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Financial information for the year ended December 31, 2014

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This document is a free translation from French to English of Rexel's original financial information for the year ended December 31, 2014 and is provided solely for the convenience of English speaking readers. In the event of any ambiguity or discrepancy between this unofficial translation and the original financial information for the year ended December 31, 2014, 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 2014, the Group recorded consolidated sales of €13,081.2 million, of which €7,145.2 million were generated in Europe (55% of sales), €4,477.9 million in North America (34% of sales), €1,200.9 million in Asia-Pacific (9% of sales) and €256.8 million in Latin America (2% of sales).

The Group’s activities in Europe (55% of Group sales) are in France (which accounts for 33% 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 account for 74% of Group sales in this region, and Canada for 26%.

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 South-East Asia (Indonesia, Malaysia, Singapore, South Korea, Thailand and Vietnam). Australia accounts for 44% of Group sales in this region and China for 32%.

The Group’s activities in Latin America (2% of Group sales) are in Brazil, Chile and Peru. Brazil accounts for 58% 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 14% of the Group's sales and copper accounts for approximately 60% of the composition of cables. This exposure is indirect since cable prices also reflect suppliers' commercial policies and the competitive environment of markets in which the Group operates. Changes in copper price have an estimated "recurring" and "non-recurring" effect on the Group's performance, assessed as part of the monthly internal reporting process of the Rexel Group:

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

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

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

The Group undertakes acquisitions and disposals that may alter its scope of consolidation from one period to another. 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;
- On a constant and same-day basis, which means on a constant basis (as described above) and restated for the effect of different numbers of working days in each period. Such information is used only for comparisons related to sales; and
- On a constant basis, adjusted, which means on a constant basis (as described above) and adjusted for the estimated non-recurring effect related to changes in copper-based cable prices. Such information is used for comparisons of gross profit, distribution and administrative expenses, and EBITA. This information is not generated directly by the Group’s accounting systems but is an estimate of comparable data in accordance with the principles explained above.

Changes in accounting policies: IFRIC Interpretation 21 “Levies”

Rexel elected to adopt IFRIC Interpretation 21 “Levies”, issued by the IFRIC Interpretation Committee in 2013, as of January 1, 2014 with retrospective application as of January 1, 2013. 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. 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. The impact of the adoption of IFRIC Interpretation 21 on shareholders’ equity as of January 1, 2013 was an increase of €2.5 million after tax (€3.9 million before tax). The impact on the operating income and net income for the period ended December 31, 2014 was not significant. Prior year comparative information was restated accordingly.

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,		Year ended December 31,	
	2014	2013 ⁽¹⁾	2014	2013 ⁽¹⁾
Operating income before other income and other expenses	176.7	187.5	630.6	667.1
Changes in scope of consolidation		1.2		2.5
Foreign exchange effects		4.2		(7.1)
Non-recurring effect related to copper	(0.8)	2.0	2.6	15.3
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	4.2	3.9	16.1	19.7
Adjusted EBITA on a constant basis	180.2	198.7	649.4	697.5

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC 21

1.2 | Comparison of financial results as of December 31, 2014 and as of December 31, 2013

1.2.1 | Rexel Group's consolidated financial results

The following table sets out Rexel's consolidated income statement for 2014 and 2013, in millions of euros and as a percentage of sales.

REPORTED (in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013 ⁽¹⁾	Change in %	2014	2013 ⁽¹⁾	Change in %
Sales	3,468.0	3,287.7	5.5%	13,081.2	13,011.6	0.5%
Gross profit	831.9	812.4	2.4%	3,174.9	3,188.5	(0.4)%
Distribution and administrative expenses ⁽²⁾	(650.9)	(621.0)	4.8%	(2,528.1)	(2,501.7)	1.1%
EBITA	181.0	191.4	(5.4)%	646.8	686.8	(5.8)%
Amortization ⁽³⁾	(4.2)	(3.9)	9.1%	(16.1)	(19.7)	(18.0)%
Operating income before other income and expenses	176.7	187.5	(5.8)%	630.6	667.1	(5.5)%
Other income and expenses	(61.4)	(51.4)	19.7%	(134.8)	(146.2)	(7.8)%
Operating income	115.3	136.1	(15.3)%	495.8	520.9	(4.8)%
Net financial expenses	(50.4)	(50.0)	0.8%	(188.9)	(213.5)	(11.5)%
Share of profit of associates	0.0	0.0	n.s.	0.0	0.4	n.s.
Income taxes	(22.4)	(25.0)	(10.1)%	(106.9)	(96.9)	10.4%
Net income	42.5	61.2	(30.7)%	200.0	210.9	(5.2)%
<i>as a % of sales</i>	1.2%	1.9%		1.5%	1.6%	
<small>(1) Restated for changes in accounting policies following the adoption of IFRIC 21</small>						
<small>(2) Of which depreciation and amortization</small>						
	(20.4)	(18.5)	10.4%	(80.7)	(77.0)	4.8%
<small>(3) Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions.</small>						

CONSTANT BASIS ADJUSTED FINANCIAL DATA		Quarter ended December 31,			Year ended December 31,		
(in millions of euros)		2014	2013	Change in %	2014	2013	Change in %
Sales		3,468.0	3,396.6	2.1%	13,081.2	12,934.7	1.1%
Gross profit	<i>Same-day basis</i>	831.0	842.6	1.1%	3,177.8	3,202.9	1.1%
	<i>as a % of sales</i>	24.0%	24.8%	(1.4)%	24.3%	24.8%	(0.8)%
Distribution and administrative expenses		(650.8)	(643.9)	1.1%	(2,528.4)	(2,505.4)	0.9%
	<i>as a % of sales</i>	(18.8)%	(19.0)%		(19.3)%	(19.4)%	
EBITA		180.2	198.7	(9.3)%	649.4	697.5	(6.9)%
	<i>as a % of sales</i>	5.2%	5.9%		5.0%	5.4%	

Sales

In 2014, Rexel's consolidated sales amounted to €13,081.2 million, as compared to €13,011.6 million in 2013.

On a reported basis, sales were up 0.5% year-on-year, including a negative currency impact of 1.1% and a positive effect from acquisitions of 0.5%.

- The negative impact of currency amounted to €138.2 million, mainly due to the depreciation of the Canadian and Australian dollars against the euro, offset by the appreciation of the British Pound.
- The positive net effect from acquisitions amounted to €61.4 million and reflects mainly acquisitions made in Asia-Pacific and in Europe.

On a constant and same-day basis, sales increased by 1.1%. By geography, Europe was up by 0.5%, North America increased by 2.9%, Asia-Pacific decreased by 1.0%, and Latin America decreased by 3.5%. Excluding the 0.6 percentage point negative impact due to lower copper-based cable prices, sales increased by 1.7% as compared to 2013.

In the fourth quarter of 2014, Rexel's consolidated sales amounted to €3,468.0 million, as compared to €3,287.7 million in the fourth quarter of 2013.

On a reported basis, sales were up by 5.5% year-on-year, including a positive currency impact of 2.6% and a positive net effect from acquisitions of 0.7%.

On a constant and same-day basis, sales increased by 1.1%, reflecting 5.1% growth in North America partially offset by drops in Europe (-0.8%), in Asia-Pacific (-1.1%), and Latin America (-2.8%). Excluding the negative impact of 0.4 percentage point due to the lower copper-based cable prices, sales were up 1.6%, as compared to the fourth quarter of 2013. Combined with a +1.0 percentage point calendar impact, sales increased by 2.1% on actual number of working days.

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 and same-day basis	0.4%	0.6%	2.2%	1.1%	1.1%
Number of working days effect	0.0%	(0.5)%	(0.4)%	1.0%	0.0%
Growth on a constant and actual-day basis	0.4%	0.1%	1.8%	2.1%	1.1%
Changes in scope effect	0.4%	0.4%	0.4%	0.7%	0.5%
Foreign exchange effect	(3.6)%	(3.3)%	(0.1)%	2.6%	(1.1)%
Total scope and currency effects	(3.2)%	(2.9)%	0.3%	3.3%	(0.6)%
Growth on a reported basis ⁽¹⁾	(2.7)%	(2.9)%	2.2%	5.5%	0.5%

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

Gross profit

In 2014, gross profit amounted to €3,174.9 million, down 0.4%, on a reported basis, as compared to €3,188.5 million in 2013.

On a constant basis, adjusted gross profit decreased by 0.8% and adjusted gross margin decreased by 45 basis points to 24.3% of sales, reflecting an unfavorable geographic mix, due to cumulative effects of (i) the reduced weight of countries whose gross margin is above Group average and (ii) the increased weight of countries whose gross margin is below Group average, combined with the increased share in the Group sales of large projects whose gross margin is below Group average.

In the fourth quarter of 2014, gross profit amounted to €831.9 million, up 2.4% on a reported basis as compared to €812.4 million in the fourth quarter of 2013.

On a constant basis, adjusted gross profit decreased by 1.4% and adjusted gross margin decreased by 85 basis points to 24.0% of sales.

Distribution & administrative expenses

In 2014, distribution and administrative expenses amounted to €2,528.1 million, up 1.1%, on a reported basis, as compared to €2,501.7 million in 2013.

On a constant basis, adjusted distribution and administrative expenses increased by 0.9% and a 5 basis points improvement, representing 19.3% of sales in 2014 as compared to 19.4% in 2013, those reflecting cost control over the year.

In the fourth quarter of 2014, distribution and administrative expenses amounted to €650.9 million, up by 4.8%, on a reported basis, as compared to €621.0 million in the fourth quarter of 2013.

On a constant basis, adjusted distribution and administrative expenses increased by 1.1% and a 20 basis points improvement, representing 18.8% of sales, as compared to 19.0% in 2013.

EBITA

In 2014, EBITA stood at €646.8 million, down 5.8%, on a reported basis, as compared to €686.8 million in 2013.

On a constant basis, adjusted EBITA decreased by 6.9% to €649.4 million and adjusted EBITA margin stood at 5.0% of sales, down 40 basis points year-on-year.

In the fourth quarter of 2014, EBITA stood at €181.0 million, down 5.4%, on a reported basis, as compared to €191.4 million in the fourth quarter of 2013.

On a constant basis, adjusted EBITA decreased by 9.3% to €180.2 million and adjusted EBITA margin stood at 5.2% of sales, down 65 basis points year-on-year.

Other income and expenses

In 2014, other income and expenses represented a net expense of €134.8 million, mainly consisting of:

- €58.9 million restructuring costs mainly related to logistics reorganization and branch network optimization in Europe (mainly in Germany, The Netherlands, the United-Kingdom and France) and North America (mainly in the United-States);
- €48.5 million goodwill impairment mainly related to Brazil for €27.8 million, The Netherlands for €12.0 million and Slovakia for €3.4 million, reflecting weak industrial and construction end-markets;
- €9.4 million expenses related to the shut-down of Czech Republic operations;
- €8.2 million acquisition related costs and professional fees associated with some investment projects.

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

- €67.3 million goodwill impairment mainly related to The Netherlands for €42.8 million and Brazil for €21.1 million;
- €63.6 million restructuring costs incurred in connection with logistic reorganizations and branch closures related to Europe (mainly in the United-Kingdom, France, Sweden, Germany, Spain and The Netherlands), North America and Asia-Pacific.

Net Financial expenses

In 2014, net financial expenses stood at €188.9 million, as compared to €213.5 million in 2013. In 2013, net financial expenses included a €23.5 million non-recurring expense incurred in connection with the refinancing occurred in April 2013 of the 8.25% senior notes due 2016 by the €650 million 5.125% senior notes due 2020. Excluding the impact of the 2013 refinancing non-recurring expense, net financial expenses were slightly down from €190.0 million in 2013 to €188.9 million in 2014. This was primarily due to the 50 basis-point decrease of the effective interest rate on gross debt (from 5.4% in 2013 to 4.9% in 2014) and the decrease of the average net indebtedness impacted by an increased amount of cash, compensated by the negative impact of change in fair value of interest rate derivatives.

Tax expense

In 2014, income tax expense was €106.9 million, a 10.4% increase as compared to €96.9 million in 2013. This increase is due to the rise in the effective tax rate from 31.5% in 2013 to 34.8% in 2014, mainly reflecting unrecognized tax losses in Spain and Brazil, the impact of goodwill impairment and the increasing tax pressure in France.

Net income

As a result of the items above, net income stood at €200.0 million in 2014, a 5.2% decrease as compared to €210.9 million in 2013.

1.2.2 | Europe (55% of Group sales)

REPORTED (in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	1,872.6	1,853.0	1.1%	7,145.2	7,078.6	0.9%
Gross profit	495.9	499.1	(0.6)%	1,919.7	1,897.4	1.2%
Distribution and administrative expenses	(364.0)	(361.9)	0.6%	(1,466.8)	(1,442.1)	1.7%
EBITA	131.9	137.1	(3.8)%	452.9	455.4	(0.5)%
<i>as a % of sales</i>	<i>7.0%</i>	<i>7.4%</i>		<i>6.3%</i>	<i>6.4%</i>	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	1,872.6	1,867.8	0.3%	7,145.2	7,098.5	0.7%
<i>Same-day basis</i>			<i>(0.8)%</i>			<i>0.5%</i>
Gross profit	494.2	508.8	(2.9)%	1,920.5	1,928.9	(0.4)%
<i>as a % of sales</i>	<i>26.4%</i>	<i>27.2%</i>		<i>26.9%</i>	<i>27.2%</i>	
Distribution and administrative expenses	(363.8)	(368.9)	(1.4)%	(1,466.8)	(1,460.9)	0.4%
<i>as a % of sales</i>	<i>(19.4)%</i>	<i>(19.7)%</i>		<i>(20.5)%</i>	<i>(20.6)%</i>	
EBITA	130.4	140.0	(6.8)%	453.7	467.9	(3.0)%
<i>as a % of sales</i>	<i>7.0%</i>	<i>7.5%</i>		<i>6.3%</i>	<i>6.6%</i>	

Sales

In 2014, sales in Europe amounted to €7,145.2 million, an increase of 0.9%, on a reported basis, as compared to €7,078.6 million in 2013.

Exchange rate variations accounted for an increase of €10.9 million, mainly due to the depreciation of the Norwegian and Swedish Krona against the euro, offset by the appreciation of the British Pound.

Acquisition contributed for €9.0 million (related to Elevite AG, acquired in the third quarter of 2014 in Switzerland).

On a constant and same-day basis, sales increased by 0.5% as compared to 2013.

In the fourth quarter of 2014, sales stood at €1,872.6 million, a 1.1% growth on a reported basis, as compared to €1,853.0 million in 2013.

On a constant and same-day basis, sales were down by 0.8% from the fourth quarter of 2013, reflecting a more challenging base effect as compared to the first three quarters of 2013.

In **France**, sales amounted to €2,376.4 million in 2014, a decrease of 2.3% as compared to 2013 on a constant and same-day basis in a challenging environment due to low level of residential and industrial markets and deflation in cable prices. France outperformed the market throughout the year, thanks to large projects activity and multi-energy offer.

In the fourth quarter of 2014, sales decreased by 5.1% from the fourth quarter of 2013, on a constant and same-day basis, due to difficult market conditions.

In **the United Kingdom**, sales amounted to €1,005.2 million in 2014, an increase of 0.6% from the 2013 on a constant and same-day basis, still affected by branch closures. Excluding branch closures effect, sales growth stood at +2.2%, mainly driven by photovoltaic and energy efficiency products.

In the fourth quarter of 2014, sales decreased by 1.7% from the fourth quarter of 2013, on a constant and same-day basis. Excluding branch closures effect, sales growth stood at -1.2%.

In **Germany**, sales stood at €803.2 million in 2014, a decrease of 0.6% from the 2013 on a constant and same-day basis, with a good performance on building equipment and lighting, offset by lower cable sales.

In the fourth quarter of 2014, sales decreased by 1.9% from the fourth quarter of 2013, on a constant and same-day basis.

In **Scandinavia** sales amounted to €906.5 million in 2014, an increase of 6.9% from 2013 on a constant and same-day basis, with a good performance in the three countries, thanks to utilities and energy efficiency business: +8.3% in Sweden, +4.3% in Norway and +7.9% in Finland, reflecting gains in market share.

In the fourth quarter of 2014, sales were up by 7.8% from the fourth quarter of 2013, on a constant and same-day basis with an increase of 10.7% in Sweden, 6.1% in Norway and 3.9% in Finland.

In **Belgium** and in **The Netherlands**, sales amounted respectively to €312.5 million and €223.7 million in 2014. Sales in Belgium increased by 4.2% thanks to the recovery of the residential market. Sales in The Netherlands were down 5.7% on a constant and same-day basis, nevertheless reflecting a slight improvement throughout the year.

In the fourth quarter of 2014, sales in Belgium were up by 8.4% and The Netherlands posted a decrease of 5.8%.

In **Switzerland** and **Austria**, sales amounted respectively to €420.3 million and €316.0 million in 2014. Both countries posted increases of respectively 0.7% and 2.2% from 2013 on a constant and same-day basis.

In the fourth quarter of 2014, sales decreased by 1.5% in Switzerland and increased by 1.8% in Austria as compared to the fourth quarter of 2013, on a constant and same-day basis.

In **Southern Europe**, sales amounted to €388.6 million in 2014, a 0.6% increase from 2013 on a constant and same-day basis. This reflects a 1.7% increase in Spain and a 3.9% drop in Italy.

In the fourth quarter of 2014, sales increased by 1.0% on a constant and same-day basis from the fourth quarter of 2013, of which Spain +4.4% (mainly driven by export business) and Italy -3.4%.

Gross profit

In 2014, Europe recorded a gross profit of €1,919.7 million, up 1.2%, on a reported basis, as compared to €1,897.4 million in 2013.

On a constant basis, adjusted gross profit decreased by 0.4% and adjusted gross margin decreased by 30 basis points to 26.9% of sales, affected by tough market conditions in a number of European countries, including France, whose margin is higher than Europe's average and whose sales dropped by around 2% while the rest of Europe grew by around 2%.

In the fourth quarter of 2014, on a constant basis, adjusted gross profit decreased by 2.9% and adjusted gross margin decreased by 85 basis points at 26.4% of sales, as compared to the fourth quarter of 2013.

Distribution & administrative expenses

In 2014, distribution and administrative expenses amounted to €1,466.8 million, up 1.7%, on a reported basis, as compared to €1,442.1 million in 2013.

On a constant basis, adjusted distribution and administrative expenses increased by 0.4% in 2014, representing 20.5% of sales as compared to 20.6% in 2013.

In the fourth quarter of 2014, on a constant basis, adjusted distribution and administrative expenses decreased by 1.4%, representing 19.4% of sales in the fourth quarter of 2014, as compared to 19.7% in the fourth quarter of 2013.

EBITA

In 2014, as a result, on a reported basis, EBITA amounted to €452.9 million, down 0.5% as compared to €455.4 million in 2013.

On a constant basis, adjusted EBITA decreased by 3.0% from 2013 and adjusted EBITA margin decreased by 25 basis points to 6.3% of sales.

In the fourth quarter of 2014, on a constant basis, adjusted EBITA decreased by 6.8% while the adjusted EBITA margin decreased by 50 basis points to 7.0% of sales.

1.2.3 / North America (34% of Group sales)

REPORTED (in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	1,220.7	1,082.6	12.8%	4,477.9	4,441.1	0.8%
Gross profit	262.0	240.3	9.0%	966.7	978.5	(1.2)%
Distribution and administrative expenses	(206.0)	(186.1)	10.7%	(762.7)	(748.3)	1.9%
EBITA	56.0	54.2	3.3%	204.0	230.2	(11.4)%
<i>as a % of sales</i>	<i>4.6%</i>	<i>5.0%</i>		<i>4.6%</i>	<i>5.2%</i>	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	1,220.7	1,149.2	6.2%	4,477.9	4,353.4	2.9%
<i>Same-day basis</i>			<i>5.1%</i>			<i>2.9%</i>
Gross profit	262.9	256.8	2.4%	969.2	968.5	0.1%
<i>as a % of sales</i>	<i>21.5%</i>	<i>22.3%</i>		<i>21.6%</i>	<i>22.2%</i>	
Distribution and administrative expenses	(206.1)	(199.1)	3.5%	(763.1)	(740.7)	3.0%
<i>as a % of sales</i>	<i>(16.9)%</i>	<i>(17.3)%</i>		<i>(17.0)%</i>	<i>(17.0)%</i>	
EBITA	56.8	57.7	(1.5)%	206.1	227.8	(9.5)%
<i>as a % of sales</i>	<i>4.7%</i>	<i>5.0%</i>		<i>4.6%</i>	<i>5.2%</i>	

Sales

In 2014, sales in North America amounted to €4,477.9 million, up 0.8%, on a reported basis, as compared to €4,441.1 million in 2013.

Unfavorable exchange rate variations accounted for €82.5 million, due to the depreciation of Canadian dollars against the euro.

On a constant and same-day basis, sales increased by 2.9% in 2014 as compared to 2013, driven by recovery in US non-residential construction end-market in the second half of the year.

In the fourth quarter of 2014, sales stood at €1,220.7 million, a 12.8% growth on a reported basis, as compared to €1,082.6 million in the fourth quarter of 2013.

On a constant and same-day basis, sales increased by 5.1% from the fourth quarter of 2013.

In the United States, sales rose to €3,315.4 million in 2014, a 3.2% increase from 2013 on a constant and same-day basis, driven by recovery in non-residential construction end-market in the second half of the year.

In the fourth quarter of 2014, sales increased by 5.6% from the fourth quarter of 2013, on a constant and same-day basis.

In Canada, sales amounted to €1,162.6 million in 2014, up 1.8% from 2013 on a constant and same-day basis, thanks to a recovery in project sales, in particular in photovoltaic and wind businesses.

In the fourth quarter of 2014, sales increased by 3.5% from the fourth quarter of 2013, on a constant and same-day basis.

Gross profit

In 2014, in North America, gross profit amounted to €966.7 million, down 1.2%, on a reported basis, as compared to €978.5 million in 2013.

On a constant basis, adjusted gross profit increased by 0.1% and adjusted gross margin decreased by 60 basis points at 21.6% of sales. Gross margin was impacted by acceleration in non-residential sales in the United-States since the third quarter, unfavorable project mix and strong sales evolution in photovoltaic and wind products that carry lower margin in both countries.

In the fourth quarter of 2014, on a constant basis, adjusted gross profit increased by 2.4% and adjusted gross margin decreased by 80 basis points at 21.5% as compared to the fourth quarter of 2013. The decrease in margin is due to higher projects whose margin is lower.

Distribution & administrative expenses

In 2014, distribution and administrative expenses amounted to €762.7 million, up 1.9%, on a reported basis, as compared to €748.3 million in 2013.

On a constant basis, adjusted distribution and administrative expenses increased by 3.0% in 2014, representing 17.0% of sales in 2014, stable as compared to 2013.

In the fourth quarter of 2014, on a constant basis, adjusted distribution and administrative expenses increased by 3.5%, representing 16.9% of sales in the fourth quarter of 2014, as compared to 17.3% in the fourth quarter of 2013.

EBITA

In 2014, as a result, EBITA amounted to €204.0 million, down 11.4%, on a reported basis, as compared to €230.2 million in 2013.

On a constant basis, adjusted EBITA decreased by 9.5% from 2013 and the adjusted EBITA margin decreased by 65 basis points to 4.6% of sales.

In the fourth quarter of 2014, on a constant basis, adjusted EBITA decreased by 1.5% while the adjusted EBITA margin decreased by 30 basis points to 4.7% of sales.

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

REPORTED (in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	308.9	282.1	9.5%	1,200.9	1,196.8	0.3%
Gross profit	59.9	57.6	3.9%	231.8	244.8	(5.3)%
Distribution and administrative expenses	(49.7)	(46.5)	7.0%	(196.0)	(195.9)	-
EBITA	10.2	11.2	(8.9)%	35.8	48.9	(26.8)%
<i>as a % of sales</i>	3.3%	4.0%		3.0%	4.1%	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	308.9	311.5	(0.8)%	1,200.9	1,215.5	(1.2)%
<i>Same-day basis</i>			(1.1)%			(1.0)%
Gross profit	59.9	61.9	(3.3)%	231.8	243.7	(4.9)%
<i>as a % of sales</i>	19.4%	19.9%		19.3%	20.0%	
Distribution and administrative expenses	(49.7)	(49.8)	(0.2)%	(196.0)	(194.5)	0.8%
<i>as a % of sales</i>	(16.1)%	(16.0)%		(16.3)%	(16.0)%	
EBITA	10.2	12.1	(16.0)%	35.8	49.2	(27.2)%
<i>as a % of sales</i>	3.3%	3.9%		3.0%	4.0%	

Sales

In 2014, sales in Asia-Pacific amounted to €1,200.9 million, up 0.3%, on a reported basis, as compared to €1,196.8 million in 2013.

- The entities acquired in the fourth quarter of 2013 (Rexel Quality Trading Co. Ltd in Thailand and Lenn International Pte Ltd in Singapore) and entities acquired in the fourth quarter of 2014 (4 Knights International in Thailand and Beijing Ouneng Tongxing Technology Co. Ltd in China) contributed for €57.5 million,
- Unfavorable exchange rate variation accounted for €38.9 million of the decrease, primarily due to the depreciation of the Australian dollar against the euro.

On a constant and same-day basis, sales declined by 1.0% as compared to 2013.

In the fourth quarter of 2014, sales stood at €308.9 million, a 9.5% increase on a reported basis, as compared to €282.1 million in the fourth quarter of 2013.

On a constant and same-day basis, sales decreased by 1.1% from the fourth quarter of 2013.

In **Australia**, sales amounted to €532.3 million, a 5.9% decrease from 2013, on a constant and same-day basis, still affected by branch closures and difficulties in non-residential end-market. Excluding the effect of branch closures, sales decreased by 4.0%.

In the fourth quarter of 2014, sales decreased by 3.7% from the fourth quarter of 2013, on a constant and same-day basis. Excluding the effect of branch closures, sales decreased by 2.0%.

In **China**, sales amounted to €383.4 million in 2014, a 3.5% increase compared to 2013, on a constant and same-day basis. Sales were driven by automation and lighting projects.

In the fourth quarter of 2014, sales decreased by 0.7% from the fourth quarter of 2013, on a constant and same-day basis.

Gross profit

In 2014, in Asia-Pacific, gross profit amounted to €231.8 million, down 5.3%, on a reported basis, as compared to €244.8 million in 2013.

On a constant basis, adjusted gross profit decreased by 4.9% from 2013 and adjusted gross margin was 19.3% of sales, a 75 basis points decrease from 2013, due to tough market conditions in Australia and the increasing portion of zone revenues generated by China whose gross margin is below the zone average.

In the fourth quarter of 2014, on a constant basis, adjusted gross profit decreased by 3.3% and adjusted gross margin was 19.4% of sales, a decrease of 50 basis points from the fourth quarter of 2013.

Distribution & administrative expenses

In 2014, on a reported basis, distribution and administrative expenses amounted to €196.0 million, stable as compared to €195.9 million in 2013.

On a constant basis, adjusted distribution and administrative expenses increased by 0.8% from 2013, representing 16.3% of sales in 2014 as compared to 16.0% in 2013, mainly due to the 1.7% decrease of adjusted distribution and administrative expenses that did not fully offset the 6.0% drop in sales in Australia.

In the fourth quarter of 2014, on a constant basis, adjusted distribution and administrative expenses decreased by 0.2%, representing 16.1% of sales in the fourth quarter of 2014 as compared to 16.0% in the fourth quarter of 2013.

EBITA

In 2014, as a result, EBITA amounted to €35.8 million, down 26.8%, on a reported basis, as compared to €48.9 million in 2013.

On a constant basis, adjusted EBITA decreased by 27.2% from 2013 and Adjusted EBITA margin decreased by 105 basis points to 3.0% of sales.

In the fourth quarter of 2014, on a constant basis, adjusted EBITA decreased by 16.0% while the adjusted EBITA margin decreased by 60 basis points to 3.3% of sales.

1.2.5 / Latin America (2% of Group sales)

REPORTED (in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	65.7	69.8	(5.8)%	256.8	294.8	(12.9)%
Gross profit	14.0	15.2	(7.6)%	56.3	67.5	(16.6)%
Distribution and administrative expenses	(15.2)	(15.7)	(3.5)%	(59.4)	(67.0)	(11.3)%
EBITA	(1.2)	(0.6)	n.a.	(3.1)	0.5	n.a.
as a % of sales	(1.8)%	(0.8)%		(1.2)%	0.2%	

CONSTANT BASIS ADJUSTED FINANCIAL DATA						
(in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	65.7	67.8	(3.1)%	256.8	267.0	(3.8)%
Same-day basis			(2.8)%			(3.5)%
Gross profit	13.9	14.8	(6.0)%	56.1	61.6	(8.9)%
as a % of sales	21.2%	21.8%		21.8%	23.1%	
Distribution and administrative expenses	(15.2)	(15.3)	(0.8)%	(59.4)	(60.8)	(2.3)%
as a % of sales	(23.1)%	(22.6)%		(23.1)%	(22.8)%	
EBITA	(1.3)	(0.5)	n.a.	(3.3)	0.8	n.a.
as a % of sales	(1.9)%	(0.7)%		(1.3)%	0.3%	

Sales

In 2014, sales in Latin America amounted to €256.8 million, down 12.9% from 2013, on a reported basis, as compared to €294.8 million in 2013.

Exchange rate variation, primarily due to the depreciation of the Brazilian Real and Chilean peso against the euro, had a negative impact of €27.8 million.

On a constant and same-day basis, sales decreased by 3.5% from 2013. Sales in Brazil (58% of sales in this segment) decreased by 6.9%, due to poor market conditions. In addition, Chilean operations (32% of sales in this segment) posted a 2.6% decrease in sales compared to 2013, due to lower sales to the mining sector (excluding sales to the mining industry, sales grew by 4.3%).

In the fourth quarter of 2014, sales stood at €65.7 million, a 5.8% decline on a reported basis, as compared to €69.8 million in the fourth quarter of 2013.

On a constant and same-day basis, sales decreased by 2.8% from the fourth quarter of 2013, reflecting a 0.7% increase in Brazil, and a 17.3% decline in Chile, due to lower sales in mining sector (excluding sales to the mining industry, sales grew by 16.5%).

Gross profit

In 2014, in Latin America, gross profit amounted to €56.3 million, down 16.6%, on a reported basis, as compared to €67.5 million in 2013.

On a constant basis, the adjusted gross profit decreased by 8.9% from 2013 and adjusted gross margin was 21.8% of sales, a decrease of 125 basis points from 2013, mainly affected by last year non-recurring credit on sales tax in Brazil. Restated for this impact, adjusted gross margin would be up, as compared to 2013.

In the fourth quarter of 2014, on a constant basis, adjusted gross profit decreased by 6.0% and adjusted gross margin was 21.2% of sales, a 60 basis points decrease from the fourth quarter of 2013.

Distribution & administrative expenses

In 2014, distribution and administrative expenses amounted to €59.4 million, down 11.3%, on a reported basis, as compared to €67.0 million in 2013.

On a constant basis, adjusted distribution and administrative expenses decreased by 2.3% from 2013, representing 23.1% of sales in 2014 as compared to 22.8% in 2013, as the reduction of 2.3% did not fully offset the 3.8% drop in sales.

In the fourth quarter of 2014, on a constant basis, adjusted distribution and administrative expenses decreased by 0.8%, representing 23.1% of sales in the fourth quarter of 2014 as compared to 22.6% in the fourth quarter of 2013.

EBITA

In 2014, as a result, EBITA was negative to €3.1 million, on a reported basis, as compared to €0.5 million in 2013.

On a constant basis, adjusted EBITA margin decreased by 160 basis points to -1.3% of sales.

In the fourth quarter of 2014, on a constant basis, adjusted EBITA margin decreased by 120 basis points to -1.9% of sales.

1.2.6/ Other operations

REPORTED (in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	0.1	0.3	(75.9)%	0.3	0.3	14.4%
Gross profit	0.1	0.3	(76.0)%	0.3	0.3	14.3%
Distribution and administrative expenses	(16.0)	(10.8)	48.0%	(43.1)	(48.5)	(11.0)%
EBITA	(15.9)	(10.5)	51.0%	(42.9)	(48.2)	(11.1)%
<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,			Year ended December 31,		
	2014	2013	Change in %	2014	2013	Change in %
Sales	0.1	0.3	(75.9)%	0.3	0.3	14.4%
Gross profit	0.1	0.3	(75.9)%	0.3	0.3	14.4%
<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	(16.0)	(10.8)	48.0%	(43.1)	(48.5)	(11.0)%
<i>as a % of sales</i>	<i>n.a.</i>	<i>n.a.</i>		<i>n.a.</i>	<i>n.a.</i>	
EBITA	(15.9)	(10.5)	51.0%	(42.9)	(48.2)	(11.1)%
<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. EBITA improved by €5.3 million as compared to 2013, mainly related to corporate savings. In the fourth quarter of 2014 EBITA deteriorated by €5.4 million as compared to the fourth quarter of 2013, mainly due to phasing of projects.

1.3 | Outlook

Context:

- The economic outlook in Europe (55% of Group sales) remains uncertain, especially in France (1/3 of European sales).
- The US (25% of Group sales) should continue to post solid growth, driven by continued recovery in the non-residential construction.
- Outlook in emerging markets is mixed: Asia (4% of Group sales) should continue to post growth, with China driven by industrial automation, while Latin America (2% of Group sales) should continue to be impacted by challenging conditions in Brazil.
- In addition, lower copper prices should impact our cable business (c. 14% of Group sales), while decreasing oil prices should weigh on our Oil & Gas activity (c. 4% of Group sales).

In this context, Rexel aims at delivering in 2015:

- Organic sales growth of between -2% and +2% (on a constant and same-day basis),
- Adjusted EBITA margin of between 4.8% and 5.2% (vs. 5.0% recorded in 2014),
- Solid free cash flow of:
 - At least 75% of EBITDA before interest and tax,
 - Around 40% of EBITDA after interest and tax.

In addition, Rexel confirms its dividend policy of paying out at least 40% of recurring net income.

Rexel remains committed to achieving its medium-term ambitions, which are unchanged, even if, in light of the current environment, the timeframe for achieving the targeted medium-term adjusted EBITA margin of close to 6.5% of sales may take longer than initially announced.

2. | LIQUIDITY AND CAPITAL RESOURCES

2.1 | Cash flow

(in millions of euros)	Quarter ended December 31,			Year ended December 31,		
	2014	2013 ⁽¹⁾	Change	2014	2013 ⁽¹⁾	Change
Operating cash flow ⁽²⁾	175.6	180.4	(4.8)	647.5	673.9	(26.3)
Interest	(40.4)	(40.3)	(0.1)	(155.9)	(169.3)	13.4
Taxes	(15.9)	(13.4)	(2.5)	(84.3)	(94.2)	9.9
Change in working capital requirements	381.6	307.8	73.8	(34.1)	50.7	(84.8)
Net cash flow from operating activities	500.8	434.3	66.5	373.2	461.1	(87.9)
Net cash flow from investing activities	(42.1)	(22.9)	(19.2)	(133.3)	(75.6)	(57.7)
<i>Including operating capital expenditures ⁽⁴⁾</i>	<i>(30.9)</i>	<i>(24.0)</i>	<i>(6.9)</i>	<i>(102.8)</i>	<i>(72.1)</i>	<i>(30.7)</i>
Net cash flow from financing activities	63.5	59.8	3.7	(60.9)	279.7	(340.6)
Net cash flow	522.2	471.3	50.9	178.9	665.2	(486.3)
Free cash flow:						
Operating cash flow ⁽²⁾	175.6	180.4	(4.8)	647.5	673.9	(26.3)
Change in working capital requirements	381.6	307.8	73.8	(34.1)	50.7	(84.8)
Adjustment for timing difference in suppliers payments ⁽³⁾	-	(51.9)	51.9	51.9	(51.9)	103.8
Operating capital expenditures ⁽⁴⁾	(30.9)	(24.0)	(6.9)	(102.8)	(72.1)	(30.7)
Free cash flow before interest and taxes	526.2	412.4	113.8	562.4	600.6	(38.2)
Free cash flow after interest and taxes	469.8	358.7	111.1	322.1	337.2	(15.0)
WCR as a % of sales ⁽⁵⁾ at:				December	December	
Reported basis				31, 2014	31, 2013	
Constant basis				10.4%	10.6%	
				11.4%	11.3%	
<small>(1) Restated for changes in accounting policies following the adoption of IFRIC 21 (2) Before interest, taxes and change in working capital requirements. (3) 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 (4) Net of disposals. (5) Working capital requirements, end of period, divided by last 12-month sales.</small>						

2.1.1 | Cash flow from operating activities

Rexel's net cash flow from operating activities was an outflow of €373.2 million in 2014 as compared to €461.1 million in 2013.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements decreased from €673.9 million in 2013 to €647.5 million in 2014. This was mainly driven by the decrease in EBITDA from €763.8 million in 2013 to €727.5 million in 2014.

Interest and taxes

In 2014, interest paid decreased to €155.9 million from €169.3 million in 2013 as a result of the combination of lower effective interest rate following the 2013 refinancing transactions and a reduction of the average net debt.

In 2014, income tax paid decreased to €84.3 million from €94.2 million in 2013 together with a lower taxable profit in 2014 as compared to 2013. This decrease is mainly due to a tax refund in 2014 associated with an excess payment of French corporate income tax installments end of 2013 that was recovered in 2014.

Change in working capital requirements

In 2014, change in working capital requirements accounted for an outflow of €34.1 million as compared to an inflow of €50.7 million in 2013. In 2014, change in trade working capital requirements included supplier payments of €51.9 million that were related to end of December 2013. Adjusted for these supplier payments, change in working capital requirements improved by €18.6 million as compared to 2013.

As a percentage of sales over the last 12 months, on a constant basis, working capital requirements slightly deteriorated by 10 basis points as compared to December 31, 2013, due to trade receivables which increased by half a day of sales outstanding, as of December 31, 2014 as compared to December 31, 2013.

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 €133.3 million outflow in 2014, as compared to an outflow of €75.6 million in 2013.

<i>(in millions of euros)</i>	Quarter ended December 31,		Year ended December 31,	
	2014	2013	2014	2013
Acquisitions of operating fixed assets	(37.8)	(34.5)	(105.9)	(102.3)
Proceed from disposal of operating fixed assets	0.9	3.0	4.8	22.9
Net change in debts and receivables on fixed assets	6.1	7.5	(1.6)	7.3
Net cash flow from operating investing activities	(30.9)	(24.0)	(102.8)	(72.1)
Acquisition of subsidiaries, net of cash acquired	(8.4)	(10.2)	(36.7)	(12.7)
Proceeds from disposal of subsidiaries, net of cash disposed of	-	10.4	-	10.4
Net cash flow from financial investing activities	(8.4)	0.2)	(36.7)	(2.3)
Net change in long-term investments	(2.9)	0.9	6.1	(1.0)
Net cash flow from investing activities	(42.1)	(22.9)	(133.3)	(75.6)

Acquisitions and disposals of operating fixed assets

Acquisitions of operating fixed assets, net of disposals, accounted for an outflow of €102.8 million in 2014, as compared to €72.1 million in 2013.

In 2014, gross capital expenditures amounted to €105.9 million (€102.3 million in 2013), i.e. 0.8% of sales for the period, of which €54.5 million related to IT systems (€44.7 million in 2013), €20.8 million to branch acquisition and renovation (€22.5 million in 2013), €11.4 million to logistics (€14.9 million in 2013) and €19.1 million to other investments (€20.2 million in 2013). Disposals of fixed assets amounted to €4.8 million (€22.9 million in 2013). Net changes in the related payables and receivables amounted to €1.6 million, accounting for an increase in net capital expenditures for the period (€7.3 million accounting for a decrease in net capital expenditures in 2013).

Financial investments

Financial investments resulted in a net cash-out of €36.7 million in 2014 as compared to a net outflow of €2.3 million in 2013, consisting mainly in acquisition of subsidiaries.

In 2014, they were mainly comprised of the acquisition price of Esabora Digital Services in France, Elevite AG in Switzerland, 4 Knights International in Thailand, 55% controlling interest in Ouneng Tongxing Technology Co. Ltd. in China, as well as earn-out payments and price adjustments related to prior years' acquisitions.

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 addition, 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.

2.1.3/ Cash flow from financing activities

Cash flow from financing activities mainly included changes in indebtedness.

In 2014, cash flow from financing activities reflected a net outflow of €60.9 million, mainly resulting from the :

- dividend distribution in cash of €65.6 million,
- purchase of treasury shares for €26.4 million,
- acquisition of non-controlling interests for €12.5 million;

partially offset by the :

- settlement of interest rate swaps qualified as fair value hedge for €36.4 million, and
- increase of €19.3 million in assigned receivables with respect to securitization programs.

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

- US\$ 500 million and €650 million issuance of senior notes accounting for €1,025.2 million net of transaction costs,
- settlement of interest rate swaps qualified as fair value hedge for €30.4 million,
- increase of €16.9 million in assigned receivables with respect to securitization programs;

partially compensated by the:

- 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, and
- repayment of financing lease obligation of €48.9 million.

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, 2014, Rexel's consolidated net debt amounted to €2,213.1 million, consisting of the following items:

<i>(in millions of euros)</i>	December 31, 2014			December 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total
Senior notes	-	1,992.2	1,992.2	-	1,835.6	1,835.6
Securitization	128.2	1,013.9	1,142.1	-	1,067.5	1,067.5
Bank loans	65.0	4.4	69.3	35.6	19.2	54.8
Commercial paper	85.9	-	85.9	119.1	-	119.1
Bank overdrafts and other credit facilities	81.7	-	81.7	54.3	-	54.3
Finance lease obligations	8.8	18.4	27.2	7.3	24.7	32.0
Accrued interest ⁽¹⁾	9.7	-	9.7	11.6	-	11.6
Less transaction costs	(8.0)	(32.9)	(40.9)	(11.2)	(38.8)	(50.0)
Total financial debt and accrued interest	371.2	2,995.9	3,367.1	216.7	2,908.2	3,124.9
Cash and cash equivalents			(1,159.8)			(957.8)
Accrued interest receivables			(0.7)			-
Debt hedge derivative			6.5			25.1
Net financial debt			2,213.1			2,192.0

⁽¹⁾ of which accrued interest on Senior Notes for €4.6 million at December 31, 2014 (€4.5 million at December 31, 2013)

At December 31, 2014, the Group's liquidity amounted to €2,052.2 million (€1,884.3 million at December 31, 2013).

<i>(in million of euros)</i>	December 31, 2014	December 31, 2013
Cash and cash equivalents	1,159.8	957.8
Bank overdrafts	(81.7)	(54.3)
Commercial paper	(85.9)	(119.1)
Undrawn Senior credit agreement	982.0	1,100.0
Bilateral facility	77.9	-
Others credit facilities	-	(0.2)
Liquidity	2,052.2	1,884.3

Senior Credit Facility Agreement

On November 13, 2014, Rexel entered into an amendment of its Senior Credit Facility Agreement which provides a five-year multicurrency revolving credit facility for an aggregate maximum amount reduced from €1.055 million to €982 million. The original maturity of this credit facility falls in November 2019 and may be extended two times by one year. The applicable margin is set at 1.25%, as compared to 1.85% previously and varies in accordance with 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 indebtedness ratio, as calculated under the terms of the senior credit agreement, stood at 2.74x as of December 31, 2014 (vs. 2.72x as of December 31, 2013).

II. Consolidated financial statements

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Consolidated Income Statement

<i>(in millions of euros)</i>	Note	For the year ended December 31,	
		2014	2013 ⁽¹⁾
Sales	4	13,081.2	13,011.6
Cost of goods sold		(9,906.3)	(9,823.1)
Gross profit		3,174.9	3,188.5
Distribution and administrative expenses	5	(2,544.3)	(2,521.4)
Operating income before other income and expenses		630.6	667.1
Other income	7	11.7	11.4
Other expenses	7	(146.5)	(157.6)
Operating income		495.8	520.9
Financial income		4.4	2.5
Interest expense on borrowings		(172.2)	(167.4)
Refinancing costs	19.1.2	-	(23.5)
Other financial expenses		(21.1)	(25.1)
Net financial expenses	8	(188.9)	(213.5)
Share of profit / (loss) of associates	10.4	-	0.4
Net income before income tax		306.9	307.8
Income tax	9	(106.9)	(96.9)
Net income		200.0	210.9
Portion attributable:			
<i>to the equity holders of the parent</i>		199.7	210.5
<i>to non-controlling interests</i>		0.3	0.4
Earnings per share:			
<i>Basic earnings per share (in euros)</i>	16	0.69	0.76
<i>Fully diluted earnings per share (in euros)</i>	16	0.69	0.75

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC interpretation 21 "Levies" (see note 2.2.1)

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

Consolidated Statement of Comprehensive Income

<i>(in millions of euros)</i>	For the year ended December 31,	
	2014	2013 ⁽¹⁾
Net income	200.0	210.9
<i>Items to be reclassified to profit and loss in subsequent periods:</i>		
Net gain / (loss) on net investment hedges	(98.9)	46.4
Income tax	34.0	(13.5)
	(64.8)	32.9
Foreign currency translation adjustment	195.7	(199.8)
Income tax	(29.5)	6.4
	166.1	(193.4)
Net gain / (loss) on cash flow hedges	-	2.3
Income tax	-	(1.0)
	-	1.3
<i>Items not to be reclassified to profit and loss in subsequent periods:</i>		
Remeasurements of net defined benefit liability	(95.4)	103.4
Income tax	7.0	(19.6)
	(88.3)	83.7
<i>Other comprehensive income / (loss) for the period, net of tax</i>	<i>13.0</i>	<i>(75.5)</i>
Total comprehensive income for the period, net of tax	212.9	135.5
Portion attributable:		
<i>to the equity holders of the parent</i>	<i>211.9</i>	<i>135.5</i>
<i>to non-controlling interests</i>	<i>1.0</i>	<i>-</i>

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC interpretation 21 "Levies" (see note 2.2.1)

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

Consolidated Balance Sheet

<i>(in millions of euros)</i>	<i>Note</i>	As of December 31, 2014	As of December 31, 2013 ⁽¹⁾
Assets			
Goodwill	10.1	4,243.9	4,111.2
Intangible assets	10.1	1,084.0	1,038.3
Property, plant and equipment	10.2	287.1	278.1
Long-term investments	10.3	24.8	51.7
Deferred tax assets	9.2	175.2	161.6
Total non-current assets		5,815.0	5,640.9
Inventories	11.1	1,487.2	1,389.5
Trade accounts receivable	11.2	2,206.0	2,062.8
Current tax assets		9.7	18.3
Other accounts receivable	11.3	499.0	467.8
Assets classified as held for sale		3.7	3.4
Cash and cash equivalents	12	1,159.8	957.8
Total current assets		5,365.4	4,899.7
Total assets		11,180.4	10,540.5
Equity			
Share capital	14	1,460.0	1,416.7
Share premium	14	1,599.8	1,510.8
Reserves and retained earnings		1,275.9	1,289.5
Total equity attributable to equity holders of the parent		4,335.7	4,217.0
Non-controlling interests		7.7	10.1
Total equity		4,343.4	4,227.1
Liabilities			
Interest bearing debt (non-current part)	19	2,995.9	2,908.2
Net employee defined benefit liabilities	18	344.2	243.4
Deferred tax liabilities	9.2	196.9	172.1
Provision and other non-current liabilities	17	93.7	108.0
Total non-current liabilities		3,630.7	3,431.7
Interest bearing debt (current part)	19	361.5	205.2
Accrued interest	19	9.7	11.6
Trade accounts payable		2,126.8	2,009.9
Income tax payable		42.1	37.2
Other current liabilities	21	666.2	617.9
Total current liabilities		3,206.3	2,881.7
Total liabilities		6,837.0	6,313.4
Total equity and liabilities		11,180.4	10,540.5

(1) Restated for changes in accounting policies following the adoption of IFRIC interpretation 21 "Levies" (see note 2.2.1)

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

Consolidated Statement of Cash Flows

(in millions of euros)	Note	For the year ended December 31,	
		2014	2013 ⁽¹⁾
Cash flows from operating activities			
Operating income		495.8	520.9
Depreciation, amortization and impairment of assets	5 - 7	145.9	169.8
Employee benefits		(21.2)	(24.7)
Change in other provisions		17.6	(8.2)
Other non-cash operating items		9.4	16.0
Interest paid		(155.9)	(169.3)
Income tax paid		(84.3)	(94.2)
Operating cash flows before change in working capital requirements		407.3	410.4
Change in inventories		(19.7)	(25.5)
Change in trade receivables		(42.0)	(23.1)
Change in trade payables		29.4	144.1
Change in other working capital items		(1.8)	(44.9)
Change in working capital requirements		(34.1)	50.7
Net cash from operating activities		373.2	461.1
Cash flows from investing activities			
Acquisition of tangible and intangible assets		(107.5)	(95.2)
Proceed from disposal of tangible and intangible assets		4.8	22.9
Acquisition of subsidiaries, net of cash acquired	3.3	(36.7)	(12.7)
Proceeds from disposal of subsidiaries, net of cash disposed of	10.4	-	10.4
Change in long-term investments		6.1	(1.0)
Net cash from investing activities		(133.3)	(75.6)
Cash flows from financing activities			
Issuance of capital	14	0.3	3.2
Disposal / (Purchase) of treasury shares		(26.4)	2.2
Acquisition of non-controlling interests	3.4	(12.5)	-
Issuance of senior notes net of transaction costs	19.2	-	1,025.2
Buy-out of senior notes due 2016	19.2	-	(640.3)
Settlement of interest rate sw aps qualified as fair value hedge	20.1	36.4	30.4
Net change in credit facilities and other financial borrowings	19.2	(7.4)	(55.8)
Net change in securitization	19.2	19.3	16.9
Net change in finance lease liabilities	19.2	(5.1)	(48.9)
Dividends paid	14	(65.6)	(53.1)
Net cash from financing activities		(60.9)	279.7
Net (decrease) / increase in cash and cash equivalents		178.9	665.2
Cash and cash equivalents at the beginning of the period		957.8	291.9
Effect of exchange rate changes on cash and cash equivalents		23.1	0.8
Cash and cash equivalents at the end of the period		1,159.8	957.8

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC interpretation 21 "Levies" (see note 2.2.1)

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

Consolidated Statement of Changes in Equity

<i>(in millions of euros)</i>	Note	Share capital	Share premium	Retained earnings	Foreign currency translation	Cash flow hedge reserve	Remeasurement of net defined benefit liability	Total attributable to holders of the parent	Non-controlling interests	TOTAL EQUITY
For the year ended December 31, 2013										
As of January 1, 2013 (as reported)		1,359.6	1,418.3	1,344.5	138.8	(3.0)	(148.9)	4,109.3	8.3	4,117.6
Effect of changes in accounting policies following the adoption of IFRIC Interpretation 21		-	-	2.5	-	-	-	2.5	-	2.5
As of January 1, 2013 ⁽¹⁾		1,359.6	1,418.3	1,347.0	138.8	(3.0)	(148.9)	4,111.8	8.3	4,120.1
Net income		-	-	210.5	-	-	-	210.5	0.4	210.9
Other comprehensive income		-	-	-	(160.2)	1.3	83.8	(75.1)	(0.4)	(75.5)
Total comprehensive income for the period		-	-	210.5	(160.2)	1.3	83.8	135.5	-	135.5
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		-	-	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
As of December 31, 2013 ⁽¹⁾		1,416.7	1,510.8	1,377.7	(21.4)	(1.7)	(65.1)	4,217.0	10.1	4,227.1
For the year ended December 31, 2014										
As of January 1, 2014		1,416.7	1,510.8	1,377.7	(21.4)	(1.7)	(65.1)	4,217.0	10.1	4,227.1
Net income		-	-	199.7	-	-	-	199.7	0.3	200.0
Other comprehensive income		-	-	-	100.6	-	(88.3)	12.3	0.7	13.0
Total comprehensive income for the period		-	-	199.7	100.6	-	(88.3)	211.9	1.0	212.9
Appropriation of net income	14.1	-	-	(211.9)	-	-	-	(211.9)	-	(211.9)
Share capital increase	14.1	50.8	103.1	(7.2)	-	-	-	146.7	-	146.7
Share capital decrease	14.1	(7.5)	(14.1)	21.6	-	-	-	-	-	-
Share-based payments		-	-	12.3	-	-	-	12.3	-	12.3
Acquisition of non-controlling interests	3.4	-	-	(14.8)	0.3	-	-	(14.5)	(4.1)	(18.6)
Acquisition of subsidiaries		-	-	-	-	-	-	-	0.7	0.7
Disposal / (Purchase) of treasury shares		-	-	(25.8)	-	-	-	(25.8)	-	(25.8)
As of December 31, 2014		1,460.0	1,599.8	1,351.5	79.5	(1.7)	(153.4)	4,335.7	7.7	4,343.4

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC interpretation 21 "Levies" (see note 2.2.1)

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, 2014 and were authorized for issue by the Board of Directors on February 11, 2015.

2. | SIGNIFICANT ACCOUNTING POLICIES

2.1 | Statement of compliance

The consolidated financial statements (hereafter referred to as “the financial statements”) for the year ended December 31, 2014 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 at December 31, 2014.

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).

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 rounding effect.

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, and 10.1)
- Employee benefits (notes 2.11 and 18)
- Provisions and contingent liabilities (notes 2.13, 17, and 24)
- Recognition of deferred tax assets (notes 2.17 and 9)
- Measurement of share-based payments (notes 2.12 and 15)

2.2.1 | Changes in accounting policies and amended standards and interpretations

Adoption of IFRIC Interpretation 21 “Levies”

As of January 1, 2014, Rexel elected to adopt IFRIC Interpretation 21 “Levies” with retrospective application as of January 1, 2013. 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. 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. The impact of the adoption of IFRIC Interpretation 21 on equity as of January 1, 2013 was an increase of €2.5 million after tax (€3.9 million before tax). The impact of the adoption of this interpretation on the operating income and net income for the year ended December 31, 2013 was not significant. Prior year comparative information was restated accordingly.

Amended standards

Effective as of January 1, 2014, the following new amendments previously endorsed by the European Union are applicable to Rexel but have no material effect on the Group’s financial statements:

- 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.

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

- Improvements cycle 2011-2013, issued in December 2013, include minor changes to several standards. These changes are applicable for annual statements beginning on or after January 1, 2015.
- Improvements cycle 2010-2012, issued in December 2013, include minor changes to existing standards. These changes are applicable for annual statements beginning on or after February 1, 2015.
- 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. This amendment is applicable for annual statements beginning on or after February 1, 2015.

These improvements and amendment are not expected to have any material impact on the Group’s financial statements.

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.

- On July 24, 2014, the International Accounting Standards Board (IASB) completed the final element of its comprehensive response to the financial crisis by issuing IFRS 9 Financial Instruments. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially-reformed approach to hedge accounting. The new Standard will come into effect as of January 1, 2018 with early application permitted.
- IFRS 15 “Revenue from Contracts with Customers”: the new standard supersedes IAS 11 “Construction contracts” and IAS 18 “Revenues” on revenue recognition. Revenue will be recognized to depict the transfer of goods or services to customers in amounts that reflect the payment to which the company expects to be entitled in exchange for those goods or services. The new Standard will come into effect as of January 1, 2017 with early application permitted.

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, 2014. 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. 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 for their share even if that results in a deficit balance.

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. 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 prevailing 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.

2.5 | Intangible Assets

Goodwill

The cost of an acquisition is measured at acquisition date. Any contingent considerations are recognized at their fair value estimated as of the acquisition date. Subsequent changes in the fair value of contingent considerations are recognized in the income statement. 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.

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.

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.

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

Impairment losses in respect of goodwill may not be reversed.

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.

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.

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. 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 3 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.

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. 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 | 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.

2.8 | Financial assets

2.8.1 | 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 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.

2.8.2 | 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.

2.8.3 | 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 2.10) 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.

2.8.4 | Derivative financial 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 2.8.5). They are classified as assets or liabilities depending on their fair value.

Fair value measurement

Level 1

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

Level 2

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

Whether a financial instrument is valued using one or the other of these methods is indicated in the summary of financial assets (note 13) and the summary of financial liabilities (note 21).

2.8.5 | 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 described in the previous paragraph, the associated cumulative gain (loss) is removed from the cash-flow hedge reserve and recognized in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognized immediately in profit or loss.

If the hedged transaction is no longer expected to take place, then the cumulative unrealized gain (loss) recognized as other comprehensive income is immediately reclassified to profit or loss.

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 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.

2.8.6 | 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.

2.9 | Share capital

Repurchase of equity instruments

When the company purchases its own equity instruments, the amount of the consideration paid, including directly attributable costs, is recognized as a reduction in equity.

Dividends

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

2.10 | Interests-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

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.

2.11 | Employee benefits

2.11.1| Short-term 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.

2.11.2| Post-employment and other long-term benefits

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.

Post-employment 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. 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.

2.12 | Share-based payments

Bonus share programs, qualified as equity-settled, 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 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.

2.13 | 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 2.15). Restructuring costs principally include personnel costs (severance payments, early retirement costs, notice period 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 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.

2.14 | 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.

2.15 | Other income and other expenses

Operating income and expenses as a result of 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 impairment and write-offs, 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 the Chief Executive Officer and the Deputy Chief Executive Officer acting as Chief operating decision maker within the meaning of IFRS 8 "Operating Segments", to assess the recurrent performance of the operating segments.

2.16 | 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 2.8.5).

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.

2.17 | 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 in other comprehensive income or in equity, in which case it is recognized respectively in other comprehensive income or 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.

2.18 | 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 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 Chief Executive Officer and the Deputy Chief Executive Officer acting as the Chief operating decision maker.

2.19 | 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. | BUSINESS COMBINATIONS

3.1 | 2014 Acquisitions

As part of Rexel's external growth policy, the Group completed the following acquisitions in 2014:

- Esabora Digital Services on January 7, 2014, based in France. This company is specialized in editing advanced software tools for electrical contractors and installers,
- AMP Ingenieros SAS on March 28, 2014, a Peruvian distributor of international branded electrical supplies,
- Elevite AG on July 29, 2014, a Swiss based lighting solutions distributor,
- Astrotek Ireland Limited on July 31, 2014, a specialist lighting company,
- 4 Knights International on October 29, 2014, a leader in the downstream Oil & Gas onshore activities based in Thailand,
- A 55% controlling interest in Beijing Ouneng Tongxing Technology Co. Ltd on November 27, 2014, an automation distributor based in China.

These acquisitions are not material relative to the Group.

3.2 | 2013 Acquisitions

In late 2013, the Group completed the following acquisitions in Asia:

- Lenn International Pte Ltd, based in Singapore and operating in South East Asia, acquired on November 29, 2013.
- A 70% controlling interest in Quality Trading Co., in Thailand on November 29, 2013.

These entities were consolidated as of January 1, 2014.

3.3 | Purchase Price Allocation

The table below shows the purchase price allocation to identifiable assets and liabilities, for the entities acquired in 2014 as well as Lenn International and Quality Trading Co acquired in late 2013 but consolidated only as from January 1, 2014.

4 Knights International and Beijing Ouneng Tongxing Technology Co. Ltd purchase price allocation is estimated on a provisional basis as of the balance sheet date and will be completed in 2015.

Net assets acquired and consideration transferred of acquisitions consolidated for the year ended December 31, 2014 <i>(in millions of euros)</i>	
Other fixed assets	6.6
Other non current assets.....	0.8
Current assets.....	33.5
Net financial debt.....	0.5
Other non current liabilities.....	(3.7)
Current liabilities.....	<u>(18.9)</u>
Net asset acquired (except goodwill acquired).....	18.9
Goodwill acquired	<u>46.9</u>
Consideration transferred.....	65.8
Cash acquired	(8.3)
Deferred payments.....	<u>(9.9)</u>
Net cash paid for acquisitions.....	47.6
Payments in 2013	⁽¹⁾ <u>(10.9)</u>
Net cash paid for the period	36.7

⁽¹⁾ converted at the exchange rate on the acquisition date

3.4 | Acquisition of non-controlling interests

In 2014, Rexel exercised call options to acquire the non-controlling interests in Huazhang Electric Automation and in Beijing Zhongheng Hengxin Automation Equipment Co., Ltd, both entities being located in China, for a consideration of respectively €12.1 million and €6.1 million (the latter being paid in January 2015). As a result of these transactions, the Group holds 100% ownership interest in these two subsidiaries as of December 31, 2014.

The excess of the consideration transferred over the carrying value of the non-controlling interests acquired was recognized as a reduction of retained earnings of €14.7 million.

4. | SEGMENT REPORTING

The reportable operational segments are Europe, North America, Asia-Pacific and Latin America. 2013 comparative data were restated accordingly together with changes in accounting policies following the adoption of IFRIC Interpretation 21 such as disclosed in note 2.2.1.

Information by geographic segment for the year ended December 31, 2014 and 2013

2014 (in millions of euros)	Europe	North America	Asia- Pacific	Latin- America	Total Operating Segments	Corporate Holdings and other reconciling items	Total Group
For the year ended December 31,							
Sales to external customers	7,145.2	4,477.9	1,200.9	256.8	13,080.9	0.3	13,081.2
EBITA ⁽¹⁾	452.9	204.0	35.8	(3.1)	689.6	(42.9)	646.8
Goodwill impairment.....	(18.3)	-	(2.4)	(27.8)	(48.5)	-	(48.5)
As of December 31,							
Working capital.....	598.1	558.9	185.7	43.0	1,385.8	13.5	1,399.3
Goodwill	2,611.6	1,355.2	266.2	11.0	4,243.9	-	4,243.9
2013 ⁽²⁾ (in millions of euros)	Europe	North America	Asia- Pacific	Latin- America	Total Operating Segments	Corporate Holdings and other reconciling items	Total Group
For the year ended December 31,							
Sales to external customers	7,078.6	4,441.1	1,196.8	294.8	13,011.3	0.3	13,011.6
EBITA ⁽¹⁾	455.4	230.2	48.9	0.5	735.0	(48.2)	686.8
Goodwill impairment.....	(46.2)	-	-	(21.1)	(67.3)	-	(67.3)
As of December 31,							
Working capital.....	614.5	509.3	141.7	46.9	1,312.5	(17.8)	1,294.7
Goodwill	2,619.6	1,230.0	224.7	37.0	4,111.2	-	4,111.2

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

⁽²⁾ Restated for changes in accounting policies following the adoption of IFRIC Interpretation 21 "Levies" (see note 2.2.1)

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

(in millions of euros)	For the year ended December 31,	
	2014	2013 ⁽¹⁾
EBITA - Total Group.....	646.8	686.8
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities	(16.1)	(19.7)
Other income and other expenses.....	(134.8)	(146.2)
Net financial expenses.....	(188.9)	(213.5)
Share of profit/(loss) of associates.....	-	0.4
Group consolidated income before income tax.....	306.9	307.8

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC Interpretation 21 "Levies" (see note 2.2.1)

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

<i>(in millions of euros)</i>	As of December 31,	
	2014	2013 ⁽¹⁾
Working capital.....	1,399.3	1,294.7
Goodwill	4,243.9	4,111.2
Total allocated assets & liabilities	5,643.2	5,405.9
Liabilities included in allocated working capital.....	2,792.2	2,625.2
Accrued interest receivables.....	0.7	-
Other non-current assets.....	1,395.9	1,368.1
Deferred tax assets.....	175.2	161.6
Current tax assets	9.7	18.3
Assets classified as held for sale.....	3.7	3.4
Derivatives.....	-	0.3
Cash and cash equivalents	1,159.8	957.8
Group consolidated total assets	11,180.4	10,540.5

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC Interpretation 21 "Levies" (see note 2.2.1)

5. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

<i>(in millions of euros)</i>	For the year ended December 31,	
	2014	2013 ⁽¹⁾
Personnel costs (salaries & benefits)	1,532.6	1,518.9
Building and occupancy costs	268.7	270.1
Other external costs	615.7	601.5
Depreciation expense	80.7	77.0
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities	16.1	19.7
Bad debt expense	30.5	34.2
Total distribution and administrative expenses	2,544.3	2,521.4

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC interpretation 21 "Levies" (see note 2.2.1)

6. | SALARIES & BENEFITS

<i>(in millions of euros)</i>	For the year ended December 31,	
	2014	2013
Salaries and social security charges	1,464.3	1,452.5
Share-based payments	14.3	14.4
Pension and other post-retirement benefits-defined benefit plans	7.9	12.7
Other employee expenses	46.1	39.3
Total employee expenses	1,532.6	1,518.9

7. | OTHER INCOME & OTHER EXPENSES

<i>(in millions of euros)</i>	For the year ended December 31,	
	2014	2013
Gains on disposal of tangible assets	2.2	2.9
Write-back asset impairment	0.2	0.8
Release of unused provisions	2.3	2.8
Gains on earn-out (1)	6.4	0.2
Other operating income (2)	0.5	4.7
Total other income	11.7	11.4
Restructuring costs (3)	(58.9)	(63.6)
Losses on non-current assets disposed of	(3.3)	(4.6)
Impairment of goodwill and asset write-offs..... (4)	(61.4)	(74.0)
Shutdown of operations in Czech Republic..... (5)	(9.4)	-
Acquisition related costs (6)	(8.2)	(2.5)
Other operating expenses (7)	(5.3)	(12.9)
Total other expenses	(146.5)	(157.6)

- (1) In 2014, the Group recognized a gain of €6.4 million in respect of earn-outs due to the previous owners of certain entities acquired in prior years. The payment of such earn-outs was subject to the achievement of an agreed level of performance at a defined date. As a result of the actual performance achieved, earn-outs due to the sellers were adjusted accordingly
- (2) In 2013, a settlement gain of €4.4 million was recognized in connection with the wind-up of the Irish defined benefit pension scheme and the implementation of a defined contribution plan
- (3) Restructuring costs were mainly related to the rationalization of logistics and branch closures of which restructuring plans (i) in Europe for €39.6 million (€56.8 million in 2013), mainly in Germany, The Netherlands, the United Kingdom and France, (ii) in North America for €11.8 million (€4.0 million in 2013) and (iii) in Asia-Pacific for €3.4 million (€1.9 million in 2013)
- (4) In 2014, goodwill impairment was recognized for €48.5 million, of which €27.8 million attributable to Brazil, €12.0 million to The Netherlands, €3.4 million to Slovakia, €2.7 million to Luxembourg and €2.4 million to India. In 2013, a goodwill impairment expense was recognized for €67.3 million, of which €42.8 million related to The Netherlands, €21.1 million to Brazil, €2.2 million to Slovenia and €1.2 million to Spain (see note 10.1)
- (5) On December 31, 2014, the Group disposed of part of its business in Czech Republic to Elektro S.M.S., a local electrical supplies distributor, for a consideration of €5.1 million resulting in a loss of €4.8 million. Concurrently with this transaction, Rexel has entered a liquidation process to shut down the business not transferred to Elektro S.M.S. and incurred closure costs of €4.5 million including redundancies, asset write-offs and lease commitments
- (6) Acquisition costs are associated with acquisitions completed in the period and professional fees incurred in connection with some investment projects
- (7) In 2014, other operating expenses mainly include (i) €2.8 million litigation costs with certain customers in Spain and (ii) €1.0 million related to a VAT reassessment notified by the tax authorities in Germany. In 2013, other operating expenses mainly were comprised of (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

8. | NET FINANCIAL EXPENSES

<i>(in millions of euros)</i>	For the year ended December 31,	
	2014	2013
Interest income on cash and cash equivalents	2.9	1.8
Interest income on receivables and loans	1.5	0.7
Financial income	4.4	2.5
Interest expense on financial debt (stated at amortized cost).....	(170.3)	(177.2)
Interest expense on interest rate derivatives.....	10.7	5.6
Gains and losses on derivative instruments previously deferred in other comprehensive income and recycled in the income statement.....	0.1	1.4
Foreign exchange gain (loss)	(4.6)	0.5
Change in fair value of exchange rate derivatives through profit and loss..	0.3	(2.6)
Change in fair value of interest rate derivatives through profit and loss ...	(8.4)	4.8
Interest expense on borrowings	(172.2)	(167.5)
Non-recurring refinancing costs	-	(23.5)
Net financial expense on employee benefit obligations.....	(10.4)	(13.0)
Others.....	(10.7)	(12.1)
Other financial expenses	(21.1)	(25.1)
Net financial expenses	(188.9)	(213.5)

(1) Loss related to the 2013 refinancing transactions, such as disclosed in note 19.1.2

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,	
	2014	2013 ⁽¹⁾
(in millions of euros)		
Current tax	(98.1)	(99.3)
Prior year adjustments on current income tax	2.7	(1.0)
Deferred tax	(11.5)	3.4
Total income tax expense	(106.9)	(96.9)

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC interpretation 21 "Levies" (see note 2.2.1)

9.2 | Deferred tax assets and liabilities

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

	For the year ended December 31,	
	2014	2013 ⁽¹⁾
(in millions of euros)		
Net deferred tax at the beginning of the year	(10.5)	18.3
Deferred tax income (expense)	(11.5)	3.4
Other comprehensive income	11.5	(27.7)
Change in consolidation scope	(0.1)	(5.2)
Currency translation adjustment	(8.3)	2.7
Other changes	(2.8)	(2.0)
Net deferred tax at the end of the year	(21.7)	(10.5)

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC Interpretation 21 "Levies" (see note 2.2.1)

⁽²⁾ Including the tax impact of the remeasurement of net defined benefit plans liability that accounted for a gain of €7.0 million in 2014 (a loss of €19.6 million in 2013)

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

	As of December 31,	
	2014	2013 ⁽¹⁾
(in millions of euros)		
Intangible assets	(340.8)	(312.7)
Property, plant and equipment	(2.6)	(1.8)
Financial assets	22.5	10.7
Trade accounts receivable	16.6	22.2
Inventories	17.2	14.4
Employee benefits	103.8	87.8
Provisions	11.8	7.1
Financing fees	(6.7)	(8.0)
Other items	18.5	24.5
Tax losses carried forward	318.4	316.4
Deferred tax assets / (liabilities), net	158.7	160.6
Valuation allowance on deferred tax assets	(180.4)	(171.1)
Net deferred tax assets / (liabilities)	(21.7)	(10.5)
of which deferred tax assets	175.2	161.6
of which deferred tax liabilities	(196.9)	(172.1)

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC Interpretation 21 "Levies" (see note 2.2.1)

A valuation allowance on deferred tax assets of €180.4 million was recognized as of December 31, 2014 (€171.1 million as of December 31, 2013), as a result of the recoverability assessment of the net deferred tax assets by each tax entity. The recoverable amount excludes risks arising from notified tax reassessments that are contested by the Group and is based on the expected taxable profits over the next 5 years. As of December 31, 2014, 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, Brazil and Spain. The expiry date of such tax losses carried forward is as follows:

	As of December 31,	
	2014	2013
One year	7.9	9.0
Two years.....	5.0	4.7
Three years.....	2.2	3.1
Four years.....	3.8	4.4
Five years.....	9.0	5.6
Thereafter.....	431.4	502.2

9.3 | Effective tax rate

	For the year ended December 31,			
	2014		2013 ⁽¹⁾	
<i>(in millions of euros)</i>				
Income before tax and before share of profit in associates	306.9		307.5	
<i>French legal tax rate</i>		38.0%		38.0%
Income tax calculated at the legal tax rate	(116.6)		(116.9)	
Differences of tax rates between french and foreign jurisdictions	29.1	(9.5%)	31.0	(10.1%)
Changes in tax rates	(3.2)	1.0%	(5.6)	1.8%
(Current year losses unrecognized), prior year losses recognized	(7.3)	2.4%	(4.0)	1.3%
(Non-deductible expenses), tax exempt revenues	(29.1)	9.5%	(14.6)	4.7%
Tax credits and other tax reductions	20.2	(6.6%)	13.2	(4.3%)
Actual income tax expense	(106.9)	34.8%	(96.9)	31.5%

(1) Restated for changes in accounting policies following the adoption of IFRIC Interpretation 21 "Levies" (see note 2.2.1)

(2) In 2014, this caption mainly relates to the tax impact of non-deductible goodwill impairment for €15.0 million. In 2013, tax impact of non-deductible goodwill impairment was €18.8 million

(3) In 2014, mainly including the release of the tax exposure reserve of €17.5 million following the favorable decision of a French appeal court regarding the tax dispute on the transfer price of the shareholding in Rexel Inc. (Rexel US subsidiary) (see Note 24.1). In 2013, a deductible liquidation loss of a dormant subsidiary in Ireland of €13.2 million

10. | LONG-TERM ASSETS

10.1 | Goodwill and intangible assets

<i>(in millions of euros)</i>	Strategic partnerships	Distribution networks	Software and other intangible assets	Total intangible assets	Goodwill
Gross carrying amount as of January 1, 2013	185.6	654.6	487.1	1,327.3	4,625.8
Effect of acquisitions and divestitures	-	8.4	37.2	45.6	(21.5)
Additions	-	-	34.6	34.6	-
Disposals	-	-	(10.1)	(10.1)	-
Currency translation adjustment	-	(24.4)	(20.1)	(44.5)	(176.0)
Other changes	-	-	2.0	2.0	-
Gross carrying amount as of December 31, 2013	185.6	638.6	530.7	1,354.9	4,428.3
Effect of acquisitions and divestitures	-	-	4.7	4.7	46.9
Additions	-	-	43.1	43.1	-
Disposals	-	-	(2.6)	(2.6)	-
Currency translation adjustment	-	24.5	29.3	53.8	137.2
Other changes	-	-	(2.6)	(2.6)	-
Gross carrying amount as of December 31, 2014	185.6	663.1	602.5	1,451.3	4,612.4
Accumulated amortization and depreciation as of January 1, 2013	-	(5.8)	(285.7)	(291.5)	(256.6)
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	-
Currency translation adjustment	-	-	11.1	11.1	6.8
Other changes	-	-	(0.6)	(0.6)	-
Accumulated amortization and depreciation as of December 31, 2013 ..	-	(5.8)	(310.7)	(316.5)	(317.1)
Change in consolidation scope	-	-	(0.5)	(0.5)	-
Amortization expense	-	-	(40.9)	(40.9)	-
Impairment losses	-	-	(0.1)	(0.1)	(48.5)
Decrease of amortization	-	-	2.1	2.1	-
Currency translation adjustment	-	-	(16.0)	(16.0)	(2.9)
Other changes	-	-	4.6	4.6	-
Accumulated amortization and depreciation as of December 31, 2014 ..	-	(5.8)	(361.4)	(367.2)	(368.5)
Carrying amount as of January 1, 2013	185.6	648.8	201.4	1,035.8	4,369.2
Carrying amount as of December 31, 2013	185.6	632.8	220.0	1,038.4	4,111.2
Carrying amount as of December 31, 2014	185.6	657.3	241.2	1,084.0	4,243.9

Strategic partnerships

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

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.

Software and other intangible assets

Customer relationships are presented under this caption, and represented for a net book value of €64.3 million in 2014 (€69.5 million in 2013).

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.

Goodwill

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.

Impairment

The Group performs impairment tests of goodwill at the country level, which represents the lowest level at which operations are monitored by management for the purpose of measuring return on investment.

		As of December 31, 2014			As of December 31, 2013		
		Goodwill	Intangible assets with an indefinite useful life	Total	Goodwill	Intangible assets with an indefinite useful life	Total
<i>(in millions of euros)</i>	Geographic segment						
CGU							
France	Europe	970.8	169.4	1,140.2	968.4	169.4	1,137.8
United States	North America	882.4	141.2	1,023.6	776.8	126.0	902.8
Canada	North America	472.8	72.0	544.8	453.2	69.1	522.3
United Kingdom	Europe	209.7	65.7	275.4	195.9	61.4	257.3
Switzerland	Europe	240.4	35.0	275.5	222.6	34.3	256.9
Germany	Europe	172.9	51.7	224.6	172.9	51.7	224.6
Sweden	Europe	190.4	20.0	210.4	201.9	21.2	223.1
Norway	Europe	165.9	13.7	179.6	179.4	14.8	194.2
Australia	Asia-Pacific	164.0	26.2	190.1	157.6	25.2	182.8
Austria	Europe	83.2	13.0	96.2	83.3	13.0	96.3
The Netherlands	Europe	47.3	17.3	64.6	59.3	17.3	76.6
Belgium	Europe	65.6	-	65.6	65.6	-	65.6
Other ⁽¹⁾		578.6	217.7	796.3	574.3	215.1	789.4
	Total	4,243.9	843.0	5,086.9	4,111.2	818.4	4,929.6
	⁽¹⁾ of which Brazil	-	-	-	26.6	-	26.6

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 prepared in June 2014 and updated during the yearly budget process in November 2014 for the next 3 years and also include an extrapolation of two additional years and a normative terminal value. A perpetual 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 equity risk premium. 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 perpetual 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.

- Discount rate

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

	2014	2013
France	7.7%	7.4%
United States	8.5%	7.6%
Canada	7.5%	6.9%
United Kingdom	8.4%	7.3%
Switzerland	6.7%	6.5%
Germany	7.9%	7.4%
Sweden	7.8%	7.9%
Norway	8.2%	8.3%
Australia	10.0%	9.0%
Austria	7.4%	8.0%
The Netherlands	7.2%	7.8%
Belgium	7.6%	8.1%
Other	6.6% to 15.7%	7.7% to 13.0%

- Perpetual 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 perpetual growth rate used to measure the terminal value was 2% except for Australia: 2.5% (2% in 2013).

Impairment loss

As a result of impairment testing, a loss of €48.5 million was recognized in 2014 and allocated to goodwill: in Brazil for €27.8 million, The Netherlands for €12.0 million, Slovakia for €3.4 million, Luxembourg for €2.7 million and India for €2.4 million.

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 7).

Sensitivity analysis

The table below summarizes the impact by cash generating units of a change of 50 bps in EBITA margin, discount rate and perpetual growth rate on the impairment expense :

	Goodwill & intangible assets with an indefinite useful life	Discount rate	Perpetual growth rate	EBITA margin (-50 bps)	Discount rate (+50 bps)	Perpetual growth rate (-50 bps)
France	1,140.2	7.7%	2.0%	-	-	-
United States	1,023.6	8.5%	2.0%	-	-	-
Canada	544.8	7.5%	2.0%	-	-	-
United Kingdom	275.4	8.4%	2.0%	-	-	-
Switzerland	275.5	6.7%	2.0%	-	-	-
Germany	224.6	7.9%	2.0%	-	-	-
Sweden	210.4	7.8%	2.0%	-	-	-
Norway	179.6	8.2%	2.0%	-	-	-
Australia	190.1	10.0%	2.5%	(13.5)	(12.4)	(5.5)
Austria	96.2	7.4%	2.0%	-	-	-
The Netherland	64.6	7.2%	2.0%	(16.0)	(10.3)	(7.1)
Belgium	65.6	7.6%	2.0%	-	-	-
Other	796.3	6.6% to 15.7%	6.5% to 2.0%	(7.6)	(4.9)	(2.7)
Total	5,086.9			(37.1)	(27.6)	(15.3)

10.2 | Property, plant & equipment

<i>(in millions of euros)</i>	Land & Buildings	Plant & Equipment	Other tangible assets	Total property, plant and equipment
Gross carrying amount as of January 1, 2013	253.1	683.9	25.4	962.4
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)
Currency translation adjustment	(3.9)	(25.1)	(0.2)	(29.2)
Other changes	28.8	(16.2)	(0.2)	12.4
Gross carrying amount as of December 31, 2013	257.5	639.9	28.8	926.2
Effect of acquisitions and divestitures	1.3	2.5	0.3	4.0
Additions	6.5	45.8	10.5	62.7
Disposals	(8.0)	(41.2)	(0.7)	(49.9)
Currency translation adjustment	7.1	16.4	0.6	24.0
Other changes	0.2	(0.3)	(2.6)	(2.7)
Gross carrying amount as of December 31, 2014	264.5	663.0	36.8	964.4
Accumulated amortization and depreciation as of January 1, 2013	(130.3)	(534.1)	(15.3)	(679.7)
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
Currency translation adjustment	1.6	19.1	0.1	20.8
Other changes	(2.1)	7.6	(1.0)	4.5
Accumulated amortization and depreciation as of December 31, 2013 ..	(135.1)	(494.9)	(18.1)	(648.1)
Change in consolidation scope	-	(1.6)	-	(1.6)
Depreciation expense.....	(10.5)	(43.3)	(2.1)	(56.0)
Impairment losses.....	(0.2)	(0.5)	(0.0)	(0.7)
Release	4.5	39.4	0.5	44.4
Currency translation adjustment	(2.9)	(12.9)	(0.1)	(15.8)
Other changes	(0.3)	0.8	-	0.5
Accumulated depreciation and amortization as of December 31, 2014 ...	(144.4)	(513.0)	(19.8)	(677.3)
Carrying amount as of January 1, 2013	122.8	149.8	10.1	282.7
Carrying amount as of December 31, 2013	122.4	145.0	10.7	278.1
Carrying amount as of December 31, 2014	120.1	150.0	17.0	287.1

Additions of the period include €4.7 million of assets (€3.1 million in 2013) 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.

10.3 | Long-term investments

	As of December 31,	
	2014	2013
(in millions of euros)		
Loans	0.1	2.5
Deposits	24.5	26.7
Other long-term investments	0.2	22.5
Long-term investments	24.8	51.7

As of December 31, 2013, other long-term investments mainly included 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 consolidated in 2014.

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 and the amount of dividends received was nil.

11. | CURRENT ASSETS

11.1 | Inventories

	As of December 31,	
	2014	2013
(in millions of euros)		
Cost	1,582.1	1,484.6
Allowance	(94.9)	(95.0)
Inventories	1,487.2	1,389.5

Changes in impairment losses

	(in millions of euros)	
	2014	2013
Allowance for inventories as of January 1,	(95.0)	(103.9)
Change in consolidation scope	(1.4)	(2.6)
Net change in allowance	1.8	3.9
Currency translation adjustment	(4.4)	4.6
Other changes	4.1	3.0
Allowance for inventories as of December 31,	(94.9)	(95.0)

11.2 | Trade accounts receivable

	As of December 31,	
	2014	2013
(in millions of euros)		
Nominal value	2,342.4	2,213.5
Impairment losses	(136.3)	(150.7)
Trade accounts receivable	2,206.0	2,062.8

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 €243.3 million as of December 31, 2014 (€241.0 million as of December 31, 2013).

The Group has put in place credit insurance programs in certain countries. Trade accounts receivable covered by these programs amounted to €767.9 million as of December 31, 2014 (€758.3 million as of December 31, 2013).

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 €286.7 million as of December 31, 2014 (€244.9 million as of December 31, 2013).

Changes in impairment losses:

	As of December 31,	
	2014	2013
(in millions of euros)		
Impairment losses on trade accounts receivable as of January 1,	(150.7)	(152.6)
Change in consolidation scope	(1.5)	(2.6)
Net depreciation	18.5	0.6
Currency translation adjustment	(2.6)	3.8
Other changes	-	0.1
Impairment losses on trade accounts receivable as of December 31,	(136.3)	(150.7)

⁽¹⁾ Of which receivables written-off of €41.3 million in 2014

As of December 31, 2014, 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 €103.0 million (€105.5 million as of December 31, 2013).

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,	
	2014	2013
(in millions of euros)		
From 1 to 30 days	273.6	267.2

In accordance with the accounting principle stated in note 2.8.3, all past due receivables above 30 days are subject to an impairment loss.

11.3 | Other accounts receivable

(in millions of euros)

	As of December 31,	
	2014	2013
Purchase rebates	351.6	328.1
VAT receivable and other sales taxes	45.5	38.0
Prepaid expenses	33.5	31.7
Derivatives	0.1	0.3
Other receivables	68.2	69.7
Total accounts receivable	499.0	467.8

12. | CASH AND CASH EQUIVALENTS

(in millions of euros)

	As of December 31,	
	2014	2013
Cash equivalents	926.1	790.2
Cash at bank	232.6	166.4
Cash in hand	1.2	1.2
Cash and cash equivalents	1,159.8	957.8

As of December 31, 2014, short-term investments include units in mutual funds, valued at their fair market value, for a total of €926.1 million (€790.2 million as of December 31, 2013). 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.

13. | SUMMARY OF FINANCIAL ASSETS

<i>(in millions of euros)</i>	Note	IAS 39 Category	Fair Value Hierarchy*	As of December 31,			
				2014		2013	
				Carrying amount	Fair value	Carrying amount	Fair value
Loans		L&R		0.1	0.1	2.5	2.5
Deposits		L&R		24.5	24.5	26.7	26.7
Others	(2)	N/A		0.2	N/A	22.5	N/A
Total long-term investments	10.3			24.8	-	51.7	-
Trade accounts receivable		L&R		2,206.0	2,206.0	2,062.8	2,062.8
Supplier rebates receivable		L&R		351.6	351.6	328.1	328.1
VAT and other taxes receivable	(2)	N/A		45.5	N/A	38.0	N/A
Other accounts receivable		L&R		68.2	68.2	69.7	69.7
Other derivative instruments not eligible to hedge accounting....		FV P&L	2	0.1	0.1	0.3	0.3
Prepaid expenses	(2)	N/A		33.5	N/A	31.7	N/A
Total other current assets	11.3			499.0	-	467.8	-
Cash equivalents		FV	2	926.1	926.1	790.2	790.2
Cash		L&R		233.8	233.8	167.6	167.6
Cash and cash equivalents	12			1,159.8	-	957.8	-

(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
Fair value through other comprehensive income	FV OCI
Not applicable	N/A

* For fair value hierarchy see note 2.8.4

14. | SHARE CAPITAL AND PREMIUM

14.1 | 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 <i>(in millions of euros)</i>	Share premium
As of January 1, 2013	271,923,229	1,359.6	1,418.3
Exercise of share subscription rights	34,276	0.2	-
Issuance of shares in connection with payments of dividends	10,287,149	51.4	98.2
Employee share purchase plan	302,870	1.5	2.0
Issuance of shares in connection with free shares plan	789,690	3.9	-
Allocation of free shares	-	-	(13.8)
Free shares cancelled	-	-	6.1
As of December 31, 2013	283,337,214	1,416.7	1,510.8
Exercise of share subscription rights	(1) 17,000	0.1	-
Issuance of shares in connection with payments of dividends	(2) 9,269,384	46.3	99.5
Employee share purchase plan	(3) 35,237	0.2	0.5
Issuance of shares in connection with free shares plans	(4) 846,741	4.2	-
Reduction in share capital	(5) (1,500,000)	(7.5)	(14.1)
Allocation of free shares	-	-	(8.2)
Free shares cancelled	-	-	11.3
As of December 31, 2014	292,005,576	1,460.0	1,599.8

- (1) For the year ended December 31, 2014, 17,000 shares options were exercised by senior employees and key management personnel (34,276 for the year ended December 31, 2013).
- (2) The Shareholders' Meeting of May 22, 2014 approved the payment of a dividend of €0.75 per share, either in cash or in Rexel shares at a price of €15.78, at the option of each shareholder. The total amount of the dividend distributed was €211.9 million, of which €65.6 million was paid in cash and €146.3 million was settled by the issuance of 9,269,384 new shares. Capital increase related costs of €0.4 million were recognized in reduction of the share premium.
- (3) Of which 35,151 shares issued at a price of €18.50 to serve the UK Employee Share Purchase Plan
- (4) Issuance of 834,862 shares in connection with the 2010 bonus shares plan ("Plan 4+0") and 11,879 shares in connection with the 2012 bonus free shares plan ("Plan 2+2")
- (5) Cancellation of 1.5 million of treasury shares repurchased in August for an amount of €21.6 million

14.2 | Capital Management and treasury shares

The Shareholders' Meeting of May 22, 2014 authorized the Company's Board of Directors, 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 €30 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, 2015).

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 a financial institution, 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 €16.2 million as of December 31, 2014 (€17.4 million as of December 31, 2013).

In addition to this share buy-back program, Rexel repurchased 1,322,132 treasury shares to serve its free share plans.

As of December 31, 2014, Rexel held in aggregate 1,737,761 treasury shares (1,670,202 as of December 31, 2013) valued at an average price of €13.18 per share (€13.21 per share as of December 31, 2013) that were recognized as a reduction in shareholders' equity, for a total of €22.9 million (€22.1 million as of December 31, 2013).

Net capital losses realized on the sale of treasury shares in 2014 amounted to €0.8 million net of tax and were recognized as a decrease in shareholders' equity (net capital gain of €0.8 million in 2013).

14.3 | Dividends

<i>(in millions of euros)</i>	For the year ended December 31,	
	2014	2013
Dividends on ordinary shares	€0.75	€0.75
Dividends paid	211.9	203.1
<i>of which: - dividends paid in cash</i>	65.6	53.0
<i>- dividends paid in shares</i>	146.3	150.1

15. | SHARE BASED PAYMENTS

15.1 | 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:

Plan issued in 2014

On May 22, 2014, Rexel entered into free share plans for the members of the top executive managers amounting to a maximum of 1,641,008 shares. According to these plans, the beneficiaries will either be eligible to receive Rexel shares:

- two years after the grant date (May 23, 2016), these being restricted for an additional two-year period (until May 23, 2018), the so-called “2+2 Plan”,
- three years after the grant date (May 23, 2017), these being restricted for an additional two-year period (until May 23, 2019), the so-called “3+2 Plan”,
- four years after the grant date (May 23, 2018) with no subsequent restrictions, the so-called “4+0 Plans”.

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

Vesting conditions	Two year service condition from grant date and performance conditions based on: (i) 2013/2015 adjusted EBITA margin increase (ii) average free cash flow before interest and tax to EBITDA between 2014 and 2015 (iii) Rexel share market performance compared to peers		Three year service condition from grant date and performance conditions based on: (i) 2013/2016 adjusted EBITA margin increase (ii) average free cash flow before interest and tax to EBITDA between 2014 and 2016 (iii) Rexel share market performance compared to peers		Total
	2+2	4+0	3+2	4+0	
Plan					
Delivery date	May 23, 2016	May 23, 2018	May 23, 2017	May 23, 2018	
Share fair value at grant date May 22, 2014	13.49	12.14	12.78	12.11	12.55
Maximum number of shares granted on May 22, 2014	348,980	471,524	348,980	471,524	1,641,008
Total maximum number of shares granted in 2014	348,980	471,524	348,980	471,524	1,641,008
Forfeited in 2014	(4,263)	(11,963)	(4,263)	(11,963)	(32,452)
Total maximum number of shares granted as of December 31, 2014	344,717	459,561	344,717	459,561	1,608,556

The fair value of Rexel's shares was computed based on a Monte Carlo model which simulates the evolution of Rexel and panel shares quotations at the end of the two or three-year vesting period. The impact of restrictions attached to the dividends until the delivery date of the shares to the beneficiaries was excluded from the fair value.

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, performance and market conditions set forth in the plan as described below:

Beneficiaries	Members of Group Executive Committee and top managers		Operational Managers		Total
Vesting conditions	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 to 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		
Plan	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	2,574,729
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			78,410
Total maximum number of shares granted in 2013	844,004	1,287,535	99,100	422,500	2,653,139
Forfeited in 2013	(368,148)	(563,165)	(11,100)	(18,200)	(960,613)
Forfeited in 2014	(155,619)	(274,550)		(31,500)	(461,669)
Total maximum number of shares granted as of December 31, 2014	320,237	449,820	88,000	372,800	1,230,857

The fair value of Rexel's shares subject to market condition 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, the impact of restrictions attached to the dividends until the delivery date of the shares to the beneficiaries was excluded 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
Vesting conditions	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 to EBITDA between 2012 and 2013 (iv) free cash flow before interest and tax 2012		
Plan	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	2,019,324
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	243,080
Total maximum number of shares granted in 2012	796,267	1,466,137	2,262,404
Forfeited in 2012	(118,149)	(227,478)	(345,627)
Total maximum number of shares granted as of December 31, 2012	678,118	1,238,659	1,916,777
Forfeited in 2013	(470,615)	(839,965)	(1,310,580)
Total maximum number of shares granted as of December 31, 2013	207,503	398,694	606,197
Delivered in 2014.....	(204,328)		(204,328)
Forfeited in 2014	(3,175)	(6,748)	(9,923)
Total maximum number of shares granted as of December 31, 2014	-	391,946	391,946

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

Plans issued in 2011 and before

In 2011 and 2010, Rexel entered into several bonus share plans for its senior executives and key employees subject to service and performance conditions.

	Plans issued in 2011	Plans issued in 2010
Average share fair value at the grant date	€11.64	€10.47
Maximum number of shares granted initially	2,752,789	967,720
Forfeited	(779,066)	(130,266)
Maximum number of shares granted as of December 31, 2013 and not yet delivered	1,973,723	837,454
Forfeited in 2014	(1,197,177)	(2,592)
Delivered in 2014	-	(834,862)
Maximum number of shares granted as of December 31, 2014 and not yet delivered	776,546	-

15.2 | Stock option plans

In 2005, Rexel established a share option subscription program that entitles key management personnel to purchase Rexel shares. Vesting conditions included the occurrence of certain events including in particular the admission of the Company's shares to trading on a regulated market.

In April 2007, options granted under this program vested in full upon the Initial Public Offering of Rexel shares.

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, 2014	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	121,178	November 30, 2016	€5
- on May 31, 2006	34,550	3,976		€6.5
Total options allocated by Rexel	3,338,296	157,974		

15.3 | 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,	
	2014	2013
Plans issued in 2010	-	0.9
Plans issued in 2011	1.4	5.0
Plans issued in 2012	2.2	2.9
Plans issued in 2013	5.8	4.3
Plans issued in 2014	4.1	-
Expense related to employee share purchase plan	0.8	1.3
Total free share plans expense	14.3	14.4

16. | 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,	
	2014	2013 ⁽¹⁾
Net income attributed to ordinary shareholders (in millions of euros)	199.7	210.5
Weighted average number of ordinary shares (in thousands)	286,128	275,708
Potential dilutive shares resulting from the dividend payment in shares (in thousands).	327	1,551
Non dilutive potential shares (in thousands)	1,324	1,605
Weighted average number of issued common shares and non dilutive potential shares (in thousands)	287,778	278,864
Basic earning per share (in euros)	0.69	0.76
Net income attributed to ordinary shareholders (in millions of euros)	199.7	210.5
Weighted average number of issued common shares and non dilutive potential shares (in thousands)	287,778	278,864
Potential dilutive shares (in thousands)	2,550	3,191
- of which share options (in thousands)	110	125
- of which bonus shares (in thousands) ⁽²⁾	2,439	3,066
Weighted average number of common shares used for the calculation of fully diluted earnings per share (in thousands)	290,328	282,055
Fully diluted earnings per share (in euros).....	0.69	0.75

⁽¹⁾ Restated for changes in accounting policies following the adoption of IFRIC Interpretation 21 "Levies" (see note 2.2.1)

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

17. | PROVISIONS AND OTHER NON-CURRENT LIABILITIES

	As of December 31,	
	2014	2013
(in millions of euros)		
Provisions	64.4	65.4
Derivatives	19.2	32.6
Other non-current liabilities	10.1	10.0
Provisions and other non-current liabilities	93.7	108.0

Other non-current liabilities comprise profit sharing related payables to French employees in the amount of €10.1 million (€10.0 million at December 31, 2013).

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
As of January 1, 2013	23.9	6.5	22.9	21.9	75.2
Increase	11.5	0.5	4.6	12.3	28.9
Use	(17.1)	(0.2)	(2.8)	(14.0)	(34.2)
Release	(0.2)	-	(1.9)	(1.0)	(3.1)
Currency translation adjustment	(0.6)	(0.2)	(0.7)	(0.5)	(2.0)
Other changes	-	0.2	0.4	-	0.6
As of December 31, 2013	17.5	6.8	22.5	18.7	65.4
Increase	29.9	-	5.9	10.5	46.3
Use	(19.8)	(0.7)	(7.0)	(13.8)	(41.3)
Release	(1.3)	(4.7)	(0.4)	(1.0)	(7.4)
Currency translation adjustment	0.4	0.1	-	1.0	1.5
Other changes	(0.1)	-	-	-	(0.1)
As of December 31, 2014	26.6	1.5	21.0	15.3	64.4

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, 2014, mainly concerned, Europe for €20.2 million (€13.0 million in 2013), North America for €4.6 million (€3.5 million in 2013) and Asia-Pacific for €1.7 million (€1.0 million in 2013).
- Tax litigation concerned mainly Canada for €1.2 million (€1.6 million in 2013).
- Other litigations and warranty claims amounted to €21.5 million (€22.5 million in 2013), of which €8.6 million relating to litigation with French social security authorities, €2.5 million for employee claims (€1.8 million in 2013) and €1.8 million for trade disputes litigation litigations (€2.9 million in 2013).
- Provisions for lease commitments related to vacant properties mainly in the United Kingdom for €6.7 million (€9.5 million in 2013), the United States for €2.9 million (€3.9 million in 2013) and France for €2.1 million (€2.0 million in 2013).

18. | POST-EMPLOYMENT AND LONG-TERM BENEFITS

18.1 | 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 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, 2014 and was rolled forward up to December 31, 2014 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, until December 31, 2013, the main pension plan in force was a mix between defined benefit and defined contribution ("hybrid-type" plan). The defined benefit portion was subject to a ceiling. Above the defined benefit portion, a defined contribution section applied. Defined benefit pension plan was a salary average plan open for new entrants. As from January 1, 2014, a Collective Defined Contribution (CDC) plan has been implemented in *lieu et place* of the former Defined benefit Plan (DB Plan). The CDC arrangement establishes the new contribution formula for all future accruals. The employer risk related to past service has been transferred to the pension fund with increases in accrued benefits being granted solely on the available means in the pension fund. As such, all further legal or constructive obligations for the benefits provided under the DB Plan have been eliminated. There was no impact neither on the balance sheet nor on the profits and losses in 2014 associated with the DB Plan derecognition as the net defined benefit obligation liability was nil as of December 31, 2013 (the fair value of the defined benefit liability and the plan assets was €351.5 million).

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.

A full actuarial valuation is performed every three years. The most recent valuations were performed as at December 31, 2013. The 2014 quantitative information on these plans was prepared based on a roll forward of these full valuations.

18.2 | Employee Benefit Plan information

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

(in millions of euros)	Defined benefit obligations					Group
	The Netherlands	United Kingdom	Canada	Switzerland	Other	
As of January 1, 2013	399.5	397.1	277.9	173.0	174.9	1,422.3
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
Currency translation adjustment	-	(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						
Effect of change in demographic assumptions	18.9	-	9.1	-	1.6	29.6
Effect of change in financial assumptions	-	(16.7)	(31.9)	(11.0)	(6.0)	(65.6)
Effect of experience adjustments	(6.4)	1.1	1.7	(3.0)	(3.5)	(10.0)
As of December 31, 2013	409.2	377.7	228.4	162.2	147.1	1,324.6
Service cost	-	0.1	2.7	5.1	4.9	12.9
Interest cost	1.8	17.3	10.5	3.3	5.4	38.3
Benefit payments	(1.6)	(12.8)	(13.3)	(4.4)	(7.8)	(39.9)
Employee contributions	-	-	0.6	3.0	0.1	3.6
Change in consolidation scope	-	-	-	7.3	-	7.3
Currency translation adjustment	-	29.4	10.9	3.8	4.2	48.3
Past service cost / settlement and other	(351.5)	-	-	-	(19.7)	(371.3)
Remeasurements						
Effect of change in demographic assumptions	(10.4)	-	1.9	-	3.2	(5.3)
Effect of change in financial assumptions	11.5	67.2	23.4	15.9	9.8	127.8
Effect of experience adjustments	(0.0)	11.2	(1.3)	(1.1)	(2.2)	6.6
As of December 31, 2014	58.9	490.1	263.9	195.0	144.9	1,152.8

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

(in millions of euros)	Plan assets					Group
	The Netherlands	United Kingdom	Canada	Switzerland	Other	
As of January 1, 2013	382.4	290.6	173.9	148.7	54.1	1,049.7
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)
Currency translation adjustment	-	(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
As of December 31, 2013	405.9	305.6	166.4	160.3	43.0	1,081.2
Employer contributions	0.2	10.0	7.4	4.4	6.2	28.1
Employee contributions	-	-	0.6	3.0	0.1	3.6
Interest income	1.8	13.4	7.8	3.3	1.6	27.8
Benefit payments	(1.6)	(12.8)	(13.3)	(4.4)	(7.3)	(39.4)
Change in consolidation scope	-	-	-	5.0	-	5.0
Currency translation adjustment	-	23.1	7.6	3.6	1.1	35.3
Past service cost / settlement and other	(351.5)	-	-	-	(14.0)	(365.5)
Return on plan assets excluding interest income (OCI)	4.2	11.5	7.3	9.6	(0.0)	32.5
As of December 31, 2014	58.9	350.8	183.7	184.6	30.6	808.6

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

<i>(in millions of euros)</i>	Net liability / (asset)					
	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Canada</i>	<i>Switzerland</i>	<i>Other</i>	<i>Group</i>
As of January 1, 2013	17.0	106.5	104.0	24.2	120.7	372.6
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
Currency translation adjustment	-	(4.0)	(8.6)	(0.5)	(2.3)	(15.4)
Remeasurements	(14.6)	(26.9)	(30.1)	(20.6)	(12.0)	(104.1)
As of December 31, 2013	3.3	72.2	62.0	1.9	104.0	243.4
Service cost	-	0.1	2.7	5.1	4.9	12.9
Interest cost	-	3.9	2.7	(0.0)	3.7	10.4
Past service cost/settlement and other	-	-	-	-	(5.8)	(5.8)
Employer contributions	(0.2)	(10.0)	(7.4)	(4.4)	(6.1)	(28.1)
Benefit payments	-	-	-	-	(0.5)	(0.5)
Change in consolidation scope	-	-	-	2.4	-	2.4
Currency translation adjustment	-	6.3	3.3	0.2	3.1	13.0
Remeasurements	(3.1)	66.9	16.8	5.2	10.9	96.5
As of December 31, 2014	0.0	139.4	80.1	10.4	114.3	344.2

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:

<i>(in millions of euros)</i>	Liability reconciliation					
	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Canada</i>	<i>Switzerland</i>	<i>Other</i>	<i>Group</i>
For the year ended December 31, 2013						
Defined benefit obligations	409.2	377.7	228.4	162.2	147.1	1,324.6
<i>of which Funded schemes</i>	409.2	376.1	200.9	159.6	67.2	1,213.0
<i>of which Unfunded schemes</i>	-	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 ...	3.3	72.2	62.0	1.9	104.0	243.4
<i>of which "Employee benefits"</i>	3.3	72.2	62.0	1.9	104.0	243.4
<i>of which "Other financial assets"</i>	-	-	-	-	-	-
For the year ended December 31, 2014						
Defined benefit obligations	58.9	490.1	263.9	195.0	144.9	1,152.8
<i>of which Funded schemes</i>	58.9	488.2	231.6	192.0	60.0	1,030.7
<i>of which Unfunded schemes</i>	-	2.0	32.2	3.0	84.9	122.1
Fair value of plan assets	(58.9)	(350.8)	(183.7)	(184.6)	(30.6)	(808.6)
Recognized net liability for defined benefit obligations ...	0.0	139.4	80.1	10.4	114.3	344.2
<i>of which "Employee benefits"</i>	0.0	139.4	80.1	10.4	114.3	344.2
<i>of which "Other financial assets"</i>	-	-	-	-	-	-

18.3 | Re-measurements of the net defined benefit liability

<i>(in millions of euros)</i>	Other comprehensive income					Group
	The Netherlands	United Kingdom	Canada	Switzerland	Other	
Return on plan assets excluding interest income	(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	(14.6)	(26.9)	(29.7)	(20.7)	(11.7)	(103.4)
Return on plan assets excluding interest income and asset ceiling	(4.2)	(11.5)	(7.3)	(9.6)	0.0	(32.5)
Effect of change in demographic assumptions	(10.4)	-	1.9	-	3.2	(5.3)
Effect of change in financial assumptions	11.4	67.2	23.4	15.7	9.1	126.7
Effect of experience adjustments	(0.0)	11.2	(1.3)	(1.1)	(2.2)	6.6
OCI recognized for the year ended December 31, 2014	(3.3)	66.9	16.7	4.9	10.1	95.4

18.4 | Employee Benefit expense

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

<i>(in millions of euros)</i>	Expense					Group
	The Netherlands	United Kingdom	Canada	Switzerland	Other	
Service cost ⁽²⁾	2.7	0.1	3.7	5.4	5.3	17.2
Past service costs ⁽²⁾	(0.3)	-	(3.0)	0.2	(5.9)	(8.9)
Net Interest expense ⁽³⁾	0.2	5.1	3.6	0.3	3.8	13.0
Other ⁽²⁾	0.7	-	(0.5)	0.1	0.1	0.4
Expense recognized for the year ended December 31, 2013 ..	3.3	5.2	3.8	6.0	3.3	21.6
Service costs ⁽¹⁾	-	0.1	2.7	5.1	4.9	12.9
Past service costs ⁽¹⁾	-	-	-	-	(5.8)	(5.8)
Net Interest expense ⁽³⁾	0.1	3.9	2.7	(0.0)	3.7	10.4
Other ⁽¹⁾	-	-	0.0	0.3	0.4	0.8
Expense recognized for the year ended December 31, 2014 ..	0.1	4.1	5.5	5.4	3.3	18.3

⁽¹⁾ Recognized as personnel costs (see note 6)

⁽²⁾ Recognized as personnel costs (see note 6) and in other income (see note 7)

⁽³⁾ Recognized as net financial expenses (see note 8)

Significant plan amendments and settlements

For the year ended December 31, 2014

In the United States, health and life insurance benefits to certain eligible participants were reduced such that, effective January 1, 2015, post-65 retiree medical coverage is available at a higher cost to the participant and life insurance coverage is no longer offered for active members and retirees who are not yet 60 on January 1, 2015. These changes resulted in a gain of €4.8 million recognized in the third quarter of 2014 as a reduction in salaries and benefits.

The Group also initiated the termination of a qualified pension plan for US employees by purchasing annuities and paying lump sums in 2014. This resulted in a settlement gain of €1.2 million recognized as a reduction in salaries and benefits. The full termination process is expected to end in 2015.

In The Netherlands, a Collective Defined Contribution plan has been implemented *in lieu et place* of the former Defined Benefit plan which have been eliminated without any impact, neither on the balance sheet nor in profit and loss (see note 18.1).

For the year 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 et place* 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).

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.

18.5 | Plan asset allocation

	Plan assets class			
	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Canada</i>	<i>Switzerland</i>
<i>(in millions of euros)</i>				
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	-	-
As of December 31, 2013	405.9	305.6	166.4	160.3
Cash and cash equivalents.....	-	19.2	0.9	10.2
Equity instruments (quoted in an active market).....	-	20.3	79.6	61.6
Debt instruments (quoted in an active market).....	-	154.4	99.9	70.0
Real estate	-	-	-	35.7
Investment funds	-	156.2	-	0.8
Asset held by insurance company.....	58.9	-	3.4	-
Other	-	0.6	-	6.5
As of December 31, 2014	58.9	350.8	183.7	184.6

18.6 | Actuarial assumptions

The main actuarial assumptions are as follows:

	The Netherlands		United Kingdom		Canada		Switzerland	
	2014	2013	2014	2013	2014	2013	2014	2013
Average plan duration (<i>in years</i>)	19	15	18	17	14	14	16	16
Discount rate (<i>in%</i>)	2.00	3.25	3.50	4.50	4.00	4.75	1.25	2.00
Future salary increases (<i>in %</i>)	3.00	3.00	N/A	N/A	3.12	3.11	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.

18.7 | 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

	Sensitivity to a 25 basis points decrease in discount rate					
	The Netherlands	United Kingdom	Canada	Switzerland	Other	Group
(in millions of euros)						
Service cost	-	-	0.1	0.2	0.1	0.4
Defined Benefit Obligation	2.7	21.3	8.4	7.4	4.1	43.9
	Sensitivity to a 10% downturn in financial market					
	The Netherlands	United Kingdom	Canada	Switzerland	Other	Group
(in millions of euros)						
Plan assets	-	(2.0)	(8.0)	(6.2)	(0.7)	(16.9)

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.

18.8 | Expected cash flows

	Expected cash flow					Group
	The Netherlands	United Kingdom	Canada	Switzerland	Other	
(in millions of euros)						
Expected benefit payments for 2015.....	1.6	13.5	11.8	6.0	5.1	38.0
Expected benefit payments for 2016.....	1.7	14.5	12.2	5.5	5.2	39.2
Expected benefit payments for 2017.....	1.8	15.5	12.6	5.5	7.4	42.9
Expected benefit payments for 2018.....	1.8	17.1	13.0	5.7	12.3	49.9
Expected benefit payments for 2019 and after.....	12.1	117.2	86.6	34.3	42.9	293.2
Expected benefit contributions for 2015.....	-	10.4	7.7	5.9	4.2	28.1

19. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of December 31, 2014. Financial liabilities include interest-bearing loans from financial institutions, borrowings and accrued interests less transaction costs.

19.1 | Net financial debt

As of December 31, 2014, Rexel's consolidated net debt stood at €2,213.1 million, consisting of the following items:

<i>(in millions of euros)</i>	As of December 31, 2014			As of December 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total
Senior notes.....	-	1,992.2	1,992.2	-	1,835.6	1,835.6
Securitization	128.2	1,013.9	1,142.1	-	1,067.5	1,067.5
Bank loans	65.0	4.4	69.3	35.6	19.2	54.8
Commercial paper	85.9	-	85.9	119.1	-	119.1
Bank overdrafts and other credit facilities	81.7	-	81.7	54.3	-	54.3
Finance lease obligations	8.8	18.4	27.2	7.3	24.7	32.0
Accrued interests	9.7	-	9.7	11.6	-	11.6
Less transaction costs	(8.0)	(32.9)	(40.9)	(11.2)	(38.8)	(50.0)
Total financial debt and accrued interest..	371.2	2,995.9	3,367.1	216.7	2,908.2	3,124.9
Cash and cash equivalents			(1,159.8)			(957.8)
Accrued interest receivables.....			(0.7)			-
Debt hedge derivatives.....			6.5			25.1
Net financial debt			2,213.1			2,192.0

⁽¹⁾ Of which accrued interests on Senior Notes for €4.9 million as of December 31, 2014 (€4.6 million as of December 31, 2013)

19.1.1/Senior Facility Agreement

On November 13, 2014, Rexel entered into an amendment of its €1,100 million existing revolving credit facilities agreement dated March 15, 2013 reduced to €1,055 million in September 2013 with BNP Paribas, Crédit Agricole Corporate and Investment Bank, Crédit Industriel et Commercial, HSBC France, ING Bank France, Natixis and Société Générale as Mandated Lead Arrangers and Bookrunners.

The Senior Facility Agreement provides a five-year multicurrency revolving credit facility for an aggregate maximum amount reduced to €982 million which can also be drawn down through swingline loans for an aggregate amount of €157.5 million. The original maturity of this credit facility (November 2019) may be extended two times by one year.

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 1.25% 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 0.85% to 2.5%.

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.

As of December 31, 2014, this credit facility was not drawn down.

In addition to the Senior Facility Agreement, Rexel entered into two bilateral term loan agreements of €32.9 million (US\$ 40 million) and €45 million, maturing respectively in June 2015 and in March 2018. As of December 31, 2014, these facilities were undrawn.

19.1.2/Senior notes

As of December 31, 2014, the carrying amount of the existing senior notes is detailed as follows:

	As of December 31, 2014				As of December 31, 2013			
	Nominal amount (in millions of currency)	Nominal amount (in millions of euros)	Fair value adjust- ments ⁽¹⁾	Total	Nominal amount (in millions of currency)	Nominal amount (in millions of euros)	Fair value adjust- ments	Total
Senior notes due 2018	EUR 488.8	488.8	10.2	499.0	EUR 488.8	488.8	(0.3)	488.5
Senior notes due 2019	USD 500.0	411.8	(4.1)	407.7	USD 500.0	362.6	(11.5)	351.1
Senior notes due 2020	USD 500.0	411.8	0.8	412.6	USD 500.0	362.6	(8.6)	354.0
Senior notes due 2020	EUR 650.0	650.0	22.8	672.8	EUR 650.0	650.0	(7.9)	642.1
TOTAL		1,962.5	29.7	1,992.2		1,863.9	(28.3)	1,835.6

⁽¹⁾ Adjustment to reflect interest rate fluctuations on the part of the notes hedged through fair value hedge derivatives (see note 20.1)

Notes due 2020

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 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 included the "make-whole" premium plus the unamortized initial transaction costs of €9.1 million after deducting fair value hedge adjustments of €39.6 million.

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.

Redemption period beginning on:	(as a % of principal amount)
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.

Notes due 2018

On May 27, 2011, Rexel issued €500 million senior unsecured notes. 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.

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

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.

19.1.3/ 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 was amended in 2014 and allows the Group to assign eligible receivables and receive cash consideration up to a maximum amount of US\$225 million. The maturity of this program was extended to December 2017.

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 as a risk attached to the servicing of the receivables that is 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, 2014, derecognized receivables totaled €180.1 million (€106.3 million as of December 31, 2013) and the resulting loss was recorded as a financial expense for €5.5 million (€5.1 million in 2013). 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 €23.1 million and was recognized in financial liabilities (€7.3 million as of December 31, 2013).

The group did not retain any interests in the receivables sold under this program.

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, 2014, 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, 2014	Amount drawn down as of December 31, 2014	Balance as of		Repayment Date
				December 31, 2014	December 31, 2013	
<i>(in millions of currency)</i>				<i>(in millions of euros)</i>		
Europe and Australia ^{(1) (2)}	EUR 425.0	EUR 511.3	EUR 396.1	396.1	402.4	12/18/2017
United States	USD 545.0	USD 690.8	USD 513.5	422.9	326.3	12/20/2017
Canada ⁽²⁾	CAD 190.0	CAD 285.9	CAD 180.3	128.2	129.5	11/19/2015
Europe ⁽²⁾	EUR 384.0	EUR 527.1	EUR 374.9	374.9	308.0	12/20/2016
TOTAL				1,322.2	1,166.2	
Of which :	- on balance sheet:			1,142.1	1,067.5	
	- off balance sheet (US Ester program) :			180.1	98.7	

(1) On July 31, 2014, Rexel amended its paneuropean & Australian securitization program and extended the maturity date from December 2016 to 2017

(2) Repayment date may be extended twice by one year at the option of Rexel, subject to bank approval

These securitization programs pay interest at variable rates including a specific credit spread to each program. As of December 31, 2014, the total outstanding amount authorized for these securitization programs was €1,393.0 million, of which €1,322.2 million were used.

19.1.4/ Commercial paper program

Rexel runs a €500 million commercial paper program, with fixed maturities ranging from one to three months depending on the notes, issued to diversify its investor base and minimize the cost of financing.

As of December 31, 2014, the company had issued €85.9 million of commercial paper (€119.1 million as of December 31, 2013).

19.2 | Change in net financial debt

As of December 31, 2014 and December 31, 2013, the change in net financial debt was as follows:

<i>(in millions of euros)</i>	For the year ended December 31,	
	2014	2013
As of January 1,	2,192.0	2,599.2
Issuance of senior notes net of transaction cost.....	-	1,025.2
Buy-out of senior notes.....	-	(640.3)
Net change in term loan facilities.....	-	(25.9)
Transaction costs and refinancing costs.....	(1.8)	(15.5)
Net change in bank loans and bank overdrafts.....	(5.6)	(14.4)
Net change in credit facilities.....	(7.4)	329.1
Net change in securitization.....	19.3	16.9
Net change in finance lease liabilities.....	(5.1)	(48.9)
Net change in financial liabilities.....	6.7	297.0
Change in cash and cash equivalents	(178.9)	(665.2)
Effect of exchange rate changes on net financial debt	135.7	(103.2)
Effect of changes in consolidation scope on gross indebtedness..	6.1	-
Amortization of transaction costs.....	10.8	13.8
Non recurring refinancing costs.....	-	23.5
Other changes..... ⁽¹⁾	40.6	26.8
As of December 31,	2,213.1	2,192.0

⁽¹⁾ Of which in 2014, €36.4 million relating to the settlement of interest swaps qualified as fair value hedge of the senior notes (€30.4 million in 2013)

20. | MARKET RISKS AND FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

20.1 | 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,	
	2014	2013
Senior Notes and other fixed rate debt	2,003.5	1,866.4
Floating to fixed rate sw aps.....	1,515.1	1,550.0
Fixed to floating rate sw aps.....	(823.7)	(1,525.1)
Sub total fixed or capped rate instruments	2,695.0	1,891.3
Floating rate debt before hedging.....	1,369.4	1,283.4
Floating to fixed rate sw aps.....	(1,515.1)	(1,550.0)
Fixed to floating rate sw aps.....	823.7	1,525.1
Cash and cash equivalents.....	(1,159.8)	(957.8)
Sub total floating rate debt instruments	(481.8)	300.7
Total net financial debt	2,213.1	2,192.0

Fair value hedge derivatives

As of December 31, 2014, the portfolio of interest rate swaps used as hedge for exposure of changes in fair value of its senior notes disclosed in note 19.1.2 :

	Total notional amount (in millions of currency)	Total notional amount (in millions of euros)	Maturity	Weighted average fixed rate received	Floating rate paid	Fair value ⁽¹⁾ (in millions of euros)	Hedged item
Swaps paying variable rate							
American dollar.....	500.0	411.8	December 2019	1.49%	3M Libor	(5.2)	Notes due 2019
	500.0	411.8	June 2020	1.78%	3M Libor	(1.2)	Notes due 2020
Total		823.7				(6.4)	

⁽¹⁾ Derivative instruments are presented at fair value, including accrued interest receivable for €0.4 million

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

Any adjustment to carrying value of items carried at amortized cost is amortized through profit or loss over the remaining term.

The change in fair value of these fair value hedging swaps for the period ending December 31, 2014 represented a gain of €57.2 million, partially offset by a loss of €58.2 million resulting from the change in the fair value of the Senior Notes.

In 2014, some fair value hedge derivatives were settled for a cash premium received of €36.4 million. This premium was recognized as part of the cost of the hedged notes and is amortized through profit and loss over the remaining life of the related notes using the effective interest rate method.

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 September 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, 2014, derivative instruments classified as cash flow hedges are as follows:

	Total notional amount (in millions of currency)	Total notional amount (in millions of euros)	Maturity	Floating rate received	Weighted average fixed rate paid	Fair value ⁽¹⁾ (in millions of euros)
Swaps paying fixed rate						
American dollar.....	200.0	164.7	June 2015	1M Libor	0.38%	(0.5)
	200.0	164.7	September 2016	1M Libor	0.71%	(0.5)
Canadian dollar.....	90.0	64.0	March 2015	1M C-DOR	1.45%	(0.3)
	90.0	64.0	September 2015	3M C-DOR	1.61%	(0.1)
Australian dollar.....	100.0	67.4	June 2016	1M BB AUD	2.98%	(1.6)
British pound	100.0	128.4	March 2015	3M Libor	0.62%	(0.0)
Total		653.3				(3.0)

⁽¹⁾ Derivative instruments are presented at fair value, including accrued interest payable for €1.9 million

The change in fair value of the cash flow hedging instruments for the year ended December 31, 2014 was recorded as a €0.3 million increase in cash-flow hedge reserve (before tax). The ineffectiveness recognized in 2014 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 ⁽¹⁾ (in millions of euros)
Swaps paying fixed rate						
Euro.....	62.5	62.5	May 2018	6M Euribor	3.21%	(7.3)
American dollar.....	250.0	205.9	September 2015	3M Libor	0.53%	(0.3)
	300.0	247.1	June 2016	3M Libor	0.79%	(0.6)
Swedish Krona.....	1,300.0	138.4	September 2016	3M Stibor	1.73%	(3.6)
Swiss franc.....	100.0	83.2	March 2015	3M Libor	(0.02)%	0.0
	150.0	124.8	December 2016	3M Libor	0.39%	(1.5)
Total		861.8				(13.3)

⁽¹⁾ Derivative instruments are presented at fair value, including accrued interest payable of €1.4 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, 2014, a 1% increase in interest rates on variable debt after effective interest rate hedging would lead to an increase in the current annual interest expense estimated to €2.3 million and a €16.6 million gain related to the change in fair value of the hedging instruments of which a €11.9 million in the income statement and €4.7 million in other comprehensive income.

20.2 | 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 dollars denominated Group's net assets. As of December 31, 2014, unrealized exchange loss in other comprehensive income related to external borrowings qualified as net investment hedges account for €98.9 million before tax.

As of December 31, 2014, the notional value of foreign exchange derivatives was €19.0 million (€2.0 million of forward sales and €17.0 million of forward purchases). Forward contracts are recognized at their fair value for a net negative amount of €0.1 million. The change in fair value of forward contracts for the year ended December 31, 2013 was recorded as a financial gain for €0.6 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 €304.2 million and a decrease (increase) in operating income before other income and other expenses of €13.4 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, 2014 would result in a corresponding decrease (increase) in financial debt and shareholders' equity of €89.4 million and €94.8 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	1,793.1	1,087.1	129.2	107.3	1.2	0.9	172.5	0.0	82.3	3,373.6
Cash and cash equivalents.....	(1,370.8)	(142.1)	114.6	36.3	(21.9)	155.8	(127.5)	222.2	(27.2)	(1,160.5)
Net financial position before hedging.....	422.3	945.0	243.8	143.6	(20.7)	156.7	45.0	222.2	55.1	2,213.1
Impact of hedges.....	2.5	(0.5)	(1.2)	-	-	-	(1.4)	-	0.5	(0.0)
Net financial position after hedging.....	424.9	944.6	242.6	143.6	(20.7)	156.7	43.6	222.2	55.6	2,213.1
<i>Impact of a 5% increase in exchange rates.....</i>	-	47.2	12.1	7.2	(1.0)	7.8	2.2	11.1	2.8	89.4

20.3 | 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:

<i>(in millions of euros)</i>	As of December 31,	
	2014	2013
Due within		
One year	379.1	227.9
Two years	384.2	252.2
Three years	644.8	411.5
Four years	501.5	134.3
Five years	409.3	798.2
Thereafter	1,088.9	1,350.9
Total gross financial debt	3,407.9	3,174.9
Transaction costs	(40.9)	(50.0)
Gross financial debt	3,367.0	3,124.9

As of December 31, 2014, the remaining contractual cash-flows in relation to financial indebtedness and derivatives, including interest owed, are as follows:

<i>(in millions of euros)</i>	Financial debt & interests	Derivatives	Total
Due within			
One year	539.4	(2.6)	536.8
Two years	534.8	1.4	536.3
Three years	786.4	5.5	791.9
Four years	620.6	7.1	627.7
Five years	494.3	7.6	501.8
Thereafter	1,114.5	1.6	1,116.2
Total gross financial debt	4,089.9	20.7	4,110.6

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 amended in November 2014 for a period of 5 years ending in November 2019. 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 €1,059.9 million which can also be drawn down through swingline loans for an aggregate amount of €157.5 million (see note 19.1.1).

Lastly, securitization programs mature in 2015, 2016 and 2017. The financing under these programs directly depends on the amounts and quality of transferred receivables. In the event that the relevant companies do not comply with certain obligations, these securitization programs may have to be repaid early, which could have an adverse effect on the Group's liquidity and financial situation. In addition, if the special purpose entities to which the receivables have been transferred were unable to issue short term debt (commercial paper) under conditions that are equal to those available up to now, the Group's liquidity and financial position could be affected.

In addition, the trade accounts payable amounted to €2,126.8 million as of December 31, 2014 (€2,009.9 million as of December 31, 2013) and are due in less than one year.

As of December 31, 2014, the Group's liquidity amounted to €2,052.2 million (€1,884.3 million as of December 2013) in excess of €1,673.1 million compared to €379.1 million expected to be paid within the next twelve months with respect to debt repayment.

<i>(in millions of euros)</i>	As of December 31,	
	2014	2013
Cash and cash equivalents	1,159.8	957.8
Bank overdrafts	(81.7)	(54.3)
Commercial paper	(85.9)	(119.1)
Undrawn Senior credit agreement	982.0	1,100.0
Bilateral facility	77.9	-
Others	-	(0.2)
Liquidity	2,052.2	1,884.3

20.4 | 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 €2,206.0 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 €1,159.9 million as of December 31, 2014 (€958.1 million as of December 31, 2013), which equals the net book value of the aforementioned items.

The maximum counterparty risk on the Group's other financial assets was €523.5 million (€496.6 million as of December 31, 2013) and mainly corresponds to supplier discounts receivable.

21. | SUMMARY OF FINANCIAL LIABILITIES

(in millions of euros)	Category IAS 39	Fair value Hierarchy*	As of December 31,			
			2014		2013	
			Carrying amount	Fair value	Carrying amount	Fair value
Bonds	AC	1	1,992.2	2,045.9	1,835.6	1,961.1
Other financial debts, including accrued interest	AC		1,374.9	1,374.9	1,289.3	1,289.3
Total financial liabilities			3,367.1		3,124.9	
Hedging derivatives	(1) FV P&L	2	6.5	6.5	24.2	24.2
Hedging derivatives	(1) FV OCI	2	0.7	0.4	0.4	0.4
Other derivative instruments not eligible to hedge accounting..	FV P&L	2	11.6	11.6	7.9	7.9
Other liabilities	(2) N/A		10.1	N/A	10.0	N/A
Total other non-current liabilities			29.0		42.5	
Trade accounts payable	AC		2,126.8	2,126.8	2,009.9	2,009.9
Vendor rebates receivable	AC		119.3	119.3	104.0	104.0
Personnel and social obligations	(2) N/A		231.9	N/A	225.9	N/A
VAT payable and other sales taxes	(2) N/A		82.3	N/A	69.1	N/A
Hedging derivatives	(1) FV OCI	2	0.3	0.8	0.8	0.8
Other derivative instruments not eligible to hedge accounting..	FV P&L	2	0.5	0.5	1.7	1.7
Other liabilities	AC		223.4	223.4	213.0	213.0
Deferred income	N/A		8.4	N/A	7.2	N/A
Total other debts			666.2		621.6	

(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 2.8.4

22. | 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,	
	2014	2013
Due within		
One year	189.9	201.9
Two years.....	150.4	147.6
Three years.....	112.9	103.5
Four years.....	77.3	65.3
Thereafter.....	148.1	140.6
Total	678.6	658.8

The total expense under operating lease contracts was €211.2 million for the year ended December 31, 2014 (€214.6 million as of December 31, 2013).

23. | 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,	
	2014	2013
Salaries and other short-term benefits	11.7	14.1
Post-employment benefits (service costs)	1.0	0.9
Indemnities at termination of contract	0.6	-
Free shares and stocks options ⁽¹⁾	4.8	6.1

⁽¹⁾ Share-based payment expense is detailed in Note 15 – 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 €10.1 million.

24. | LITIGATION & OTHER CONTINGENCIES

24.1 | 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, the Group cannot precisely assess the financial consequences that may result from these proceedings.

ACCC (Australia) claim against Olex and others

On December 3, 2014, the Australian Competition and Consumer Commission (ACCC) commenced civil proceedings in the Federal Court of Australia against several parties, including the Australian affiliate of the Group (Rexel Electrical Supplies PTY Ltd). The proceedings have been filed against five companies, six individuals and an industry association for alleged cartel and exclusionary conduct in the supply and acquisition of electrical cable in Australia.

At this early stage in the proceedings, it is not possible either to predict the outcome of this claim or to meaningfully quantify its financial impact.

The principal tax proceedings involving Group companies as of December 31, 2014 are described below:

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 €17.5 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. In November 2014, the Court of appeal confirmed the previous judgment. Therefore the provision was fully released.

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 and referred the case to the Administrative Court in April 2014. 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 final report received in May 2014, 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 2014. In December 2014, Finnish tax authorities issued the reassessment decision for years 2008-2012, resulting in an amount of tax payable of 11.3 million euros for fiscal years 2008-2012. Rexel intends to lodge an appeal in 2015 before the Board of Adjustment. Rexel considers that it is more likely than not that the matter will be resolved favorably in its interest 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.

24.2 | 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, 2014, Techpac Holdings Ltd had notified to Hagemeyer B.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 B.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.

25. | EVENTS AFTER THE REPORTING PERIOD

At the presentation date of the consolidated financial statements there have been no subsequent events after December 31, 2014 that would have a significant impact on Rexel's financial situation.

26. | CONSOLIDATED ENTITIES AS OF DECEMBER 31, 2014

All these subsidiaries are consolidated.

	<i>Head office</i>	<i>% Interest</i>
FRANCE		
<i>Holding companies and Group services companies</i>		
Rexel	Paris	Parent company
Rexel Développement S.A.S.	Paris	100.00
Rexel Amérique Latine S.A.S.	Paris	100.00
<i>Operating companies</i>		
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	100.00
Société Immobilière d'Investissement Parisienne S.N.C.	Paris	100.00
Bizline S.A.S.	Paris	100.00
BCCT	Paris	100.00
Conectis S.A.S.	Paris	100.00
Francofa Eurodis S.A.S.	Rosny sous Bois	100.00
R-Scan	Paris	100.00
Distodiag	Paris	100.00
SBEM	Paris	100.00
Eurobat	Croissy-Beaubourg	100.00
La Boîte Electrique	Paris	100.00
Esabora Digital Services	Paris	100.00
EUROPE		
Germany		
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
United Kingdom		
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 Merchating 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

	<i>Head office</i>	<i>% Interest</i>
Sweden		
Rexel Sverige AB	Älvsjö	100.00
Moel AB	Bredaryd	100.00
Austria		
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
The Netherlands		
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 B.V.	Hoofddorp	100.00
Hagemeyer Finance B.V.	Hoofddorp	100.00
Borsu International B.V.	Hoofddorp	100.00
Italy		
Rexel Italia SpA	Milano	100.00
Spain		
ABM-Rexel SL	Madrid	100.00
Erka Materiales Eléctricos, S.L.	Renteria	100.00
Suministros Eléctricos Erka, S.L.	Renteria	100.00
Belgium		
Rexel Belgium S.A.	Zellik	100.00
Portugal		
Rexel Distribuição de Material Electrico S.A.	Lisboa	100.00
Ireland		
Rexel Electrical Supply & Services Holding Ltd.	Dublin	100.00
M Kelliher 1998 Ltd.	Tralee	100.00
Hagemeyer Industrial Ireland Ltd.	Limerick	100.00
Astrotek Ireland Limited	Dublin	100.00
Switzerland		
Elektro Material AG	Zurich	100.00
Elevite AG	Spreitenbach	100.00
Lichtexpress.ch SA	Bedano	100.00
Wefam Holding AG	Zug	100.00
Luxembourg		
Rexel Luxembourg S.A.	Luxembourg	100.00
REXEL RE S.A.	Luxembourg	100.00
Mexel Distribution	Luxembourg	100.00
Czech Republic		
Rexel CZ s.r.o.	Brno	100.00
Slovakia		
Hagard. Hal, spol. Sr.o.	Nitra	100.00
Hungary		
Rexel Hungary General Supply & Services kft	Fót	100.00
Slovenia		
Elektronabava d.o.o.	Ljubljana	100.00
Poland		
Elektroskandia Polska S.A.	Poznan	100.00
Russia		
OOO Elektroskandia Rus	St. Petersburg	100.00
Estonia		
OÜ Elektroskandia Baltics	Tallinn	100.00
Finland		
Rexel Finland Oy	Hyvinkää	100.00
Norway		
Elektroskandia Norge AS	Oslo	100.00
Elektroskandia Norway Holding AS	Oslo	100.00

	<i>Head office</i>	<i>% Interest</i>
SOUTH AMERICA		
Peru		
Rexel Peru Holding S.A.C.	Lima	100.00
Rexel Peru S.A.C.	Lima	100.00
AMP Ingenieros S.A.C.	Arequipa	100.00
Chile		
Rexel Chile SA	Santiago	100.00
Flores y Kersting SA	Santiago	100.00
Brazil		
Nortel Suprimentos Industrias S.A.	Campinas	100.00
NORTH AMERICA		
United States		
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	99.99
General Supply & Services Inc.	Dallas	100.00
Gesco General Supply & Services Puerto Rico LLC	Shelton	100.00
Canada		
Rexel North America Inc.	St Laurent	100.00
Rexel Canada Electrical Inc.	Mississauga	100.00
Liteco Inc.	Fredericton	100.00
ASIA OCEANIA		
Hong Kong SAR		
Rexel Hong Kong Ltd	Kowloon	100.00
Huazhang Electric Automation Holding Co. Ltd	Hong Kong	100.00
LuckyWell Int'l Investment LTD	Hong Kong	100.00
China		
Rexel Ouneng (Beijing) Technology Co. Ltd	Beijing	55.00
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	100.00
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	100.00
Henan Qixin Automation Equipment Co. Ltd	Zhengzhou	100.00
Shanghai Suhua Industrial Control Equipment Co. Ltd	Shanghai	100.00
LinElec Business Consulting (Shanghai) Limited	Shanghai	100.00
India		
Yantra Automotion Private Limited	Pune	100.00
Rexel India Private Limited	Mumbai	100.00
A.D. Electronics Private Limited	Mumbai	100.00
Macau SAR		
Gexpro Supply (Macau) Company Limited	Macau	100.00

	<i>Head office</i>	<i>% Interest</i>
Korea		
Gexpro korea Co. Ltd	Seoul	100.00
Indonesia		
P.T. Hagemeyer Cosa Liebermann	Jakarta	100.00
P.T. General Supply & Services Indonesia	Jakarta	100.00
Malaysia		
Rexel Luxlight SDN. BHD.	Kuala Lumpur	100.00
Singapore		
Gexpro Asia Pte Ltd	Singapore	100.00
Rexel South East Asia Pte. Ltd.	Singapore	100.00
Luxlight Pte, Ltd.	Singapore	100.00
Lenn International Pte. Ltd.	Singapore	100.00
Thailand		
Rexel General Supply and Services Co. Ltd	Bangkok	100.00
Rexel Quality Trading Co. Ltd	Bangkok	70.00
Vietnam		
Rexel Vietnam CO. Ltd	Ho Chi Minh City	100.00
Australia		
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
New Zealand		
Rexel New Zealand Limited	Auckland	100.00
Redeal Pensions Ltd	Auckland	100.00
Kingdom Saudi Arabia		
Rexel Services KSA LLC	Riyadh	100.00
United Arab Emirates		
Redco FZE	Dubai	100.00
Rexel Middle East 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, 2014

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, 2014, 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 board of directors. 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, 2014 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 2.5 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 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 2.11 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 18 to the consolidated financial statements is appropriate.
- Your company also makes estimates in respect of the measurement of financial instruments (notes 2.8.4 and 20), provisions and contingent liabilities (notes 2.13, 17 and 24) and deferred taxes (notes 2.17 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, 2015

The statutory auditors
French original signed by

PricewaterhouseCoopers Audit

ERNST & YOUNG Audit

Christian Perrier

Philippe Diu