sold | (10,045.9) | 34.8 | **(2)** | (10,011.1) |
| **Gross profit** | **3,264.2** | **12.1** | | **3,276.4** |
| Distribution and administrative expenses | (2,688.9) | (12.3) | **(3)** | (2,701.2) |
| **Operating income** | **322.3** | **(0.2)** | | **322.1** |
| **Net income before income tax** | **176.4** | **0.1** | | **176.5** |
| Income tax | (71.5) | (0.4) | | (71.9) |
| **Net income** | **104.9** | **(0.3)** | | **104.7** |

(1) Under IFRS 15, sales were adjusted by €(22.7) million of which €(34.0) million associated with direct sales transactions for which the Group is deemed to act as an agent (see (2)) and €9.9 million in relation with delivery services charged to customers previously presented as a reduction of distribution and administrative expenses (see (3)).

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

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

For the period ended March 31, 2017, the impacts of IFRS 15 on the income statement were as follows:

| *(in millions of euros)* | As reported | Adjustments | IFRS 15 restated |
|---|---|---|---|
| Sales | 3,323.1 | (4.8) | 3,318.3 |
| Cost of goods sold | (2,490.8) | 8.0 | (2,482.8) |
| **Gross profit** | **832.3** | **3.2** | **835.5** |
| Distribution and administrative expenses | (692.7) | (2.9) | (695.6) |
| **Operating income** | **129.8** | **0.4** | **130.2** |
| | | | |
| **Net income before income tax** | **96.1** | **0.5** | **96.6** |
| Income tax | (33.3) | (0.1) | (33.5) |
| **Net income** | **62.8** | **0.4** | **63.1** |

#### *2.2.1.2. | IFRS 9 "Financial instruments"*

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

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Therefore, the Group has not had any impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9.

As to impairment of financial assets including trade receivables, the model induced by IFRS 9 is based on expected credit loss as opposed to the incurred loss model in IAS 39. The Group applied the simplified approach and recorded expected credit losses based on the historical ratio of credit losses to sales on non-due and less than 30 days past-due trade receivables. Under IAS 39, these categories of trade receivables were not provided for. The impact of adopting the expected credit loss model as of January 1, 2017 on equity was negative of €3.0 million. Impact on income statements for the year ended December 31, 2017 and for the three months ended March 31, 2017 was nil.

With regards to hedge accounting, all existing hedge relationships that were designated in effective hedging relationships under IAS 39 still qualify for hedge accounting under IFRS 9, as IFRS 9 does not change the general principles of how an entity accounts for effective hedges. As a result, no impact was recognized in the consolidated financial statements.

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

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

- IFRS 16 "Leases": this new standard issued by the IASB on January 13, 2016 represents a major revision to account for leases. The standard provides a single lessee accounting model requiring to recognize assets and liabilities for all leases unless the term is twelve months or less, or the underlying asset has a low value. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). These remeasurements will be generally recognized as an adjustment to the right-of-use asset against the lease liability. IFRS 16 applies to reporting period beginning on or after January 1, 2019. Entities can choose to apply the new standard using either a full retrospective or a modified retrospective approach.

  IFRS 16 should significantly impact Rexel's financial situation and performance presentation as the Group entered into lease arrangements for most of its properties including branch network, logistic centers and administrative buildings. The Group has initiated the identification of lease agreements and measurement of lease liabilities and rights to use leased assets within Group entities. In addition, the Group selected an IT system to manage lease arrangements in compliance with IFRS 16 requirements. Rexel expects to complete the implementation of such system in early 2019. When initially applying IFRS 16, the Group has not decided yet whether to apply the full retrospective method or the modified retrospective approach with the cumulative effect recognized at the date of first application, i.e. as of January 1, 2019 with no comparative information for the year ended December 31, 2018.

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

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

- On June 7, 2017, the IFRS Interpretation Committee issued IFRIC Interpretation 23 "Uncertainty over Income Tax Treatments". This interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:
  - whether an entity considers uncertain tax treatments separately,
  - the assumptions an entity makes about the examination of tax treatments by taxation authorities,
  - how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,
  - how an entity considers changes in facts and circumstances.

  IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019, with early application permitted.
- On October 12, 2017, the IASB issued an amendment to IFRS 9 "Prepayment Features with Negative Compensation" to modify the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation.
- On December 12, 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing certain amendments to IFRSs and in particular:
  - IAS 12 "Income Taxes" — The amendments clarify that all income tax consequences of dividend payments should be recognized in profit or loss, regardless of how the tax arises.
  - IAS 23 "Borrowing Costs" — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

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

## 3. | 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 March 31, 2018 and 2017***

| **2018** *(in millions of euros)* | Europe | North America | Asia-Pacific | **Total Operating Segments** | Corporate Holdings and other reconciling items | **Total Group** |
|---|---|---|---|---|---|---|
| **For the period ended March 31,** | | | | | | |
| Sales to external customers | 1,822.4 | 1,071.8 | 284.1 | **3,178.3** | - | **3,178.3** |
| EBITA [(1)] | 97.7 | 31.0 | 3.6 | **132.3** | (6.9) | **125.4** |
| **As of March 31,** | | | | | | |
| Working capital | 761.1 | 660.4 | 157.2 | **1,578.7** | (9.6) | **1,569.1** |
| Goodwill | 2,373.1 | 1,331.4 | 140.9 | **3,845.3** | - | **3,845.3** |

| **2017** [(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 March 31,** | | | | | | |
| Sales to external customers | 1,826.4 | 1,186.5 | 305.4 | **3,318.3** | - | **3,318.3** |
| EBITA [(1)] | 112.3 | 36.1 | (1.5) | **147.0** | (2.1) | **144.8** |
| **As of December 31,** | | | | | | |
| Working capital | 668.7 | 616.9 | 121.3 | **1,406.9** | (36.9) | **1,369.9** |
| Goodwill | 2,377.4 | 1,380.4 | 157.1 | **3,914.9** | - | **3,914.9** |

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

(2) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1).

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 March 31,** **2018** | **2017** [(1)] |
|---|---|---|
| **EBITA** | **125.4** | **144.8** |
| Amortization of intangible assets recognized upon allocation of the acquisition of acquired entities | (4.4) | (4.9) |
| Other income and other expenses | (7.4) | (9.8) |
| Net financial expenses | (24.9) | (33.6) |
| **Net income before tax** | **88.7** | **96.6** |

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1).

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 March 31, 2018 | As of December 2017 [1] |
|---|---|---|
| Working capital | 1,569.1 | 1,369.9 |
| Goodwill | 3,845.3 | 3,914.9 |
| **Total allocated assets & liabilities** | **5,414.4** | **5,284.8** |
| Liabilities included in allocated working capital | 2,633.3 | 2,759.9 |
| Accrued interest receivable | 2.0 | 1.0 |
| Other non-current assets | 1,346.0 | 1,359.7 |
| Deferred tax assets | 68.0 | 96.6 |
| Current tax assets | 39.9 | 48.1 |
| Assets classified as held for sale | 13.5 | - |
| Derivatives | 10.4 | 1.1 |
| Cash and cash equivalents | 394.3 | 563.6 |
| **Group consolidated total assets** | **9,921.9** | **10,114.9** |

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

## 4. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

| *(in millions of euros)* | For the period ended March 31, 2018 | 2017 [1] |
|---|---|---|
| Personnel costs (salaries & benefits) | 406.5 | 418.1 |
| Building and occupancy costs | 69.9 | 73.0 |
| Other external costs | 163.3 | 166.4 |
| Depreciation expense | 24.0 | 24.9 |
| Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities | 4.4 | 4.9 |
| Bad debt expense | 6.2 | 8.4 |
| **Total distribution and administrative expenses** | **674.3** | **695.6** |

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

## 5. | OTHER INCOME & OTHER EXPENSES

| *(in millions of euros)* | For the period ended March 31, 2018 | 2017 |
|---|---|---|
| Gains on disposal of tangible assets | 0.4 | 0.0 |
| Release of unused provisions | 0.4 | 0.1 |
| Other operating income | 0.5 | 0.1 |
| **Total other income** | **1.2** | **0.3** |
| | | |
| Restructuring costs | (6.8) | (7.6) |
| Losses on non-current assets disposed of | (0.2) | (0.2) |
| Asset write-offs | (0.4) | - |
| Acquisition costs | - | (0.1) |
| Litigation costs | - | (1.6) |
| Other operating expenses | (1.3) | (0.5) |
| **Total other expenses** | **(8.6)** | **(10.0)** |

# 6. | NET FINANCIAL EXPENSES

| *(in millions of euros)* | For the period ended March 31, 2018 | 2017 [1] |
|---|---|---|
| Interest income on cash and cash equivalents | 0.3 | 0.0 |
| Interest income on receivables and loans | 0.5 | 0.4 |
| **Financial income** | **0.8** | **0.5** |
| Interest expense on financial debt (stated at amortized cost) | (19.8) | (24.5) |
| Interest gain / (expense) on interest rate derivatives | 1.3 | 1.2 |
| Change in fair value of interest rate derivatives through profit and loss | (0.2) | 0.4 |
| **Financial expense on borrowings** | **(18.7)** | **(22.8)** |
| **Non-recurring redemption costs** | **-** | **(6.7)** [2] |
| *Foreign exchange gain (loss)* | *(8.7)* | *3.1* |
| *Change in fair value of exchange rate derivatives through profit and loss* | *9.2* | *(1.6)* |
| Net foreign exchange gain (loss) | 0.6 | 1.5 |
| Net financial expense on employee benefit obligations | (2.1) | (2.5) |
| Others | (5.5) | (3.6) |
| **Other financial expenses** | **(7.0)** | **(4.6)** |
| **Net financial expenses** | **(24.9)** | **(33.6)** |

(1) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1).

(2) Relating to the early repayment of the 5.250% US$330 million senior notes due 2020.

# 7. | INCOME TAX

Income tax expense for an interim period is calculated based on the average estimated tax rate for the 2018 financial year to the interim income before taxes. The effective tax rate for the period ending March 31, 2018 is 31.6%, compared with 34.7% for the period ended March 31, 2017.

# 8. | 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 March 31, | |
|---|---|---|
| | **2018** | **2017 (2)** |
| ***Net income attributed to ordinary shareholders** (in millions of euros)* | ***60.7*** | ***63.3*** |
| Weighted average number of ordinary shares (*in thousands*) | 301,792 | 301,557 |
| Potential dilutive shares in connection with payments of dividends (in thousands) | - | - |
| Non-dilutive potential shares (in thousands) | 545 | 741 |
| ***Weighted average number of issued common shares adjusted for non - dilutive potential shares (in thousands)*** | ***302,337*** | ***302,298*** |
| **Basic earning per share (in euros)** | **0.20** | **0.21** |
| Dilutive potential shares (in thousands) | 494 | 585 |
| *- of which share options (in thousands)* | - | - |
| *- of which bonus shares (in thousands)* (1) | *494* | *585* |
| ***Weighted average number of common shares adjusted for dilutive potential shares (in thousands)*** | ***302,831*** | ***302,883*** |
| **Fully diluted earnings per share (in euros)** | **0.20** | **0.21** |

(1) 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.

(2) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1).

# 9. | POST-EMPLOYMENT AND LONG-TERM BENEFITS

As of March 31, 2018, 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 March 31, 2018, remeasurement of pension and post-retirement benefits accounted for a gain before tax of €20.0 million was recognized in other comprehensive income (versus a loss of €22.1 million for the period ended March 31, 2017). This gain resulted mainly from the increase in discount rates as of March 31, 2018 as compared to December 31, 2017 such as presented below:

| *Discount rate (in %)* | As of March 2018 | As of December 2017 | As of March 2017 |
|---|---|---|---|
| The United Kingdom | 2.75 | 2.50 | 2.50 |
| Canada | 3.50 | 3.25 | 3.50 |
| Switzerland | 0.75 | 0.50 | 0.50 |

# 10. | FINANCIAL LIABILITIES

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

## 10.1 | Net financial debt

As of March 31, 2018, Rexel's consolidated net debt stood at €2,183.9 million, consisting of the following items:

| | As of March 31, 2018 | | | As of December 31, 2017 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | **Current** | **Non-current** | **Total** | **Current** | **Non-current** | **Total** |
| Senior notes | - | 1,446.1 | 1,446.1 | - | 1,446.6 | 1,446.6 |
| Securitization | 99.4 | 808.3 | 907.7 | - | 1,007.6 | 1,007.6 |
| Bank loans | 12.6 | 1.6 | 14.1 | 12.1 | 1.8 | 13.9 |
| Commercial paper | 89.7 | - | 89.7 | 41.7 | - | 41.7 |
| Bank overdrafts and other credit facilities | 124.4 | - | 124.4 | 100.6 | - | 100.6 |
| Finance lease obligations | 6.4 | 13.4 | 19.8 | 6.2 | 14.3 | 20.5 |
| Accrued interests [(1)] | 17.3 | - | 17.3 | 6.3 | - | 6.3 |
| Less transaction costs | (4.4) | (19.4) | (23.8) | (5.1) | (19.7) | (24.7) |
| **Total financial debt and accrued interest** | ***345.4*** | ***2,249.9*** | ***2,595.2*** | ***161.8*** | ***2,450.5*** | ***2,612.3*** |
| Cash and cash equivalents | | | (394.3) | | | (563.6) |
| Accrued interest receivable | | | (2.0) | | | (1.0) |
| Debt hedge derivatives [(2)] | | | (15.0) | | | (6.5) |
| **Net financial debt** | | | **2,183.9** | | | **2,041.2** |

(1) Of which accrued interests on Senior Notes for €12.8 million as of March 31, 2018 (€2.5 million as of December 31, 2017).

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

### *10.1.1 | Senior notes*

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

| | As of March 31, 2018 | | | | | As of December 31, 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Nominal amount** *(in millions of currency)* | | **Nominal amount** *(in millions of euros)* | Fair value adjust-ments [(1)] | **Total** | **Nominal amount** *(in millions of currency)* | | **Nominal amount** *(in millions of euros)* | Fair value adjust-ments [(1)] | **Total** |
| 3.500% Senior notes due 2023 | EUR | 650.0 | 650.0 | 0.1 | **650.1** | EUR | 650.0 | 650.0 | 0.1 | **650.1** |
| 2.625% Senior notes due 2024 | EUR | 300.0 | 300.0 | (1.8) | **298.2** | EUR | 300.0 | 300.0 | (1.2) | **298.8** |
| 2.125% Senior notes due 2025 | EUR | 500.0 | 500.0 | (2.2) | **497.8** | EUR | 500.0 | 500.0 | (2.4) | **497.6** |
| **TOTAL** | | | 1,450.0 | (3.9) | **1,446.1** | | | 1,450.0 | (3.4) | **1,446.6** |

(1) Adjustment to reflect interest rate fluctuations on the part of the notes hedged through fair value hedge derivatives (see Note 11).

#### *10.1.2 | Securitization programs*

Rexel Group 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 March 31, 2018, Rexel had satisfied all of these covenants. All the programs are on-going programs and therefore are not subject to seasonality other than seasonality arising in the ordinary course of business.

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

| **Program** | **Commitment** | **Amount of receivables assigned as of March 31, 2018** | **Amount drawn down as of March 31, 2018** | **Balance as of March 31, 2018** | **Balance as of December 31, 2017** | **Repayment Date** |
|---|---|---|---|---|---|---|
| | | *(in millions of currency)* | | *(in millions of euros)* | | |
| Europe and Australia | EUR 375.0 | EUR 433.6 | EUR 326.9 | 326.9 | 376.0 | 12/16/2020 |
| Europe | EUR 309.0 | EUR 394.3 | EUR 273.0 | 273.0 | 288.3 | 11/20/2019 |
| United States | USD 515.0 | USD 615.5 | USD 465.1 | 377.5 | 410.1 | 12/20/2019 |
| Canada | CAD 175.0 | CAD 222.3 | CAD 157.9 | 99.4 | 116.4 | 01/18/2019 |
| **TOTAL** | | | | **1,076.7** | **1,190.8** | |
| ***Of which*:** | ***- on balance sheet:*** | | | ***907.7*** | ***1,007.6*** | |
| | ***- off balance sheet :*** | | | ***169.0*** | ***183.3*** | |

These securitization programs pay interest at variable rates including a specific credit spread to each program. As of March 31, 2018, the total outstanding amount authorized for these securitization programs was €1,212.1 million, of which €1,076.7 million were used.

#### *10.1.3 | 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 March 31, 2018, Bank Acceptance Drafts were derecognized from the balance sheet for €10.1 million (€55.9 million as of December 31, 2017).

#### *10.1.4| Factoring arrangements*

In addition to its securitization programs, Rexel entered into factoring agreements in France and Belgium. Under these arrangements, Rexel assigns trade receivables to the factor and receives cash payment for a maximum amount of €95 million. As a result of these arrangements, the Group transfers the credit risk, interest risk and late payment risk to the factor, and remains liable for collecting the receivable on behalf of the factor. As of March 31, 2018, Rexel derecognized the trade receivables sold to the factor for €79.6 million (€73.2 million as of December 31, 2017). Cash collected on behalf of the factor in relation with the transferred receivables was recognized in financial liabilities for €25.8 million as of March 31, 2018 (€25.6 million as of December 31, 2017).

#### 10.1.5| Commercial paper program

Rexel runs a €500 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 March 31, 2018, the company had issued €89.7 million of commercial paper (€41.7 million as of December 31, 2017).

## 10.2 | Change in net financial debt

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

| *(in millions of euros)* | 2018 | 2017 |
|---|---|---|
| **As of January 1,** | **2,041.2** | **2,172.6** |
| Issuance of senior notes net of transaction costs | - | 295.8 |
| Transaction costs and refinancing costs | (1.3) | - |
| Net change in credit facilities, commercial papers and other financial borrowings | 82.9 | 116.8 |
| **Net change in credit facilities** | **81.6** | **412.5** |
| Net change in securitization | (86.9) | (98.2) |
| Net change in finance lease liabilities | (0.6) | (1.6) |
| ***Net change in financial liabilities*** | ***(5.9)*** | ***312.7*** |
| Change in cash and cash equivalents | 170.4 | (56.9) |
| Effect of exchange rate changes on net financial debt | (24.4) | (3.9) |
| Effect of acquisition | 0.0 | - |
| Amortization of transaction costs | 1.1 | 1.6 |
| Non recurring refinancing costs | 1.1 | 6.7 |
| Other changes | 0.4 | 0.6 |
| **As of March 31,** | **2,183.9** | **2,433.4** |

## 10.3 | Liquidity Risk

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

The contractual repayment schedule of financial liabilities is as follows:

| *(in millions of euros)* | As of March 31, | As of December 31, |
|---|---|---|
| ***Due within*** | **2018** | **2017** |
| One year | 349.8 | 166.9 |
| Two years | 272.7 | 638.2 |
| Three years | 543.6 | 379.4 |
| Four years | 1.8 | 1.7 |
| Five years | 1.2 | 0.8 |
| Thereafter | 1,450.0 | 1,450.2 |
| **Total gross financial debt before transaction costs** | **2,619.1** | **2,637.1** |
| Transaction costs | (23.8) | (24.7) |
| **Gross financial debt** | **2,595.2** | **2,612.3** |

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

The Senior Facility Agreement maturity date was extended until January 2023 under the amendment executed on January 31, 2018 (see Note 22.1.1 of the consolidated financial statements as of December 31, 2017. The Senior Facility Agreement provides a five-year multicurrency revolving credit facility for an aggregate maximum available amount of €850 million which can also be drawn down through swingline loans for an aggregate amount of €137.8 million. As of March 31, 2018, this facility was undrawn.

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

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

In addition, the trade accounts payable amounted to €1,949.5 million as of March 31, 2018 (€2,034.8 million as of December 31, 2017) and are due in less than one year.

The Group's liquidity decreased from €1,304.7 million as of December 2017 to €1,062.7 million in excess of €712.9 million compared to €349.8 million expected to be paid within the next twelve months with respect to financial debt repayment schedule.

| *(in millions of euros)* | **As of March 31, 2018** | **As of December 31, 2017** [(1)] |
|---|---|---|
| Cash and cash equivalents ........ | 394.3 | 563.6 |
| Bank overdrafts ........ | (124.4) | (100.6) |
| Commercial paper ........ | (89.7) | (41.7) |
| Undrawn Senior Facility Agreement ........ | 850.0 | 850.0 |
| Bilateral facilities ........ | 32.5 | 33.4 |
| **Liquidity ........** | **1,062.7** | **1,304.7** |

(1) Taking into consideration the amendment of the Senior Facility Agreement executed on January 31, 2018.

# 11. | FAIR VALUE OF FINANCIAL INSTRUMENTS

As of March 31, 2018, the Group held the following classes of financial instruments measured at fair value:

| *(in millions of euros)* | **As of March 31, 2018** | | **As of December 31, 2017** | | |
|---|---|---|---|---|---|
| | **Carrying amount** | ***Fair value*** | **Carrying amount** | ***Fair value*** | **IFRS13 Hierarchy** |
| ***Financial assets*** | | | | | |
| Hedging derivatives ........ | 15,7 | 15,7 | 13,3 | 13,3 | Level 2 |
| Other derivatives ........ | 9,4 | 9,4 | 0,3 | 0,3 | Level 2 |
| ***Financial liabilities*** | - | - | - | - | |
| Senior notes ........ | 1 446,1 | 1 470,3 | 1 446,6 | 1 481,4 | Level 1 |
| Hedging derivatives ........ | 2,9 | 2,9 | 0,1 | 0,1 | Level 2 |
| Other derivatives ........ | 0,5 | 0,5 | 1,2 | 1,2 | 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.

## 12. | SEASONALITY

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

## 13. | LITIGATION

For the period ended March 31, 2018, there was no significant change relating to the litigation disclosed in the financial statements as of December 31, 2017 with a material impact on Rexel's financial position or profitability.

## 14. | EVENTS AFTER THE REPORTING PERIOD

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