



# Financial information

As of December 31, 2013

**REXEL**



Société Anonyme with Management and Supervisory Boards  
with share capital of €1,416,565,690  
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## **Financial information for the year ended December 31, 2013**

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This document is a free translation into English of Rexel's original consolidated financial statements and activity report for the year ended December 31, 2013 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 consolidated financial statements and activity report for the year ended December 31, 2013, the French version will prevail.

# I. Activity report

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# 1. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

## 1.1 | Financial position of the Group

### 1.1.1 | Group Overview

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

In 2013, the Group recorded consolidated sales of €13,011.6 million, of which €7,078.6 million were generated in Europe (55% of sales), €4,441.1 million in North America (34% of sales), €1,196.8 million in Asia-Pacific (9% of sales) and €294.8 million in Latin America (2% of sales).

The Group’s activities in Europe (55% of Group sales) are in France (which accounts for 34% of Group sales in this region), Germany, the United Kingdom, Ireland, Austria, Switzerland, The Netherlands, Belgium, Luxembourg, Sweden, Finland, Norway, Italy, Spain and Portugal, as well as several other Central and Northern European countries (Slovenia, Slovakia, the Czech Republic, Poland, Russia and the Baltic States).

The Group’s activities in North America (34% of Group sales) are in the United States and Canada. The United States accounts for 72% of Group sales in this region, and Canada for 28%.

The Group’s activities in Asia-Pacific (9% of Group sales) are in Australia, New Zealand, China and India, as well as certain countries in Southeast Asia (Indonesia, Malaysia, Singapore, South Korea, Thailand and Vietnam). Australia accounts for 51% of Group sales in this region and China for 31%.

The Group’s activities in Latin America (2% of Group sales) are in Brazil, Chile and Peru. Brazil accounts for 59% of Group sales in this region.

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

### 1.1.2 | Seasonality

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

### 1.1.3 | Impact of changes in copper price

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

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

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

#### **1.1.4/ Comparability of the Group's operating results and adjusted EBITA**

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

##### **Excluding the effects of acquisitions and disposals**

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

##### **Excluding the effects of exchange rate fluctuations**

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

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

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

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

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

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

- On a constant basis, which means excluding the effect of acquisitions and disposals and the effect of fluctuations in exchange rates. Such information is used for comparison of sales and headcount;
- On a constant and same number of working days basis, which means on a constant basis (as described above) and restated for the effect of different numbers of working days in each period. Such information is used only for comparisons related to sales; and
- On a constant basis, adjusted, which means on a constant basis (as described above) and adjusted for the estimated non-recurring effect related to changes in copper-based cable prices. Such information is used for comparisons of gross profit, distribution and administrative expenses, and EBITA. This information is not generated directly by the Group's accounting systems but is an estimate of comparable data in accordance with the principles explained above.

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

<i>(in millions of euros)</i>	Quarter ended December 31,		Period ended December 31,	
	2013	2012	2013	2012
<b>Operating income before other income and other expenses</b>	<b>185.7</b>	<b>202.2</b>	<b>667.2</b>	<b>754.1</b>
Changes in scope of consolidation		2.5		13.1
Foreign exchange effects		(7.1)		(19.0)
Non-recurring effect related to copper	2.0	1.3	15.3	(1.9)
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	3.9	4.0	19.7	13.3
<b>Adjusted EBITA on a constant basis</b>	<b>191.6</b>	<b>202.8</b>	<b>702.2</b>	<b>759.6</b>

## 1.2 | Comparison of financial results as of December 31, 2013 and as of December 31, 2012

### 1.2.1 | Rexel Group's consolidated financial results

The following table sets out Rexel's consolidated income statement for 2013 and 2012, in millions of euros and as a percentage of sales.

REPORTED  (in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
Sales	<b>3,287.7</b>	<b>3,439.8</b>	<b>(4.4)%</b>	<b>13,011.6</b>	<b>13,449.2</b>	<b>(3.3)%</b>
Gross profit	812.4	855.7	(5.1)%	3,188.5	3,315.0	(3.8)%
Distribution and administrative expenses(1)	(622.8)	(649.5)	(4.1)%	(2,501.6)	(2,547.6)	(1.8)%
EBITA	<b>189.7</b>	<b>206.2</b>	<b>(8.0)%</b>	<b>686.9</b>	<b>767.4</b>	<b>(10.5)%</b>
Amortization(2)	(3.9)	(4.0)	(3.6)%	(19.7)	(13.3)	47.8%
Operating income before other income and expenses	<b>185.7</b>	<b>202.2</b>	<b>(8.2)%</b>	<b>667.2</b>	<b>754.1</b>	<b>(11.5)%</b>
Other income and expenses	(51.3)	(37.0)	38.8%	(146.2)	(106.7)	37.0%
Operating income	134.5	165.2	(18.6)%	521.0	647.4	(19.5)%
Financial expenses	(50.0)	(51.1)	(2.2)%	(213.5)	(200.1)	6.7%
Share of income of associates	0.0	1.6	(100.0)%	0.4	3.1	(87.5)%
Income taxes	(24.4)	(33.4)	(27.0)%	(96.9)	(131.7)	(26.4)%
Net income	60.0	82.2	(27.0)%	211.0	318.6	(33.8)%
<i>as a % of sales</i>	1.8%	2.4%		1.6%	2.4%	
(1) Of which depreciation and amortization	(18.5)	(19.4)	(4.7)%	(77.0)	(73.7)	4.5%
(2) Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions.						

CONSTANT BASIS ADJUSTED FINANCIAL DATA  (in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
<b>Sales</b>	<b>3,287.7</b>	<b>3,324.1</b>	<b>(1.1)%</b>	<b>13,011.6</b>	<b>13,415.9</b>	<b>(3.0)%</b>
Gross profit	814.5	830.3	(1.9)%	3,204.7	3,309.8	(3.2)%
<i>Same number of working days</i>						
<i>as a % of sales</i>	24.8%	25.0%		24.6%	24.7%	
Distribution and administrative expenses	(622.9)	(627.5)	(0.7)%	(2,502.5)	(2,550.2)	(1.9)%
<i>as a % of sales</i>	(18.9)%	(18.9)%		(19.2)%	(19.0)%	
EBITA	<b>191.6</b>	<b>202.8</b>	<b>(5.5)%</b>	<b>702.2</b>	<b>759.6</b>	<b>(7.6)%</b>
<i>as a % of sales</i>	5.8%	6.1%		5.4%	5.7%	

### Sales

**In 2013**, Rexel's consolidated sales amounted to €13,011.6 million, as compared to €13,449.2 million in 2012.

On a reported basis, sales were down 3.3% year-on-year, including a negative currency impact of 2.7% and a positive effect from acquisitions of 2.5%.

- The negative impact of currency amounted to €367.9 million, mainly due to the depreciation of the US, Canadian and Australian dollars and the British Pound against the euro.
- The positive effect from acquisitions amounted to €334.6 million and resulted from acquisitions made in 2012, of which Europe for €59.5 million (Société Commerciale Toutelectric (SCT) in France, Wilts Electrical Wholesale in the United Kingdom, La Grange in Belgium and Erka in Spain), North America for €250.6 million (Platt Electric Supply and Munro Distributing in the United States), Asia-Pacific for €11.1 million (Luxlight in Singapore) and Latin America for €13.4 million (Dirome in Peru and Etil in Brazil).

On a constant and same number of working days basis, sales decreased by 2.7%: of which 0.8 percentage point is due to lower copper-based cable prices as compared to 2012. By geography, Europe declined by 4.2%, North America was up by 0.6%, Asia-Pacific posted a drop of 5.4% and in Latin America sales decreased by 0.5%.

On a constant and actual number of working days basis, sales decreased by 3.0% as the calendar impact was negative at 0.3 percentage point.



**In the fourth quarter of 2013**, Rexel's consolidated sales amounted to €3,287.7 million, as compared to €3,439.8 million in 2012.

On a reported basis, sales were down 4.4% year-on-year, including a negative currency impact of -4.0% and a positive contribution from acquisitions of 0.7%.

On a constant and same number of working days basis, sales decreased by 0.9%, reflecting drops in Europe (-1.4%), Asia-Pacific (-1.5%), North America (-0.3%), partially offset by Latin America (+3.5%). Excluding the negative impact of 0.8 percentage point due to the lower copper-based cable prices compared to the fourth quarter of 2012, sales remained essentially stable (-0.1%), on a constant basis and same number of working days basis.

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

	Q1	Q2	Q3	Q4	Year-to-Date
Growth on a constant basis and same number of working days	(3.7)%	(3.3)%	(2.7)%	(0.9)%	(2.7)%
Number of working days effect	(2.7)%	0.3%	1.1%	(0.2)%	(0.3)%
Growth on a constant basis and actual number of working days	(a) (6.4)%	(3.0)%	(1.6)%	(1.1)%	(3.0)%
Changes in scope effect	5.0%	3.6%	0.9%	0.7%	2.5%
Foreign exchange effect	(0.6)%	(1.3)%	(4.8)%	(4.0)%	(2.7)%
<i>Total scope and currency effects</i>	(b) 4.4%	2.3%	(3.9)%	(3.4)%	(0.2)%
Effective growth (a) x (b) (1)	(2.3)%	(0.8)%	(5.4)%	(4.4)%	(3.3)%

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

## Gross profit

In 2013, gross profit amounted to €3,188.5 million, down 3.8% year-on-year, on a reported basis, as compared to €3,315.0 million in 2012.

On a constant basis, adjusted gross profit decreased by 3.2% and adjusted gross margin decreased by 4 basis points to 24.6% of sales, as the continuous implementation of pricing management tools and suppliers relationship development did not fully offset increased pressure from competition and negative impact of the relative weight of projects and countries with lower margin.

In the fourth quarter of 2013, gross profit amounted to €812.4 million, down 5.1% year-on-year, on a reported basis, as compared to €855.7 million in the fourth quarter of 2012.

On a constant basis, in the fourth quarter of 2013 adjusted gross profit decreased by 1.9% and adjusted gross margin decreased by 20 basis points to 24.8% of sales. This decline results primarily from a significant drop (-170bps) in the adjusted gross margin of our Canadian operations, which were adversely affected by a combination of (i) the increased proportion of revenues generated by major photovoltaic projects that carry lower gross margin, (ii) lower rebates from suppliers and increased competitive pressure due to unusually severe weather conditions that affected the market.

## Distribution & administrative expenses

In 2013, distribution and administrative expenses amounted to €2,501.6 million, down 1.8% year-on-year, on a reported basis, as compared to €2,547.6 million in 2012.

On a constant basis, adjusted distribution and administrative expenses decreased by 1.9%, while sales decreased by 3.0% on a constant and actual number of working days basis. Personnel costs decreased by 1.1%, mainly linked to the 1.9% decrease of number of employees as compared to December 31, 2012 (29,851 employees at the end of December 2013, on a full time equivalent basis). Other external expenditures declined by 3.4%.

In the fourth quarter of 2013, distribution and administrative expenses amounted to €622.8 million, down 4.1% year-on-year, on a reported basis, as compared to €649.5 million in the fourth quarter of 2012.

On a constant basis, adjusted distribution and administrative expenses decreased by 0.7%, while sales decreased by 1.1% on a constant and actual number of working days basis.

## **EBITA**

In 2013, EBITA stood at €686.9 million, down 10.5% year-on-year, on a reported basis, as compared to €767.4 million in 2012.

On a constant basis, adjusted EBITA decreased by 7.6% to €702.2 million and adjusted EBITA margin stood at 5.4% of sales, down 26 basis points year-on-year.

In the fourth quarter of 2013, EBITA stood at €189.7 million, down 8.0% year-on-year, on a reported basis, as compared to €206.2 million in the fourth quarter of 2012.

On a constant basis, adjusted EBITA decreased by 5.5% to €191.6 million and adjusted EBITA margin stood at 5.8% of sales, down 27 basis points year-on-year.

## **Other income and expenses**

In 2013, other income and expenses represented a net expense of €146.2 million, consisting mainly of:

- €67.3 million goodwill impairment on the following cash-generating units: The Netherlands for €42.8 million, Brazil for €21.1 million, Slovenia for €2.2 million and Spain for €1.2 million, reflecting the decreasing demand of electrical supplies in these countries;
- €63.6 million restructuring costs incurred in connection with logistic reorganizations and branch closures including €56.8 million for restructuring plans in Europe, mainly in the United-Kingdom, France, Sweden, Germany, Spain and The Netherlands; €4.0 million in North America and €1.9 million in Asia-Pacific.

In 2012, other income and expenses represented a net expense of €106.7 million, consisting mainly of:

- €45.7 million goodwill impairment on the following cash-generating units: The Netherlands for €23.9 million, New Zealand for €20.2 million and Slovenia for €1.6 million;
- €49.9 million restructuring costs mainly related to restructuring plans in Europe for €39.6 million, mainly in the United-Kingdom, Germany, France, Sweden and in The Netherlands; in North America for €5.1 million and in Asia-Pacific for €4.4 million.

## **Net Financial income / (expenses)**

In 2013, net financial expenses stood at €213.5 million, as compared to €200.1 million in 2012, of which €23.5 million was a non-recurring financial expense recognized in 2013 as result of the early repayment of the 8.25% senior notes due 2016. Concurrently with the repayment of the senior notes, Rexel issued €650 million and US\$500 million senior notes due 2020 with coupons of respectively 5.125% and 5.250%. These refinancing transactions were designed to extend maturity of the Group financing and reduce their costs. Excluding the impact of the refinancing, net financial expenses stood at €190.0 million, a 5.0% decrease as compared to 2012, driven by lower effective interest rate partially compensated by an increase in the average net debt. The effective interest rate on net debt was 6.3% in 2013 (7.0% in 2012), as a result of the refinancing and lower nominal interest rates. Effective interest rate calculated on gross debt was 5.4% in 2013 (6.3% in 2012).

## **Share of profit/(loss) of associates**

The share of profit of associates is comprised of DPI, Inc. profits, a US consumer electronics retail distributor. This company has been disposed of on November 27, 2013 under a stock redemption agreement entered into with DPI, Inc. as buyer for a selling price of €10.4 million.

The share of DPI, Inc.'s profit recognized in 2013 was €0.4 million, as compared to €3.1 million in 2012.

## **Tax expense**

In 2013, income tax expense was €96.9 million as compared to €131.7 million in 2012, a 26.4% decrease. This drop is primarily due to the decrease in pre-tax income (from €447.3 million in 2012 to €307.5 million in 2013). The impact of the decrease in pre-tax income was mitigated by the increase in the effective tax rate from 29.4% in 2012 to 31.5% in 2013 as a result of a higher non-deductible goodwill impairment expense (€67.3 million in 2013 as compared to €45.7 million in 2012) and new French tax measures including an increase in the corporate income tax rate from 36.1% to 38.0%.

## **Net income**

As a result of the items described above, net income stood at €211.0 million in 2013, a 33.8% decrease as compared to €318.6 million in 2012.

## 1.2.2 | Europe (55% of Group sales)

REPORTED  (in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
Sales	<b>1,853.0</b>	<b>1,923.0</b>	<b>(3.6)%</b>	<b>7,078.6</b>	<b>7,448.6</b>	<b>(5.0)%</b>
Gross profit	499.1	521.0	(4.2)%	1,897.4	2,015.2	(5.8)%
Distribution and administrative expenses	(363.1)	(372.9)	(2.6)%	(1,442.0)	(1,479.8)	(2.6)%
EBITA	<b>135.9</b>	<b>148.2</b>	<b>(8.3)%</b>	<b>455.5</b>	<b>535.4</b>	<b>(14.9)%</b>
<i>as a % of sales</i>	<i>7.3%</i>	<i>7.7%</i>		<i>6.4%</i>	<i>7.2%</i>	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
<b>Sales</b>	<b>1,853.0</b>	<b>1,898.1</b>	<b>(2.4)%</b>	<b>7,078.6</b>	<b>7,437.8</b>	<b>(4.8)%</b>
<i>Same number of working days</i>			<i>(1.4)%</i>			<i>(4.2)%</i>
Gross profit	500.9	516.3	(3.0)%	1,909.5	2,006.6	(4.8)%
<i>as a % of sales</i>	<i>27.0%</i>	<i>27.2%</i>		<i>27.0%</i>	<i>27.0%</i>	
Distribution and administrative expenses	(363.3)	(367.8)	(1.2)%	(1,442.4)	(1,482.9)	(2.7)%
<i>as a % of sales</i>	<i>(19.6)%</i>	<i>(19.4)%</i>		<i>(20.4)%</i>	<i>(19.9)%</i>	
EBITA	<b>137.7</b>	<b>148.6</b>	<b>(7.3)%</b>	<b>467.1</b>	<b>523.7</b>	<b>(10.8)%</b>
<i>as a % of sales</i>	<i>7.4%</i>	<i>7.8%</i>		<i>6.6%</i>	<i>7.0%</i>	

### Sales

In 2013, sales in Europe amounted to €7,078.6 million, a decrease of 5.0% from 2012, on a reported basis, as compared to €7,448.6 million in 2012.

- Acquisitions accounted for an increase of €59.5 million.
- Exchange rate variations accounted for a decrease of €70.3 million, mainly due to the depreciation of the British Pound against the euro.

On a constant and same number of working days basis, sales decreased by 4.2% from 2012. Excluding the impact of lower photovoltaic sales in 2013 as compared to 2012, sales decreased by 3.9%, on a constant basis and same number of working days.

In the fourth quarter of 2013, sales declined by 3.6% on a reported basis, as compared to €1,923.0 million in the fourth quarter of 2012.

On a constant and same number of working days basis, sales decreased by 1.4% in the fourth quarter of 2013 as compared to the fourth quarter of 2012.

In **France**, sales amounted to €2,423.7 million in 2013, a 2.1% decrease as compared to 2012 on a constant and same number of working days basis, affected by the low level of residential and industrial markets, partly offset by a good performance on large projects in the commercial segment and lighting products.

In the fourth quarter of 2013, sales remained broadly stable at -0.1% from the fourth quarter of 2012, on a constant and same number of working days basis.

In **the United Kingdom**, sales amounted to €950.7 million in 2013, a decrease of 5.8% from 2012 on a constant and same number of working days basis, reflecting the unfavorable impact of branch closures and photovoltaic sales. Excluding these effects, the performance stood at -3.6%.

In the fourth quarter of 2013, sales decreased by 1.9% from the fourth quarter of 2012, on a constant and same number of working days basis, reflecting the unfavorable impact of branch closures. Excluding the unfavorable impact of branch closures, sales grew by 0.7%, reflecting the early sign of economic recovery in the country.

In **Germany**, sales amounted to €804.0 million in 2013, a 6.0% decrease from 2012 on a constant and same number of working days basis. Excluding photovoltaic sales, sales were down 4.5% from 2013 on a constant and same number of working days basis, reflecting a slowdown in the industrial end-market and in residential construction.

In the fourth quarter of 2013, sales declined by 3.9% from the fourth quarter of 2012, on a constant and same number of working days basis. Excluding photovoltaic sales, sales were down 3.3% on the same basis, an improvement from the 7.0% decrease recorded on the third quarter of 2013 versus the third quarter of 2012.

In **Scandinavia** sales amounted to €888.1 million in 2013, a decrease of 3.6% from 2012 on a constant and same number of working days basis, representing a contrasted situation: sales decreased by 15.0% in Finland, reflecting continued challenging macro-economic conditions, while Norway and Sweden posted respectively a -1.8% and +1.1% performance.

In the fourth quarter of 2013, sales increased by 0.9% from the fourth quarter of 2012, on a constant and same number of working days basis with respectively a 6.2% and 3.1% decrease of sales in Norway and Finland while Sweden posted, consecutive for the second quarter, a solid growth at 8.1%.

In **Belgium** and in **The Netherlands**, sales amounted respectively to €300.0 million and €235.3 million in 2013.

Sales in Belgium decreased by 12.7% affected by a drop in photovoltaic sales. Excluding this impact, sales decreased by 6.0%. In the fourth quarter of 2013, sales declined by 6.2% from the fourth quarter of 2012, on a constant and same number of working days basis (-3.9% excluding photovoltaic sales).

Sales in The Netherlands posted a 13.1% decline from 2012 on a constant and same number of working days basis, as a result of difficult market conditions and an ongoing company reorganization process. In the fourth quarter of 2013, sales declined by 12.3% from the fourth quarter of 2012, on a constant and same number of working days basis.

In **Switzerland** and **Austria**, sales amounted respectively to €402.0 million and €309.3 million in 2013. Both countries showed a resilient performance in a difficult European environment and posted respectively a 0.2% decrease and 1.5% decrease from 2012 on a constant and same number of working days basis.

In the fourth quarter of 2013, in Switzerland, sales were up 0.9% from the fourth quarter of 2012, while Austria posted a -1.3% performance, on a constant and same number of working days basis.

In **Southern Europe**, sales amounted to €387.6 million in 2013, a 5.6% decrease from 2012 on a constant and same number of working days basis. This reflects a -1.6% performance in Spain favored by good performance of the overseas operations of the Group's Spanish entities and a 10.6% drop in Italy.

In the fourth quarter of 2013, sales declined by 6.4% on a constant and same number of working days basis from the fourth quarter of 2012, with Spain down by 4.5% and Italy down by 11.0%, impacted by difficult macro-economic conditions.

## **Gross profit**

In 2013, Europe recorded a gross profit of €1,897.4 million, down 5.8% year-on-year, on a reported basis, as compared to €2,015.2 million in 2012.

On a constant basis, adjusted gross profit decreased by 4.8% and adjusted gross margin remained stable at 27.0% of sales thanks to pricing management which compensated for difficult market conditions.

In the fourth quarter of 2013, on a constant basis, adjusted gross profit decreased by 3.0% and adjusted gross margin was 27.0% of sales, a decrease of 17 basis points from the fourth quarter of 2012, mainly due to unfavorable base effect of the fourth quarter of 2012.

## **Distribution & administrative expenses**

In 2013, distribution and administrative expenses amounted to €1,442.0 million, down 2.6% year-on-year, on a reported basis, as compared to €1,479.8 million in 2012.

On a constant basis, adjusted distribution and administrative expenses decreased by 2.7% in 2013, while sales decreased by 4.8% on a constant and actual number of working days basis. Personnel costs decreased by 2.2% as compared to 2012. This decrease is mainly related to a reduction of workforce (16,750 employees at December 31, 2013, a 1.8% decrease compared to December 31, 2012). Other external expenditures decreased by 3.5% as compared to 2012.

In the fourth quarter of 2013, on a constant basis, adjusted distribution and administrative expenses decreased by 1.2%.

## **EBITA**

As a result, EBITA amounted to €455.5 million in 2013, a 14.9% decrease from 2012, on a reported basis, as compared to €535.4 million in 2012.

On a constant basis, adjusted EBITA decreased by 10.8% while the adjusted EBITA margin decreased by 44 basis points to 6.6% of sales.

In the fourth quarter of 2013, on a constant basis, adjusted EBITA decreased by 7.3% and the adjusted EBITA margin decreased by 40 basis points at 7.4% of sales.

### 1.2.3 / North America (34% of Group sales)

REPORTED  (in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
Sales	<b>1,082.6</b>	<b>1,124.2</b>	<b>(3.7)%</b>	<b>4,441.1</b>	<b>4,348.6</b>	<b>2.1%</b>
Gross profit	240.3	253.5	(5.2)%	978.5	945.7	3.5%
Distribution and administrative expenses	(186.6)	(189.4)	(1.5)%	(748.3)	(720.1)	3.9%
EBITA	<b>53.7</b>	<b>64.1</b>	<b>(16.3)%</b>	<b>230.2</b>	<b>225.6</b>	<b>2.0%</b>
<i>as a % of sales</i>	5.0%	5.7%		5.2%	5.2%	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
<b>Sales</b>	<b>1,082.6</b>	<b>1,074.3</b>	<b>0.8%</b>	<b>4,441.1</b>	<b>4,417.6</b>	<b>0.5%</b>
<i>Same number of working days</i>			(0.3)%			0.6%
Gross profit	240.5	241.9	(0.6)%	982.3	969.9	1.3%
<i>as a % of sales</i>	22.2%	22.5%		22.1%	22.0%	
Distribution and administrative expenses	(186.7)	(180.5)	3.4%	(748.7)	(738.4)	1.4%
<i>as a % of sales</i>	(17.2)%	(16.8)%		(16.9)%	(16.7)%	
EBITA	<b>53.8</b>	<b>61.4</b>	<b>(12.3)%</b>	<b>233.5</b>	<b>231.5</b>	<b>0.9%</b>
<i>as a % of sales</i>	5.0%	5.7%		5.3%	5.2%	

### Sales

In 2013, sales in North America amounted to €4,441.1 million, up 2.1% year-on-year, on a reported basis, as compared to €4,348.6 million in 2012.

- The acquisitions of Platt Electric Supply and Munro Distributing in the United States, accounted for €250.6 million increased sales.
- Unfavorable exchange rate variations accounted for €181.6 million, due to the depreciation of both US and Canadian dollars against the euro.

On a constant and same number of working days basis, sales increased by 0.6% in 2013 compared to 2012.

In the fourth quarter of 2013, sales amounted to €1,082.6 million on a reported basis, down 3.7%, as compared to €1,124.2 million in 2012.

On a constant and same number of working days basis, sales remained nearly stable (-0.3%) as compared to the fourth quarter of 2012.

In **the United States**, sales rose to €3,217.4 million in 2013, an increase of 2.1% from 2012 on a constant and same number of working days basis, still impacted by the drop in wind-power activity, due to a change in tax incentives in July 2012. Excluding wind-power activity, sales increased by 3.1% from 2012 on a constant and same number of working days basis. This growth was driven by the residential end- market.

In the fourth quarter of 2013, sales remained nearly stable (+0.4%) as compared to the fourth quarter of 2012, on a constant and same number of working days basis.

In **Canada**, sales amounted to €1,223.7 million in 2013, down by 3.4% from 2012 on a constant and same number of working days basis, mainly due to lower projects.

In the fourth quarter of 2013, sales decreased by 2.3% from the fourth quarter of 2012, on a constant and same number of working days basis.

## Gross profit

In 2013, in North America, gross profit amounted to €978.5 million, up 3.5% year-on-year, on a reported basis, as compared to €945.7 million in 2012.

On a constant basis, adjusted gross profit increased by 1.3% and adjusted gross margin increased by 16 basis points compared with 2012 at 22.1% of sales, driven mainly by better purchasing conditions.

In the fourth quarter of 2013, on a constant basis, adjusted gross profit decreased by 0.6% and adjusted gross margin decreased by 30 basis points as compared to the fourth quarter of 2012 at 22.2% of sales. This decline results primarily from a significant drop (-170bps) in the adjusted gross margin of our Canadian operations, which were adversely affected by a combination of (i) the increased proportion of revenues generated by major photovoltaic projects that carry lower gross margin, (ii) lower rebates from suppliers and increased competitive pressure due to unusually severe weather conditions that affected the market.

## Distribution & administrative expenses

In 2013, distribution and administrative expenses amounted to €748.3 million, up 3.9% year-on-year, on a reported basis, as compared to €720.1 million in 2012.

On a constant basis, adjusted distribution and administrative expenses increased by 1.4% in 2013, as compared to the 0.5% increase in sales on a constant and actual number of working days basis. Personnel costs increased by 2.9% from 2012, partially compensated by a decrease of other external and bad debt expenses as compared to 2012. In addition, the workforce stood at 8,613 employees as of December 31, 2013.

In the fourth quarter of 2013, on a constant basis, adjusted distribution and administrative expenses increased by 3.4%.

## EBITA

As a result, EBITA rose to €230.2 million in 2013, up 2.0% year-on-year, on a reported basis, as compared to €225.6 million in 2012.

On a constant basis, adjusted EBITA rose by 0.9% from 2013 and the adjusted EBITA margin increased by 2 basis points to 5.3% of sales.

In the fourth quarter of 2013, on a constant basis, adjusted EBITA decreased by 12.3% while the adjusted EBITA margin decreased by 74 basis points to 5.0% of sales.



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

REPORTED  (in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
Sales	<b>282.1</b>	<b>315.9</b>	<b>(10.7)%</b>	<b>1,196.8</b>	<b>1,341.9</b>	<b>(10.8)%</b>
Gross profit	57.6	63.6	(9.4)%	244.8	281.2	(13.0)%
Distribution and administrative expenses	(46.5)	(53.1)	(12.4)%	(195.9)	(221.2)	(11.4)%
EBITA	<b>11.2</b>	<b>10.5</b>	<b>5.9%</b>	<b>48.9</b>	<b>60.0</b>	<b>(18.6)%</b>
<i>as a % of sales</i>	<i>4.0%</i>	<i>3.3%</i>		<i>4.1%</i>	<i>4.5%</i>	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
<b>Sales</b>	<b>282.1</b>	<b>285.5</b>	<b>(1.2)%</b>	<b>1,196.8</b>	<b>1,265.7</b>	<b>(5.4)%</b>
<i>Same number of working days</i>			<i>(1.5)%</i>			<i>(5.4)%</i>
Gross profit	57.6	56.8	1.4%	244.8	264.9	(7.6)%
<i>as a % of sales</i>	<i>20.4%</i>	<i>19.9%</i>		<i>20.5%</i>	<i>20.9%</i>	
Distribution and administrative expenses	(46.5)	(47.4)	(1.9)%	(195.9)	(207.0)	(5.4)%
<i>as a % of sales</i>	<i>(16.5)%</i>	<i>(16.6)%</i>		<i>(16.4)%</i>	<i>(16.4)%</i>	
EBITA	<b>11.2</b>	<b>9.4</b>	<b>18.5%</b>	<b>48.9</b>	<b>57.9</b>	<b>(15.5)%</b>
<i>as a % of sales</i>	<i>4.0%</i>	<i>3.3%</i>		<i>4.1%</i>	<i>4.6%</i>	

### Sales

In 2013, sales in Asia-Pacific amounted to €1,196.8 million, down 10.8% year-on-year, on a reported basis, as compared to €1,341.9 million in 2012.

- The acquisition of Luxlight in Singapore contributed €11.1 million,
- Unfavorable exchange rate variation accounted for €87.3 million of the decrease, primarily due to the depreciation of the Australian dollar against the euro.

On a constant and same number of working days basis, sales decreased by 5.4% in 2013.

In the fourth quarter of 2013, on a reported basis, sales declined by 10.7%, as compared to €315.9 million in the fourth quarter of 2012.

On a constant and same number of working days basis, sales decreased by 1.5% from the fourth quarter of 2012.

In **Australia**, sales amounted to €605.1 million, a 12.7% decrease from 2012, on a constant and same number of working days basis. Macro-economic conditions remained difficult and sales were also affected by 7 branch closures and a slowdown in the mining segment. Excluding the unfavorable branch closure effect, sales decreased by 10.4% compared to 2012.

In the fourth quarter of 2013, sales decreased by 8.2% from the fourth quarter of 2012, on a constant and same number of working days basis. Excluding the unfavorable branch closure effect, sales decreased by 7.2% compared to the fourth quarter of 2012.

In **China**, sales amounted to €369.5 million in 2013 and a 4.6% increase compared to 2012, on a constant and same number of working days basis. Sales have been affected by lower wind-power segment sales following the anti-dumping tax that the United States enforced last year. Excluding the wind-power activity, sales grew by 6.1%, on a constant and same number of working days basis compared to 2012.

In the fourth quarter of 2013, China posted a 3.4% increase from the fourth quarter of 2012, on a constant and same number of working days basis.

## Gross profit

In 2013, in Asia-Pacific, gross profit amounted to €244.8 million, down 13.0%, on a reported basis, as compared to €281.2 million in 2012.

On a constant basis, adjusted gross profit decreased by 7.6% from 2012 and adjusted gross margin was 20.5% of sales, a 47 basis points decrease from 2012, mainly due to the increasing portion of zone revenues generated by Asian countries whose gross margin is below the zone average.

In the fourth quarter of 2013, on a constant basis, adjusted gross profit increased by 1.4% and adjusted gross margin was 20.4% of sales, an increase of 53 basis points from the fourth quarter of 2012.

## Distribution & administrative expenses

In 2013, distribution and administrative expenses amounted to €195.9 million, a 11.4% decrease, on a reported basis, as compared to €221.2 million in 2012.

On a constant basis, adjusted distribution and administrative expenses decreased by 5.4% from 2012, while sales decreased by 5.4% on a constant and actual number of working days basis. Personnel costs decreased by 4.1%, although workforce decreased by 1.9% compared to December 31, 2012 (2,705 employees at December 31, 2013). Moreover, other external expenses decreased by 9.5% from 2012.

In the fourth quarter of 2013, on a constant basis, adjusted distribution and administrative expenses decreased by 1.9%, while sales decreased by 1.2% on a constant and actual number of working days basis.

## EBITA

As a result, EBITA amounted to €48.9 million in 2013, down 18.6% year-on-year, on a reported basis, as compared to €60.0 million in 2012.

On a constant basis, adjusted EBITA decreased by 15.5% from 2012. Adjusted EBITA margin decreased by 48 basis points to 4.1% of sales.

In the fourth quarter of 2013, on a constant basis, adjusted EBITA increased by 18.5% while the adjusted EBITA margin increased by 66 basis points to 4.0% of sales.

## 1.2.5 / Latin America (2% of Group sales)

REPORTED  (in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
Sales	<b>69.8</b>	<b>76.7</b>	<b>(9.1)%</b>	<b>294.8</b>	<b>310.0</b>	<b>(4.9)%</b>
Gross profit	15.2	17.2	(11.7)%	67.5	70.9	(4.8)%
Distribution and administrative expenses	(15.7)	(16.5)	(4.4)%	(67.0)	(64.8)	3.4%
EBITA	<b>(0.6)</b>	<b>0.7</b>	<b>(180.5)%</b>	<b>0.5</b>	<b>6.2</b>	<b>(91.1)%</b>
<i>as a % of sales</i>	<i>(0.8)%</i>	<i>0.9%</i>		<i>0.2%</i>	<i>2.0%</i>	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
<b>Sales</b>	<b>69.8</b>	<b>66.2</b>	<b>5.4%</b>	<b>294.8</b>	<b>294.6</b>	<b>0.1%</b>
<i>Same number of working days</i>			3.5%			(0.5)%
Gross profit	15.2	14.9	1.9%	67.9	66.6	1.9%
<i>as a % of sales</i>	21.8%	22.5%		23.0%	22.6%	
Distribution and administrative expenses	(15.7)	(14.2)	10.6%	(67.0)	(60.5)	10.8%
<i>as a % of sales</i>	(22.6)%	(21.5)%		(22.7)%	(20.5)%	
EBITA	<b>(0.5)</b>	<b>0.7</b>	<b>(179.6)%</b>	<b>0.9</b>	<b>6.2</b>	<b>(85.2)%</b>
<i>as a % of sales</i>	<i>(0.8)%</i>	<i>1.0%</i>		<i>0.3%</i>	<i>2.1%</i>	

### Sales

In 2013, sales in Latin America amounted to €294.8 million, down 4.9% from 2012, on a reported basis, as compared to €310.0 million in 2012.

- Peruvian and Brazilian entities acquired in 2012 contributed €13.4 million,
- Exchange rate variation, primarily due to the depreciation of the Brazilian Real against the euro, had a negative impact of €28.8 million.

On a constant and same number of working days basis, sales decreased by 0.5% from 2012. Sales in Brazil (59% of sales in this segment) increased by 4.4%, mainly driven by large customers. Whereas Chilean operations (32% of sales in this segment) posted a 10.0% decrease in sales compared to 2012, due to cyclical sales in mining sector. In addition, sales in Peru (8% of sales in this segment) increased by 8.0%.

In the fourth quarter of 2013, on a reported basis, sales declined by 9.1%, as compared to €76.7 million in the fourth quarter of 2012.

On a constant and same number of working days basis, sales increased by 3.5% from the fourth quarter of 2012. Brazilian sales were stable reflecting a slowdown in the economy, while Chile and Peru posted a good performance, with respectively 7.9% and 9.5% sales growth.

### Gross profit

In 2013, in Latin America, gross profit amounted to €67.5 million, down 4.8% year-on-year, on a reported basis, as compared to €70.9 million in 2012.

On a constant basis, the adjusted gross profit increased by 1.9% from 2012 and adjusted gross margin was 23.0% of sales, an increase of 42 basis points from 2012, positively impacted by lower project activity in Chile, whose margin is lower.

In the fourth quarter of 2013, on a constant basis, adjusted gross profit increased by 1.9% and adjusted gross margin was 21.8% of sales, a 75 basis points decrease from the fourth quarter of 2012.

## Distribution & administrative expenses

In 2013, distribution and administrative expenses amounted to €67.0 million, up 3.4% year-on-year, on a reported basis, as compared to €64.8 million in 2012.

On a constant basis, adjusted distribution and administrative expenses increased by 10.8% from 2012, while sales increased by 0.1% on a constant and actual number of working days. Personnel costs decreased by 0.5% whereas the workforce decreased by 12.6% compared to December 31, 2012 (1,552 employees at December 31, 2013), mainly due to strong salary inflation in Brazil. In addition, distribution costs were incurred to build up a centralized logistic platform in Brazil.

In the fourth quarter of 2013, on a constant basis, adjusted distribution and administrative expenses increased by 10.6%.

## EBITA

As a result, EBITA was €0.5 million in 2013, down 91.1% year-on-year, on a reported basis, as compared to €6.2 million in 2012.

On a constant basis, adjusted EBITA decreased by 85.2% compared to 2012. Adjusted EBITA margin decreased by 178 basis points to 0.3% of sales.

In the fourth quarter of 2013, on a constant basis, adjusted EBITA decreased by 179.6% while the adjusted EBITA margin decreased by 181 basis points to -0.8% of sales.

### 1.2.6/ Other operations

REPORTED  (in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
Sales	<b>0.3</b>	<b>0.0</b>	<b>n.a.</b>	<b>0.3</b>	<b>0.2</b>	<b>30.9%</b>
Gross profit	0.3	0.4	(28.5)%	0.3	1.9	(86.5)%
Distribution and administrative expenses	(10.8)	(17.7)	(39.1)%	(48.5)	(61.7)	(21.5)%
<b>EBITA</b>	<b>(10.5)</b>	<b>(17.4)</b>	<b>(39.3)%</b>	<b>(48.2)</b>	<b>(59.8)</b>	<b>(19.4)%</b>
<i>as a % of sales</i>	<i>n.a.</i>	<i>n.a.</i>		<i>n.a.</i>	<i>n.a.</i>	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change in %	2013	2012	Change in %
<b>Sales</b>	<b>0.3</b>	<b>0.0</b>	<b>n.a.</b>	<b>0.3</b>	<b>0.2</b>	<b>35.3%</b>
<i>Same number of working days</i>			<i>n.a.</i>			<i>35.3%</i>
Gross profit	0.3	0.3	(24.4)%	0.3	1.8	(86.1)%
<i>as a % of sales</i>	<i>n.a.</i>	<i>n.a.</i>		<i>n.a.</i>	<i>n.a.</i>	
Distribution and administrative expenses	(10.8)	(17.6)	(38.7)%	(48.5)	(61.5)	(21.1)%
<i>as a % of sales</i>	<i>n.a.</i>	<i>n.a.</i>		<i>n.a.</i>	<i>n.a.</i>	
<b>EBITA</b>	<b>(10.5)</b>	<b>(17.3)</b>	<b>(39.0)%</b>	<b>(48.2)</b>	<b>(59.6)</b>	<b>(19.2)%</b>
<i>as a % of sales</i>	<i>n.a.</i>	<i>n.a.</i>		<i>n.a.</i>	<i>n.a.</i>	

This segment mostly includes unallocated corporate overhead expenses, which reduced by €11.4 million over last year and by €6.8 million over the fourth quarter of 2012, which included the positive impact of lower share-based expenses.

## 1.3 | Outlook

Depending on the speed and magnitude of the recovery in Europe and in the US non-residential end-market, Rexel aims at delivering in 2014:

- Sales in a range of around 1% below to around 2% above 2013 sales, on a constant and same-day basis,
- Adjusted EBITA margin in a range of around 10bps below to around 20bps above the 2013 margin, consistent with targeted annual operating efficiency ratio of a change of around 10bps in adjusted EBITA margin for each percentage point change in sales,
- Solid free cash-flow, consistent with targeted conversion rate of at least 75% of EBITDA, before interest and tax, and of around 40% of EBITDA, after interest and tax.

As detailed during its Investor Day, held on November 26, 2013, Rexel will remain focused on four business imperatives:

- Accelerate its strategic high-growth initiatives,
- Enhance its customer-centricity model in its mainstream electrical distribution business,
- Boost growth through acquisitions and remain a leading market consolidator,
- Drive operational excellence as an enabler for profitable growth,

and confirms its medium-term ambitions:

- Outperform the market through a combination of organic growth and targeted acquisitions,
- Grow adjusted EBITA margin to around 6.5% within 3 to 5 years,
- Generate strong free cash-flow before interest and tax of at least 75% of EBITDA and after interest and tax of around 40% of EBITDA,
- Maintain a sound and balanced financial structure, with a net-debt-to-EBITDA ratio not exceeding 3 times.

## 2. | LIQUIDITY AND CAPITAL RESOURCES

### 2.1 | Cash flow

<i>(in millions of euros)</i>	Quarter ended December 31,			Period ended December 31,		
	2013	2012	Change	2013	2012	Change
<b>Operating cash flow <sup>(1)</sup></b>	<b>178.7</b>	<b>197.7</b>	<b>(19.0)</b>	<b>674.0</b>	<b>748.5</b>	<b>(74.5)</b>
Interest	(40.3)	(43.6)	3.3	(169.3)	(169.7)	0.4
Taxes	(13.4)	(48.5)	35.1	(94.2)	(143.4)	49.2
Change in working capital requirements	309.5	230.8	78.7	50.6	(37.2)	87.8
<b>Net cash flow from operating activities</b>	<b>434.5</b>	<b>336.4</b>	<b>98.1</b>	<b>461.1</b>	<b>398.2</b>	<b>62.9</b>
<b>Net cash flow from investing activities</b>	<b>(22.9)</b>	<b>(153.6)</b>	<b>130.7</b>	<b>(75.6)</b>	<b>(675.2)</b>	<b>599.6</b>
<i>Including operating capital expenditures <sup>(3)</sup></i>	<i>(24.0)</i>	<i>(29.6)</i>	<i>5.6</i>	<i>(72.1)</i>	<i>(83.8)</i>	<i>11.7</i>
<b>Net cash flow from financing activities</b>	<b>59.8</b>	<b>(131.6)</b>	<b>191.4</b>	<b>279.7</b>	<b>151.1</b>	<b>128.6</b>
<b>Net cash flow</b>	<b>471.3</b>	<b>51.2</b>	<b>420.1</b>	<b>665.2</b>	<b>(125.9)</b>	<b>791.1</b>
<b>Free cash flow:</b>						
Operating cash flow <sup>(1)</sup>	178.7	197.7	(19.0)	674.0	748.5	(74.5)
Change in working capital requirements	309.5	230.8	78.7	50.6	(37.2)	87.8
Adjustment for timing difference in suppliers payments <sup>(2)</sup>	(51.9)	-	(51.9)	(51.9)	-	(51.9)
Operating capital expenditures <sup>(3)</sup>	(24.0)	(29.6)	5.6	(72.1)	(83.8)	11.7
<b>Free cash flow before interest and taxes</b>	<b>412.4</b>	<b>398.9</b>	<b>13.5</b>	<b>600.6</b>	<b>627.5</b>	<b>(26.9)</b>
<b>Free cash flow after interest and taxes</b>	<b>358.7</b>	<b>306.8</b>	<b>51.9</b>	<b>337.2</b>	<b>314.4</b>	<b>22.8</b>
<b>WCR as a % of sales <sup>(4)</sup> at:</b>				<b>December</b>	<b>December</b>	
Reported basis				<b>31, 2013</b>	<b>31, 2012</b>	
Constant basis				10.6%	10.6%	
				11.4%	11.2%	

(1) Before interest, taxes and change in working capital requirements.  
(2) Working capital adjustment to reflect timing difference in supplier payments scheduled on December 31, 2013 and executed on January 2, 2014 for €51.9 million  
(3) Net of disposals.  
(4) Working capital requirements, end of period, divided by last 12-month sales.

#### 2.1.1 | Cash flow from operating activities

Rexel's net cash flow from operating activities amounted to an inflow of €461.1 million in 2013 compared to an inflow of €398.2 million in 2012.

#### Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements decreased from €748.5 million in 2012 to €674.0 million in 2013. This mainly resulted from the €77.2 million decrease in EBITDA from €841.1 million in 2012 to €763.9 million in 2013, primarily as a result of lower sales in 2013 compared to 2012.

#### Interest and taxes

In 2013, Interest paid totaled €169.3 million, stable compared to 2012. The impact of the decrease in the effective interest rate from 7.0% in 2012 to 6.3% in 2013 was offset by: (i) an increase in the average net debt as a result of the financing of the acquisitions completed in the second half of 2012 (Platt and Munro), and (ii) a break out premium received on an interest rate derivative that positively impacted interest paid in 2012.

In 2013, income tax paid was €94.2 million compared to €143.4 million paid in 2012, due to lower income tax installments paid in 2013 based on anticipated lower taxable income.

#### Change in working capital requirements

In 2013, change in working capital requirements accounted for an inflow of €50.6 million compared to an outflow of €37.2 million in 2012. Adjusted for timing difference in supplier payments of €51.9 million, change in working capital requirements improved by €35.9 million as compared to 2012, mainly due to lower change in inventories and trade payables partially offset by lower change in trade receivables.

As a percentage of sales over the last 12 months and adjusted for timing difference in supplier payments, working capital requirements amounted to 10.6% of sales as of December 31, 2013, in line with 2012. On a constant basis, working capital requirements deteriorates by 20 basis points compared to 2012. This increase in working capital requirements is due to a slight increase in the number of days of inventory and in the number of days of sales outstanding, as of December 31, 2013 compared to December 31, 2012.

## 2.1.2/ Cash flow from investing activities

Cash flow from investing activities consisting of acquisitions and disposals of fixed assets, as well as financial investments, amounted to a €75.6 million outflow in 2013, compared to an outflow of €675.2 million in 2012.

<i>(in millions of euros)</i>	Quarter ended December 31,		Period ended December 31,	
	2013	2012	2013	2012
Acquisitions of operating fixed assets	(34.5)	(36.8)	(102.3)	(90.6)
Gain/(loss) on disposal of operating fixed assets	3.0	2.0	22.9	7.1
Net change in debts and receivables on fixed assets	7.5	5.2	7.3	(0.3)
<b>Net cash flow from operating investing activities</b>	<b>(24.0)</b>	<b>(29.6)</b>	<b>(72.1)</b>	<b>(83.8)</b>
Acquisition of subsidiaries, net of cash acquired	(10.2)	(122.5)	(12.7)	(595.6)
Proceeds from disposal of subsidiaries, net of cash disposed of	10.4	-	10.4	-
Dividends received from equity associates	-	1.9	-	3.8
<b>Net cash flow from financial investing activities</b>	<b>0.2</b>	<b>(120.6)</b>	<b>(2.3)</b>	<b>(591.8)</b>
Net change in long-term investments	0.9	(3.4)	(1.0)	0.4
<b>Net cash flow from investing activities</b>	<b>(22.9)</b>	<b>(153.6)</b>	<b>(75.6)</b>	<b>(675.2)</b>

### Acquisitions and disposals of operating fixed assets

Acquisitions of operating fixed assets, net of disposals, accounted for an outflow of €72.1 million in 2013, compared to an €83.8 million outflow in 2012.

In 2013, gross capital expenditures amounted to €102.3 million, i.e. 0.8% of sales for the period (€90.6 million and 0.7% of sales in 2012), of which €44.7 million related to IT systems (€45.5 million in 2012), €22.5 million to branch acquisition and renovation (€24.8 million in 2012), €14.9 million to logistics (€17.0 million in 2012) and €20.2 million to other investments which includes mainly the relocation of Rexel's corporate head office (€3.3 million in 2012). Disposals of fixed assets in 2013 amounted to €22.9 million (€7.1 million in 2012). Net changes in the related payables and receivables amounted to €7.3 million, accounting for a decrease in net capital expenditures for the period (€0.3 million increase for 2012).

### Financial investments

Financial investments resulted in a net cash-out of €2.3 million in 2013 compared to a net outflow of €591.8 million in 2012.

In 2013, acquisitions net of cash of acquired entities accounted for an outflow of €12.7 million. These investments mainly include Rexel Quality Trading Co. Ltd in Thailand and Lenn International Pte Ltd in Singapore.

In 2013, proceeds from disposal of subsidiaries, net of cash disposed of accounted for an inflow of €10.4 million, from the redemption of the Company's shares in DPI Inc. on November 27, 2013.

In 2012, acquisitions resulted in an outflow of €595.6 million. These investments consisted mainly of Platt Electric Supply and Munro Distributing company in the United States, Société Commerciale Toutelectric in France, Liteco in Canada, La Grange in Belgium, Etil in Brazil, Wilts in the United Kingdom, Erka in Spain, Dirome in Peru and Luxlight Pte Ltd in Singapore.

### **2.1.3/ Cash flow from financing activities**

Cash flow from financing activities included mainly changes in indebtedness.

In 2013, cash flow from financing activities reflected additional net inflow of €279.7 million, resulting mainly from the:

- US\$ 500 million and €650 million issuance of senior notes accounting for €1,025.2 million net of transaction costs,
- redemption of the 8.25% senior notes due 2016 for €640.3 million including a redemption premium of €54.0 million,
- decrease in other borrowings amounting to €55.8 million, primarily consisting of the reimbursement of the Senior Credit Agreement for €25.9 million,
- dividend distribution in cash of €53.1 million,
- repayment of financing lease obligation of €48.9 million,
- increase of €16.9 million in assigned receivables with respect to securitization programs

In 2012, cash flow from financing activities reflected additional net inflows of €151.1 million, resulting mainly from the:

- US\$ 500 million issuance of senior notes amounting to €366.2 million net of transaction costs,
- dividend distribution in cash of €143.0 million,
- buy-back of €69.1 million of senior notes due December 15, 2016,
- the acquisition of remaining non-controlling interest of Suzhou Xidian Co. company in China for €22.2 million,
- €14.8 million increase in assigned receivables with respect to securitization programs,
- Increase of financing lease obligation of €9.4 million,
- decrease in other borrowings amounting to €9.1 million, and net purchase of treasury shares of €1.5 million,
- €2.6 million increase in drawings under the senior credit facilities.



## 2.2 | Sources of financing

In addition to the cash from operations, the Group's main sources of financing are bond issuances, securitization programs and multilateral credit lines. At December 31, 2013, Rexel's consolidated net debt amounted to €2,192.0 million, consisting of the following items:

<i>(in millions of euros)</i>	December 31, 2013			December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
Senior notes	-	1,835.6	1,835.6	-	1,504.3	1,504.3
Credit facility	-	-	-	-	25.9	25.9
Securitization	-	1,067.5	1,067.5	351.7	747.8	1,099.5
Bank loans	35.6	19.2	54.8	43.3	16.7	60.0
Commercial paper	119.1	-	119.1	114.8	-	114.8
Bank overdrafts and other credit facilities	54.3	-	54.3	77.6	-	77.6
Finance lease obligations	7.3	24.7	32.0	51.2	31.1	82.3
Accrued interest <sup>(1)</sup>	11.6	-	11.6	9.4	-	9.4
Less transaction costs	(11.2)	(38.8)	(50.0)	(20.5)	(22.6)	(43.1)
<b>Total financial debt and accrued interest</b>	<b>216.7</b>	<b>2,908.2</b>	<b>3,124.9</b>	<b>627.6</b>	<b>2,303.2</b>	<b>2,930.8</b>
Cash and cash equivalents			(957.8)			(291.9)
Debt hedge derivative			25.1			(39.8)
<b>Net financial debt</b>			<b>2,192.0</b>			<b>2,599.2</b>

<sup>(1)</sup> of which accrued interest on Senior Notes in the amount of €4.6 million at December 31, 2013 (€4.5 million at December 31, 2012)

On March 15, 2013, Rexel refinanced its €1,100 million existing revolving credit facilities by entering into a new revolving credit facility agreement. The senior facility agreement provides for a five-year multicurrency revolving credit facility for an aggregate maximum amount of €1.1 billion which can also be drawn down through swingline loans for an aggregate amount of €165 million.

Concurrently with the refinancing of the Senior Facility Agreement, Rexel issued on April 3, 2013, €650 million and US\$500 million of senior unsecured notes due 2020 with coupons of 5.125% and 5.250% respectively.

The notes rank pari passu with Rexel's senior credit facility and other senior unsecured notes.

At December 31, 2013, the Group's liquidity amounted to €1,884.3 million (€1,173.4 million at December 31, 2012).

<i>In million of euros</i>	December 31, 2013	December 31, 2012
Cash and cash equivalents	957.8	291.9
Bank overdrafts	(54.3)	(77.6)
Commercial paper	(119.1)	(114.8)
Undrawn Senior credit agreement	1,100.0	1,074.1
Others	(0.2)	(0.1)
<b>Total</b>	<b>1,884.3</b>	<b>1,173.4</b>

Under the Senior Credit Facility Agreement, Rexel must maintain a leverage ratio below 3.50 times as at December 31 and June 30 of each year.

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

The indebtedness ratio, as calculated under the terms of the senior credit agreement, stood at 2.72x as of December 31, 2013 (vs. 2.95x as of December 31, 2012).

## II. Consolidated financial statements

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## Consolidated Income Statement

		For the year ended December 31,	
(in millions of euros)	Note	2013	2012
Sales	4	13,011.6	13,449.2
Cost of goods sold		(9,823.1)	(10,134.2)
<b>Gross profit</b>		<b>3,188.5</b>	<b>3,315.0</b>
Distribution and administrative expenses	5	(2,521.3)	(2,560.9)
<b>Operating income before other income and expenses</b>		<b>667.2</b>	<b>754.1</b>
Other income	7	11.4	15.9
Other expenses	7	(157.6)	(122.6)
<b>Operating income</b>		<b>521.0</b>	<b>647.4</b>
Financial income		2.5	2.3
Interest expense on borrowings		(167.4)	(178.8)
Refinancing costs	20.1.2	(23.5)	-
Other financial expenses		(25.1)	(23.7)
<b>Net financial expenses</b>	8	<b>(213.5)</b>	<b>(200.1)</b>
Share of profit / (loss) of associates	10.4	0.4	3.1
<b>Net income before income tax</b>		<b>307.9</b>	<b>450.3</b>
Income tax	9	(96.9)	(131.7)
<b>Net income</b>		<b>211.0</b>	<b>318.6</b>
<b>Portion attributable:</b>			
to the Group		210.6	318.1
to non-controlling interests		0.4	0.5
<b>Earnings per share:</b>			
Basic earnings per share (in euros)	17	0.76	1.18
Fully diluted earnings per share (in euros)	17	0.75	1.16

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

# Consolidated Statement of Comprehensive Income

	For the year ended December 31,	
	2013	2012
<i>(in millions of euros)</i>		
<b>Net income</b>	<b>211.0</b>	<b>318.6</b>
<b>Items to be reclassified to profit and loss:</b>		
Net gain / (loss) on net investment hedges	46.4	8.9
Income tax	(13.5)	(2.0)
	32.9	6.9
Foreign currency translation adjustment	(199.8)	2.2
Income tax	6.4	(0.6)
Net gain / (loss) on cash flow hedges	2.3	3.9
Income tax	(1.0)	(0.9)
	1.3	2.8
<b>Items not to be reclassified to profit and loss:</b>		
Remeasurements of net defined benefit liability	103.4	(133.8)
Income tax	(19.6)	22.6
	83.8	(111.1)
<i>Other comprehensive income/(loss) for the period, net of tax</i>	<i>(75.5)</i>	<i>(99.7)</i>
<b>Total comprehensive income for the period, net of tax</b>	<b>135.5</b>	<b>218.9</b>
<b>Portion attributable:</b>		
<i>to the Group</i>	<i>135.5</i>	<i>218.4</i>
<i>to non-controlling interests</i>	<i>-</i>	<i>0.5</i>

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

## Consolidated Balance Sheet

(in millions of euros)	Note	As of December 31,	As of December 31,
		2013	2012
<b>Assets</b>			
Goodwill	10.1	4,111.2	4,369.2
Intangible assets	10.1	1,038.3	1,035.8
Property, plant and equipment	10.2	278.1	282.7
Long-term investments	10.3	51.7	79.5
Investments in associates	10.4	-	10.8
Deferred tax assets	9.2	162.9	171.9
<b>Total non-current assets</b>		<b>5,642.2</b>	<b>5,949.9</b>
Inventories	11.1	1,389.5	1,426.7
Trade accounts receivable	11.2	2,062.8	2,123.9
Current tax assets		18.3	26.1
Other accounts receivable	11.3	467.8	476.4
Assets held for sale	12	3.4	21.2
Cash and cash equivalents	13	957.8	291.9
<b>Total current assets</b>		<b>4,899.7</b>	<b>4,366.2</b>
<b>Total assets</b>		<b>10,541.9</b>	<b>10,316.1</b>
<b>Equity</b>			
Share capital	15	1,416.7	1,359.6
Share premium	15	1,510.8	1,418.3
Reserves and retained earnings		1,287.1	1,331.4
<b>Total equity attributable to equity holders of the parent</b>		<b>4,214.6</b>	<b>4,109.3</b>
Non-controlling interests		10.1	8.3
<b>Total equity</b>		<b>4,224.7</b>	<b>4,117.6</b>
<b>Liabilities</b>			
Interest bearing debt (non-current part)	20	2,908.2	2,303.2
Employee benefits	19	243.4	372.9
Deferred tax liabilities	9.2	172.1	152.3
Provision and other non-current liabilities	18	108.0	101.8
<b>Total non-current liabilities</b>		<b>3,431.7</b>	<b>2,930.1</b>
Interest bearing debt (current part)	20	205.2	618.3
Accrued interest	20	11.6	9.3
Trade accounts payable		2,009.9	1,937.2
Income tax payable		37.2	42.6
Other current liabilities	22	621.6	661.1
<b>Total current liabilities</b>		<b>2,885.5</b>	<b>3,268.5</b>
<b>Total liabilities</b>		<b>6,317.2</b>	<b>6,198.6</b>
<b>Total equity and liabilities</b>		<b>10,541.9</b>	<b>10,316.1</b>

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

## Consolidated Statement of Cash Flows

<i>(in millions of euros)</i>		For the year ended December 31,	
		2013	2012
<b>Cash flows from operating activities</b>			
Operating income		521.0	647.4
Depreciation, amortization and impairment of assets	5 - 7	169.8	133.7
Employee benefits		(24.7)	(37.3)
Change in other provisions		(8.2)	(17.4)
Other non-cash operating items		16.0	22.1
Interest paid		(169.3)	(169.7)
Income tax paid		(94.2)	(143.4)
<b>Operating cash flows before change in working capital requirements</b>		<b>410.4</b>	<b>435.4</b>
Change in inventories		(25.5)	(76.8)
Change in trade receivables		(23.1)	113.7
Change in trade payables		144.1	(55.5)
Changes in other working capital items		(45.0)	(18.6)
<b>Change in working capital requirements</b>		<b>50.6</b>	<b>(37.2)</b>
<b>Net cash from operating activities</b>		<b>461.1</b>	<b>398.2</b>
<b>Cash flows from investing activities</b>			
Acquisition of tangible and intangible assets		(95.2)	(90.9)
Proceeds from disposal of tangible and intangible assets		22.9	7.1
Acquisition of subsidiaries, net of cash acquired	3.1	(12.7)	(595.6)
Proceeds from disposal of subsidiaries, net of cash disposed of	10.4	10.4	-
Change in long-term investments		(1.0)	0.4
Dividends received from associates		-	3.8
<b>Net cash from investing activities</b>		<b>(75.6)</b>	<b>(675.2)</b>
<b>Cash flows from financing activities</b>			
Issuance of capital	15	3.2	2.9
Disposal / (Purchase) of treasury shares		2.2	(1.5)
Acquisition of non-controlling interests		-	(22.2)
Issuance of senior notes net of transaction costs	20.2	1,025.2	366.2
Repayment / Buy-out of senior notes due 2016	20.2	(640.3)	(69.1)
Settlement of interest rate swaps qualified as fair value hedge	20.2	30.4	-
Net change in credit facilities and other financial borrowings	20.2	(55.8)	(6.4)
Net change in securitization	20.2	16.9	14.8
Net change in finance lease liabilities	20.2	(48.9)	9.4
Dividends paid	15	(53.1)	(143.0)
<b>Net cash from financing activities</b>		<b>279.7</b>	<b>151.1</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>665.2</b>	<b>(125.9)</b>
Cash and cash equivalents at the beginning of the period		291.9	413.7
Effect of exchange rate changes on cash and cash equivalents		0.8	4.1
<b>Cash and cash equivalents at the end of the period</b>		<b>957.9</b>	<b>291.9</b>

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

## Consolidated Statement of Changes in Shareholders' Equity

<i>(in millions of euros)</i>		Share capital	Share premium	Retained earnings	Foreign currency translation	Cash flow hedge reserve	Remeasurement of net defined benefit liability	Total attributable to the Group	Non-controlling interests	Total
<b>For the year ended December 31, 2012</b>		Note								
<b>As of January 1, 2012</b>		<b>1,344.1</b>	<b>1,412.2</b>	<b>1,188.0</b>	<b>129.7</b>	<b>(5.8)</b>	<b>(37.8)</b>	<b>4,030.4</b>	<b>11.5</b>	<b>4,041.9</b>
Net income		-	-	318.1	-	-	-	318.1	0.5	318.6
Other comprehensive income		-	-	-	8.6	2.8	(111.1)	(99.7)	-	(99.7)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>318.1</b>	<b>8.6</b>	<b>2.8</b>	<b>(111.1)</b>	<b>218.4</b>	<b>0.5</b>	<b>218.9</b>
Appropriation of net income		-	-	(173.5)	-	-	-	(173.5)	-	(173.5)
Share capital increase		15.5	6.1	11.8	-	-	-	33.4	-	33.4
Share based payments <sup>(1)</sup>		-	-	21.0	-	-	-	21.0	-	21.0
Acquisition of non-controlling interests		-	-	(18.9)	0.5	-	-	(18.4)	(3.7)	(22.1)
Disposal (Purchase) of treasury shares		-	-	(2.0)	-	-	-	(2.0)	-	(2.0)
<b>As of December 31, 2012</b>		<b>1,359.6</b>	<b>1,418.3</b>	<b>1,344.5</b>	<b>138.8</b>	<b>(3.0)</b>	<b>(148.9)</b>	<b>4,109.3</b>	<b>8.3</b>	<b>4,117.6</b>
<b>For the year ended December 31, 2013</b>		Note								
<b>As of January 1, 2013</b>		<b>1,359.6</b>	<b>1,418.3</b>	<b>1,344.5</b>	<b>138.8</b>	<b>(3.0)</b>	<b>(148.9)</b>	<b>4,109.3</b>	<b>8.3</b>	<b>4,117.6</b>
Net income		-	-	210.6	-	-	-	210.6	0.4	211.0
Other comprehensive income		-	-	-	(160.2)	1.3	83.8	(75.1)	(0.4)	(75.5)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>210.6</b>	<b>(160.2)</b>	<b>1.3</b>	<b>83.8</b>	<b>135.5</b>	<b>-</b>	<b>135.5</b>
Appropriation of net income		-	-	(203.1)	-	-	-	(203.1)	(0.1)	(203.2)
Share capital increase		57.1	92.5	4.2	-	-	-	153.8	2.0	155.8
Share based payments <sup>(1)</sup>		-	-	17.2	-	-	-	17.2	-	17.2
Acquisition of non-controlling interests		-	-	0.1	-	-	-	0.1	(0.1)	-
Disposal (Purchase) of treasury shares		-	-	1.8	-	-	-	1.8	-	1.8
<b>As of December 31, 2013</b>		<b>1,416.7</b>	<b>1,510.8</b>	<b>1,375.3</b>	<b>(21.4)</b>	<b>(1.7)</b>	<b>(65.1)</b>	<b>4,214.6</b>	<b>10.1</b>	<b>4,224.7</b>

<sup>(1)</sup> of which €14.4 million (€19.9 million in 2012) free shares expense (see note 16.4) and €2.7 million relating to the tax effect of free shares allocated in the United States (€1.1 million in 2012)

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



# Accompanying Notes

## 1. | GENERAL INFORMATION

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

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

These consolidated financial statements cover the period from January 1 to December 31, 2013, and were authorized for issue by the Management Board on February 6, 2014.

## 2. | SIGNIFICANT ACCOUNTING POLICIES

### 2.1 | Statement of Compliance

The consolidated financial statements (hereafter referred to as “the financial statements”) for the period ending December 31, 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the standards of the International Accounting Standards Board (IASB) which are in force as at December 31, 2013.

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

### 2.2 | Basis of Preparation

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

They are prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading, and financial instruments classified as available-for-sale.

Long-term assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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

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

- Business combinations (notes 2.5 and 3)
- Impairment of intangible assets and goodwill (notes 2.5, 2.8, and 10.1)
- Employee benefits (notes 2.14 and 19)

- Provisions and contingent liabilities (notes 2.16, 18, and 25)
- Measurement of financial instruments (notes 2.10.4 and 21)
- Recognition of deferred tax assets (notes 2.20 and 9)
- Measurement of share-based payments (notes 2.15 and 16)

### **2.2.1 | Changes in accounting policies and amended standards and interpretations**

Effective January 1, 2013, the Group has applied the following new amendments, standards and interpretations previously endorsed by the European Union. Their application has no material effect on the Group's financial statements.

The application of IFRS 10, IFRS 11, IFRS 12 and their subsequent amendments are compulsory for fiscal years starting on January 1, 2014. The Group opted for the early adoption of these standards.

- IFRS 10 "Consolidated Financial Statements" provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation—Special Purpose Entities".
- IFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as was previously the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities that meet definition of a joint venture.
- IFRS 12 "Disclosures of Interests in Other Entities" combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The adoption of these standards did not have any impact on the Group's financial situation as Rexel holds a 100% ownership interest in most of its direct and indirect subsidiaries or has contractually the control over the operations in the rare cases where non-controlling interests are participating in the share capital.

In addition, following the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 27 and IAS 28 have been revised as follows:

- IAS 27 "Separate Financial Statements" now only includes requirements for separate financial statements and is thus no longer applicable to Rexel, and
- IAS 28 "Investments in Associates and Joint Ventures" prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 13 "Fair Value Measurement" defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about its measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. IFRS 13 is applicable for fiscal years starting on January 1, 2013 on prospective basis. As of December 31, 2013, the fair value of derivatives has been adjusted to reflect the credit risk associated to Rexel and its counterparties. This adjustment was estimated based on counterparty credit spreads observed on the market and taking into account a probability of recovery. IFRS 13 also requires specific disclosures on fair values. These disclosures are provided in note 14 and in note 22. As of December 31, 2013, the fair value adjustment related to the non-performance risk according to IFRS 13 guidance was recognized in the income statement for €3.1million after tax (€4.8 million before tax).

The amendment to IFRS 7 "Disclosures - Offsetting Financial Assets and Financial Liabilities" increases disclosures requirements to improve comparability with US GAAP with regard to the set-off of financial instruments.

The amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities" clarifies the requirement for offsetting financial instruments and is applicable for fiscal years starting on January 1<sup>st</sup>, 2013.

Other changes to IFRS issued in 2012 include:

- Amendment to IAS 1 clarifying the requirements for comparative information,
- Amendment to IAS 16 clarifying the classification of servicing equipment, and
- Amendment to IAS 32 clarifying the accounting for the tax effect of distributions to holders of equity instruments.

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

Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting" allows hedge accounting to continue when derivatives are novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met.

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

The following standards and interpretations issued by IASB are not yet approved by the European Union. Except if otherwise noted, their potential impact is currently under review by the Group.

- IFRS 9 "Financial Instruments" aims at replacing IAS 39 "Financial Instruments - Recognition and Measurement". It is a 3-phase project where only phase 1, "Classification and Measurement" was issued. Phase 2, "Impairment Methodology", and phase 3 "Hedge Accounting", have not been issued yet. The endorsement process by the European Union has been placed on hold, pending the completion of the whole project by the IASB.
- Amendment to IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosures" postpones the mandatory application date of IFRS to January 1, 2015 and modifies the requirements on transition disclosures.
- Amendment to IFRS 9 "Hedge Accounting" and amendments to IFRS 9, IFRS 7 and IAS 39 :
  - bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
  - allow the changes to address the "own credit" issue included in IFRS 9 Financial Instruments to be applied in isolation without applying the other changes introduced by IFRS 9 ; and
  - remove the January 1, 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

- IFRIC Interpretation 21 “Levies” clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC Interpretation 21 applies for accounting period starting from January, 1 2014 with retrospective application as of January, 1 2013. In 2013, the Group reviewed the impact of applying IFRIC Interpretation 21 and estimated the adjustment to be an increase in shareholders’ equity of € 2.6 million after tax (€3.9 million before tax) as of January 1, 2013 as a result of a timing difference in the liability recognition. In addition, IFRIC Interpretation 21 prohibits the progressive recognition of a liability for tax levies over the fiscal year and rather requires the one-time recognition of the liability when the obligating event for the payment of the levy is met. As a result of this guidance, the Group expects that 2014 interim financial statements will be impacted by timing differences in the recognition of tax levies due to the adoption of IFRIC Interpretation 21.
- Amendment to IAS 19 “Defined Benefits Plans: Employee Contributions”: the narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Improvements cycles 2010-2012 and 2011-2013, issued in December 2013, include minor changes to several standards. These changes are applicable for annual statements beginning on or after July 1, 2014, or for transactions after that date in limited instances, and are not expected to have any material impact on the Group’s financial statements.

## 2.3 | Basis of Consolidation

The consolidated financial statements include the financial statements for Rexel S.A., parent company of the Group, and its direct and indirect subsidiaries as of December 31, 2013. The subsidiaries (including Special Purpose Entities) are controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

The subsidiaries are fully consolidated from the date on which control is obtained to the date when control ceases. The financial statements for subsidiaries are prepared for the corresponding period to that for the presentation of the Group’s consolidated financial statements using consistent accounting policies. All assets and liabilities, unrealized gains and losses, income and expenses, dividends, and other transactions arising from inter-group transactions are eliminated when preparing the consolidated financial statements.

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

A change to the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. In the event that the Group loses control over a subsidiary, the Group:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary,
- derecognizes the carrying amount of any non-controlling interests,
- reclassifies the foreign currency translation into the net income,
- recognizes the fair value of the consideration received,
- recognizes the fair value of any investment retained,
- recognizes any benefit or deficit in profit or loss, and
- reclassifies components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

## 2.4 | Foreign Currency Translation

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

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

### ***Foreign Currency Transactions***

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate prevailing at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when hedge accounting is applied (see note 2.10.5). Non-monetary assets and liabilities that are measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### ***Foreign Operations***

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

### ***Net Investment in Foreign Operations***

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

### ***Hedge of Net Investment in Foreign Operations***

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

## 2.5 | Intangible Assets

### ***Goodwill***

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at acquisition date as the aggregate of the fair value of the consideration transferred and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interests either at fair value or at the proportionate share of the acquiree's identifiable net assets. The costs of acquisition are recognized as expenses.

Any contingent considerations are recognized at their fair value at the acquisition date. Subsequent changes in the fair value of contingent considerations classified as assets or liabilities are recorded in the income statement.

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

Goodwill is then measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but is tested annually for impairment and as soon as there is an indication that the cash-generating unit may be impaired (the impairment testing policy is described in note 2.8).

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

### ***Other Intangible Assets***

Intangible assets other than goodwill are stated at cost less accumulated amortization (see below) and impairment losses (see note 2.8).

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

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

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

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

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

Computer software purchased for routine processing operations is recognized as an intangible asset. Internally developed software which enhances productivity is capitalized.

### ***Amortization***

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested for impairment at each annual balance sheet date, at least. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment of indefinite useful life for this asset continues to be justified. If not, a change in the useful life assessment from indefinite to finite is made on a prospective basis. Other intangible assets are amortized from the date that they are available for use. Estimated useful lives of capitalized software development costs range from 5 to 10 years.

## **2.6 | Property, Plant and Equipment**

### ***Owned Assets***

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 2.8).

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

### ***Leased Assets***

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

Assets held under finance leases are stated at an amount equal to the fair value of the leased property or, if this is lower, the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see note 2.8). Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital gains arising from the sale and leaseback of property, plant and equipment are recognized in full upon sale when the lease qualifies as an operating lease and the transaction is realized at fair value. They are spread on a straight-line basis over the lease term in case of a finance lease.

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

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

**Depreciation**

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

Land is not depreciated.

The estimated useful lives are as follows:

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

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

**2.7 | Investments in Associates**

Investments in entities over which the Group has a significant influence are accounted for using the equity method.

Interests in associates are initially carried at cost which includes transaction costs.

The consolidated financial statements include the Group's share in the results of operations and other components of the comprehensive income, after taking into account adjustments for homogenization with the Group's accounting policies.

When the Group's share in the losses is greater than the value of their interest in the associate, the carrying amount is reduced to zero and the Group ceases to account for its share in future losses, unless the Group has an obligation to share in the losses.

**2.8 | Impairment**

The carrying amounts of the Group's assets, other than inventories (see note 2.9), trade, and other accounts receivable (see note 2.10.3), and deferred tax assets (see note 2.20), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

The recoverable amount of intangible assets that have an indefinite useful life and of intangible assets that are not yet available for use is estimated annually or as soon as there is an indication of impairment.

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

An impairment loss is recognized whenever the carrying amount of an asset or of its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement (in "Other expenses").

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a *pro rata* basis.

### **Calculation of the Recoverable Amount**

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets) when the effect is material.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group performs impairment tests of goodwill at the country level, which represents the lowest level within the entity at which operations are monitored by management for the purpose of measuring return on investment.

### **Reversal of Impairment Losses**

An impairment loss in respect of a held-to-maturity security or receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

Impairment losses in respect of goodwill may not be reversed.

With respect to other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## **2.9 | Inventories**

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

## **2.10 | Financial assets**

### **2.10.1 | Long-term investments**

Long-term investments principally include investments in non-consolidated companies and other shareholdings, deposits required for operating purposes, and loans.

Investments in non-consolidated companies and other shareholdings are classified as assets available-for-sale and measured at fair value. When fair value is not reliably measurable, investments are stated at cost less impairment losses when necessary. Changes in fair value are recognized in other comprehensive income and transferred to profit or loss when the asset is sold or permanently impaired.

### **2.10.2 | Held for trading instruments**

Financial instruments held for trading mainly include marketable securities and are stated at fair value, with any resulting gain or loss recognized in profit or loss.

The fair value of financial instruments classified as held for trading is their quoted bid price at the balance sheet date. Change in fair value is recognized in profit or loss.



### **2.10.3 | Trade and other accounts receivable**

Trade and other accounts receivable are measured initially at fair value and subsequently measured at amortized cost using the effective interest rate method (see note 2.13) less impairment losses.

Impairment losses from estimated irrecoverable amounts are recognized in the income statement when there is objective evidence that the asset is impaired. The principal factors considered in recognizing these potential impairments include actual financial difficulties or aging of overdue receivables in excess of 30 days.

### **2.10.4 | Derivative financial instruments**

Derivative financial instruments that qualify for hedge accounting according to IAS 39 are classified as hedges. The derivative financial instruments that do not qualify for hedge accounting, although set up for the purpose of managing risk (the Group's policy does not authorize speculative transactions), are designated as and accounted for as trading instruments.

Derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. However, when derivatives qualify for hedge accounting, the recognition of any resulting gain or loss is dependent on the nature of the item being hedged (see note 2.10.5). They are classified as assets or liabilities depending on their fair value.

### **Interest rate & foreign exchange risks**

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. In accordance with Group procedures, derivative financial instruments are not used for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

### **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

Whether a financial instrument is valued using one or the other of these methods is indicated in the summary of financial assets (note 14) and the summary of financial liabilities (note 22).

### **2.10.5 | Hedge accounting**

#### **Cash flow hedges**

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

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

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain (loss) at that point is retained in cash flow hedge reserve and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealized gain (loss) recognized as other comprehensive income is immediately reclassified to profit or loss.

### ***Fair value hedges***

Fair value hedge accounting is used when a derivative financial instrument is designated as a hedge of the variability of the fair value of a recognized asset or liability (or firm commitment), including fixed rate indebtedness such as indexed bonds and other fixed rate borrowings.

The hedging instrument is measured at fair value with changes in fair value recognized in the income statement. The hedged item is remeasured to fair value in respect of the hedged risk. Any resulting adjustment to the carrying amount of the hedged item related to the hedged risk is recognized in the income statement.

### ***Hedge of monetary assets and liabilities denominated in foreign currency***

When a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognized monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognized in profit or loss ("natural hedge").

#### ***2.10.6 | Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and demand deposits with banks and other short-term highly liquid investments subject to an insignificant risk of changes in value.

## **2.11 | Non-current assets held for sale and discontinued operations**

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

## **2.12 | Share capital**

### ***Repurchase of equity instruments***

When an equity instrument is repurchased by the entity, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

### ***Dividends***

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

## 2.13 | Financial liabilities

### ***Interest-bearing borrowings***

Interest-bearing borrowings are recognized initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the proceeds (net of the transaction costs) and redemption value being recognized in the income statement over the period of the borrowings on an effective interest rate basis.

### ***Effective interest rate***

The effective interest rate is the rate that exactly discounts the expected stream of future cash flows through to maturity to the current net carrying amount of the liability on initial recognition. When calculating the effective interest rate of a financial liability, future cash flows are determined on the basis of contractual commitments.

### ***Transaction costs***

Transaction costs are incremental costs that are directly attributable to the issue of the credit line. They include fees and commissions paid to agents and advisers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums, or allocations of internal administrative or overhead expenses.

For financial liabilities that are carried at amortized cost, transaction costs are included in the calculation of amortized cost using the effective interest rate method and, in effect, amortized through the income statement over the life of the instrument.

### ***Net financial debt***

Net financial debt includes interest-bearing borrowings and accrued interest less cash and cash equivalents.

## 2.14 | Employee benefits

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

Long-term benefits include various post-employment benefit schemes operated by Group companies. Some of these schemes are funded by insurance companies or trustee-administered funds in accordance with local regulation.

Post-employment and other long-term benefits include:

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

These benefits are classified as either:

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

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

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

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

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

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

#### ***Other long-term benefits***

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

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

## **2.15 | Share-based payments**

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

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

## **2.16 | Provisions**

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

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

#### ***Provision for restructuring***

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

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Certain restructuring expenses are presented in "Other expenses" (see note 2.18). Restructuring costs principally include personnel costs (severance payments, early retirement costs, notice time not worked), branch closure costs, and indemnities for the breach of non-cancellable agreements.

#### ***Onerous contracts***

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

#### ***Provisions for disputes and litigations***

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

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

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

## **2.17 | Sales**

Revenue arising from the sale of goods is presented in sales in the income statement. Sales are recognized when the significant risks and rewards of ownership have been transferred to the buyer, which usually occurs with the delivery or shipment of the product.

Sales are recognized net of customer rebates and discounts.

The Group may enter into direct sales (as opposed to warehouse sales) whereby the product is sent directly from the supplier to the customer without any physical transfer to and from the Group's warehouse. The Group is acting as principal and therefore recognizes the gross amount of the sale transaction.

## **2.18 | Other income and other expenses**

Operating income and expenses as a result of abnormal or unusual events are included as separate line items "Other income" and "Other expenses". These line items include in particular, irrespective of their amount, gains and losses on asset disposals, asset depreciation, expenses arising from the restructuring or integration of acquired companies, separation costs, acquisition costs from business combinations and other items such as significant disputes. These items are presented separately in the income statement in order to allow Rexel's Management Board, acting as Chief operating decision maker within the meaning of IFRS 8 "Operating Segments", to assess the recurrent performance of the operating segments.

## **2.19 | Financial expenses (net)**

Financial expenses (net) comprise interest payable on borrowings calculated using the effective interest rate method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in profit or loss (see note 2.10.5).

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

## 2.20 | Income tax

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

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

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

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

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

Information as to the calculation of income tax on the profit for the periods presented is included in note 9.

## 2.21 | Segment reporting

In accordance with IFRS 8 “Operating segments”, operating segments are based on the Group's management reporting structure. The information is shown by geographic zone for the electrical equipment distribution business, whereas the other businesses and holding entities are shown separately.

Operations that present substantially similar characteristics are combined as a single segment. Factors considered in identifying such segments include the similarity of economic and political conditions, the proximity of operations, the absence of special risks associated with operations in the various areas where the Group operates and when they have similar long-term financial performance.

Based on this structure, the reportable segments, including the electrical equipment distribution business of the Group, are:

- Europe, aggregating Southern continental Europe, Central and Eastern Europe and Northern Europe,
- North America, aggregating United-States and Canada,
- The Asia-Pacific area,
- Latin America.

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

## 2.22 | Earnings per share

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

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

## 3. | ACQUISITIONS

### 3.1 | 2013 business combinations

As part of Rexel's external growth policy, which aims to strengthen its presence in emerging markets, and improve the offering of its high value-added services, in 2013 the Group completed the following acquisitions in Asia:

- Lenn International Pte Ltd, based in Singapore and operating in South East Asia, was acquired on November 29, 2013. It recorded annual sales of around €18 million in 2012.
- Rexel Quality Trading Co. Ltd, based in Thailand, was created on September 19, 2013 and is 70% held by Rexel South East Asia Pte. Ltd. It acquired the assets of Quality Trading Co., Ltd, Quality Lighting Co., Ltd, QTN Co, Ltd, Quality Trading (Hatyai) Co., Ltd, and QT Lighting Co., Ltd on November 29, 2013. Those entities recorded annual sales of around €37 million in 2012.

The overall consideration paid for these acquisitions was €21.1 million of which €10.9 million was paid in 2013. As these entities do not have a material impact on the Group's financial statements and given their acquisition date late in 2013, they will be consolidated as from January 1, 2014.

In addition, Rexel made some minor business combinations in Central Europe for an aggregated consideration of €1.6 million of which €1.1 million were paid in 2013.

### 3.2 | 2012 business combinations

The Group completed the following acquisitions in 2012:

#### Europe

- *United Kingdom*

Wilts Wholesale Electrical business was acquired on February 24, 2012. The entity, based in Trowbridge (Witshire), recorded annual sales of around €40 million in 2011. This entity has been consolidated starting on March 1, 2012.

- *France*

The business of Société Commerciale Toutelectric (SCT), based in Toulouse, was acquired on April 5, 2012. This entity generated around €72 million of sales in 2012 on an annualized basis and has been consolidated starting on its acquisition date.

- *Spain*

Suministros Electricos Erka S.L., Erka Materiales Electricos S.L. and Erka Bizkaia S.L, based in San Sebastian, were acquired on April 30, 2012. They recorded annual sales of around €35 million in 2011. These companies have been consolidated starting on their acquisition date.

In 2013, the Group finalized the purchase price allocation of Erka, after completion of the identification of the acquired assets. An intangible asset of €19.0 million (€13.7 million, net of tax) was recognized with respect to the rights and benefits attached to an export license. This license is amortized over 6 years. After completion of the purchase price acquisition, Erka's residual goodwill stands at €1.2 million (€13.5 million as of December 31, 2012).

- *Belgium*

L.G.B. NV (La Grange), based in Gent, was acquired on May 31, 2012. It recorded annual sales of around €45 million in 2011. This entity has been consolidated starting on its acquisition date.

### **North America**

- *Canada*

Liteco Inc., operating from 13 branches located in the provinces of New Brunswick, Nova Scotia and Prince Edward Island, was acquired on February 1, 2012. It recorded annual sales of around €50 million in 2011. The company has been consolidated starting on its acquisition date.

- *United States*

On July 2, 2012, the Group completed the acquisition of Platt Electric Supply, a premier independent distributor of electrical products & services in the Western U.S, operating 111 branches located in 7 states and which posted sales of around €310 million in 2011. The Group acquired 100% ownership interest for a total consideration, of €325.7 million (US\$410.0 million). The goodwill recognized on acquisition was €199.3 million. Platt Electric Supply has been consolidated starting on its acquisition date.

On November 30, 2012, the Group completed the acquisition of Munro Distributing Company, a progressive, independent distributor of electrical products and services in the Eastern United States of America and California, specializing in energy efficiency and conservation solutions which posted sales of around €88 million in 2011. The Group acquired a 100% ownership interest for a total consideration, of €114.2 million (US\$147.0 million). As of December 31, 2012, the goodwill was recognised on a provisional basis for €86.6 million (US\$112.4 million), the purchase price allocation being outstanding as of the balance sheet date. In 2013, the Group completed the purchase price allocation and recognized €8.4 million (US\$10.9 million) as distribution network and €17.6 million (US\$22.9 million) as customer relationships, and other minor fair value adjustments on fixed assets and working capital. After completion of the purchase price allocation, the residual goodwill stands at €64.1 million (US\$83.2 million) and is deductible for income tax purposes over a 15-year period. Munro Distributing Company has been consolidated starting on its acquisition date.

### **Asia-Pacific**

- *Singapore*

LuxLight Pte Ltd, based in Singapore and operating in South East Asia, was acquired on November 30, 2012. It recorded annual sales of around €10 million in 2011. This entity has been consolidated starting on January 1, 2013. The consolidation of this entity did not have material impact on the Group's financial statements.

- *China : acquisition of non-controlling interests*

Pursuant to the share purchase agreement dated October 7, 2008 and the supplemental agreement to the Joint Venture Contract for the Establishment of Suzhou Xidian Co., dated March 12, 2011, Rexel acquired the non-controlling interests of Xidian, corresponding to 36.5% of the equity interest. The purchase price amounted to €22.3 million (US\$26.9 million), on July 25, 2012.

This transaction was accounted for as an equity transaction. As a result, the difference between the carrying amount of the non-controlling interests acquired and the consideration paid was recognized directly as a decrease of the Group shareholders' equity for €19.1 million.



## Latin America

- *Brazil*

Etil Comercio de Material Electrico Ltda, based in São Paulo, was acquired on February 3, 2012. It recorded annual sales of around €40 million in 2011. The company has been consolidated starting on April 1, 2012.

- *Peru*

Distribudora Romero S.L., operating in Peru, was acquired on July 31, 2012. It recorded annual sales of around €10 million in 2011. This entity has been consolidated starting on October 1, 2012.

The table below shows the consideration allocated to identifiable assets and liabilities for the entities acquired in 2012 and those acquired in late 2011 that were consolidated as of January 1, 2012, such as disclosed in note 3.1 in the financial statements as of December 31, 2011:

- Delamano Soluções EM MRO Ltda and Delamano Montagens e Instalações Industriais Ltda, based in Santo André in the state of São Paulo (Brazil)
- V&F Tecnologia Comercial SAC, based in Lima (Peru)
- Eurodis Sécurité and Eurobat, based in France.

Status of 2012 acquisition as at December 31, 2013 (in millions of)	<u>Platt</u>		<u>Munro</u> <sup>(2)</sup>		<u>Others</u>	<u>TOTAL</u>
	(USD)	(euros)	(USD)	(euros)	(euros)	(euros)
Distribution networks .....	57.7	45.8	10.9	8.4	-	54.2
Customer relationship.....	61.6	48.9	23.0	17.7	8.7	75.3
Other fixed assets .....	6.3	5.0	1.0	0.7	34.7	40.4
Other non current assets.....	0.1	0.1	6.0	4.6	(0.7)	4.0
Current assets.....	123.9	98.4	38.0	29.3	111.0	238.6
Financial debt.....	-	-	0.8	0.6	(23.6)	(23.0)
Other non current liabilities.....	(37.5)	(29.8)	(0.0)	(0.0)	(5.6)	(35.4)
Current liabilities.....	(53.0)	(42.1)	(14.6)	(11.2)	(52.2)	(105.6)
<b>Net asset acquired (except goodwill acquired).....</b>	<b>159.1</b>	<b>126.3</b>	<b>65.0</b>	<b>50.1</b>	<b>72.2</b>	<b>248.6</b>
Goodwill acquired .....	250.9	199.3	83.2	64.1	126.1	389.5
<b>Consideration transferred.....</b>	<b>410.0</b>	<b>325.7</b>	<b>148.3</b>	<b>114.2</b>	<b>198.3</b>	<b>638.1</b>
Cash acquired .....	-	-	(0.0)	(0.0)	(3.8)	(3.8)
Deferred payments.....	-	-	-	-	(1.5)	(1.5)
<b>Net cash paid for acquisitions.....</b>	<b>410.0</b>	<b>325.7</b>	<b>148.2</b>	<b>114.2</b>	<b>193.0</b>	<b>632.9</b>
					-	-
Payments in 2012..... <sup>(1)</sup>	(410.0)	(325.7)	(147.0)	(113.2)	(156.2)	(595.0)
Payments in 2011..... <sup>(1)</sup>	-	-	-	-	(32.8)	(32.8)
<b>Net cash flow for the 2013 period .....</b>	<b>-</b>	<b>-</b>	<b>1.3</b>	<b>1.0</b>	<b>4.1</b>	<b>5.1</b>

<sup>(1)</sup> converted at the exchange rate on the acquisition date

<sup>(2)</sup> Munro purchase plan allocation has been finalized in 2013 (see comments above)

The amount of fees associated with these acquisitions totaled €8.7 million, of which €6.4 million (€1.0 million for Platt Electric Supply and €1.0 million for Munro) was incurred during the period ended December 31, 2012.

For the period ended December 31, 2012, the contribution of the entities newly consolidated in 2012 to the Group's sales and operating income amounts approximately to €509.9 million and €12.0 million respectively.

Had these acquisitions been consolidated from January 1<sup>st</sup>, 2012, the income statement would have included sales of €792.3 million and operating income of €17.2 million on a yearly basis.

## 4. | SEGMENT REPORTING

In 2013, the Group made minor changes in its organization. Some insignificant non-operational entities were reclassified from the “Europe” segment under the heading “Corporate Holdings and other reconciling items”.

### Information by geographic segment for the periods ending December 31, 2013 and 2012

2013 (in millions of euros)	Europe	North America	Asia-Pacific	Latin-America	Total Operating Segments	Corporate Holdings and other reconciling items	Total Group
<b>Income statement items</b>							
Sales to external customers..... <sup>(2)</sup>	7,078.6	4,441.1	1,196.8	294.8	13,011.3	0.3	13,011.6
Depreciation.....	(50.4)	(16.5)	(5.4)	(2.0)	(74.3)	(2.8)	(77.0)
EBITA ..... <sup>(1)</sup>	455.5	230.2	48.9	0.5	735.1	(48.2)	686.9
Goodwill impairment.....	(46.2)	-	-	(21.1)	(67.3)	-	(67.3)
<b>Cash flow statement item</b>							
Capital expenditures net of disposals....	(31.3)	(19.0)	(5.1)	(2.4)	(57.8)	(14.5)	(72.2)
<b>Balance sheet items</b>							
Working capital.....	610.5	509.5	141.7	46.9	1,308.6	(17.8)	1,290.8
Goodwill.....	2,619.6	1,230.0	224.7	37.0	4,111.2	-	4,111.2
<hr/>							
2012 (in millions of euros)	Europe	North America	Asia-Pacific	Latin-America	Total Operating Segments	Corporate Holdings and other reconciling items	Total Group
<b>Income statement items</b>							
Sales to external customers..... <sup>(2)</sup>	7,448.6	4,348.6	1,341.9	310.0	13,449.0	0.2	13,449.2
Depreciation.....	(48.3)	(16.4)	(5.5)	(1.5)	(71.7)	(2.0)	(73.7)
EBITA ..... <sup>(1)</sup>	535.4	225.6	60.0	6.2	827.2	(59.8)	767.4
Goodwill impairment.....	(25.5)	-	(20.2)	-	(45.7)	-	(45.7)
<b>Cash flow statement item</b>							
Capital expenditures net of disposals....	(53.0)	(14.8)	(7.1)	(4.6)	(79.5)	(4.3)	(83.8)
<b>Balance sheet items</b>							
Working capital.....	734.9	496.0	173.6	50.2	1,454.7	(26.1)	1,428.6
Goodwill.....	2,714.9	1,340.0	248.0	66.3	4,369.2	-	4,369.2

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

<sup>(2)</sup> Of which €2,423.7 million generated in France in 2013 (€2,484.6 million in 2012)

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 December 31,	
	2013	2012
<b>EBITA - Total Group.....</b>	<b>686.9</b>	<b>767.4</b>
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities.....	(19.7)	(13.3)
Other income and other expenses.....	(146.2)	(106.7)
Net financial expenses.....	(213.5)	(200.1)
Share of profit/(loss) of associates.....	0.4	3.1
<b>Group consolidated income before income tax.....</b>	<b>307.9</b>	<b>450.3</b>

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

<i>(in millions of euros)</i>	As of December 31, <b>2013</b>	As of December 31, <b>2012</b>
Working capital.....	1,290.8	1,428.5
Goodwill.....	4,111.2	4,369.2
<b>Total allocated assets &amp; liabilities .....</b>	<b>5,402.0</b>	<b>5,797.7</b>
Liabilities included in allocated working capital.....	2,629.1	2,590.0
Other non-current assets.....	1,368.1	1,408.8
Deferred tax assets.....	162.9	171.9
Current tax assets .....	18.3	26.1
Other current assets.....	-	0.4
Assets classified as held for sale.....	3.4	21.2
Derivatives.....	0.3	8.1
Cash and cash equivalents .....	957.8	291.9
<b>Group consolidated total assets.....</b>	<b>10,541.9</b>	<b>10,316.1</b>

## 5. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

<i>(in millions of euros)</i>	For the year ended December 31,	
	<b>2013</b>	<b>2012</b>
Personnel costs (salaries & benefits) .....	1,518.9	1,535.0
Building and occupancy costs .....	270.1	269.5
Other external costs .....	601.4	622.3
Depreciation expense .....	77.0	73.7
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities .....	19.7	13.3
Bad debt expense .....	34.2	47.1
<b>Total distribution and administrative expenses .....</b>	<b>2,521.3</b>	<b>2,560.9</b>

## 6. | SALARIES & BENEFITS

<i>(in millions of euros)</i>	For the year ended December 31,	
	<b>2013</b>	<b>2012</b>
Salaries and social security charges .....	1,452.5	1460.7
Share-based payments .....	14.4	19.9
Pension and other post-retirement benefits-defined benefit plans .....	12.7	10.8
Other employee expenses .....	39.3	43.5
<b>Total employee expenses .....</b>	<b>1,518.9</b>	<b>1535.0</b>

## 7. | OTHER INCOME & OTHER EXPENSES

<i>(in millions of euros)</i>	For the year ended December 31,	
	2013	2012
Gains on disposal of tangible assets .....	2.9	2.3
Write-back asset impairment .....	0.8	0.1
Release of unused provisions .....	2.8	11.7
Gains on earn-out .....	0.2	-
Other operating income .....	4.7	1.8
<b>Total other income .....</b>	<b>11.4</b>	<b>15.9</b>
Restructuring costs .....	(63.6)	(49.9)
Losses on non-current assets disposed of .....	(4.6)	(2.2)
Impairment of goodwill and fixed assets .....	(74.0)	(46.8)
Acquisition related costs .....	(2.5)	(7.8)
Losses on earn-out .....	-	(2.3)
Other operating expenses .....	(12.9)	(13.6)
<b>Total other expenses .....</b>	<b>(157.6)</b>	<b>(122.6)</b>

### 7.1 Other Income

#### Release of unused provisions

In 2013, there was no significant transaction under this caption.

In 2012, this line item mainly includes the release of a provision of €7.8 million on a tax reassessment with respect to the deduction of VAT related to services rendered by the investment funds, at the time of Rexel's LBO. The Group filed a claim to the Administrative Court, which dismissed the French tax authority from its request.

#### Other operating income

In 2013, a settlement gain of €4.4 million has been recognized following the wind-up of the Irish defined benefit pension scheme and the implementation of a defined contribution plan (see note 19.4).

### 7.2 Other expenses

#### Restructuring costs

In 2013, restructuring costs were mainly related to the rationalization of logistics and branch closures of which restructuring plans in Europe for €56.8 million (€39.6 million in 2012), mainly in the United-Kingdom, France, Sweden, Germany, Spain and in The Netherlands; in North America for €4.0 million (€5.1 million in 2012) and in Asia-Pacific for €1.9 million (€4.4 million in 2012).

#### Goodwill and assets impairment

In 2013, the Group recognized a goodwill impairment expense of €67.3 million, of which €42.8 million attributable to The Netherlands, €21.1 million to Brazil, €2.2 million to Slovenia and €1.2 million to Spain (see note 10.1) reflecting the decreasing demand of electrical supply in these countries. In addition, assets were written down for €6.6 million, mainly IT assets as a result of a reorganization process in The Netherlands.

In 2012, impairment on goodwill was recognized on the following cash-generating units: The Netherlands for €23.9 million, New Zealand for €20.2 million and Slovenia for €1.6 million.

### Other operating expenses

In 2013, other operating expenses mainly include (i) €4.7 million litigation costs primarily with customers in Canada and Germany; (ii) sales tax reassessments in Canada for €2.5 million; (iii) the termination of senior executive contracts in Brazil for €0.9 million; and (iv) corporate headquarters relocation expenses for €1.4 million.

In 2012, other operating expenses mainly included (i) the cost of indemnities for termination of employee contracts for €4.8 million, (ii) the early settlement of incentive schemes granted to prior owners of Nortel in Brazil for €1.6 million, (iii) tax reassessments from French tax authorities regarding salaries tax and property tax for respectively €1.3 million and €1.1 million and (iv) the settlement of claim from previous owner of Gexpro in the United-States for €1.0 million.

## 8. | NET FINANCIAL EXPENSES

<i>(in millions of euros)</i>	For the year ended December 31,	
	2013	2012
Interest income on cash and cash equivalents .....	1.8	0.7
Interest income on receivables and loans .....	0.7	1.6
<b>Financial income</b> .....	<b>2.5</b>	<b>2.3</b>
Interest expense on financial debt (stated at amortized cost).....	(177.2)	(182.6)
Gains and losses on derivative instruments previously deferred in other comprehensive income and recycled in the income statement.....	1.4	(5.6)
Foreign exchange gain (loss) .....	0.5 <sup>(2)</sup>	(8.6)
Change in fair value of exchange rate derivatives through profit and loss..	(2.6)	8.8
Change in fair value of interest rate derivatives through profit and loss ...	10.4	9.2
<b>Interest expense on borrowings</b> .....	<b>(167.5)</b>	<b>(178.8)</b>
<b>Non-recurring refinancing costs</b> .....	<b>(23.5)</b> <sup>(1)</sup>	-
Net financial expense on employee benefit obligations.....	(13.0)	(11.8)
Others.....	(12.1)	(11.9)
<b>Other financial expenses</b> .....	<b>(25.1)</b>	<b>(23.7)</b>
<b>Financial expenses (net)</b>	<b>(213.5)</b>	<b>(200.1)</b>

<sup>(1)</sup> Loss related to the refinancing transactions such as disclosed in note 20.1.2 including the redemption premium, and the write-back of transaction fees after deducting fair value hedge adjustments.

<sup>(2)</sup> Including a gain of €2.0 million related to the impact of Rexel KK liquidation and the recycling of foreign currency adjustments from equity to financial expenses.

## 9. | INCOME TAX

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

### 9.1 | Income tax expense

	For the year ended December 31,	
	2013	2012
(in millions of euros)		
Current tax .....	(99.3)	(119.4)
Prior year adjustments on current income tax .....	(1.0)	(0.8)
Deferred tax .....	3.4	(11.5)
<b>Total income tax expense .....</b>	<b>(96.9)</b>	<b>(131.7)</b>

### 9.2 | Deferred tax assets and liabilities

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

	2013	2012
(in millions of euros)		
<b>Net deferred tax at the beginning of the year .....</b>	<b>19.6</b>	<b>42.1</b>
Deferred tax income (expense) .....	3.4	(11.5)
Other comprehensive income .....	(34.1)	21.8
Change in consolidation scope .....	(5.2)	(30.1)
Translation differences .....	2.7	(0.2)
Other changes .....	4.4	(2.4)
<b>Net deferred tax at the end of the year .....</b>	<b>(9.2)</b>	<b>19.6</b>

<sup>(1)</sup> Including the tax impact of the remeasurement of net defined benefit plans liability that accounted for a loss of €19.6 million in 2013 (a gain of €22.6 million in 2012).

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

	As of December 31,	
	2013	2012
(in millions of euros)		
Intangible assets .....	(312.7)	(314.2)
Property, plant and equipment .....	(1.8)	3.5
Financial assets .....	10.7	10.2
Trade accounts receivable .....	22.2	21.8
Inventories .....	14.4	13.0
Employee benefits .....	87.8	122.6
Provisions .....	7.1	6.8
Financing fees .....	(8.0)	2.3
Other items .....	25.8	13.3
Tax losses carried forward .....	316.4	327.2
<b>Deferred tax assets / (liabilities), net</b>	<b>161.9</b>	<b>206.5</b>
Valuation allowance on deferred tax assets .....	(171.1)	(186.8)
<b>Net deferred tax assets / (liabilities)</b>	<b>(9.2)</b>	<b>19.7</b>
of which deferred tax assets	162.9	171.9
of which deferred tax liabilities	(172.1)	(152.3)

A valuation allowance on deferred tax assets of €171.1 million was recognized as of December 31, 2013 (€186.8 million as of December 31, 2012), as a result of the recoverability assessment of the net deferred tax assets by each tax entity. The recoverable amount is based on the expected taxable profits over the next 5 years as well as risks arising from notified tax reassessments and contested by the Group. As of December 31, 2013, deferred tax assets arising on tax losses carried forward that are not expected to be used within five years were subject to a valuation allowance mostly in the United Kingdom, France, Germany, Brazil and Spain. The expiry date of such tax losses carried forward is as follows:

	As of December 31,	
	2013	2012
One year .....	9.0	12.0
Two years.....	4.7	5.0
Three years.....	3.1	3.0
Four years.....	4.4	4.0
Five years.....	5.6	6.0
Thereafter.....	502.2	494.0

### 9.3 | Effective tax rate

(in millions of euros)

	2013		2012	
Income before tax and before share of profit in associates .....	307.5		447.3	
French legal tax rate .....	38.0%		36.1%	
Income tax calculated at the legal tax rate .....	(116.9)		(161.5)	
Differences of tax rates between french and foreign jurisdictions ..... <sup>(1)</sup>	31.0	(10.1%)	32.7	(7.3%)
Changes in tax rates .....	(5.6)	1.8%	(4.2)	0.9%
(Current year losses unrecognized), prior year losses utilized .....	(4.0)	1.3%	(1.3)	0.3%
(Non-deductible expenses), tax exempt revenues .....	(1.4)	0.5%	2.6	(0.6%)
<b>Actual income tax expense</b>	<b>(96.9)</b>	<b>31.5%</b>	<b>(131.7)</b>	<b>29.4%</b>

<sup>(1)</sup> Mainly arising from lower legal tax rate in Australia, Austria, Canada, Ireland, the United-Kingdom, Switzerland, and in The Netherlands.

In 2013, non-deductible expenses and tax exempt revenues include the tax impact of a deductible liquidation loss of a dormant subsidiary in Ireland of €13.2 million, mainly offset by the tax impact of non-deductible goodwill impairment expenses for a negative amount of €18.8 million.

In 2012, non-deductible expenses and tax exempt revenues included a release of provision of €15.3 million in connection with the dismissal by Administrative Court of a tax reassessment, partially offset by the tax effect of goodwill impairment for an amount of €11.9 million.

## 10. | LONG-TERM ASSETS

### 10.1 | Goodwill and intangible assets

<i>(in millions of euros)</i>	Strategic partnerships	Distribution networks	Software and intangible assets with finite useful lives <sup>(1)</sup>	Total intangible assets	Goodwill
<b>Gross carrying amount as of January 1, 2012 .....</b>	<b>185.6</b>	<b>608.1</b>	<b>402.7</b>	<b>1,196.4</b>	<b>4,211.4</b>
Effect of acquisitions and divestitures .....	-	45.8	59.7	105.5	405.6
Additions .....	-	-	32.2	32.2	-
Disposals .....	-	-	(4.9)	(4.9)	-
Exchange differences .....	-	0.7	(2.6)	(1.9)	9.1
Other changes .....	-	-	-	-	(0.3)
<b>Gross carrying amount as of December 31, 2012 .....</b>	<b>185.6</b>	<b>654.6</b>	<b>487.1</b>	<b>1,327.3</b>	<b>4,625.8</b>
Effect of acquisitions and divestitures .....	-	8.4	37.2	45.6	(21.5)
Additions .....	-	-	34.6	34.6	-
Disposals .....	-	-	(10.1)	(10.1)	-
Exchange differences .....	-	(24.4)	(20.1)	(44.5)	(176.0)
Other changes .....	-	-	2.0	2.0	-
<b>Gross carrying amount as of December 31, 2013 .....</b>	<b>185.6</b>	<b>638.6</b>	<b>530.7</b>	<b>1,354.9</b>	<b>4,428.3</b>
<b>Accumulated amortization and depreciation as of January 1, 2012 .....</b>	<b>-</b>	<b>(5.8)</b>	<b>(254.9)</b>	<b>(260.7)</b>	<b>(209.2)</b>
Change in consolidation scope .....	-	-	(2.6)	(2.6)	-
Amortization expense .....	-	-	(32.5)	(32.5)	-
Impairment losses .....	-	-	(0.7)	(0.7)	(45.7)
Decrease of amortization .....	-	-	3.5	3.5	-
Exchange differences .....	-	-	1.1	1.1	(1.7)
Other changes .....	-	-	0.4	0.4	-
<b>Accumulated amortization and depreciation as of December 31, 2012 ..</b>	<b>-</b>	<b>(5.8)</b>	<b>(285.7)</b>	<b>(291.5)</b>	<b>(256.6)</b>
Change in consolidation scope .....	-	-	2.6	2.6	-
Amortization expense .....	-	-	(41.3)	(41.3)	-
Impairment losses .....	-	-	(5.4)	(5.4)	(67.3)
Decrease of amortization .....	-	-	8.6	8.6	-
Exchange differences .....	-	-	11.1	11.1	6.8
Other changes .....	-	-	(0.6)	(0.6)	-
<b>Accumulated amortization and depreciation as of December 31, 2013 ..</b>	<b>-</b>	<b>(5.8)</b>	<b>(310.7)</b>	<b>(316.5)</b>	<b>(317.1)</b>
<b>Carrying amount as of January 1, 2012</b>	<b>185.6</b>	<b>602.3</b>	<b>147.8</b>	<b>935.7</b>	<b>4,002.2</b>
<b>Carrying amount as of December 31, 2012</b>	<b>185.6</b>	<b>648.8</b>	<b>201.4</b>	<b>1,035.8</b>	<b>4,369.2</b>
<b>Carrying amount as of December 31, 2013</b>	<b>185.6</b>	<b>632.8</b>	<b>220.0</b>	<b>1,038.3</b>	<b>4,111.2</b>

(1) Including customer relationships for a net book value of €69.5 million as of December 31, 2013 (€67.2 million as of December 31, 2012).

(2) Goodwill impairment in The Netherlands, New Zealand and Slovenia. Assets impairment in Spain

(3) Goodwill & IT assets impairment in The Netherlands, Brazil, Slovenia and Spain



Impairment testing of goodwill and intangibles with indefinite lives

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

For the requirements of impairment testing, goodwill and other intangible assets (strategic partnerships and distribution networks) with an indefinite life have been allocated to the following cash-generating units:

(in millions of euros)

CGU	Geographic segment	As of December 31, 2013			As of December 31, 2012		
		Goodwill	Other intangible assets <sup>(1)</sup>	Total	Goodwill	Other intangible assets <sup>(1)</sup>	Total
France	Europe	968.4	169.4	1,137.8	966.3	169.4	1,135.7
United States	North America	776.8	126.0	902.8	839.1	123.4	962.5
Canada	North America	453.2	69.1	522.3	506.1	77.1	583.2
United Kingdom	Europe	195.9	61.4	257.3	199.8	62.7	262.5
Switzerland	Europe	222.6	34.3	256.9	226.3	34.9	261.2
Germany	Europe	172.9	51.7	224.6	172.9	51.7	224.6
Sweden	Europe	201.9	21.2	223.1	208.4	21.9	230.3
Norway	Europe	179.4	14.8	194.2	204.1	16.9	221.0
Australia	Asia-Pacific	157.6	25.2	182.8	191.3	30.5	221.8
Austria	Europe	83.3	13.0	96.3	83.3	13.0	96.3
The Netherlands	Europe	59.3	17.3	76.6	102.1	17.3	119.4
Belgium	Europe	65.6	-	65.6	65.6	-	65.6
Other		574.3	215.1	789.4	603.9	215.6	819.5
	<b>Total</b>	<b>4,111.2</b>	<b>818.4</b>	<b>4,929.6</b>	<b>4,369.2</b>	<b>834.4</b>	<b>5,203.6</b>

<sup>(1)</sup> Intangible assets with an indefinite useful life

Key assumptions retained in the determining of the value-in-use

The recoverable amount of the cash-generating units was determined based on value in use. The calculation of the value in use is based on a discounted cash flow model. The cash flows are derived from the strategic plan performed in June 2013 and updated during the yearly budget process in November 2013 for the next 3 years and also include an extrapolation of two additional years and a normative terminal value. A perpetuity growth rate has been used for the calculation of the terminal value. Cash-flows were discounted on the basis of the weighted average cost of capital net of tax calculated for each country. Country-specific risk is incorporated by applying individual risk-free rates and beta factors. The weighted average cost of capital reflects the time value of money and the specific risks of the asset, not already factored in the cash-flow forecasts, by taking into account the financial structure and the financing terms and conditions of a standard market participant.

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

- EBITA Margin

EBITA margin factored in the terminal value cash-flow is set on a country by country basis based on both historical and expected performance, Rexel's market share and characteristics of the local market and by reference to other cash generating units within the group with similar profile. EBITA margin is set in increments of 50 base points.

- Discount rate

The following after tax discount rates were used to estimate the value-in-use of the CGUs:

	2013	2012
France	7.4%	7.4%
United States	7.6%	7.5%
Canada	6.9%	6.7%
United Kingdom	7.3%	7.2%
Switzerland	6.5%	6.4%
Germany	7.4%	7.4%
Sweden	7.9%	7.8%
Norway	8.3%	8.3%
Australia	9.0%	9.0%
Austria	8.0%	8.0%
The Netherlands	7.8%	7.8%
Belgium	8.1%	8.1%
Other	7,7% to 13,0%	6,9% to 13,0%

- Perpetuity growth rate

This growth rate is used to extrapolate cash flows beyond a five-year horizon and is based on expected long-term inflation, assuming no growth in volume. The perpetuity growth rate used to measure the terminal value was 2% except for China and India (3%) and for Brazil (4.5%). Growth rates remained unchanged compared to 2012.

As a result of impairment testing, a loss of €67.3 million was recognized in 2013 (€45.7 million in 2012) and allocated to goodwill: (i) in The Netherlands for €42.8 million (23.9 million 2012), (ii) in Brazil for €21.1 million (nil in 2012), (iii) in Slovenia for €2.2 million (€1.6 million in 2012), (iv) in Spain for €1.2 million (nil in 2012). This impairment loss reflects the decreasing demand in electrical supplies in those countries due to on-going economic uncertainty.

### Sensitivity analysis

The table below summarizes the sensitivity analysis by CGU on EBITA margin, discount rate and perpetuity growth rate:

	Goodwill & intangible assets	Discount rate	Perpetuity growth rate	EBITA margin (-50 bps)	Discount rate (+50 bps)	Perpetuity growth rate (-50 bps)
France	1,137.8	7.4%	2.0%	-	-	-
United States	902.8	7.6%	2.0%	-	-	-
Canada	522.3	6.9%	2.0%	-	-	-
United Kingdom	257.3	7.3%	2.0%	-	-	-
Switzerland	256.9	6.5%	2.0%	-	-	-
Germany	224.6	7.4%	2.0%	-	-	-
Sweden	223.1	7.9%	2.0%	-	-	-
Norway	194.2	8.3%	2.0%	-	-	-
Australia	182.8	9.0%	2.0%	-	-	-
Austria	96.3	8.0%	2.0%	-	-	-
The Netherlands	76.6	7.8%	2.0%	(12.3)	(9.1)	(6.1)
Belgium	65.6	8.1%	2.0%	-	-	-
Other <sup>(1)</sup>	789.4	7,7% à 13,0%	2% à 4,5%	(17.5)	(11.7)	(6.8)
<b>Total</b>	<b>4,929.6</b>			<b>(29.8)</b>	<b>(20.8)</b>	<b>(12.9)</b>
<sup>(1)</sup> Of which Brazil				(7.6)	(5.1)	(2.1)

## 10.2 | Property, plant & equipment

<i>(in millions of euros)</i>	Land & Buildings	Plant & Equipment	Other tangible assets	Total property, plant and equipment
<b>Gross carrying amount as of January 1, 2012</b> .....	<b>244.9</b>	<b>635.9</b>	<b>25.7</b>	<b>906.5</b>
Effect of acquisitions and divestitures .....	8.5	47.5	0.4	56.4
Additions .....	4.0	46.4	8.0	58.4
Disposals .....	(7.2)	(47.0)	(3.2)	(57.4)
Exchange differences .....	1.1	(0.4)	0.2	0.9
Other changes .....	1.8	1.5	(5.7)	(2.4)
<b>Gross carrying amount as of December 31, 2012</b> .....	<b>253.1</b>	<b>683.9</b>	<b>25.4</b>	<b>962.4</b>
Effect of acquisitions and divestitures .....	(1.0)	(22.7)	-	(23.7)
Additions .....	4.5	56.2	6.9	67.6
Disposals .....	(24.0)	(36.2)	(3.1)	(63.3)
Exchange differences .....	(3.9)	(25.1)	(0.2)	(29.2)
Other changes .....	28.8	(16.2)	(0.2)	12.4
<b>Gross carrying amount as of December 31, 2013</b> .....	<b>257.5</b>	<b>639.9</b>	<b>28.8</b>	<b>926.2</b>
<b>Accumulated amortization and depreciation as of January 1, 2012</b> .....	<b>(122.6)</b>	<b>(503.4)</b>	<b>(18.8)</b>	<b>(644.8)</b>
Change in consolidation scope .....	(1.2)	(33.2)	-	(34.4)
Depreciation expense .....	(10.1)	(42.8)	(1.7)	(54.6)
Impairment losses .....	(0.2)	(0.1)	-	(0.3)
Release .....	4.7	44.4	3.0	52.1
Exchange differences .....	(0.4)	-	(0.1)	(0.5)
Other changes .....	(0.5)	1.0	2.3	2.8
<b>Accumulated amortization and depreciation as of December 31, 2012</b> ..	<b>(130.3)</b>	<b>(534.1)</b>	<b>(15.3)</b>	<b>(679.7)</b>
Change in consolidation scope .....	-	21.9	-	21.9
Depreciation expense .....	(10.2)	(42.9)	(2.2)	(55.3)
Impairment losses .....	(0.1)	(0.2)	(0.2)	(0.5)
Release .....	6.0	33.7	0.5	40.2
Exchange differences .....	1.6	19.1	0.1	20.8
Other changes .....	(2.1)	7.6	(1.0)	4.5
<b>Accumulated depreciation and amortization as of December 31, 2013</b> ...	<b>(135.1)</b>	<b>(494.9)</b>	<b>(18.1)</b>	<b>(648.1)</b>
<b>Carrying amount as of January 1, 2012</b> .....	<b>122.3</b>	<b>132.5</b>	<b>6.9</b>	<b>261.7</b>
<b>Carrying amount as of December 31, 2012</b> .....	<b>122.8</b>	<b>149.8</b>	<b>10.1</b>	<b>282.7</b>
<b>Carrying amount as of December 31, 2013</b> .....	<b>122.4</b>	<b>145.0</b>	<b>10.7</b>	<b>278.1</b>

Additions of the period include €3.1 million of assets (€10.4 million in 2012) acquired through finance lease contracts. In the consolidated cash flow statement, these acquisitions have been included in cash flows from investing activities and the corresponding variation of financial debt was included in “Net change in finance lease liabilities” in cash flows from financing activities.

### Tangible assets impairment

The assumptions used to establish the value in use of tangible assets are identical to those used for goodwill impairment tests.

## 10.3 | Long-term investments

	As of December 31,	
	2013	2012
(in millions of euros)		
Loans .....	2.5	0.1
Deposits .....	26.7	23.3
Derivatives .....	-	42.2
Other long-term investments .....	22.5	13.8
<b>Long-term investments .....</b>	<b>51.7</b>	<b>79.5</b>

As of December 31, 2013, other long-term investments mainly include the purchase price of Lenn International Pte Ltd. and Rexel Quality trading for respectively €13.7 million and €8.7 million. These companies were acquired in late 2013 and will be consolidated in 2014.

As of December 31, 2012, other long-term investments mainly included the purchase price of the shares of Luxlight for €13.6 million. This company was acquired in late 2012 and consolidated in 2013.

## 10.4 | Investments in associates

Under a stock redemption agreement dated November 15, 2013 entered into by DPI, Inc., a US company specialized in the distribution of consumer electronics and Hagemeyer Finance BV, a wholly owned indirect subsidiary of Rexel, DPI, Inc. committed to redeem all its shares held by Hagemeyer Finance BV, representing an interest of 66.67% in the share capital (of which 59.52% of non-voting preference shares). This transaction was completed on November 27, 2013 for an aggregate consideration received of €10.4 million (US\$ 14.3 million). The derecognition gain or loss resulting from this transaction was nil.

Prior to its disposal, the investment in DPI, Inc. was accounted for under the equity method up to September 30, 2013. The share of profit recognized for the year ended December 31, 2013 was €0.4 million (€3.1 million for the period ended December 31, 2012) and the amount of dividends received was nil (€3.8 million for the period ended December 31, 2012).

## 11. | CURRENT ASSETS

### 11.1 | Inventories

	As of December 31,	
	2013	2012
(in millions of euros)		
Cost .....	1,484.6	1,530.6
Allowance .....	(95.0)	(103.9)
<b>Net inventories .....</b>	<b>1,389.5</b>	<b>1,426.7</b>

#### Changes in impairment losses

	As of December 31,	
	2013	2012
(in millions of euros)		
<b>Allowance for inventories the beginning of the year .....</b>	<b>(103.9)</b>	<b>(94.0)</b>
Change in consolidation scope .....	(2.6)	(17.7)
Net change in allowance .....	3.9	7.2
Translation difference .....	4.6	0.6
Other changes .....	3.0	-
<b>Allowance for inventories at the end of the year .....</b>	<b>(95.0)</b>	<b>(103.9)</b>

## 11.2 | Trade accounts receivable

	As of December 31,	
	2013	2012
(in millions of euros)		
Nominal value .....	2,213.5	2,276.5
Impairment losses .....	(150.7)	(152.6)
<b>Trade accounts receivable .....</b>	<b>2,062.8</b>	<b>2,123.9</b>

Trade accounts receivable include taxes collected on behalf of the tax authorities that, in certain circumstances, may be recovered when the client defaults. These recoverable taxes amounted to €241.0 million as of December 31, 2013 (€252.5 million as of December 31, 2012).

The Group has put in place credit insurance programs in certain countries. Trade accounts receivable covered by these programs amounted to €758.3 million as of December 31, 2013 (€723.0 million as of December 31, 2012).

Also, in some countries, the Group benefits from supplementary guarantees according to the specificities of local jurisdictions, notably in the United States and in Canada. Trade accounts receivable covered by these guarantees represented €244.9 million as of December 31, 2013 (€260.1 million as of December 31, 2012).

### Changes in impairment losses:

	2013	2012
(in millions of euros)		
<b>Impairment losses on trade accounts receivable as of January 1,</b>	<b>(152.6)</b>	<b>(147.0)</b>
Change in consolidation scope .....	(2.6)	(8.3)
Net depreciation .....	0.6	3.1
Translation differences .....	3.8	(0.4)
Other changes .....	0.1	-
<b>Impairment losses on trade accounts receivable as of December 31, .....</b>	<b>(150.7)</b>	<b>(152.6)</b>

As of December 31, 2013, customer receivables were subject to impairment losses estimated on an individual basis following the assessment of a confirmed default risk for the customer in question for €105.5 million (€98.1 million as of December 31, 2012).

The balance of impairment losses recorded corresponds to the risks estimated on the basis of late payments.

The summary of overdue receivables for which no impairment provision has been raised is as follows:

	As of December 31,	
	2013	2012
(in millions of euros)		
From 1 to 30 days .....	267.2	262.4

In accordance with the accounting principle stated in note 2.10.3, all receivables above 30 days are subject to an impairment provision.

## 11.3 | Other accounts receivable

	As of December 31,	
	2013	2012
<i>(in millions of euros)</i>		
Purchase rebates .....	328.1	324.3
VAT receivable and other sales taxes .....	38.0	30.7
Prepaid expenses .....	31.7	38.2
Derivatives .....	0.3	8.1
Other receivables .....	69.7	75.2
<b>Total accounts receivable .....</b>	<b>467.8</b>	<b>476.4</b>

## 12. | ASSETS HELD FOR SALE

As of December 31, 2012, assets held for sale amounted to €21.2 million. They mainly included a vacant property in the United Kingdom, held under a lease agreement, which was disposed of to a third party on January 9, 2013 for €15.4 million (£12.5 million).

## 13. | CASH AND CASH EQUIVALENTS

	As of December 31,	
	2013	2012
<i>(in millions of euros)</i>		
Cash equivalents .....	790.2	133.9
Cash at bank .....	166.4	156.6
Cash in hand .....	1.2	1.3
<b>Cash and cash equivalents .....</b>	<b>957.8</b>	<b>291.9</b>

As of December 31, 2013, short-term investments include units in mutual funds, valued at their fair market value, for a total of €790.2 million (€133.9 million as of December 31, 2012). These investments were made in accordance with the Group's investment policy which requires that funds in which it invests are highly liquid, easily convertible into a known amount of cash and liable to a negligible risk of loss.

## 14. | SUMMARY OF FINANCIAL ASSETS

<i>(in millions of euros)</i>	Note	IAS 39 Category	Fair Value Hierarchy*	As of December 31,			
				2013		2012	
				Carrying amount	Fair value	Carrying amount	Fair value
Loans .....		L&R		2.5	2.5	0.1	0.1
Deposits .....		L&R		26.7	26.7	23.3	23.3
Hedging derivatives .....	(1)	FV P&L		-	-	39.8	39.8
Other derivative instruments not eligible to hedge accounting....		FV P&L		-	-	2.4	2.4
Others .....	(2)	N/A		22.5	N/A	13.9	N/A
<b>Total long-term investments .....</b>	<b>10.3</b>			<b>51.7</b>	<b>-</b>	<b>79.5</b>	<b>-</b>
<b>Trade accounts receivable .....</b>		L&R		<b>2,062.8</b>	<b>2,062.8</b>	<b>2,123.9</b>	<b>2,123.9</b>
Supplier rebates receivable .....		L&R		328.1	328.1	324.3	324.3
VAT and other taxes receivable .....	(2)	N/A		38.0	N/A	30.7	N/A
Other accounts receivable .....		L&R		69.7	69.7	75.2	75.2
Other derivative instruments not eligible to hedge accounting....		FV P&L	2	0.3	0.3	8.1	8.1
Prepaid expenses .....	(2)	N/A		31.7	N/A	38.2	N/A
<b>Total other current assets .....</b>	<b>11.3</b>			<b>467.8</b>	<b>-</b>	<b>476.4</b>	<b>-</b>
Cash equivalents .....		FV	2	790.2	790.2	133.9	133.9
Cash .....		L&R		167.6	167.6	157.9	157.9
<b>Cash and cash equivalents .....</b>	<b>13</b>			<b>957.8</b>	<b>-</b>	<b>291.9</b>	<b>-</b>

(1) Specific accounting treatment for hedging

(2) Not a financial instrument under IAS 39

Loans and receivables	L&R
Assets available for sale	AFS
Fair value through profit or loss	FV P&L
Not applicable	N/A

\* For fair value hierarchy see note 2.10.4

## 15. | SHARE CAPITAL AND PREMIUM

### 15.1 | Changes in share capital and issuance premium

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

	Number of Shares	Share capital (in millions of euros)	Issuance premium
<b>As of January 1, 2012</b> .....	<b>268,819,759</b>	<b>1,344.1</b>	<b>1,412.2</b>
Exercise of share subscription rights .....	65,936	0.3	-
Issuance of shares in connection with payments of dividends .....	2,273,474	11.4	18.8
Issuance of shares in connection with free shares plan .....	426,595	2.1	(14.4)
Employee share purchase plan .....	337,465	1.7	1.7
<b>As of December 31, 2012</b> .....	<b>271,923,229</b>	<b>1,359.6</b>	<b>1,418.3</b>
Exercise of share subscription rights ..... <sup>(1)</sup>	34,276	0.2	-
Issuance of shares in connection with payments of dividends ..... <sup>(2)</sup>	10,287,149	51.4	98.2
Employee share purchase plan ..... <sup>(3)</sup>	302,870	1.5	2.0
Issuance of shares in connection with free shares plans ..... <sup>(4)</sup>	789,690	3.9	-
Allocation of free shares .....	-	-	(13.8)
Free shares cancelled .....	-	-	6.1
<b>As of December 31, 2013</b> .....	<b>283,337,214</b>	<b>1,416.7</b>	<b>1,510.8</b>

<sup>(1)</sup> Exercise of share subscription options

For the period ended December 31, 2013, 34,276 shares options were exercised by senior employees and key management personnel (65,936 for the period ended December 31, 2012).

<sup>(2)</sup> Issuance of shares in connection with payments of dividends

The Shareholders' Meeting of May 22, 2013 approved the payment of a dividend of €0.75 per share, either in cash or in Rexel shares at a price of €14.59, at the option of each shareholder. The total amount of the dividend distributed was €203.1 million, of which €53.0 million was paid in cash and €150.1 million was settled by the issuance of 10,287,149 new shares. Capital increase related costs of €0.4 million were recognized in reduction of the share premium.

	For the year ended December 31,	
	2013	2012
(in millions of euros)		
Dividends on ordinary shares .....	€0.75	€0.65
<b>Dividends paid</b>	<b>203.1</b>	<b>173.5</b>
o/w: - dividends paid in cash .....	53.0	143.0
- dividends paid in shares .....	150.1	30.5



<sup>(3)</sup> Issuance of shares in connection with the Employee Share Purchase Plans

The settlement and delivery of the shares subscribed by employees under the 2013 Employee Share Purchase Plan occurred in November 2013. 230,006 shares were issued at a price of €14.34 and 26,745 shares at a price of €15.99 for US employees. Capital increase related costs of €0.9 million were recognized in reduction of the share premium. Under the 2012 Employee Share Purchase Plan, 45,953 shares were issued at a price of €15.55 for UK employees and 80 shares were issued at a price of €5.0.

<sup>(4)</sup> Issuance of shares in connection with bonus shares plans

In May 2013, 766,228 shares were issued in connection with the 2009 bonus shares plan ("Plan 4+0").

In May and October 2013, 23,462 shares were issued in connection with the 2011 bonus free shares plan ("Plan 2+2").

## 15.2 | Capital Management and treasury shares

The Shareholders' Meeting of May 22, 2013 authorized the Company's Management Board, subject to the prior approval by the Supervisory Board, with the option of sub-delegation, to have Rexel buy up to a maximum number of shares representing up to 10% of the company's share capital for a maximum price of €22 per share. This program is capped at €250 million with a term of 18 months from the date of the Shareholders' Meeting (ending November 21, 2014).

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

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

In connection with this share buy-back program, Rexel entered into a mandate with Natixis, complying with a Code of Ethics recognized by the *Autorité des Marchés Financiers* (AMF), the French securities regulator, to promote the liquidity of Rexel shares transactions for an amount of €17.4 million as of December 31, 2013 (€16.2 million as of December 31, 2012).

In addition to this agreement, Rexel also mandated Natixis to buy 1,975,000 treasury shares to serve its free share plans, in the fourth quarter 2011 for an amount of €23.7 million and 500,000 treasury shares for €7.0 million in the second quarter 2012. In May 2012, 459,723 treasury shares were delivered in order to serve 2010 Free Share Plans. In May and October 2013, 500,696 treasury shares were delivered in order to serve 2011 Free Share Plan.

As of December 31, 2013, Rexel held 1,670,202 treasury shares (2,292,534 as of December 31, 2012) valued at an average price of €13.21 per share (€12.72 per share as of December 31, 2012) that were recognized as a reduction in shareholders' equity, for a total of €22.1 million (€29.2 million as of December 31, 2012).

Net capital gains realized on the sale of treasury shares in 2013 amounted to €0.8 million net of tax and were recognized as an increase in shareholders' equity (net capital gain of €1.3 million in 2012).

## 16. | SHARE-BASED PAYMENTS

### 16.1 | Bonus share plans

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

#### Plans issued in 2013

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

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

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

Beneficiaries	Members of Group Executive Committee and top managers		Operational Managers		Total
<b>Vesting conditions</b>	Two year service condition from grant date and performance conditions based on: (i) 2013 adjusted EBITA, (ii) 2012/2014 adjusted EBITA margin increase (iii) average free cash flow before interest and tax / EBITDA between 2013 and 2014 (iv) free cash flow before interest and tax 2013 and (v) Two-year service condition from grant date and Rexel share performance compared with a panel of shares from firms of the same activity segment conditions		Three-year service condition from grant date		
<b>Plan</b>	2+2	4+0	3+2	5+0	
Delivery date	May 4, 2015	May 2, 2017	May 2, 2016	May 2, 2018	
Share fair value at grant date April 30, 2013	13.70	12.04	14.37	12.71	
Maximum number of shares granted on April 30, 2013	793,310	1,259,819	99,100	422,500	<b>2,574,729</b>
Delivery date	July 27, 2015	July 26, 2017			
Share fair value at grant date July 25, 2013	15.73	14.07			
Maximum number of shares granted on July 25, 2013	50,694	27,716			<b>78,410</b>
<b>Total maximum number of shares granted in 2013</b>	<b>844,004</b>	<b>1,287,535</b>	<b>99,100</b>	<b>422,500</b>	<b>2,653,139</b>
Forfeited in 2013 .....	(368,148)	(563,165)	(11,100)	(18,200)	<b>(960,613)</b>
<b>Total maximum number of shares granted as of December 31, 2013</b>	<b>475,856</b>	<b>724,370</b>	<b>88,000</b>	<b>404,300</b>	<b>1,692,526</b>

The fair value of Rexel's shares granted to key employees was computed based on a Monte Carlo model which simulates the evolution of Rexel's and panel shares' quotations at the end of the two years vesting period. Also, restrictions attached to the dividends until the delivery date of the shares to the beneficiaries were deducted from the fair value.

Plans issued in 2012

On May 2, 2012 and on July 26, 2012, Rexel entered into free share plans for its top executives and key managers amounting to a maximum of 2,262,404 shares. According to these plans, these employees and executives will either be eligible to receive Rexel shares two years after the grant date (May 3, 2014 and July 27, 2014), these being restricted for an additional two-year period (until May 3, 2016 and July 27, 2016), the so-called “2+2 Plan”, or four years after the grant date with no subsequent restrictions, the so-called “4+0 Plan”. The delivery of these shares is subject to service and performance conditions of the schemes as described below:

Beneficiaries	Members of Group Executive Committee and top managers		Total
<b>Vesting conditions</b>	Two year service condition from grant date and performance conditions based on: (i) 2012 adjusted EBITA, (ii) 2011/2013 adjusted EBITA margin increase and (iii) average free cash flow before interest and tax / EBITDA between 2012 and 2013 (iv) free cash flow before interest and tax 2012		
<b>Plan</b>	2+2	4+0	
May plan's delivery date	May 3, 2014	May 3, 2016	
Share fair value at grant date May 2, 2012	€14.47	€13.14	
Maximum number of shares granted on May 2, 2012	737,024	1,282,300	<b>2,019,324</b>
July plan's delivery date	July 27, 2014	July 27, 2016	
Share fair value at grant date July 26, 2012	€11.85	€10.46	
Maximum number of shares granted on July 26, 2012	59,243	183,837	<b>243,080</b>
<b>Total maximum number of shares granted in 2012</b>	<b>796,267</b>	<b>1,466,137</b>	<b>2,262,404</b>
Forfeited in 2012 .....	(118,149)	(227,478)	<b>(345,627)</b>
<b>Total maximum number of shares granted as of December 31, 2012</b>	<b>678,118</b>	<b>1,238,659</b>	<b>1,916,777</b>
Forfeited in 2013 .....	(470,615)	(839,965)	<b>(1,310,580)</b>
<b>Total maximum number of shares granted as of December 31, 2013</b>	<b>207,503</b>	<b>398,694</b>	<b>606,197</b>

The fair value of Rexel's shares granted to employees is estimated based upon the stock price at the grant date. Restrictions attached to the dividends until the delivery date of the shares to the beneficiaries are excluded from the fair value.

### Plans issued in 2011

On May 12, 2011 and October 11, 2011, Rexel entered into free share plans for its top executives and key managers amounting to a maximum of 2,423,467 shares. According to these plans, these employees and executives will either be eligible to receive Rexel shares two years after the grant date (May 13, 2013 / October 14, 2013), these being restricted for an additional two-year period (until May 13, 2015 / October 12, 2015), the so-called “2+2 Plan”, or four years after the grant date with no subsequent restrictions, the so-called “4+0 Plan”.

The actual delivery of these bonus shares is subject to service and performance conditions set forth in the plan.

Vesting conditions are presented in the following table:

Beneficiaries	Members of Group Executive Committee and top		Other key employees		Operational manager		Total
<b>Vesting conditions</b>	Two year service condition from grant date and performance conditions based on: (i) 2011 adjusted EBITDA, (ii) 2010/2012 adjusted EBITDA margin increase and (iii) 2011 ratio Net Debt to adjusted EBITDA		Two year service condition from grant date and 80% based on additional performance conditions relative to: (i) 2011 adjusted EBITDA, (ii) 2010/2012 adjusted EBITDA margin increase and (iii) 2011 ratio Net Debt to adjusted EBITDA		Two year service condition from grant date		
<b>Plan</b>	2+2	4+0	2+2	4+0	2+2	4+0	
May plan's delivery date	May 13, 2013	May 13, 2015	May 13, 2013	May 13, 2015	May 13, 2013	May 13, 2015	
Share fair value at grant date May 12, 2011	17.22€	16.42€	17.22€	16.42€	17.22€	16.42€	
Maximum number of shares granted on May 12, 2011	429,203	507,879	177,931	484,110	96,375	387,250	<b>2,082,748</b>
October plan's delivery date	October 14, 2013	October 12, 2015	October 14, 2013	October 12, 2015			
Share fair value at grant date October 11, 2011	11.39€	10.34€	11.39€	10.34€			
Maximum number of shares granted on October 11, 2011 (1)	295,550	8,381	10,929	25,859			<b>340,719</b>
<b>Total maximum number of shares granted in 2011</b>	<b>724,753</b>	<b>516,260</b>	<b>188,860</b>	<b>509,969</b>	<b>96,375</b>	<b>387,250</b>	<b>2,423,467</b>
Forfeited in 2011 .....	(65,301)	(82,178)	(18,474)	(60,197)	(9,750)	(11,500)	<b>(247,400)</b>
<b>Maximum number of shares granted as of December 31, 2011</b>	<b>659,452</b>	<b>434,082</b>	<b>170,386</b>	<b>449,772</b>	<b>86,625</b>	<b>375,750</b>	<b>2,176,067</b>
Forfeited in 2012.....	(311,597)	(239,950)	(76,333)	(203,856)	(3,625)	(24,625)	<b>(859,986)</b>
<b>Maximum number of shares granted as of December 31, 2012</b>	<b>347,855</b>	<b>194,132</b>	<b>94,053</b>	<b>245,916</b>	<b>83,000</b>	<b>351,125</b>	<b>1,316,081</b>
Delivered in 2013.....	(347,855)	-	(94,053)	-	(82,250)	-	<b>(524,158)</b>
Forfeited in 2013.....	-	(1,938)	-	(2,766)	(750)	(9,250)	<b>(14,704)</b>
<b>Maximum number of shares granted as of December 31, 2013</b>	<b>-</b>	<b>192,194</b>	<b>-</b>	<b>243,150</b>	<b>-</b>	<b>341,875</b>	<b>777,219</b>

(1) Of which 59 018 shares granted to members of Group Executive Committee with only two year service.

The fair value of Rexel's shares granted to employees is estimated based upon the stock price at the grant date. Restrictions attached to the dividends until the delivery date of the shares to the beneficiaries are excluded from the fair value.

Furthermore, on October 11, 2011, Rexel entered into free share plans for its Group Executive Committee members and top managers amounting to a maximum of 1,343,310 shares. According to these plans, these employees and executives will either be eligible to receive Rexel shares three years after the grant date (October 13, 2014), these being restricted for an additional two-year period (October 12, 2016), the so-called "3+2 Plan", or five years after the grant date with no subsequent restrictions, the so-called "5+0 Plan". The delivery of these shares is subject to service and market conditions as described below:

Beneficiaries	Members of Group Executive Committee and top managers		Total
	<b>Vesting conditions</b>	Three year service condition from grant date and Rexel share performance compared with a panel of shares from firms of the same activity segment condition.	
<b>Plan</b>	3+2	5+0	
Delivery date	October 13, 2014	October 12, 2016	
Share fair value at grant date	7,17€	6,15€	
Maximum number of shares granted on October 11, 2011	840,334	502,976	<b>1,343,310</b>
<b>Maximum number of shares granted as of December 31, 2011</b>	<b>840,334</b>	<b>502,976</b>	<b>1,343,310</b>
Forfeited in 2012.....	-	(56,387)	<b>(56,387)</b>
<b>Maximum number of shares granted as of December 31, 2012</b>	<b>840,334</b>	<b>446,589</b>	<b>1,286,923</b>
Forfeited in 2013.....	(90,419)	-	<b>(90,419)</b>
<b>Maximum number of shares granted as of December 31, 2013</b>	<b>749,915</b>	<b>446,589</b>	<b>1,196,504</b>

The fair value of Rexel's shares granted to key employees was computed based on a Monte Carlo model which simulates the evolution of Rexel's and panel shares' quotations at the end of the three years vesting period. Also, restrictions attached to the dividends until the delivery date of the shares to the beneficiaries were deducted from the fair value.

#### Plans issued in 2010 and before

In 2010 and 2009, Rexel entered into several bonus share plans for its senior executives and key employees for a total of 2,892,028 shares. Depending on local regulations and plan characteristics, these employees and executives will be eligible to receive Rexel shares, either after a period of two years from the grant dates, with a restriction on their sale for an additional two year period, or after a period of four years from the grant date with no subsequent restrictions on their sale.

The actual transfer of these free shares is subject to the service and performance conditions of the schemes.

	Plans issued in 2010	Plans issued in 2009
Share fair value at the grant date	€10.80	€6.42
Maximum number of shares granted initially	<b>1,519,862</b>	<b>1,372,166</b>
Forfeited	(173,897)	(337,522)
Delivered	(508,511)	(268,416)
<b>Maximum number of shares granted as of December 31, 2012 and not yet delivered</b>	<b>837,454</b>	<b>766,228</b>
Delivered in 2013	-	(766,228)
<b>Maximum number of shares granted as of December 31, 2013 and not yet delivered</b>	<b>837,454</b>	<b>0</b>

## 16.2 | Stock option plans

On October 28, 2005, Rexel established a share option subscription program that entitles key management personnel to purchase Rexel shares, on May 31, 2006 and October 4, 2006, further options were granted to new management personnel. On November 30, 2005, a share option subscription arrangement was set up for a broader circle of key employees of the Group with vesting conditions based on a four-year service period or the occurrence of certain events including in particular admission of the Company's shares to trading on a regulated market. On May 31, 2006, this plan was extended to new entrants.

Options granted under these plans were vested in full upon the Initial Public Offering of Rexel shares in April 2007.

These options are exercisable by the beneficiaries at the fair value of the shares at the date of grant for a period of 10 years from grant date. These plans are qualified as equity-settled transactions.

Date of allocation / beneficiaries	Number of instruments originally allocated	Number of options active as of December 31, 2013	Options term	Exercise price
Options allocated to key managers ("Plan No.1")				
- on October 28, 2005	2,711,000	32,820	October 28, 2016	€5
- on May 31, 2006	169,236	-		
- on October 4, 2006	164,460	-		
Options allocated to key employees ("Plan No.2")				
- on November 30, 2005	259,050	136,678	November 30, 2016	€5
- on May 31, 2006	34,550	5,476		€6.5
<b>Total options allocated by Rexel</b>	<b>3,338,296</b>	<b>174,974</b>		

## 16.3 | Employee share purchase plans

Pursuant to the authorization granted by the shareholders' meeting held on May 22, 2013 and by the Supervisory Board on May 22, 2013, the Management Board meeting held on September 3, 2013 decided to realize a capital increase in favour of employees in fifteen countries.

In most of these eligible countries, subscription has been carried out directly or through employee shareholding funds (fonds communs de placement d'entreprise or FCPE) which received approval from the Autorité des Marchés Financiers (AMF) on June 13, 2013. The subscription period closed on September 30, 2013.

The price of the employee offering, except for US participating employees, was set at the average of the opening price of Rexel shares over the 20 trading days preceding the decision of the Management Board, minus a 20% discount, thus resulting in a subscription price of €14.34 per share. For US employees, the subscription price was set at 85% of the Rexel share price on the Paris Stock Exchange on September 10, 2013, i.e. €15.99 per share.

In France, participating employees benefit from an employer matching contribution equal to 150% of the subscribed amount up to €200 and 50% from €201 to €500 in the limit of €450.

Outside France, employees are granted two matching shares for each of the first fifteen whole shares subscribed and for subsequent shares up to €800 invested one matching share is allocated for each share subscribed. Matching shares are subject to a five-year service condition within the Group.

In the United Kingdom, a specific share incentive plan has been proposed to employees through a trustee. Subscription price will be the minimum of the Rexel share market value as measured on September 30, 2013 (€18.8) and on March 12, 2014. Employees are granted two matching shares for each of the first fifteen whole shares subscribed and for subsequent shares up to €800 invested one matching share is allocated for each share subscribed. Matching shares are subject to a three-year service condition within the Group.

The settlement and delivery of the shares subscribed for pursuant to this plan occurred on November 26, 2013 except for the United Kingdom plan that is expected to be closed in March 2014.

The overall subscription was €3.1 million. Benefits granted excluding matching shares to employees resulted in personnel costs of €1.4 million before tax of which €0.8 million related to the discount granted to employees and €0.6 million related to the employer matching contribution offered to beneficiaries in France.

## 16.4 | Share-based payment expenses

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

<i>(in millions of euros)</i>	For the year ended December 31,	
	2013	2012
Plans issued in 2009 .....	-	0.2
Plans issued in 2010 .....	0.9	2.3
Plans issued in 2011 .....	5.0	13.6
Plans issued in 2012 .....	2.9	2.7
Plans issued in 2013 .....	4.3	-
Expense related to employee share purchase plan .....	1.3	1.1
<b>Total free share plans expense .....</b>	<b>14.4</b>	<b>19.9</b>

## 17. | EARNINGS PER SHARE

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

	For the year ended December 31,	
	2013	2012
<b>Net income attributed to ordinary shareholders</b> <i>(in millions of euros)</i> .....	<b>210.6</b>	<b>318.1</b>
Weighted average number of ordinary shares <i>(in thousands)</i> .....	275,708	267,931
Non dilutive potential shares <i>(in thousands)</i> .....	1,605	1,440
<b>Weighted average number of issued common shares and non dilutive potential shares</b> <i>(in thousands)</i> .....	<b>277,313</b>	<b>269,371</b>
<b>Basic earning per share</b> <i>(in euros)</i> .....	<b>0.76</b>	<b>1.18</b>
<b>Net income attributed to ordinary shareholders</b> <i>(in millions of euros)</i> .....	<b>210.6</b>	<b>318.1</b>
Weighted average number of issued common shares and non dilutive potential shares <i>(in thousands)</i> .....	277,313	269,371
Potential dilutive shares resulting from the dividend payment in shares <i>(in thousands)</i> .....	-	1,817
Potential dilutive shares <i>(in thousands)</i> .....	3,191	2,822
- of which share options <i>(in thousands)</i> .....	125	138
- of which bonus shares <i>(in thousands)</i> .....	3,066	2,684
<b>Weighted average number of common shares used for the calculation of fully diluted earnings per share</b> <i>(in thousands)</i> .....	<b>280,503</b>	<b>274,010</b>
<b>Fully diluted earnings per share</b> .....	<b>0.75</b>	<b>1.16</b>

<sup>(1)</sup> The number of potential dilutive shares does not take into account the free shares whose allocation is subject to future performance.

## 18. | PROVISIONS AND OTHER NON-CURRENT LIABILITIES

	As of December 31,	
	2013	2012
(in millions of euros)		
Provisions .....	65.4	75.2
Derivatives .....	32.6	16.4
Other non-current liabilities .....	10.0	10.2
<b>Total .....</b>	<b>108.0</b>	<b>101.8</b>

Other non-current liabilities comprise profit sharing related payables to French employees in the amount of €10.0 million (€10.2 million at December 31, 2012).

The variation in provisions is detailed in the table below:

(in millions of euros)	Restructuring	Tax litigation	Other litigation & warranty claims	Vacant properties	Total provisions
<b>As of January 1, 2012 .....</b>	<b>18.4</b>	<b>19.7</b>	<b>28.3</b>	<b>58.9</b>	<b>125.3</b>
Change in consolidation scope .....	-	0.2	-	-	<b>0.2</b>
Increase .....	27.4	0.1	3.9	9.1	<b>40.5</b>
Use .....	(21.3)	(1.3)	(6.3)	(18.2)	<b>(47.1)</b>
Release .....	(0.5)	(12.2)	(2.5)	(28.9)	<b>(44.1)</b>
Translation differences .....	-	-	-	1.1	<b>1.1</b>
Other changes .....	(0.1)	-	(0.5)	(0.1)	<b>(0.7)</b>
<b>As of December 31, 2012 .....</b>	<b>23.9</b>	<b>6.5</b>	<b>22.9</b>	<b>21.9</b>	<b>75.2</b>
Increase .....	11.5	0.5	4.6	12.3	<b>28.9</b>
Use .....	(17.1)	(0.2)	(2.8)	(14.0)	<b>(34.2)</b>
Release .....	(0.2)	-	(1.9)	(1.0)	<b>(3.1)</b>
Translation differences .....	(0.6)	(0.2)	(0.7)	(0.5)	<b>(2.0)</b>
Other changes .....	-	0.2	0.4	-	<b>0.6</b>
<b>As of December 31, 2013 .....</b>	<b>17.5</b>	<b>6.8</b>	<b>22.5</b>	<b>18.7</b>	<b>65.4</b>

Provisions mainly comprise:

- Provisions for redundancy plans to adapt the Group's structure to current trading conditions. These restructuring plans resulted in the closure of branches, distribution centers and administrative headquarters. Provisions for restructuring activities undertaken at December 31, 2013, mainly concerned, Europe for €13.0 million (€18.1 million in 2012), North America for €3.5 million (€4.8 million in 2012) and Asia-Pacific for €1.0 million (€1.1 million in 2012).
- Tax litigation concerned mainly France for €4.2 million (€4.2 million in 2012) and Canada for €1.6 million (€2.0 million in 2012).
- Other litigations and warranty claims amounted to €22.5 million (€22.9 million in 2012), of which €8.6 million (€7.5 million in 2012) relating to litigation with French social security authorities, €1.8 million for employee claims (€3.5 million in 2012) and €2.9 million for commercial litigations (€2.3 million in 2012);
- Provisions for lease commitments related to vacant properties concern mainly the United Kingdom for €9.5 million (€11.0 million in 2012), the United States for €3.9 million (€6.0 million in 2012) and France for €2.0 million (€2.5 million in 2012).



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

### 19.1 | Defined benefit plans description

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

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

In the United Kingdom, Rexel operates deferred final salary defined benefits through the *Rexel UK Pension Scheme* fund. All sections under this plan are closed to new entrants with effect of April 5, 2002. Accrued benefits and pensions are subject to indexation. Statutory funding objectives are agreed between the Trustee board and the company. In that respect, the Trustee board carries out a full valuation of the Scheme at least every three years, after which a recovery plan of contributions is agreed with the company to restore any funding deficit. The most recent full valuation was performed on April 5, 2011 and was rolled forward up to December 31, 2013 for accounting purposes. The Trustee board is also responsible for determining the investment strategy of the plan.

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

In The Netherlands, the main pension plan in force is a mix between defined benefit and defined contribution ("hybrid-type" plan). The defined benefit portion is subject to a ceiling. Above the defined benefit portion, a defined contribution section applies. Defined benefit pension plan is a salary average plan open for new entrants and managed through a Board, *Sagittarius Pension Fund*. This Board is responsible for applying the administration agreement, the contributions with the company, and determining the investment strategy of the plan so as to comply with minimum funding levels required by the Dutch regulator (DNB). A full valuation is performed each year on January 1<sup>st</sup> and rolled forward to December 31.

In Canada, defined benefit pension plans mainly include:

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

For both Canadian plans, a full actuarial valuation is performed every three years. The most recent valuations were performed as at December 31, 2012 for the Executives' Pension Plan and the SERP and as at December 31, 2010 for the Employees' Plan. The 2013 quantitative information on these plans was prepared based on a roll forward of these full valuations.

## 19.2 | Employee Benefit Plan information

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

<i>(in millions of euros)</i>	Defined benefit obligations					
	Netherlands	United Kingdom	Canada	Switzerland	Other	Group
<b>As of January 1, 2012</b>	<b>334.2</b>	<b>335.5</b>	<b>254.7</b>	<b>153.0</b>	<b>144.0</b>	<b>1,221.3</b>
Service cost	2.3	0.1	3.8	4.5	4.8	15.5
Interest cost	16.5	16.2	11.4	4.2	6.6	54.9
Benefit payments	(18.8)	(11.3)	(11.5)	(6.3)	(6.8)	(54.7)
Employee contributions	0.6	-	0.8	2.6	0.3	4.3
Change in consolidation scope	-	-	-	-	1.7	1.7
Translation differences	-	7.6	0.8	1.0	(0.2)	9.2
Past service cost / settlement and other	(3.0)	-	(0.7)	(1.8)	(1.1)	(6.6)
Remeasurements						
<i>Effect of change in demographic assumptions</i>	0.2	0.2	-	-	(0.1)	0.3
<i>Effect of change in financial assumptions</i>	78.4	41.8	19.4	20.3	24.9	184.8
<i>Effect of experience adjustments</i>	(10.9)	7.0	(0.8)	(4.5)	0.8	(8.4)
<b>As of December 31, 2012</b>	<b>399.5</b>	<b>397.1</b>	<b>277.9</b>	<b>173.0</b>	<b>174.9</b>	<b>1,422.3</b>
Service cost	2.7	0.1	3.7	5.4	5.3	17.2
Interest cost	12.5	15.1	10.2	2.9	5.3	46.0
Benefit payments	(18.4)	(10.4)	(12.5)	(5.2)	(18.4)	(64.9)
Employee contributions	0.7	-	0.7	2.7	0.2	4.3
Translation differences	-	(8.6)	(27.6)	(2.9)	(6.3)	(45.4)
Past service cost / settlement and other	(0.3)	-	(3.0)	0.2	(5.9)	(8.9)
Remeasurements						
<i>Effect of change in demographic assumptions</i>	18.9	-	9.1	-	1.6	29.6
<i>Effect of change in financial assumptions</i>	-	(16.7)	(31.9)	(11.0)	(6.0)	(65.6)
<i>Effect of experience adjustments</i>	(6.4)	1.1	1.7	(3.0)	(3.5)	(10.0)
<b>As of December 31, 2013</b>	<b>409.2</b>	<b>377.7</b>	<b>228.4</b>	<b>162.2</b>	<b>147.1</b>	<b>1,324.6</b>

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

<i>(in millions of euros)</i>	Plan assets					
	Netherlands	United Kingdom	Canada	Switzerland	Other	Group
<b>As of January 1, 2012</b>	<b>346.5</b>	<b>261.9</b>	<b>160.6</b>	<b>142.0</b>	<b>49.6</b>	<b>960.6</b>
Employer contributions	2.8	16.1	14.3	5.2	6.6	45.0
Employee contributions	0.6	-	0.8	2.6	0.3	4.3
Interest income	17.6	12.1	7.3	4.0	2.1	43.1
Benefit payments	(18.8)	(11.3)	(11.5)	(6.3)	(6.8)	(54.7)
Translation differences	-	7.4	0.7	1.0	0.2	9.3
Return on plan assets excluding interest income (OCI) ...	33.7	4.4	1.7	0.2	2.1	42.1
<b>As of December 31, 2012</b>	<b>382.4</b>	<b>290.6</b>	<b>173.9</b>	<b>148.7</b>	<b>54.1</b>	<b>1,049.7</b>
Employer contributions	2.7	9.5	7.5	7.2	6.7	33.6
Employee contributions	0.7	-	0.7	2.7	0.2	4.3
Interest income	12.3	10.0	6.6	2.6	1.5	33.0
Benefit payments	(19.2)	(11.2)	(12.5)	(5.2)	(19.5)	(67.5)
Translation differences	-	(4.6)	(19.0)	(2.4)	(3.9)	(30.0)
Return on plan assets excluding interest income (OCI) ...	27.0	11.3	9.1	6.7	4.1	58.1
<b>As of December 31, 2013</b>	<b>405.9</b>	<b>305.6</b>	<b>166.4</b>	<b>160.3</b>	<b>43.0</b>	<b>1,081.2</b>

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

	Net liability / (asset)					
	Netherlands	United Kingdom	Canada	Switzerland	Other	Group
<i>(in millions of euros)</i>						
<b>As of January 1, 2012</b>	<b>(12.4)</b>	<b>73.6</b>	<b>94.1</b>	<b>10.9</b>	<b>94.3</b>	<b>260.7</b>
Service cost	2.3	0.1	3.8	4.5	4.8	15.5
Interest cost	(1.1)	4.1	4.1	0.2	4.5	11.8
Past service cost/settlement and other	(3.0)	-	(0.7)	(1.8)	(1.1)	(6.6)
Employer contributions	(2.8)	(16.1)	(14.3)	(5.2)	(6.6)	(45.0)
Change in consolidation scope	-	-	-	-	1.7	1.7
Translation differences	-	0.2	0.1	-	(0.4)	(0.1)
Remeasurements	34.0	44.6	16.9	15.6	23.5	134.6
<b>As of December 31, 2012</b>	<b>17.0</b>	<b>106.5</b>	<b>104.0</b>	<b>24.2</b>	<b>120.7</b>	<b>372.6</b>
Service cost	2.7	0.1	3.7	5.4	5.3	17.2
Interest cost	0.2	5.1	3.6	0.3	3.8	13.0
Past service cost/settlement and other	(0.3)	-	(3.0)	0.2	(5.9)	(8.9)
Employer contributions	(2.7)	(9.5)	(7.5)	(7.2)	(6.7)	(33.6)
Benefit payments	0.8	0.8	-	(0.0)	1.1	2.7
Translation differences	-	(4.0)	(8.6)	(0.5)	(2.3)	(15.4)
Remeasurements	(14.6)	(26.9)	(30.1)	(20.6)	(12.0)	(104.1)
<b>As of December 31, 2013</b>	<b>3.3</b>	<b>72.2</b>	<b>62.0</b>	<b>1.9</b>	<b>104.0</b>	<b>243.4</b>

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

	Liability reconciliation					
	Netherlands	United Kingdom	Canada	Switzerland	Other	Group
<i>(in millions of euros)</i>						
<b>For the year ended December 31, 2012</b>						
<b>Defined benefit obligations</b>	<b>399.5</b>	<b>397.1</b>	<b>277.9</b>	<b>173.0</b>	<b>174.9</b>	<b>1,422.3</b>
of which Funded schemes	399.5	395.7	236.1	170.6	91.7	1,293.6
of which Unfunded schemes	-	1.4	41.8	2.4	83.2	128.7
Fair value of plan assets	(382.4)	(290.6)	(173.9)	(148.7)	(54.1)	(1,049.7)
Recognized net liability for defined benefit obligations	<b>17.0</b>	<b>106.5</b>	<b>104.0</b>	<b>24.2</b>	<b>120.7</b>	<b>372.6</b>
of which "Employee benefits"	17.0	106.5	104.0	24.2	120.7	372.6
of which "Other financial assets"	-	-	-	-	-	-
<b>For the year ended December 31, 2013</b>						
<b>Defined benefit obligations</b>	<b>409.2</b>	<b>377.7</b>	<b>228.4</b>	<b>162.2</b>	<b>147.1</b>	<b>1,324.6</b>
of which Funded schemes	409.2	376.1	200.9	159.6	67.2	1,213.0
of which Unfunded schemes	-	1.6	27.5	2.6	79.9	111.6
Fair value of plan assets	(405.9)	(305.6)	(166.4)	(160.3)	(43.0)	(1,081.2)
Recognized net liability for defined benefit obligations	<b>3.3</b>	<b>72.2</b>	<b>62.0</b>	<b>1.9</b>	<b>104.0</b>	<b>243.4</b>
of which "Employee benefits"	3.3	72.2	62.0	1.9	104.0	243.4
of which "Other financial assets"	-	-	-	-	-	-

## 19.3 | Re-measurements of the net defined benefit liability

	Other comprehensive income					
	Netherlands	United Kingdom	Canada	Switzerland	Other	Group
<i>(in millions of euros)</i>						
Return on plan assets excluding interest income	(33.7)	(4.4)	(1.7)	(0.2)	(2.2)	(42.2)
Effect of change in demographic assumptions	0.2	0.2	-	-	(0.1)	0.3
Effect of change in financial assumptions	78.4	41.8	19.3	20.2	24.5	184.2
Effect of experience adjustments	(10.9)	7.0	(0.8)	(4.5)	0.7	(8.5)
OCI recognized for the year ended December 31, 2012	<b>34.0</b>	<b>44.6</b>	<b>16.8</b>	<b>15.5</b>	<b>22.9</b>	<b>133.8</b>
Return on plan assets excluding interest income and asset ceiling	(27.0)	(11.3)	(9.1)	(6.7)	(4.1)	(58.1)
Effect of change in demographic assumptions	18.9	-	9.1	-	1.5	29.5
Effect of change in financial assumptions	-	(16.7)	(31.8)	(11.0)	(6.1)	(65.6)
Effect of experience adjustments	(6.4)	1.1	2.1	(3.0)	(3.0)	(9.2)
OCI recognized for the year ended December 31, 2013	<b>(14.6)</b>	<b>(26.9)</b>	<b>(29.7)</b>	<b>(20.6)</b>	<b>(11.7)</b>	<b>(103.4)</b>

## 19.4 | Employee Benefit expense

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

<i>(in millions of euros)</i>	Expense					Group
	Netherlands	United Kingdom	Canada	Switzerland	Other	
Service cost ..... <sup>(1)</sup>	2.3	0.1	3.8	4.5	4.8	15.5
Past service costs ..... <sup>(1)</sup>	(3.0)	-	(0.7)	(1.8)	(1.1)	(6.6)
Net Interest expense ..... <sup>(2)</sup>	(1.1)	4.1	4.1	0.2	4.5	11.8
Other ..... <sup>(1)</sup>	-	-	-	0.1	0.5	0.6
Expense recognized for the year ended December 31, 2012 ..	<b>(1.8)</b>	<b>4.2</b>	<b>7.2</b>	<b>3.0</b>	<b>8.7</b>	<b>21.3</b>
Service costs ..... <sup>(1)</sup>	2.7	0.1	3.7	5.4	5.3	17.2
Past service costs ..... <sup>(1)</sup>	(0.3)	-	(3.0)	0.2	(5.9)	(8.9)
Net Interest expense ..... <sup>(2)</sup>	0.2	5.1	3.6	0.3	3.8	13.0
Other ..... <sup>(1)</sup>	0.7	-	(0.5)	0.1	0.1	0.4
Expense recognized for the year ended December 31, 2013 ..	<b>3.3</b>	<b>5.2</b>	<b>3.8</b>	<b>6.0</b>	<b>3.2</b>	<b>21.6</b>

<sup>(1)</sup> Recognized as personnel costs (see note 6) and in other income (see note 7)

<sup>(2)</sup> Recognized as net financial expenses (see note 8)

### Significant plan amendments

#### For the period ended December 31, 2013

Effective on June 30, 2013, post-employment benefits scheme (other than pensions) in Canada was amended to enable employees to elect for a cash lump-sum settlement benefits in lieu of post-employment coverage (health & dental care, life insurance) on retirement. As a result of this amendment, a gain of €3.1 million (CAD4.2 million) was recognized in the income statement as a reduction in administrative expenses (salaries and benefits).

Following a resolution of the Trustee board of the Irish pension plan dated June 26, 2013, the pension scheme was wound-up and the benefits were transferred to a new defined contribution plan. A full valuation was performed at the date of the wind-up of this defined benefit retirement plan resulting in the recognition of a profit in the income statement of €4.4 million (see note 7.1).

In France, a curtailment gain of €1.6 million was recognized as a result of the reduction in the participating members of a supplemental executive retirement scheme.

#### For the period ended December 31, 2012

In the Netherlands, following a reduction in workforce a curtailment gain was recognized for €0.8 million. In addition, plan changes affecting retirement age, partner pension and conditional indexation have been implemented during 2012. The gain resulting from plan amendment was recognized in the income statement for €2.2 million.

The Swiss retirement plan was amended as a result of a decision of the Trustees board to improve funding levels, comprising of a decrease in conversion rates and increase in future employee and employer contributions resulting in a gain of €1.8 million recognized in the income statement.

In Canada, medical care benefits rationalization of post-employment healthcare program have led to a reduction of the defined benefit obligation recognized in the income statement for €0.9 million.

## 19.5 | Plan asset allocation

	Plan assets class			
	Netherlands	United Kingdom	Canada	Switzerland
<i>(in millions of euros)</i>				
Cash and cash equivalents.....	-	30.5	0.8	-
Equity instruments (quoted in an active market).....	109.1	16.2	75.2	44.6
Debt instruments (quoted in an active market).....	190.0	107.9	94.5	66.9
Real estate .....	-	-	-	26.8
Investment funds .....	-	135.4	-	-
Asset held by insurance company.....	83.3	-	3.4	-
Other .....	-	0.6	-	10.4
<b>As of December 31, 2012 .....</b>	<b>382.4</b>	<b>290.6</b>	<b>173.9</b>	<b>148.7</b>
Cash and cash equivalents.....	0.6	16.6	0.8	11.9
Equity instruments (quoted in an active market).....	124.6	17.1	72.2	52.4
Debt instruments (quoted in an active market).....	197.4	124.2	90.4	60.9
Real estate .....	-	-	-	31.8
Investment funds .....	-	147.1	-	3.3
Asset held by insurance company.....	83.3	-	3.0	-
Other .....	-	0.6	-	-
<b>As of December 31, 2013 .....</b>	<b>405.9</b>	<b>305.6</b>	<b>166.4</b>	<b>160.3</b>

## 19.6 | Actuarial assumptions

The main actuarial assumptions are as follows:

	Netherlands		United Kingdom		Canada		Switzerland	
	2013	2012	2013	2012	2013	2012	2013	2012
<i>(in %)</i>								
Average plan duration.....	15	15	17	17	14	13	16	12
Discount rate .....	3.25	3.25	4.50	4.00	4.75	3.98	2.00	1.75
Future salary increases .....	3.00	3.00	-	-	3.11	3.00	2.00	2.00

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

## 19.7 | Post-employment plan risks

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

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

- Volatility in discount rates and inflation

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

- Volatility in asset values

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

### Sensitivity analysis

		<b>Sensitivity to a 25 basis points decrease in discount rate</b>					
<i>(in millions of euros)</i>		<i>Netherlands</i>	<i>United Kingdom</i>	<i>Canada</i>	<i>Switzerland</i>	<i>Other</i>	<i>Group</i>
Service cost .....		0.1	-	0.1	0.1	0.1	0.4
Defined Benefit Obligation .....		15.7	15.8	7.8	6.6	4.0	50.0
		<b>Sensitivity to a 10% downturn in financial market</b>					
<i>(in millions of euros)</i>		<i>Netherlands</i>	<i>United Kingdom</i>	<i>Canada</i>	<i>Switzerland</i>	<i>Other</i>	<i>Group</i>
Plan assets.....		(12.5)	(1.7)	(7.2)	(5.2)	(1.9)	(28.5)

### Risk Management

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

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

## 19.8 | Expected cash flows

		<b>Expected cash flow</b>					
<i>(in millions of euros)</i>		<i>Netherlands</i>	<i>United Kingdom</i>	<i>Canada</i>	<i>Switzerland</i>	<i>Other</i>	<i>Group</i>
Expected benefit payments for 2014.....		18.7	11.6	11.7	5.1	6.3	53.5
Expected benefit payments for 2015.....		18.7	12.0	11.9	5.2	8.6	56.4
Expected benefit payments for 2016.....		18.7	12.6	12.3	5.2	5.7	54.5
Expected benefit payments for 2017.....		18.7	13.7	12.8	5.3	6.1	56.6
Expected benefit payments for 2018 and after.....		113.8	99.2	85.7	45.4	53.6	397.6
Expected benefit contributions for 2014.....		2.6	9.7	7.1	3.9	4.5	27.8

## 20. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of December 31, 2013. Financial liabilities include interest-bearing loans from financial institutions, borrowings and accrued interest less transaction costs.

### 20.1 | Net financial debt

<i>(in millions of euros)</i>	As of December 31, 2013			As of December 31, 2012		
	Current	Non-current	Total	Current	Non-current	Total
Senior Notes.....	-	1,835.6	1,835.6	-	1,504.3	1,504.3
Credit Facilities .....	-	-	-	-	25.9	25.9
Securitization .....	-	1,067.5	1,067.5	351.7	747.8	1,099.5
Bank loans .....	35.6	19.2	54.8	43.3	16.7	60.0
Commercial paper .....	119.1	-	119.1	114.8	-	114.8
Bank overdrafts and other credit facilities .....	54.3	-	54.3	77.6	-	77.6
Finance lease obligations .....	7.3	24.7	32.0	51.2	31.1	82.3
Accrued interests .....	11.6	-	11.6	9.4	-	9.4
Less transaction costs .....	(11.2)	(38.8)	(50.0)	(20.5)	(22.6)	(43.1)
<b>Total financial debt and accrued interest..</b>	<b>216.7</b>	<b>2,908.2</b>	<b>3,124.9</b>	<b>627.6</b>	<b>2,303.2</b>	<b>2,930.8</b>
Cash and cash equivalents .....			(957.8)			(291.9)
Debt hedge derivatives.....			25.1			(39.8)
<b>Net financial debt</b>			<b>2,192.0</b>			<b>2,599.2</b>

<sup>(1)</sup> Of which accrued interests on Senior Notes for €4.6 million as of December 31, 2013 (€4.5million as of December 31, 2012).

#### 20.1.1 | Senior Facility Agreement

On March 15, 2013, Rexel refinanced its €1,100 million existing revolving credit facilities agreement dated December 21, 2009 by entering into a new revolving credit facility agreement (the "Senior Facility Agreement") with BNP Paribas, Crédit Agricole Corporate and Investment Bank, Crédit Industriel et Commercial, HSBC France, ING Belgium SA, French branch, Natixis and Société Générale Corporate & Investment Banking as Mandated Lead Arrangers and Bookrunners.

The Senior Facility Agreement provides a five-year multicurrency revolving credit facility for an aggregate maximum amount of €1.1 billion which can also be drawn down through swingline loans for an aggregate amount of €165 million.

#### Interest and margin

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

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

The initial applicable margin is 2.00% per annum and varies in accordance with the leverage ratio (defined as the ratio of consolidated adjusted total net debt to consolidated adjusted EBITDA, in each case as such terms are defined under the Senior Facility Agreement) calculated as of December 31 and June 30 of every year. The margin ranges from 1.45% to 3%.

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

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

Under the Senior Credit Facility Agreement, Rexel must maintain a leverage ratio below 3.50 times as at December 31 and June 30 of each year.

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

Adjusted Consolidated EBITDA means operating income before other income and other expenses, plus depreciation and amortization as set forth in the Group's consolidated financial statements and :

- includes adjusted EBITDA over the last 12 months of all of the companies acquired during the relevant period, pro rata to the Group's participation;
- includes proceeds relating to commodity price derivatives to hedge exposure to price fluctuations of certain commodities which do not qualify for cash flow hedge accounting under IFRS;
- excludes expenses relating to employee profit sharing and any share based payments or the granting of share subscription options;
- excludes restructuring costs relating to the integration of Hagemeyer and any other restructuring and/or acquisition costs relating to any other acquisitions;
- after adding back EBITDA of assets held for sale and not taking into account EBITDA of assets sold during the Measurement Period; and
- adjusted to exclude the non-recurring impact on the Group's consolidated EBITDA related to the price of copper in cables.

Adjusted consolidated net debt means all financial debt (whether the interest with respect to such debt is paid or capitalized) converted to the average rate of the last 12 months when the debt is in a currency other than the euro:

- less intra-group loans and transaction costs, as well as the financial charges accounted for as a result of the repayment of the debt outstanding under the previous facilities agreement;
- plus all indebtedness relating to the issuance of securities that are not mandatorily redeemable into shares and any other amount relating to a loan under international accounting standards;
- plus accrued interest (including capitalized interest), excluding interest accrued on intra-group loans; and
- minus cash and cash equivalents.

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

This refinancing transaction was accounted for as an exchange of debt without any recognition of gain and loss in the income statement.

In September 2013, the maximum commitment under the 2013 Senior Facility Agreement was reduced by €45 million following the execution of a bilateral €45.0 million Term Loan Agreement. Terms and conditions under this Term Loan Agreement are similar to those applied to the 2013 Senior Facility Agreement.

As of December 31, 2013, this credit facility was not drawn down.



## 20.1.2 | Senior notes

	As of December 31, 2013				As of December 31, 2012			
	Nominal amount (in millions of currency)	Nominal amount (in millions of euros)	Fair value adjustments	Total	Nominal amount (in millions of currency)	Nominal amount (in millions of euros)	Fair value adjustments	Total
Senior notes due 2016	EUR -	-	-	-	EUR 586.3	586.3	43.7	<b>630.0</b>
Senior notes due 2018	EUR 488.8	488.8	(0.3)	<b>488.5</b>	EUR 488.8	488.8	5.4	<b>494.2</b>
Senior notes due 2019	USD 500.0	362.6	(11.5)	<b>351.1</b>	USD 500.0	379.0	1.2	<b>380.1</b>
Senior notes due 2020	USD 500.0	362.6	(8.6)	<b>354.0</b>	-	-	-	-
Senior notes due 2020	EUR 650.0	650.0	(7.9)	<b>642.1</b>	-	-	-	-
<b>TOTAL</b>		1,863.9	(28.3)	<b>1,835.6</b>		1,454.1	50.3	<b>1,504.3</b>

### Notes due 2020

Concurrently with the refinancing of the Senior Facility Agreement in the first half of 2013, Rexel issued on April 3, 2013, €650 million and US\$500 million of senior unsecured notes due 2020 with coupons of 5.125% and 5.250% respectively.

The notes rank pari passu with Rexel's senior credit facility and other senior unsecured notes. Rexel pays interest on the notes semi-annually on June 15 and December 15, starting from December 15, 2013. The notes mature on June 15, 2020 and are listed on the Luxembourg Stock Exchange.

These notes are redeemable in whole or in part at any time prior to June 15, 2016 at a redemption price equal to 100% of their principal amount, plus a "make-whole" premium and accrued and unpaid interest. On or after June 15, 2016, the notes are redeemable in whole or in part by paying the redemption price set forth below:

Redemption period beginning on:	Redemption price (as a % of principal amount)	
	euro Bonds	dollar Bonds
June 15, 2016 .....	103.844%	103.938%
June 15, 2017 .....	102.563%	102.625%
June 15, 2018 .....	101.281%	101.313%
June 15, 2019 and after .....	100.000%	100.000%

The net proceeds of these notes were used on April 17, 2013 to redeem the 8.25% senior notes due 2016.

These notes were redeemed at their principal amount of €586.3 million plus accrued and unpaid interest of €16.0 million and an applicable "make-whole" redemption premium of €54.0 million.

In the first half of 2013, in relation to the repayment of the senior notes due 2016, the Group revised the amortized cost of such notes and recognized a financial expense of €23.5 million as a result of the effective interest rate method. This loss includes the "make-whole" premium plus the unamortized initial transaction costs of €9.1 million after deducting fair value hedge adjustments of €39.6 million.

As of December 31, 2013, the fair value of notes due 2020 is hedged for an amount of €500 million and US\$500.0 million (€362.6 million). The notes carrying value has been adjusted to reflect interest rate fluctuations on the hedged part.

### Notes due 2019

On March 28, 2012, Rexel issued US\$ 400 million (€299.9 million) senior unsecured notes. The notes were issued at 100% of their nominal amount and bear interest annually at 6.125%. They are listed on the Luxembourg Stock Exchange. On April 23, 2012, an additional US\$100 million principal amount of these notes was issued at a price of 100.75% of nominal (i.e. an issuance price of €76,7 million). The additional notes are fully fungible with the previously-issued notes and have identical terms and conditions.

Rexel will pay interest on the notes semi-annually in arrears on June 15 and December 15, with the first payment on December 15, 2012. The notes will mature on December 15, 2019.

The notes are redeemable in whole or in part at any time prior to December 15, 2015 at a redemption price equal to 100% of their principal amount, plus a “make-whole” premium and accrued and unpaid interest. On or after December 15, 2015, the notes are redeemable in whole or in part by paying the redemption price set forth below.

<b>Redemption period beginning on:</b>	<b>(as a % of principal amount)</b>
December 15, 2015 .....	103.063%
December 15, 2016 .....	101.531%
December 15, 2017 and after .....	100.000%

In addition, at any time on or prior to June 15, 2015, Rexel may redeem up to 35% of the outstanding aggregate principal amount of the notes using the net proceeds from one or more specified equity offerings.

As of December 31, 2013, the fair value of notes due 2019 is hedged for an amount of US\$500.0 million (€362.6 million). As of December 31, 2012, these notes due 2019 were hedged for an amount of US\$300.0 million. The notes carrying value has been adjusted to reflect interest rate fluctuations on the hedged part.

### Notes due 2018

On May 27, 2011, Rexel issued €500 million senior unsecured notes, the proceeds of which were applied to partially repay its senior credit facilities. The notes were issued at 99.993% of their nominal amount and bear interest annually at 7%. They are listed on the Luxembourg Stock Exchange. Rexel pays interest on the Notes semi-annually in arrears on June 17 and December 17, with the first payment made on December 17, 2011. The notes will mature on December 17, 2018.

Notes due 2018 and all of Rexel’s existing and future unsecured senior debt rank *pari passu* and senior to all its existing and future subordinated debt.

Notes due 2018 are redeemable in whole or in part at any time prior to June 17, 2015 at a redemption price equal to 100% of their principal amount, plus a “make-whole” premium and accrued and unpaid interest. On or after June 17, 2015, the Notes are redeemable in whole or in part by paying the redemption price set forth below.

<b>Redemption period beginning on:</b>	<b>Redemption price (as a % of principal amount)</b>
June 17, 2015 .....	103.500%
June 17, 2016 .....	101.750%
June 17, 2017 and after .....	100.000%

In addition, at any time on or prior to June 17, 2014, Rexel may redeem up to 35% of the outstanding aggregate principal amount of the Notes using the net proceeds from one or more specified equity offerings.

As of December 31, 2013, the fair value of Senior Notes due 2018 is hedged for an amount of €300 million (€300 million as of December 31, 2012). The notes carrying value has been adjusted to reflect interest rate fluctuations on the hedged part.

Call options embedded in the senior notes have not been bifurcated as on each exercise date:

- the exercise price of the option is approximately equal to the amortized cost of the senior notes;
- the exercise price approximates the present value of lost interest for the holders of the senior notes.

### **20.1.3 / Securitization programs**

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

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

In view of their characteristics, notably the fact that the Group retains a significant part of the late payment and credit risks, these receivables assignment programs, with the exception of an off-balance sheet US program described in the following paragraphs, do not qualify for derecognition under IAS 39 requirements. Therefore, assigned receivables remain classified as assets on the Group's balance sheet on the line "Trade accounts receivable" whereas the financing received is shown as financial debt.

In addition to these on-balance sheets programs, in 2009, the Group entered into an agreement with Ester Finance Titrisation (the purchaser), a French subsidiary of CALYON, to sell a participating interest in eligible trade receivables of Rexel's US subsidiaries under a *Receivables Participation Agreement* ("RPA"). This agreement allows the Group to assign eligible receivables and receive cash consideration up to a maximum amount of US\$220 million. This securitization program matures in December 2015.

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

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

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

As of December 31, 2013, derecognized receivables totaled €106.3 million (€112.2 million as of December 31, 2012) and the resulting loss was recorded as a financial expense for €5.1 million (€5.3 million in 2012). Carrying value and fair value of cash collected under the servicing agreement in relation to derecognized receivables and not yet transferred to the purchaser totaled €7.3 million and was recognized in financial liabilities (€18.5 as of December 31, 2012).

Securitization programs are subject to certain covenants concerning the quality of the trade receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables). As of December 31, 2013, Rexel had satisfied all of these covenants. All the programs are on-going programs and therefore are not subject to seasonality other than seasonality arising in the ordinary course of business.

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

Program	Commitment	Amount of receivables assigned as of December 31, 2013	Amount drawn down as of December 31, 2013	Balance as of		Repayment
				December 31, 2013	December 31, 2012	
		<i>(in millions of currency)</i>		<i>(in millions of euros)</i>		
2011 - Europe and Australia	EUR 425.0	EUR 531.6	EUR 402.4	402.4	422.3	12/16/2016
United States	USD 470.0	USD 619.9	USD 450.0	326.3	280.7	12/18/2015
Canada <sup>(1)</sup>	CAD 190.0	CAD 286.4	CAD 190.0	129.5	144.6	11/17/2017
2008 - Europe <sup>(2)</sup>	EUR 384.0	EUR 421.8	EUR 308.0	308.0	351.8	12/19/2018
<b>TOTAL</b>				<b>1,166.2</b>	<b>1,199.6</b>	
<b>Of which :</b>	<b>- on balance sheet:</b>			<b>1,067.5</b>	<b>1,099.6</b>	
	<b>- off balance sheet (Ester program) :</b>			<b>98.7</b>	<b>99.9</b>	

<sup>(1)</sup> On November 19th, 2012, Rexel renewed the securitization program in Canada over a five-year period.

<sup>(2)</sup> On November 29th, 2013, Rexel renewed the securitization program in Europe over a five-year period.

These securitization programs pay interest at variable rates plus a spread which is specific to each program. As of December 31, 2013, the total outstanding amount authorized for these securitization programs was €1,279.3 million, of which €1,166.2 million was used.

#### **20.1.4 | Commercial paper program**

In September 2010, Rexel launched 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 December 31, 2013, the company had issued €119.1 million of commercial paper (€114.8 million as of December 31, 2012).

## 20.2 | Change in net financial debt

As of December 31, 2013 and 2012, the change in net financial debt was as follows:

<i>(in millions of euros)</i>	For the period ended December 31,	
	2013	2012
<b>As of January 1, .....</b>	<b>2,599.2</b>	<b>2,078.2</b>
Issuance of senior notes net of transaction cost.....	1,025.2	376.6
Buy-out of senior notes.....	(640.3)	(69.1)
Net change in term loan facilities.....	(25.9)	2.6
Transaction costs and refinancing costs.....	(15.5)	(10.6)
Net change in other credit facilities and bank overdrafts.....	(14.4)	(9.0)
<b>Net change in credit facilities.....</b>	<b>329.1</b>	<b>290.6</b>
Net change in securitization.....	16.9	14.8
Net change in finance lease liabilities.....	(48.9)	9.4
<b>Net change in financial liabilities.....</b>	<b>297.0</b>	<b>314.8</b>
Change in cash and cash equivalents .....	(665.2)	125.8
Translation differences.....	(103.2)	(8.5)
Effect of changes in consolidation scope on gross indebtedness..	-	27.4
Amortization of transaction costs.....	13.8	21.1
Non recurring refinancing costs.....	23.5	-
Other changes..... <sup>(1)</sup>	26.8	40.2
<b>As of December 31, .....</b>	<b>2,192.0</b>	<b>2,599.2</b>

<sup>(1)</sup> Of which in 2013, €30.4 million relating to the settlement of interest swap qualified as fair value hedge on the Senior notes due 2016 and in 2012, €43.4 million relating to the recognition of financial lease obligation following amendments to lease agreement of vacant properties in the United Kingdom.

## 21. | MARKET RISKS AND FINANCIAL INSTRUMENTS

### 21.1 | Interest rate risk

In order to hedge its exposure to changing interest rates, the Group has adopted an interest rate hedging strategy aimed at maintaining a hedging ratio on a one-year rolling basis of close to 80%, 50% on a two-year rolling basis, and 25% on a three-year rolling basis of its net financial debt at fixed or capped rates with the remainder at variable interest rates.

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

<i>(in millions of euros)</i>	As of December 31,	
	2013	2012
Senior Notes and other fixed rate debt .....	1,866.4	1,522.1
Floating to fixed rate sw aps.....	1,550.0	1,026.1
Fixed to floating rate sw aps.....	(1,525.1)	(938.7)
<b>Sub total fixed or capped rate instruments</b>	<b>1,891.3</b>	<b>1,609.5</b>
Floating rate debt before hedging.....	1,283.4	1,369.0
Floating to fixed rate sw aps.....	(1,550.0)	(1,026.1)
Fixed to floating rate sw aps.....	1,525.1	938.7
Cash and cash equivalents.....	(957.8)	(291.9)
<b>Sub total floating rate debt instruments</b>	<b>300.7</b>	<b>989.7</b>
<b>Total net financial debt .....</b>	<b>2,192.0</b>	<b>2,599.2</b>

### Fair value hedge derivatives

As of December 31, 2013, the portfolio associated with derivative financial instruments qualified as fair value hedges is as follows:

	<b>Total notional amount</b> <i>(in millions of currency)</i>	<b>Total notional amount</b> <i>(in millions of euros)</i>	<b>Maturity</b>	<b>Weighted average fixed rate received</b>	<b>Floating rate paid</b>	<b>Fair value <sup>(1)</sup></b> <i>(in millions of euros)</i>
<b>Swaps paying variable rate</b>						
Euro .....	300.0	300.0	December 2018	1.08%	3M Euribor	(0.1)
Euro .....	500.0	500.0	June 2020	1.19%	3M Euribor	(6.0)
American dollar.....	500.0	362.6	December 2019	1.57%	3M Libor	(10.4)
American dollar.....	500.0	362.6	June 2020	1.91%	3M Libor	(7.1)
<b>Total</b>		<b>1,525.1</b>				<b>(23.4)</b>

<sup>(1)</sup> Derivative instruments are presented at fair value, including accrued interest receivable for €0.8 million

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

The change in fair value of these fair value hedging swaps for the period ending December 31, 2013 represented a loss of €37.4 million, partially offset by a gain of €38.9 million resulting from the change in the fair value of the Senior Notes.

### Cash-flow hedge derivatives

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

Cash-flow hedge swaps mature until June 2016. The Group intends to renew a significant portion of these swaps in order to hedge the variability of future interest expense related to its floating interest debt, in accordance with the strategy described above. The allocation of hedging instruments among currencies hinges upon the Group's expectations concerning trends of the interest rates linked to those currencies.

As of December 31, 2013, derivative instruments classified as cash flow hedges are as follows:

	<b>Total notional amount</b> <i>(in millions of currency)</i>	<b>Total notional amount</b> <i>(in millions of euros)</i>	<b>Maturity</b>	<b>Floating rate received</b>	<b>Weighted average fixed rate paid</b>	<b>Fair value <sup>(1)</sup></b> <i>(in millions of euros)</i>
<b>Swaps paying fixed rate</b>						
Euro .....	200.0	200.0	March 2014	1M Euribor	2.12%	(4.0)
American dollar.....	200.0	145.0	June 2015	1M Libor	0.38%	(0.4)
Canadian dollar.....	90.0	61.3	March 2015	1M C-DOR	1.45%	(0.4)
	90.0	61.3	September 2015	3M C-DOR	1.61%	(0.2)
Australian dollar.....	100.0	64.8	June 2016	1M BB AUD	2.98%	(0.7)
British pound .....	50.0	60.0	March 2014	3M Libor	0.48%	0.0
<b>Total</b>		<b>592.5</b>				<b>(5.7)</b>

<sup>(1)</sup> Derivative instruments are presented at fair value, including accrued interest payable for €4.5 million

The change in fair value of the cash flow hedging instruments for the period ending December 31, 2013 was recorded as a €2.3 million increase in cash-flow hedge reserve (before tax). The ineffectiveness recognized in 2013 was immaterial.

### Derivatives not eligible for hedge accounting

	Total notional amount (in millions of currency)	Total notional amount (in millions of euros)	Maturity	Floating rate received (paid)	Weighted average fixed rate paid (received)	Fair value <sup>(1)</sup> (in millions of euros)
<b>Swaps paying fixed rate</b>						
Euro.....	62.5	62.5	May 2018	6M Euribor	3.21%	(6.4)
American dollar.....	100.0	72.5	September 2014	3M Libor	1.56%	(0.7)
	250.0	181.3	September 2015	3M Libor	0.53%	(0.3)
	300.0	217.5	June 2016	3M Libor	0.79%	(0.9)
Swedish Krona.....	1,300.0	146.7	September 2016	3M Stibor	1.73%	(1.1)
Swiss franc.....	90.0	73.3	March 2014	3M Libor	0.81%	(0.6)
	100.0	81.5	March 2015	3M Libor	(0.02)%	0.0
	150.0	122.2	December 2016	3M Libor	0.39%	(0.6)
<b>Total</b>		<b>957.5</b>				<b>(10.5)</b>

<sup>(1)</sup> Derivative instruments are presented at fair value, including accrued interest payable of €1.8 million

These derivatives are designated primarily as hedges of variable cash flows arising from interest rate swaps and are not eligible to hedge accounting under IAS 39 provisions.

### **Sensitivity to interest rate variation**

As of December 31, 2013, a 1% increase in interest rates on variable debt after effective interest rate hedging would lead to an increase in the yearly interest expense estimated at €7.8 million and a €25.9 million rise in the fair value of the hedging instruments, of which a €20.6 million financial income and a €5.4 million gain in other comprehensive income, before tax effect.

## 21.2 | Foreign exchange risk

The Group's financing policy is to centralize external borrowings and to provide financing to its foreign subsidiaries in their own functional currencies. The foreign currency risk arises principally from intercompany financings denominated in currencies other than euro and is managed at corporate level. In order to neutralize foreign exchange risk exposure, the group's parent company incurs external indebtedness in foreign currencies other than euro or enters into foreign exchange derivatives (forward contracts or exchange rate swaps). As part of this policy, the group issued senior notes denominated in US dollars in 2012 and 2013 for an aggregate amount of US\$1.000 million of which US\$919 million were qualified as net investment hedges of the US group's net assets. As of December 31, 2013, unrealized exchange gains in other comprehensive income related to external borrowings qualified as net investment hedges account for €46.4 million.

As of December 31, 2013, the notional value of foreign exchange derivatives was €0.2 million (€0.1 million of forward sales and €0.1 million of forward purchases). Forward contracts are recognized at their fair value for a net positive amount of €0.6 million. The change in fair value of forward contracts for the period ending December 31, 2013 was recorded as financial loss for €1.8 million.

### Sensitivity to changes in foreign exchange rates

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

The results of these operations are included in the Group's consolidated income statement after conversion at the average rate applicable to the period. On an annual basis, a 5% increase (or decrease) of the euro against the main currencies (US dollar, Canadian dollar, Australian dollar and British Pound) would lead to a decrease (increase) in sales of €303.1 million and a decrease (increase) in operating income before other income and other expenses of €15.1 million.

The Group's financial liabilities and shareholders' equity are likewise included on its consolidated balance sheet after conversion at the financial year-end exchange rate. Thus, a 5% appreciation (depreciation) of the euro against the other currencies as compared to the closing exchange rates as of December 31, 2013 would result in a corresponding decrease (increase) in financial debt and shareholders' equity of €84.5 million and €92.5 million respectively.

#### Financial debt per repayment currency

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

<i>(in millions of euros)</i>	Euro	US dollar	Canadian dollar	Australian dollar	Norwegian krone	Swedish krona	British pound	Swiss franc	Other currencies	Total
Financial liabilities .....	1,762.0	945.0	129.8	96.8	1.6	0.3	151.9	0.5	62.1	3,150.0
Cash and cash equivalents .....	(1,266.9)	(59.7)	99.1	20.8	(65.2)	175.8	(55.9)	227.1	(33.1)	(957.8)
<b>Net financial position before hedging .....</b>	<b>495.1</b>	<b>885.3</b>	<b>228.9</b>	<b>117.6</b>	<b>(63.6)</b>	<b>176.1</b>	<b>96.0</b>	<b>227.6</b>	<b>29.0</b>	<b>2,192.0</b>
Impact of hedges .....	6.1	1.1	(9.9)	-	28.1	-	(34.0)	(0.4)	9.0	-
<b>Net financial position after hedging .....</b>	<b>501.2</b>	<b>886.4</b>	<b>219.0</b>	<b>117.6</b>	<b>(35.5)</b>	<b>176.1</b>	<b>62.0</b>	<b>227.2</b>	<b>38.0</b>	<b>2,192.0</b>
<i>Impact of a 5% increase in exchange rates .....</i>	-	44.3	11.0	5.9	(1.8)	8.8	3.1	11.4	1.9	84.5

## 21.3 | 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:

	<b>As of December 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Due within</b>		
One year .....	227.9	648.1
Two years .....	252.2	198.0
Three years .....	411.5	34.7
Four years .....	134.3	1,065.2
Five years .....	798.2	147.8
Thereafter .....	1,350.9	880.1
<b>Total financial debt .....</b>	<b>3,174.9</b>	<b>2,973.9</b>
Transaction costs .....	(50.0)	(43.1)
<b>Financial debt .....</b>	<b>3,124.9</b>	<b>2,930.8</b>



As of December 31, 2013, the remaining contractual cash-flows in relation to financial indebtedness and derivatives, including interest owed, are as follows:

<i>(in millions of euros)</i>	<b>Financial debt &amp; interests</b>	<b>Derivatives</b>	<b>Total</b>
<b>Due within</b>			
One year .....	372.6	(4.4)	368.2
Two years .....	395.6	(10.3)	385.3
Three years .....	546.8	(0.9)	545.9
Four years .....	259.6	11.4	271.0
Five years .....	913.4	19.9	933.3
Thereafter .....	1,448.4	28.7	1,477.1
<b>Total financial debt</b> .....	<b>3,936.3</b>	<b>44.4</b>	<b>3,980.7</b>

The senior notes issued in May 2011, whose nominal value amounts to €488.8 million, mature in December 2018, the US\$500 million senior notes issued in April 2012 mature in December 2019, and the €650 million and the US\$500 million senior notes issued in April 2013 mature in June 2020.

The Senior Facility Agreement was refinanced in March 2013 for a period of 5 years ending in March 2018. The Senior Facility Agreement together with the Bilateral Term loans provide a five-year multicurrency revolving credit facility for an aggregate maximum available amount of €1.1 billion which can also be drawn down through swingline loans for an aggregate amount of €165 million (see note 20.1.1).

Lastly, securitization programs mature in 2015, 2016, 2017 and 2018. 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, *billets de trésorerie*) under conditions that are equal to those available up to now, the Group's liquidity and financial position could be affected.

In addition, the trade accounts payable amounted to €2,009.9 million as of December 31, 2013 (€1,937.2 million as of December 31, 2012) and are due in less than one year.

As of December 31, 2013, the Group's liquidity amounted to €1,884.3 million (€1,173.4 million as of December 2012) in excess of €1,656.4 million compared to €227.9 million expected to be paid within the next twelve months with respect to debt repayment.

<i>(in millions of euros)</i>	<b>As of December 31,</b>	
<b>Due within</b>	<b>2013</b>	<b>2012</b>
Cash and cash equivalents.....	957.8	291.9
Bank overdrafts.....	(54.3)	(77.6)
Commercial paper.....	(119.1)	(114.8)
Undrawn Senior credit agreement.....	1,100.0	1,074.1
Others.....	(0.2)	(0.1)
<b>Liquidity</b> .....	<b>1,884.3</b>	<b>1,173.4</b>

## 21.4 | Counterparty risk

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

Credit risk with respect to trade accounts receivable is limited due to the large number of customers, the diversity of their activities (contractors, manufacturers, municipalities), and their geographical spread in France and abroad. In addition, credit insurance programs have been implemented in the majority of the significant countries in which the Group operates. The maximum risk corresponding to the total accounts receivable after guarantees and impairment amounted to €2,062.8 million and is detailed in note 11.2 Trade receivables.

The counterparty risk concerning cash, cash equivalents and hedging instruments is likewise limited by the quality of the relevant counterparties, which are the Group's traditional banking partners for its financing and are almost exclusively based in Europe. The outstanding amount was €958.1 million as of December 31, 2013 (€342.1 million as of December 31, 2012), which equals the net book value of the aforementioned items.

The maximum counterparty risk on the Group's other financial assets was €496.6 million (€491.7 million as of December 31, 2012) and mainly corresponds to supplier discounts receivable.

## 22. | SUMMARY OF FINANCIAL LIABILITIES

<i>(in millions of euros)</i>	Category IAS 39	Fair value Hierarchy*	As of December 31,			
			2013		2012	
			Carrying amount	Fair value	Carrying amount	Fair value
Bonds .....	AC	1	1,835.6	1,961.1	1,504.3	1,590.6
Other financial debts, including accrued interest .....	AC		1,289.3	1,289.3	1,426.5	1,426.5
<b>Total financial liabilities</b> .....			<b>3,124.9</b>		<b>2,930.8</b>	
Hedging derivatives .....	(1) FV P&L	2	24.2	24.2	-	-
Hedging derivatives .....	(1) FV OCI	2	0.4	0.4	4.9	4.9
Other derivative instruments not eligible to hedge accounting..	FV P&L	2	7.9	7.9	11.5	11.5
Other liabilities .....	(2) N/A		10.0	N/A	10.2	N/A
<b>Total other non-current liabilities</b> .....			<b>42.5</b>		<b>26.6</b>	
<b>Trade accounts payable</b> .....	AC		<b>2,009.9</b>	<b>2,009.9</b>	<b>1,937.2</b>	<b>1,937.2</b>
Vendor rebates receivable .....	AC		104.0	104.0	114.6	114.6
Personnel and social obligations .....	(2) N/A		225.9	N/A	260.5	N/A
VAT payable and other sales taxes .....	(2) N/A		69.1	N/A	69.8	N/A
Hedging derivatives .....	(1) FV P&L	2	-	-	-	-
Hedging derivatives .....	(1) FV OCI	2	0.8	0.8	0.8	0.8
Other derivative instruments not eligible to hedge accounting..	FV P&L	2	1.7	1.7	7.6	7.6
Other liabilities .....	AC		213.0	213.0	201.1	201.1
Deferred income .....	N/A		7.2	N/A	6.7	N/A
<b>Total other debts</b> .....			<b>621.6</b>		<b>661.1</b>	

(1) Specific accounting measurements for hedging

(2) Not classified as a financial instrument under IAS 39

Financial liabilities - stated at amortized cost	AC
Fair value through profit or loss	FV P&L
Fair value through other comprehensive income	FV OCI
Not applicable	N/A

\* For fair value hierarchy see note 2.10.4

## 23. | OPERATING LEASES

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

<i>(in millions of euros)</i>	Payments outstanding as of December 31,	
	2013	2012
<b>Due within</b>		
One year .....	201.9	201.9
Two years.....	147.6	148.8
Three years.....	103.5	106.8
Four years.....	65.3	69.3
Thereafter.....	140.6	130.4
<b>Total</b> .....	<b>658.8</b>	<b>657.2</b>

The total expense under operating lease contracts was €214.6 million for the year ended December 31, 2013 (€226.2 million as of December 31, 2012).

## 24. | RELATED PARTY TRANSACTIONS

### Executive compensation

Expenses relating to compensation of the executive committee members of the Group are as follows:

<i>(in millions of euros)</i>	For the year ended December 31,	
	2013	2012
Salaries and other short-term benefits .....	14.1	14.0
Post-employment benefits (service costs) .....	0.9	1.0
Indemnities at termination of contract .....	-	3.2
Free shares and stocks options ..... <sup>(1)</sup>	6.1	8.3

<sup>(1)</sup> Share-based payment expense is detailed in Note 16 – Share based payments

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

In the event of a breach of employment contract, the Group could have to compensate the executive committee members a total amount of €11.2 million.

## 25. | LITIGATION & OTHER CONTINGENCIES

### 25.1 | Litigation

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

The principal proceedings are set out below.

#### Asbestos litigation

The Group is party to several proceedings relating to exposure to asbestos-containing materials in the United States. The Group believes that the risk of it being ordered to pay significant amounts in connection with these proceedings is limited, and that these lawsuits will not therefore have, individually or as a whole, a material adverse effect on its financial condition or results of operations, since the claims may be rejected or settled for amounts partially or fully covered by Rexel's insurance policies. Considering the wide range of these claims, the different stages in the proceedings, the number of defendants and the absence of any individual claim against the Group, the Group cannot give any assurances in this respect, nor can it predict with certainty what the outcome of these lawsuits will be. Based on the current situation, the Group is therefore unable to predict the financial consequences that may result from these proceedings.

The principal tax proceedings involving Group companies as of December 31, 2013 are described below:

#### Manudax Belgium

Manudax Belgium N.V., one of Hagemeyer's Belgian subsidiaries, entered into voluntary liquidation on November 27, 2000. During 1999 and 2000, Manudax Belgium was subject to a tax reassessment for VAT in connection with fraudulent transactions allegedly entered into by former employees during the period beginning late 1996 until early 1998. The amount of this tax reassessment, including penalties and excluding interest, is €78.2 million. The interest accrued until December 31, 2011 amounts to €78.0 million. All reassessments have been challenged by Manudax Belgium.

In 2013, Manudax's liquidator entered into an agreement with the Belgian tax authorities to settle the matter for an amount of €13 million, and the parties withdrew all pending claims before courts. This agreement has no impact on the results and the financial situation of the Rexel Group, as the investment in Manudax has been entirely written off.

### Rexel Distribution (absorbed by Rexel Développement in 2011)

The French tax authorities alleged that the selling price of Rexel Distribution's shareholding in Rexel Inc. (Rexel's US subsidiary), transferred in 2005 to its Luxembourg subsidiary Rexel Luxembourg, was €46 million lower than its market value, resulting in an income tax reassessment of €18 million, which was covered in full by a provision. In March 2011, the case was referred to the Administrative Court, which issued a judgment in November 2012 rejecting the tax reassessment entirely. The tax authorities lodged an appeal in January 2013.

### Rexel

Following a tax audit, Rexel received in December 2011 a proposed tax reassessment in which the French tax authorities allege that Rexel did not demonstrate that its borrowings from Ray Finance LP (subsidiary of Ray Investment SARL) amounting to €952 million were real transactions; they also alleged that Ray Finance LP enjoyed a privileged tax regime and accordingly, rejected the deduction of €91 million of interest expense related to the 2005 to 2007 tax years. Rexel disputes the tax authority's position entirely. A provision amounting to €32 million was recorded by writing down deferred tax assets on tax losses carried forward.

### Hagemeyer Finance BV Finnish branch

In a preliminary report, Finnish tax authorities asserted that the interest on the financing used to acquire Elektroskandia Oyj in 2008 should be allocated to the Dutch head office of Hagemeyer Finance BV, rather than to the Finnish branch. The Group disputed this analysis in a response letter sent in September 2013. The tax amount at stake for the period 2008-2013 amounted to 11.2 million euros. Rexel considers that it is more likely than not that the matter will be resolved favorably for Rexel and has therefore not recorded a provision.

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

## **25.2 | Other contingent liabilities**

The Group has granted the following warranties to purchasers in connection with the disposal of certain subsidiaries. These warranties had not been called as of the balance sheet date, except where stated otherwise.

### Tax warranties

In connection with previous divestment transactions, the Group committed to indemnify purchasers for tax liabilities of the companies sold relating to events occurred prior to their sale.

As of December 31, 2012, only Techpac Holdings Ltd has notified to Hagemeyer N.V. various claims under the warranty provisions of the Share Sale Agreement dated June 12, 2003 between several Hagemeyer group companies as "Vendors" and Techpac Holdings Ltd as "Purchaser" ("the SSA"). The claims relate mainly to tax litigations between Tech Pacific India Ltd and the Indian tax authorities. The SSA provides for full indemnification by the Vendor to the Purchaser as long as claims by tax authorities are not barred. Hagemeyer N.V. has recorded a provision amounting to €1.8 million to cover those risks.

### Environmental warranty

Under an agreement signed on February 28, 2003 with Ashtenne, a real estate company, concerning a sale and leaseback transaction relating to 45 sites in Europe, the Group agreed to indemnify the purchaser for any environmental liabilities with respect to third party claims and governmental injunctions. This warranty covers a maximum of €4 million free of VAT for all of the properties sold, with a minimum threshold of €30,000. This commitment expires five years after the expiration of the lease.

Warranties given in connection with the sale of the non-core business of Westburne in Canada

Effective June 30, 2001, the Group sold the non-electrical portion of its business, namely Plumbing and Waterworks, Refrigeration & HVAC and Industrial Products, operated by various wholly-owned subsidiaries in Canada for CAD\$550 million. As part of the purchase and sale agreement, the Group retained certain liabilities of the businesses which related to events occurring prior to the sale, such as taxes, acquisition earn-outs to prior owners, litigation and employment matters. The Group agreed to indemnify the purchaser in the event that a third party asserts a claim against the purchaser that relates to liabilities retained by the Group. According to the purchase and sale agreement, the Group will be released from its obligations under these warranties over a 15-year period with the final obligations being released in 2016.

## **26. | EVENTS AFTER THE REPORTING PERIOD**

On January 7, 2014 the Group completed the acquisition of Esabora Digital Services pursuant to a share purchase agreement dated November 14, 2013. This company, based in France, is specialized in editing advanced software tools for electrical contractors and installers. The consideration transferred was €7.0 million including €0.2 of cash acquired.

## 27. | CONSOLIDATED ENTITIES AS OF DECEMBER 31, 2013

All subsidiaries are fully integrated.

	<i>Head office</i>	<i>% Interest</i>
<b>FRANCE</b>		
<b><i>Holding companies and Group services companies</i></b>		
Rexel	Paris	Parent company
Rexel Développement S.A.S.	Paris	100.00
Rexel Amérique Latine S.A.S.	Paris	100.00
<b><i>Operating companies</i></b>		
Rexel France S.A.S.	Paris	100.00
Société Coaxel Toulousaine	Paris	100.00
Dismo France S.A.S.	St-Ouen l'Aumône	100.00
Espace Elec S.A.S.	Ajaccio	100.00
SCI Adour Bastillac	Paris	70.00
Société Immobilière d'Investissement Parisienne S.N.C.	Paris	100.00
Bizline S.A.S.	Paris	100.00
Citadel S.A.S.	Paris	100.00
Conectis S.A.S.	Paris	100.00
Francofa Eurodis S.A.S.	Rosnysous Bois	100.00
R-Scan	Pacé	100.00
Distodiag	Pacé	100.00
Enerlogy	Pacé	100.00
SBEM	Pacé	100.00
Eurobat	Croissy-Beaubourg	100.00
La Boîte Electrique	Paris	100.00
<b>EUROPE</b>		
<b>Germany</b>		
Rexel GmbH	Munich	100.00
Hagemeyer Deutschland GmbH & Co KG	Munich	100.00
Hagemeyer Deutschland Verwaltungs GmbH	Munich	100.00
Hagemeyer Beteiligungs GmbH	Munich	100.00
Silstar Deuthschland GmbH	Emmerich	100.00
Hagemeyer Holding Deutschland GmbH	Munich	100.00
<b>United Kingdom</b>		
Rexel Senate Ltd	Potters Bar	100.00
Denmans Electrical Wholesalers Ltd	Potters Bar	100.00
Senate Group Ltd	Potters Bar	100.00
Rexel (UK) Holdings Ltd.	Potters Bar	100.00
Rexel (UK) Ltd	Potters Bar	100.00
Newey & Eyre Ltd.	Potters Bar	100.00
Parker Merchanting Limited	Potters Bar	100.00
WF Electrical Plc	Potters Bar	100.00
Newey & Eyre (C.I.) Ltd.	Guernsey	100.00
Warrior Ltd.	Potters Bar	100.00
H.A. Wills (Southampton) Ltd.	Potters Bar	100.00
Rexel UK Pension Trustees Ltd.	Potters Bar	100.00
A&A Security Technologies Limited	Potters Bar	100.00
Defiance Contractor Tools Limited	Potters Bar	100.00
J&N Wade Limited	Potters Bar	100.00
Clearlight Electrical Company	Potters Bar	100.00
Power Industries Limited	Potters Bar	100.00
OLC Limited	Potters Bar	100.00

	<i>Head office</i>	<i>% Interest</i>
<b>Sweden</b>		
Rexel Sverige AB	Älvsjö	100.00
Moel AB	Bredaryd	100.00
<b>Austria</b>		
Rexel Central Europe Holding GmbH	Vienna	100.00
Rexel Austria GmbH	Vienna	100.00
Schäcke GmbH	Vienna	100.00
Regro Elektro-Grosshandel GmbH	Vienna	100.00
<b>The Netherlands</b>		
B.V. Electrotechnische Groothandel J.K. Busbroek	Zwolle	100.00
Rexel Nederland B.V.	Gouda	100.00
Cosa Liebermann B.V.	Hoofddorp	100.00
Hagemeyer NV	Hoofddorp	100.00
Hagemeyer Finance B.V.	Hoofddorp	100.00
Borsu International B.V.	Hoofddorp	100.00
Rexel NCE B.V.	Hoofddorp	100.00
<b>Italy</b>		
Rexel Italia SpA	Milano	100.00
<b>Spain</b>		
ABM-Rexel SL	Madrid	100.00
Erka Materiales Eléctricos, S.L.	Renteria	100.00
Suministros Eléctricos Erka, S.L.	Renteria	100.00
<b>Belgium</b>		
Rexel Belgium S.A.	Zellik	100.00
<b>Portugal</b>		
Rexel Distribuição de Material Eletrico S.A.	Lisboa	100.00
<b>Ireland</b>		
Rexel Electrical Supply & Services Holding Ltd.	Dublin	100.00
MKelliher 1998 Ltd.	Tralee	100.00
Hagemeyer Industrial Ireland Ltd.	Limerick	100.00
<b>Switzerland</b>		
Elektro Material AG	Zurich	100.00
<b>Luxembourg</b>		
Rexel Luxembourg S.A.	Luxembourg	100.00
REXEL RE S.A.	Luxembourg	100.00
<b>Czech Republic</b>		
Rexel CZ s.r.o.	Brno	100.00
<b>Slovakia</b>		
Hagard. Hal, spol. Sr.o.	Nitra	100.00
<b>Hungary</b>		
Rexel Hungary General Supply & Services kft	Fót	100.00
<b>Slovenia</b>		
Elektronabava d.o.o.	Ljubljana	100.00
<b>Poland</b>		
Elektroskandia Polska S.A.	Poznan	100.00
<b>Russia</b>		
OOO Elektroskandia Rus	St. Petersburg	100.00
<b>Estonia</b>		
OÜ Elektroskandia Baltics	Tallinn	100.00
<b>Finland</b>		
Rexel Finland Oy	Hyvinkää	100.00
<b>Norway</b>		
Elektroskandia Norge AS	Oslo	100.00
Elektroskandia Norway Holding AS	Oslo	100.00



	<i>Head office</i>	<i>% Interest</i>
<b>SOUTH AMERICA</b>		
<b>Peru</b>		
Rexel Peru Holding S.A.C.	Lima	100.00
Rexel Peru S.A.C.	Lima	100.00
<b>Chile</b>		
Rexel Chile SA	Santiago	100.00
Flores y Kersting SA	Santiago	100.00
<b>Brazil</b>		
Delamano Montagens e Instalações Industriais.	Santo Andre	100.00
Nortel Suprimentos Industrias S.A.	Campinas	100.00
<b>NORTH AMERICA</b>		
<b>United States</b>		
Rexel Holdings USA Corp.	Dallas	100.00
Rexel Inc.	Dallas	100.00
SKRLA LLC	Dallas	100.00
SPT Holdings Inc.	Dallas	100.00
Rexel of America LLC	Dallas	100.00
Rexel Patriot Acquisition, LLC	Dallas	100.00
Consolidated Electrical Supply Limited	Dallas	99.80
General Supply & Services Inc.	Dallas	100.00
Gesco General Supply & Services Puerto Rico LLC	Shelton	100.00
General Supply & Services Malaysia LLC	Shelton	100.00
General Supply & Services Macau LLC	Shelton	100.00
General Supply & Services Indonesia LLC	Shelton	100.00
General Supply & Services SA Holding LLC	Shelton	100.00
<b>Canada</b>		
Rexel North America Inc.	St Laurent	100.00
Rexel Canada Electrical Inc.	Mississauga	100.00
Liteco Inc.	Fredericton	100.00
<b>ASIA OCEANIA</b>		
<b>Hong Kong SAR</b>		
Rexel Hong Kong Ltd	Kowloon	100.00
Huazhang Electric Automation Holding Co Ltd	Hong Kong	70.00
LuckyWell Int'l Investment LTD	Hong Kong	100.00
<b>China</b>		
Rexel Hailongxing Electrical Equipment Co Ltd	Beijing	65.00
Rexel Hualian Electric Equipment Commercial Co Ltd	Shanghai	65.00
Zhejiang Huazhang Automation Equipment Co., Ltd.	Huazhou	70.00
GE Supply (Shanghai) Co. Ltd.	Shanghai	100.00
Rexel China Management Co Ltd	Shanghai	100.00
Suzhou Xidian Co Ltd	Suzhou	100.00
Beijing LuckyWell-ZN Electrical Co., Ltd	Beijing	100.00
Beijing ZhongHeng Hengxin Automation Co., Ltd	Beijing	65.00
Henan Qixin Automation Equipment Co., Ltd.	Zhengzhou	65.00
Shanghai Suhua Industrial Control Equipment Co. Ltd	Shanghai	100.00
LinElec Business Consulting (Shanghai) Limited	Shanghai	100.00
<b>India</b>		
Yantra Automotion Private Limited	Pune	100.00
Rexel India Private Limited	Mumbai	100.00
A.D. Electronics Private Limited	Mumbai	100.00
<b>Macau SAR</b>		
Gexpro Supply (Macau) Company Limited	Macau	100.00

	<i>Head office</i>	<i>% Interest</i>
<b>Korea</b>		
Gexpro korea Co. Ltd	Seoul	100.00
<b>Indonesia</b>		
P.T. Hagemeyer Cosa Liebermann	Jakarta	100.00
P.T. General Supply & Services Indonesia	Jakarta	100.00
<b>Malaysia</b>		
General Supply & Services (M) SND BHD	Kuala Lumpur	100.00
<b>Singapore</b>		
Gexpro Asia Pte Ltd	Singapore	100.00
Rexel South East Asia Pte. Ltd.	Singapore	100.00
Luxlight Pte, Ltd.	Singapore	100.00
<b>Thailand</b>		
Rexel General Supply and Services Co Ltd	Bangkok	49.00
Rexel Quality Trading Co. Ltd	Bangkok	70.00
<b>Vietnam</b>		
Rexel Vietnam CO. Ltd	Ho Chi Minh City	100.00
<b>Australia</b>		
Rexel Holdings Australia Pty Ltd	Sydney	100.00
Rexel Electrical Supplies Pty Ltd	Sydney	100.00
Australian Regional Wholesalers Pty Ltd	Sydney	100.00
EIW Holding Pty Ltd	Sydney	100.00
Hagemeyer Holdings (Australia) Pty Ltd	Sydney	100.00
<b>New Zealand</b>		
Rexel New Zealand Limited	Auckland	100.00
Redeal Pensions Ltd	Auckland	100.00
<b>Kingdom Saudi Arabia</b>		
Rexel Services KSA LLC	Riyadh	100.00
<b>United Arab Emirates</b>		
Redco FZE	Dubai	100.00

### III. Statutory auditors' report

*This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.*

*The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures.*

*This report also includes information relating to the specific verification of information given in the group's management report.*

*This report should be read in conjunction with and construed in accordance with French law and professional auditing standards applicable in France.*

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

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

**ERNST & YOUNG Audit**  
1/2, place des Saisons  
92400 Courbevoie - Paris-La Défense 1  
S.A.S. à capital variable

Commissaire aux Comptes  
Membre de la compagnie  
régionale de Versailles

## Rexel

Year ended December 31, 2013

### ***Statutory auditors' report on the consolidated financial statements***

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying consolidated financial statements of Rexel;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the management board. Our role is to express an opinion on these consolidated financial statements based on our audit.

#### **I. Opinion on the consolidated financial statements**

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2013 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## II. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, according to the accounting policies and principles described in notes 2.8 and 10.1 to the consolidated financial statements. We have examined the terms and conditions for implementing these tests, as well as the data and assumptions used. We have also verified that the information disclosed in notes 7.2 and 10.1 to the consolidated financial statements is appropriate, especially regarding the sensitivity analysis;
- your company has booked provisions relating to post-employment and other long-term benefits according to the accounting policies and terms and conditions described in note 2.14 to the consolidated financial statements. The related obligations were assessed with the assistance of external actuaries. Our work consisted in examining the data used, assessing the chosen assumptions and verifying that the information disclosed in note 19 to the consolidated financial statements is appropriate;
- your company also makes estimates in respect of the measurement of financial instruments (notes 2.10.4 and 21), share-based payments (notes 2.15 and 16), provisions and contingent liabilities (notes 2.16, 18 and 25) and deferred taxes (notes 2.20 and 9). Our work consisted in examining the data and assumptions used as well as the procedure implemented by management to approve these estimates. We have also reviewed, using sampling techniques, the calculations made by the group and verified that the information disclosed in the notes to the consolidated financial statements is appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## III. Specific verification

As required by law we have also verified, in accordance with professional standards applicable in France, the information presented in the group's management report.

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

Neuilly-sur-Seine and Paris-La Défense, February 12, 2014

The statutory auditors  
*French original signed by*

PricewaterhouseCoopers Audit

ERNST & YOUNG Audit

Christian Perrier

Philippe Diu