Half-year financial report as of June 30, 2014

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Half-year financial report as of June 30, 2014

This document is a free translation into English of Rexel's original consolidated financial statements and activity report for the period ended June 30, 2014 issued in the French language and is provided solely for the convenience of English speaking readers. In the event of any ambiguity or discrepancy between this unofficial translation and the consolidated financial statements and activity report for the period ended June 30, 2014, the French version will prevail

I. Activity report (unaudited)

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1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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 the first half of 2014, the Group recorded consolidated sales of €6,287.6 million, of which €3,508.0 million were generated in Europe (56% of sales), €2,081.1 million in North America (33% of sales), €572.5 million in Asia-Pacific (9% of sales) and €125.9 million in Latin America (2% of sales).

The Group’s activities in Europe (56% of Group sales) are in France (which accounts for 34% of Group sales in this region), Germany, the United Kingdom, Ireland, Austria, Switzerland, The Netherlands, Belgium, Luxembourg, Sweden, Finland, Norway, Italy, Spain and Portugal, as well as several other Central and Northern European countries (Slovenia, Slovakia, the Czech Republic, Poland, Russia and the Baltic States).

The Group’s activities in North America (33% of Group sales) are in the United States and Canada. The United States accounts 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 Southeast Asia (Indonesia, Malaysia, Singapore, South Korea, Thailand and Vietnam). Australia accounts for 45% 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 57% of Group sales in this region.

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

1.1.2 | Seasonality

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

1.1.3 | *Impact of changes in copper price*

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

- The recurring effect related to the change in copper-based cable prices corresponds to the change in the value of the copper included in the sales price of cables from one period to another. This effect mainly relates to sales.

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

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

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

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

Excluding the effects of acquisitions and disposals

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

Excluding the effects of exchange rate fluctuations

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

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

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

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

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

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

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

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

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

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 June 30, 2013 was a decrease of respectively €3.8 million and €2.5 million. 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.

	Quarter ended June 30,		Period ended June 30,	
(in millions of euros)	2014	2013	2014	2013
Operating income before other income and other expenses, as reported in June 2013	**159.9**	**165.1**	**290.0**	**309.2**
Adoption of IFRIC 21		1.9		(3.8)
Changes in scope of consolidation		0.5		0.9
Foreign exchange effects		(6.3)		(10.7)
Non-recurring effect related to copper	3.7	9.5	6.3	10.6
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	3.8	7.3	7.9	12.0
Adjusted EBITA on a constant basis	**167.4**	**178.0**	**304.2**	**318.2**

1.2 | Comparison of financial results as of June 30, 2014 and as of June 30, 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	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013 (1)	Change in %	2014	2013 (1)	Change in %
Sales	**3,220.3**	**3,314.9**	**(2.9)%**	**6,287.6**	**6,468.8**	**(2.8)%**
Gross profit	785.7	805.0	(2.4)%	1,549.8	1,592.1	(2.7)%
Distribution and administrative expenses (2)	(622.0)	(630.8)	(1.4)%	(1,251.9)	(1,274.7)	(1.8)%
EBITA	**163.7**	**174.3**	**(6.1)%**	**297.9**	**317.4**	**(6.2)%**
Amortization (3)	(3.8)	(7.3)	(48.1)%	(7.9)	(12.0)	(34.4)%
Operating income before other income and expenses	**159.9**	**166.9**	**(4.2)%**	**290.0**	**305.4**	**(5.0)%**
Other income and expenses	(38.9)	(72.4)	(46.4)%	(57.6)	(82.6)	(30.3)%
Operating income	121.1	94.5	28.1%	232.4	222.8	4.3%
Net financial expenses	(47.2)	(48.3)	(2.3)%	(93.5)	(117.2)	(20.3)%
Share of profit of associates	0.0	0.8	n.a.	0.0	0.1	n.a.
Income taxes	(26.5)	(15.1)	76.1%	(48.4)	(34.2)	41.8%
Net income	47.3	32.0	48.1%	90.5	71.4	26.6%
as a % of sales	1.5%	1.0%		1.4%	1.1%	
(1) Restated for changes in accounting policies following the adoption of IFRIC 21						
(2) Of which depreciation and amortization	(20.0)	(19.1)	4.6%	(39.8)	(38.6)	3.2%
(3) Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions.						

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**3,220.3**	**3,218.0**	**0.1%**	**6,287.6**	**6,271.6**	**0.3%**
Same number of working days			*0.6%*			*0.5%*
Gross profit	789.7	796.4	(0.8)%	1,556.5	1,565.2	(0.6)%
as a % of sales	*24.5%*	*24.7%*		*24.8%*	*25.0%*	
Distribution and administrative expenses	(622.3)	(618.3)	0.6%	(1,252.3)	(1,247.0)	0.4%
as a % of sales	*(19.3)%*	*(19.2)%*		*(19.9)%*	*(19.9)%*	
EBITA	**167.4**	**178.0**	**(6.0)%**	**304.2**	**318.2**	**(4.4)%**
as a % of sales	***5.2%***	***5.5%***		***4.8%***	***5.1%***	

Sales

In the first half of 2014, Rexel's consolidated sales amounted to €6,287.6 million, as compared to €6,468.8 million in the first half of 2013.

On a reported basis, sales were down 2.8% year-on-year, including a negative currency impact of 3.4% and a positive effect from acquisitions of 0.4%.

- The negative impact of currency amounted to €221.3 million, mainly due to the depreciation of the US, Canadian and Australian dollars against the euro.

- The positive effect from acquisitions amounted to €25.4 million and resulted from acquisitions made in the fourth quarter of 2013 in Asia-Pacific (Rexel Quality Trading Co. Ltd in Thailand and Lenn International Pte Ltd in Singapore).

On a constant and same number of working days basis, sales increased by 0.5%. By geography, Europe was up by 0.8%, North America slightly increased by 0.2% (adversely impacted by extreme weather conditions in the first quarter of 2014), Asia-Pacific remained stable, and Latin America decreased by 1.9%. Excluding the 0.9 percentage point negative impact due to lower copper-based cable prices, sales increased by 1.4% as compared to the first half of 2013.

On a constant and actual number of working days basis, sales increased by 0.3% as the calendar impact was negative at 0.2 percentage point.

In the second quarter of 2014, Rexel's consolidated sales amounted to €3,220.3 million, as compared to €3,314.9 million in the second quarter of 2013.

On a reported basis, sales were down 2.9% year-on-year, including a negative currency impact of 3.3% and a positive effect from acquisitions of 0.4%.

On a constant and same number of working days basis, sales increased by 0.6%, reflecting 3.0% growth in North America partially offset by drops in Asia-Pacific (-3.2%), Latin America (-6.4%) and Europe which remained stable. Excluding the negative impact of 0.8 percentage point due to the lower copper-based cable prices compared to the second quarter of 2013, sales were up 1.3%, on a constant basis and same number of working days.

On a constant and actual number of working days basis, sales increased by 0.1% as the calendar impact was negative at 0.5 percentage point.

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

	Q1	Q2	H1
Growth on a constant basis and same number of working days	0.4%	0.6%	0.5%
Number of working days effect	0.0%	(0.5)%	(0.2)%
Growth on a constant basis and actual number of working days	***0.4%***	***0.1%***	***0.3%***
Changes in scope effect	0.4%	0.4%	0.4%
Foreign exchange effect	(3.6)%	(3.3)%	(3.4)%
Total scope and currency effects	***(3.2)%***	***(2.9)%***	***(3.0)%***
Growth on a reported basis (1)	**(2.7)%**	**(2.9)%**	**(2.8)%**

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

Gross profit

In the first half of 2014, gross profit amounted to €1,549.8 million, down 2.7%, on a reported basis, as compared to €1,592.1 million in the first half of 2013.

On a constant basis, adjusted gross profit decreased by 0.6% and adjusted gross margin decreased by 20 basis points to 24.8% of sales, reflecting combined effects of: (i) unfavorable geographic mix (heavier weight of sales in China within Asia-Pacific zone, with structural lower gross margin than group average, combined with lower weight of sales in France within European zone, whose margin is higher), (ii) unfavorable project mix (higher volume of projects whose gross margin is lower than group average) and (iii) a negative base effect in the first half of 2013 in Brazil.

In the second quarter of 2014, gross profit amounted to €785.7 million, down 2.4% on a reported basis as compared to €805.0 million in the second quarter of 2013.

On a constant basis, adjusted gross profit decreased by 0.8% and adjusted gross margin decreased by 20 basis points to 24.5% of sales.

Distribution & administrative expenses

In the first half of 2014, distribution and administrative expenses amounted to €1,251.9 million, down 1.8%, on a reported basis, as compared to €1,274.7 million in the first half of 2013.

On a constant basis, adjusted distribution and administrative expenses remained broadly stable (+0.4%), representing 19.9% of sales in the two periods under review. Personnel costs and buildings & occupancy expenses increased each by 1.6%, partially offset by lower bad debt expenses.

In the second quarter of 2014, distribution and administrative expenses amounted to €622.0 million, down 1.4%, on a reported basis, as compared to €630.8 million in the second quarter of 2013.

On a constant basis, adjusted distribution and administrative expenses increased by 0.6%, representing 19.3% of sales in the second quarter of 2014, as compared to 19.2% in the second quarter of 2013.

EBITA

In the first half of 2014, EBITA stood at €297.9 million, down 6.2%, on a reported basis, as compared to €317.4 million in the first half of 2013.

On a constant basis, adjusted EBITA decreased by 4.4% to €304.2 million and adjusted EBITA margin stood at 4.8% of sales, down 25 basis points year-on-year.

In the second quarter of 2014, EBITA stood at €163.7 million, down 6.1%, on a reported basis, as compared to €174.3 million in the second quarter of 2013.

On a constant basis, adjusted EBITA decreased by 6.0% to €167.4 million and adjusted EBITA margin stood at 5.2% of sales, down 30 basis points year-on-year.

Other income and expenses

In the first half of 2014, other income and expenses represented a net expense of €57.6 million, mainly consisting of:

- €29.9 million goodwill impairment, recognized in the second quarter of 2014, of which €23.6 million attributable to Brazil as a result of the continuous slowdown and uncertain outlook of the economy, leading to network resizing;

- €22.9 million restructuring costs mainly related to logistics reorganization and branch network optimization in Europe (mainly in France, Germany, Italy, Spain and UK) and North America (mainly USA); and

- €6.6 million acquisition related costs and professional fees associated with some investment projects.

In the first half of 2013, other income and expenses represented a net expense of €82.6 million, consisting mainly of:

- €44.0 million goodwill impairment, recognized in the second quarter of 2013, of which €42.8 million attributable to the Netherlands; and

- €29.6 million restructuring costs related to the rationalization of logistics and branch closures in Europe, mainly in Sweden, France, UK, The Netherlands, Germany and in Spain.

Net Financial expenses

In the first half of 2014, net financial expenses stood at €93.5 million, as compared to €117.2 million in the first half of 2013.
In the first half of 2014, net financial expenses were adversely affected by changes in fair value of interest rate derivatives of €7.1 million as opposed to a positive impact of €5.8 million in the first half of 2013. In addition, net financial expenses in the first half of 2013 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 changes in fair value of interest rate derivatives and the 2013 refinancing non-recurring expense, net financial expenses decreased to €86.4 million in the first half of 2014 from €99.5 million in the first half of 2013. This decrease was due to the drop in the effective interest rate (6.2% in the first half of 2014, as compared to 6.6% in the first half of 2013) and to the improvement of the average net debt thanks to the positive operating cash flow.

Share of profit of associates

In the first half of 2013, the share of profit of associates was comprised of DPI's profits of €0.1 million. DPI Inc. is a US consumer electronics retail distributor. Under a stock redemption agreement executed on November 27, 2013, Rexel disposed of its investment in DPI, Inc.

Tax expense

In the first half of 2014, income tax expense was €48.4 million, a 41.8% increase as compared to €34.2 million in the first half of 2013. This increase is primarily due to the growth of the profit before tax (from €105.6 million in the first half of 2013 to €138.9 million in the first half of 2014) and to the rise in the effective tax rate from 32.4% in the first half of 2013 to 34.9% in the first half of 2014. In the first half of 2014, the 31.5% growth in profit before tax resulted from lower impairment and financial expenses as compared to the first half of 2013.

Net income

As a result of the items described above, net income stood at €90.5 million in the first half of 2014, a 26.6% increase as compared to €71.4 million in the first half of 2013.

1.2.2 | Europe (56% of Group sales)

REPORTED	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**1,748.6**	**1,757.2**	**(0.5)%**	**3,508.0**	**3,489.0**	**0.5%**
Gross profit	473.7	468.0	1.2%	954.7	944.2	1.1%
Distribution and administrative expenses	(366.1)	(360.8)	1.5%	(746.1)	(738.6)	1.0%
EBITA	**107.6**	**107.2**	**0.4%**	**208.6**	**205.6**	**1.4%**
as a % of sales	*6.2%*	*6.1%*		*5.9%*	*5.9%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**1,748.6**	**1,755.4**	**(0.4)%**	**3,508.0**	**3,480.0**	**0.8%**
Same number of working days			*0.0%*			*0.8%*
Gross profit	476.8	477.6	(0.2)%	960.4	956.7	0.4%
as a % of sales	*27.3%*	*27.2%*		*27.4%*	*27.5%*	
Distribution and administrative expenses	(366.4)	(362.9)	1.0%	(746.3)	(742.9)	0.5%
as a % of sales	*(21.0)%*	*(20.7)%*		*(21.3)%*	*(21.3)%*	
EBITA	**110.4**	**114.8**	**(3.8)%**	**214.0**	**213.8**	**0.1%**
as a % of sales	***6.3%***	***6.5%***		***6.1%***	***6.1%***	

Sales

In the first half of 2014, sales in Europe amounted to €3,508.0 million, an increase of 0.5%, on a reported basis, as compared to €3,489.0 million in the first half of 2013.

Exchange rate variations accounted for a decrease of €7.7 million, mainly due to the depreciation of the Norwegian and Swedish krona against the euro.

On a constant and same number of working days basis, sales increased by 0.8% from the first half of 2013.

In the second quarter of 2014, sales stood at €1,748.6 million, a 0.5% decline on a reported basis, as compared to €1,757.2 million in the first half of 2013.

On a constant and same number of working days basis, sales remained stable from the second quarter of 2013.

In **France**, sales amounted to €1,197.6 million in the first half of 2014, a decrease of 1.9% as compared to the first half of 2013 on a constant and same number of working days basis, a resilient performance in a challenging environment due to low level of residential and industrial markets and deflation in cable prices.
In the second quarter of 2014, sales declined by 3.4% from the second quarter of 2013, on a constant and same number of working days basis, mainly impacted by weak activity in May.

In **the United Kingdom**, sales amounted to €494.0 million in the first half of 2014, an increase of 1.3% from the first half of 2013 on a constant and same number of working days basis, still affected by branch closures. Excluding branch closures effect, the performance stood at +3.5%, mainly driven by photovoltaic and energy efficiency products.
In the second quarter of 2014, sales increased by 1.8% from the second quarter of 2013, on a constant and same number of working days basis. Excluding branch closures effect, the performance stood at +3.8%.

In **Germany**, sales stood at €386.0 million in the first half of 2014, stable from the first half of 2013 on a constant and same number of working days basis, with a good performance on building equipment and lighting, offset by lower photovoltaic sales.
In the second quarter of 2014, sales declined by 1.2% from the second quarter of 2013, on a constant and same number of working days basis.

In **Scandinavia** sales amounted to €436.5 million in the first half of 2014, an increase of 6.4% from the first half of 2013 on a constant and same number of working days basis, with a good performance in the three countries: + 8.8% in Sweden, +1.6% in Norway and +9.0% in Finland.
In the second quarter of 2014, sales were up by 6.1% from the second quarter of 2013, on a constant and same number of working days basis with respectively a 9.7% and 12.0% increase of sales in Sweden and Finland while Norway declined by 2.2%.

In **Belgium** and in **The Netherlands**, sales amounted respectively to €156.5 million and €118.1 million in the first half of 2014. Sales in Belgium increased by 3.8% with a good performance in cable sales. Sales in The Netherlands were down 4.9% on a constant and same number of working days basis.
In the second quarter of 2014, sales in Belgium remained stable at +0.2% and The Netherlands posted a decrease of 9.4%.

In **Switzerland** and **Austria**, sales amounted respectively to €198.2 million and €146.3 million in the first half of 2014. Both countries posted increases of respectively 1.6% and 2.5% from the first half of 2013 on a constant and same number of working days basis.
In the second quarter of 2014, sales increased by 2.1% in Austria, while they remained almost stable in Switzerland (-0.2%) as compared to the second quarter of 2013, on a constant and same number of working days basis.

In **Southern Europe**, sales amounted to €191.1 million in the first half of 2014, a 1.1% decrease from the first half of 2013 on a constant and same number of working days basis. This reflects a 2.0% drop in Spain impacted by strong export activity last year and a 4.3% drop in Italy.
In the second quarter of 2014, sales increased by 3.2% on a constant and same number of working days basis from the second quarter of 2013, of which Spain +5.4% (reflecting early signs of macro-economy improvement) and Italy -3.9%.

Gross profit

<u>In the first half of 2014</u>, Europe recorded a gross profit of €954.7 million, up 1.1%, on a reported basis, as compared to €944.2 million in the first half of 2013.

<u>On a constant basis</u>, adjusted gross profit remained almost stable and adjusted gross margin decreased by 10 basis points at 27.4% of sales, affected by higher volume of projects (whose margin is lower than the group average) and due to the decreasing weight of France whose gross margin is higher than the zone average.

<u>In the second quarter of 2014</u>, on a constant basis, adjusted gross profit remained stable and adjusted gross margin increased by 10 basis points at 27.3% of sales, as compared to the second quarter of 2013.

Distribution & administrative expenses

In the first half of 2014, distribution and administrative expenses amounted to €746.1 million, up 1.0%, on a reported basis, as compared to €738.6 million in the first half of 2013.

On a constant basis, adjusted distribution and administrative expenses increased by 0.5% in the first half of 2014, representing 21.3% of sales in the two periods under review. Personnel costs increased by 1.2%, whereas other external expenditures remained stable (+0.1%) and bad debt expenses decreased by 17.5%, as compared to the first half of 2013.

In the second quarter of 2014, on a constant basis, adjusted distribution and administrative expenses increased by 1.0%, representing 21.0% of sales in the second quarter of 2014 as compared to 20.7% in the second quarter of 2013.

EBITA

In the first half of 2014, as a result, EBITA amounted to €208.6 million, up 1.4% from the first half of 2013, on a reported basis, as compared to €205.6 million in the first half of 2013.

On a constant basis, adjusted EBITA and adjusted EBITA margin remained stable to 6.1% of sales.

In the second quarter of 2014, on a constant basis, adjusted EBITA decreased by 3.8% while the adjusted EBITA margin decreased by 20 basis points to 6.3% of sales.

1.2.3 | North America (33% of Group sales)

REPORTED	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**1,109.0**	**1,154.7**	**(4.0)%**	**2,081.1**	**2,224.3**	**(6.4)%**
Gross profit	239.7	251.4	(4.7)%	455.0	485.9	(6.4)%
Distribution and administrative expenses	(182.4)	(185.5)	(1.7)%	(364.2)	(372.9)	(2.3)%
EBITA	**57.3**	**65.9**	**(13.0)%**	**90.7**	**113.0**	**(19.7)%**
as a % of sales	*5.2%*	*5.7%*		*4.4%*	*5.1%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**1,109.0**	**1,081.7**	**2.5%**	**2,081.1**	**2,088.6**	**(0.4)%**
Same number of working days			*3.0%*			*0.2%*
Gross profit	240.7	238.9	0.8%	456.1	460.7	(1.0)%
as a % of sales	*21.7%*	*22.1%*		*21.9%*	*22.1%*	
Distribution and administrative expenses	(182.5)	(175.9)	3.8%	(364.4)	(353.6)	3.0%
as a % of sales	*(16.5)%*	*(16.3)%*		*(17.5)%*	*(16.9)%*	
EBITA	**58.3**	**63.0**	**(7.6)%**	**91.7**	**107.1**	**(14.4)%**
as a % of sales	***5.3%***	***5.8%***		***4.4%***	***5.1%***	

Sales

In the first half of 2014, sales in North America amounted to €2,081.1 million, down 6.4%, on a reported basis, as compared to €2,224.3 million in the first half of 2013.

Unfavorable exchange rate variations accounted for €135.7 million, due to the depreciation of both US and Canadian dollars against the euro.

On a constant and same number of working days basis, sales slightly increased by 0.2% in the first half of 2014 as compared to the first half of 2013, adversely impacted by extreme weather conditions in the first quarter of 2014. Excluding this impact, sales were up 2.1%.

In the second quarter of 2014, sales stood at €1,109.0 million, a 4.0% decline on a reported basis, as compared to €1,154.7 million in the second quarter of 2013.

On a constant and same number of working days basis, sales increased by 3.0% from the second quarter of 2013.

In **the United States**, sales rose to €1,539.7 million in the first half of 2014, a 0.6% increase from the first half of 2013 on a constant and same number of working days basis. Excluding bad weather conditions in the first quarter of 2014, sales were up 2.3%.
In the second quarter of 2014, sales increased by 2.8% from the second quarter of 2013, on a constant and same number of working days basis, driven by solid industrial and residential end-markets while recovery on non-residential end-market has not materialized yet.

In **Canada**, sales amounted to €541.4 million in the first half of 2014, down 0.7% from the first half of 2013 on a constant and same number of working days basis. Excluding the bad weather conditions, sales were up 1.6%.
In the second quarter of 2014, sales increased by 3.5% from the second quarter of 2013, on a constant and same number of working days basis. This improvement, compared to the first quarter of 2014, is driven by a gradual recovery in project activity.

Gross profit

<u>In the first half of 2014</u>, in North America, gross profit amounted to €455.0 million, down 6.4%, on a reported basis, as compared to €485.9 million in the first half of 2013.

<u>On a constant basis</u>, adjusted gross profit decreased by 1.0% and adjusted gross margin decreased by 15 basis points at 21.9% of sales, driven by unfavorable mix effect as a result of recovery in projects in Canada, whose gross margin is lower than group average.

<u>In the second quarter of 2014</u>, on a constant basis, adjusted gross profit increased by 0.8% and adjusted gross margin decreased by 40 basis points at 21.7% as compared to the second quarter of 2013.

Distribution & administrative expenses

<u>In the first half of 2014</u>, distribution and administrative expenses amounted to €364.2 million, down 2.3%, on a reported basis, as compared to €372.9 million in the first half of 2013.

<u>On a constant basis</u>, adjusted distribution and administrative expenses increased by 3.0% in the first half of 2014, representing 17.5% of sales in the first half of 2014 as compared to 16.9% in the first half of 2013, reflecting the impact of extra costs due to weather conditions and the effect of a non-recurring gain related to the amendment of a post-employment benefit scheme in Canada in the second quarter of 2013.

<u>In the second quarter of 2014</u>, on a constant basis, adjusted distribution and administrative expenses increased by 3.8%, representing 16.5% of sales in the second quarter of 2014 as compared to 16.3% in the second quarter of 2013.

EBITA

<u>In the first half of 2014</u>, as a result, EBITA rose to €90.7 million, down 19.7%, on a reported basis, as compared to €113.0 million in the first half of 2013.

<u>On a constant basis</u>, adjusted EBITA decreased by 14.4% from the first half of 2013 and the adjusted EBITA margin decreased by 70 basis points to 4.4% of sales.

<u>In the second quarter of 2014</u>, on a constant basis, adjusted EBITA decreased by 7.6% while the adjusted EBITA margin decreased by 60 basis points to 5.3% of sales.

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

REPORTED	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**299.6**	**324.0**	**(7.5)%**	**572.5**	**602.8**	**(5.0)%**
Gross profit	57.7	67.2	(14.2)%	111.6	125.5	(11.1)%
Distribution and administrative expenses	(48.5)	(51.0)	(4.9)%	(95.3)	(101.4)	(6.0)%
EBITA	**9.2**	**16.2**	**(43.3)%**	**16.2**	**24.1**	**(32.6)%**
as a % of sales	*3.1%*	*5.0%*		*2.8%*	*4.0%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**299.6**	**312.4**	**(4.1)%**	**572.5**	**573.9**	**(0.2)%**
Same number of working days			*(3.2)%*			*0.0%*
Gross profit	57.7	63.8	(9.5)%	111.6	116.7	(4.4)%
as a % of sales	*19.3%*	*20.4%*		*19.5%*	*20.3%*	
Distribution and administrative expenses	(48.5)	(48.4)	0.1%	(95.3)	(94.2)	1.2%
as a % of sales	*(16.2)%*	*(15.5)%*		*(16.7)%*	*(16.4)%*	
EBITA	**9.2**	**15.3**	**(40.0)%**	**16.2**	**22.5**	**(27.9)%**
as a % of sales	***3.1%***	***4.9%***		***2.8%***	***3.9%***	

Sales

In the first half of 2014, sales in Asia-Pacific amounted to €572.5 million, down 5.0%, on a reported basis, as compared to €602.8 million in the first half of 2013.

- The acquisition of Rexel Quality Trading Co Ltd in Thailand and Lenn International Pte Ltd in Singapore contributed €25.4 million,

- Unfavorable exchange rate variation accounted for €54.2 million of the decrease, primarily due to the depreciation of the Australian dollar against the euro.

On a constant and same number of working days basis, sales remained stable in the first half of 2014.

In the second quarter of 2014, sales stood at €299.6 million, a 7.5% decline on a reported basis, as compared to €324.0 million in the second quarter of 2013.

On a constant and same number of working days basis, sales decreased by 3.2% from the second quarter of 2013.

In **Australia**, sales amounted to €258.5 million, a 7.6% decrease from the first half of 2013, on a constant and same number of working days basis, still affected by branch closures and difficult macro-economic conditions.
In the second quarter of 2014, sales decreased by 7.9% from the second quarter of 2013, on a constant and same number of working days basis.

In **China**, sales amounted to €180.6 million in the first half of 2014 and a 10.8% increase compared to the first half of 2013, on a constant and same number of working days basis. Sales were driven by automation and lighting projects.
In the second quarter of 2014, sales remained stable from the second quarter of 2013, on a constant and same number of working days basis.

Gross profit

In the first half of 2014, in Asia-Pacific, gross profit amounted to €111.6 million, down 11.1%, on a reported basis, as compared to €125.5 million in the first half of 2013.

On a constant basis, adjusted gross profit decreased by 4.4% from the first half of 2013 and adjusted gross margin was 19.5% of sales, an 85 basis points decrease from the first half of 2013, mainly due to the increasing portion of zone revenues generated by China whose gross margin is below the zone average.

In the second quarter of 2014, on a constant basis, adjusted gross profit decreased by 9.5% and adjusted gross margin was 19.3% of sales, a decrease of 115 basis points from the second quarter of 2013.

Distribution & administrative expenses

In the first half of 2014, distribution and administrative expenses amounted to €95.3 million, a 6.0% decrease, on a reported basis, as compared to €101.4 million in the first half of 2013.

On a constant basis, adjusted distribution and administrative expenses increased by 1.2% from the first half of 2013, representing 16.7% of sales in the first half of 2014 as compared to 16.4% in the first half of 2013. Personnel costs increased by 2.0% whereas other external expenses decreased by 0.5% as compared to the first half of 2013.

In the second quarter of 2014, on a constant basis, adjusted distribution and administrative expenses remained stable, representing 16.2% of sales in the second quarter of 2014 as compared to 15.5% in the second quarter of 2013.

EBITA

In the first half of 2014, as a result, EBITA amounted to €16.2 million, down 32.6%, on a reported basis, as compared to €24.1 million in the first half of 2013.

On a constant basis, adjusted EBITA decreased by 27.9% from the first half of 2013. Adjusted EBITA margin decreased by 110 basis points to 2.8% of sales.

In the second quarter of 2014, on a constant basis, adjusted EBITA decreased by 40.0% while the adjusted EBITA margin decreased by 180 basis points to 3.1% of sales.

1.2.5 | Latin America (2% of Group sales)

REPORTED	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**63.0**	**79.1**	**(20.3)%**	**125.9**	**152.7**	**(17.5)%**
Gross profit	14.5	18.4	(21.4)%	28.4	36.6	(22.2)%
Distribution and administrative expenses	(14.7)	(17.4)	(15.6)%	(29.1)	(35.5)	(18.1)%
EBITA	**(0.2)**	**1.0**	**n.a.**	**(0.6)**	**1.1**	**n.a.**
as a % of sales	*(0.4)%*	*1.2%*		*(0.5)%*	*0.7%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**63.0**	**68.5**	**(8.0)%**	**125.9**	**129.1**	**(2.4)%**
Same number of working days			*(6.4)%*			*(1.9)%*
Gross profit	14.4	16.1	(10.7)%	28.3	31.1	(8.9)%
as a % of sales	*22.9%*	*23.6%*		*22.5%*	*24.1%*	
Distribution and administrative expenses	(14.7)	(15.1)	(3.0)%	(29.1)	(30.0)	(3.0)%
as a % of sales	*(23.3)%*	*(22.1)%*		*(23.1)%*	*(23.2)%*	
EBITA	**(0.3)**	**1.0**	**n.a.**	**(0.7)**	**1.1**	**n.a.**
as a % of sales	***(0.4)%***	***1.4%***		***(0.6)%***	***0.9%***	

Sales

In the first half of 2014, sales in Latin America amounted to €125.9 million, down 17.5% from the first half of 2013, on a reported basis, as compared to €152.7 million in the first half of 2013.

Exchange rate variation, primarily due to the depreciation of the Brazilian Real against the euro, had a negative impact of €23.7 million.

On a constant and same number of working days basis, sales decreased by 1.9% from the first half of 2013. Sales in Brazil (57% of sales in this segment) decreased by 10.2%, confirming the slowdown in the market. Whereas Chilean operations (33% of sales in this segment) posted a 10.9% increase in sales compared to the first half of 2013, due to higher sales in the mining sector.

In the second quarter of 2014, sales stood at €63.0 million, a 20.3% decline on a reported basis, as compared to €79.1 million in the second quarter of 2013.

On a constant and same number of working days basis, sales decreased by 6.4% from the second quarter of 2013, reflecting the contrasted situations with a 16.9% decrease in Brazil, and sales up 7.5% in Chile.

Gross profit

In the first half of 2014, in Latin America, gross profit amounted to €28.4 million, down 22.2%, on a reported basis, as compared to €36.6 million in the first half of 2013.

On a constant basis, the adjusted gross profit decreased by 8.9% from the first half of 2013 and adjusted gross margin was 22.5% of sales, a decrease of 160 basis points from the first half of 2013, mainly affected by last year non-recurring positive refund on sales tax in Brazil. Restated for this impact, adjusted gross margin would be up, as compared to the first half of 2013.

In the second quarter of 2014, on a constant basis, adjusted gross profit decreased by 10.7% and adjusted gross margin was 22.9% of sales, a 70 basis points decrease from the second quarter of 2013.

Distribution & administrative expenses

In the first half of 2014, distribution and administrative expenses amounted to €29.1 million, down 18.1%, on a reported basis, as compared to €35.5 million in the first half of 2013.

On a constant basis, adjusted distribution and administrative expenses decreased by 3.0% from the first half of 2013, representing 23.1% of sales in the first half of 2014 as compared to 23.2% in the first half of 2013. Personnel costs decreased by 3.0% as compared to the first half of 2013.

In the second quarter of 2014, on a constant basis, adjusted distribution and administrative expenses decreased by 3.0%, representing 23.3% of sales in the second quarter of 2014 as compared to 22.1% in the second quarter of 2013.

EBITA

In the first half of 2014, as a result, EBITA was negative to €0.6 million, on a reported basis, as compared to €1.1 million in the first half of 2013.

On a constant basis, adjusted EBITA margin decreased by 150 basis points to -0.6% of sales, mainly attributable to Brazil, whereas Chile and Peru operations were profitable with adjusted EBITA margin improvement over the period.

In the second quarter of 2014, on a constant basis, adjusted EBITA margin decreased by 190 basis points to -0.4% of sales.

1.2.6 | Other operations

REPORTED	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**0.0**	**0.0**	**n.a.**	**0.2**	**0.0**	**n.a.**
Gross profit	0.0	0.0	n.a.	0.2	0.0	n.a.
Distribution and administrative expenses	(10.3)	(16.1)	(36.1)%	(17.2)	(26.4)	(34.8)%
EBITA	**(10.2)**	**(16.1)**	**(36.4)%**	**(17.0)**	**(26.4)**	**(35.4)%**
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Period ended June 30,		
(in millions of euros)	2014	2013	Change in %	2014	2013	Change in %
Sales	**0.0**	**0.0**	**n.a.**	**0.2**	**0.0**	**n.a.**
Same number of working days			*n.a.*			*n.a.*
Gross profit	0.0	0.0	n.a.	0.2	0.0	n.a.
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	
Distribution and administrative expenses	(10.3)	(16.1)	(36.1)%	(17.2)	(26.4)	(34.8)%
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	
EBITA	**(10.2)**	**(16.1)**	**(36.4)%**	**(17.0)**	**(26.4)**	**(35.4)%**
as a % of sales	***n.a.***	***n.a.***		***n.a.***	***n.a.***	

This segment mostly includes unallocated corporate overhead expenses, which reduced by €9.2 million over the first half of 2013 and by €5.8 million over the second quarter of 2013, mainly related to corporate savings and favorable phasing of project expenses.

1.3 | Outlook

In view of the first-half sales performance, the uncertain macro-economic environment in some European countries and emerging markets, as well as the delayed recovery of the US non-residential end-market, Rexel now expect sales to be broadly stable year-on-year, on a constant and same-day basis *(vs. "in a range of -1% to +2% year-on-year" announced on Feb. 13)*.

Considering the unfavorable mix effects on gross margin, higher implementation costs of strategic projects and investments in targeted growth initiatives, Rexel now expect adjusted EBITA margin of at least 5.0% of sales *(vs. "-10bps to +20bps year-on-year" announced on Feb. 13)*.

The Group confirm its target of generating solid free cash-flow of:

- At least 75% of EBITDA, before interest and tax,
- Around 40% of EBITDA, after interest and tax,

(unchanged vs. targets announced on Feb. 13).

In addition, the Group confirm its cash allocation policy of paying out a dividend representing at least 40% of recurring net income, while further improving the balance sheet and investing in targeted acquisitions.

1.4 | Risk factors and uncertainties

Group activities are facing certain macroeconomic, business, operational, market and legal risk factors. The main risk factors to which the Group is exposed are described in the section "Risk factors" of the 2013 Registration Document filed with the *Autorité des Marchés Financiers* on March 21, 2014 under the number D.14-0181. There has not been any significant change in these risk factors in the first half of 2014.

2. | LIQUIDITY AND CAPITAL RESOURCES

2.1 | Cash flow

(in millions of euros)	Quarter ended June 30, 2014	Quarter ended June 30, 2013 (1)	Change	Period ended June 30, 2014	Period ended June 30, 2013 (1)	Change
Operating cash flow (2)	**167.7**	**167.9**	**(0.2)**	**301.7**	**313.5**	**(11.8)**
Interest	(38.1)	(45.7)	7.6	(76.1)	(88.6)	12.5
Taxes	(23.6)	(35.7)	12.1	(51.2)	(57.8)	6.6
Change in working capital requirements	(51.6)	(29.5)	(22.0)	(295.9)	(174.0)	(121.9)
Net cash flow from operating activities	**54.4**	**57.0**	**(2.6)**	**(121.6)**	**(6.9)**	**(114.7)**
Net cash flow from investing activities	**(25.2)**	**(17.1)**	**(8.2)**	**(56.1)**	**(27.0)**	**(29.2)**
Including operating capital expenditures (4)	*(23.3)*	*(19.7)*	*(3.6)*	*(47.4)*	*(24.9)*	*(22.5)*
Net cash flow from financing activities	**28.4**	**324.5**	**(296.1)**	**(70.9)**	**348.1**	**(418.9)**
Net cash flow	**57.4**	**364.4**	**(307.0)**	**(248.6)**	**314.1**	**(562.8)**
Free cash flow:						
Operating cash flow (2)	167.7	167.9	(0.2)	301.7	313.5	(11.8)
Change in working capital requirements	(51.6)	(29.5)	(22.0)	(295.9)	(174.0)	(121.9)
Adjustement for timing difference in suppliers payments (3)	-	-	-	51.9	-	51.9
Operating capital expenditures (4)	(23.3)	(19.7)	(3.6)	(47.4)	(24.9)	(22.5)
Free cash flow before interest and taxes	**92.9**	**118.8**	**(26.0)**	**10.2**	**114.6**	**(104.4)**
Free cash flow after interest and taxes	**31.1**	**37.4**	**(6.3)**	**(117.2)**	**(31.8)**	**(85.4)**

WCR as a % of sales (5) at:	**June 30, 2014**	**June 30, 2013**
Reported basis	11.0%	10.5%
Constant basis	11.7%	11.1%

(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.

2.1.1 | Cash flow from operating activities

Rexel's net cash flow from operating activities was an outflow of €121.6 million in the first half of 2014 compared to €6.9 million in the first half of 2013.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements decreased from €313.5 million in the first half of 2013 to €301.7 million in the first half of 2014. This mainly resulted from the decrease in EBITDA from €356.0 million in the first half of 2013 to €337.7 million in the first half of 2014, primarily due to unfavorable exchange rates fluctuations of the Canadian, US and Australian dollars as well as lower sales in the first half of 2014 as compared to the first half of 2013.

Interest and taxes

In the first half of 2014, interest paid decreased to €76.1 million from €88.6 million in the first half of 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 the first half of 2014, income tax paid decreased to €51.2 million from €57.8 million in the first half of 2013 despite higher taxable profit in the first half of 2014 as compared to the first half of 2013. This decrease is due to a tax refund in the first half of 2014 as a result of an excess payment of the French corporate income tax installments end of 2013 that was recovered in the first half of 2014.

Change in working capital requirements

In the first half of 2014, change in working capital requirements accounted for an outflow of €295.9 million as compared to €174.0 million in the first half of 2013. In the first half of 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 increased by €70.0 million as compared to the first half of 2013, mainly due to a higher level of trade receivables.

As a percentage of sales over the last 12 months, working capital requirements amounted to 11.0% of sales as of June 30, 2014 as compared to 10.5% as of June 30, 2013. On a constant basis, working capital requirements deteriorated by 60 basis points as compared to June 30, 2013. This deterioration is associated with trade receivables resulting from the increase by 1 day of sales outstanding, as of June 30, 2014 compared to June 30, 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 €56.1 million outflow in the first half of 2014, as compared to an outflow of €27.0 million in the first half of 2013.

	Quarter ended June 30,		Period ended June 30,	
(in millions of euros)	2014	2013	2014	2013
Acquisitions of operating fixed assets	(24.3)	(23.9)	(42.5)	(43.9)
Proceed from disposal of operating fixed assets	1.3	0.7	2.3	19.2
Net change in debts and receivables on fixed assets	(0.3)	3.5	(7.2)	(0.2)
Net cash flow from operating investing activities	(23.3)	(19.7)	(47.4)	(24.9)
Net cash flow from financial investing activities	(1.9)	2.6	(8.8)	(2.1)
Net cash flow from investing activities	**(25.2)**	**(17.1)**	**(56.1)**	**(27.0)**

Acquisitions and disposals of operating fixed assets

Acquisitions of operating fixed assets, net of disposals, accounted for an outflow of €47.4 million in the first half of 2014, as compared to €24.9 million in the first half of 2013.

In the first half of 2014, gross capital expenditures amounted to €42.5 million (€43.9 million in the first half of 2013), i.e. 0.7% of sales for the period, of which €20.0 million related to IT systems (€17.2 million in the first half of 2013), €8.2 million to branch acquisition and renovation (€15.7 million in the first half of 2013), €5.7 million to logistics (€9.2 million in the first half of 2013) and €8.6 million to other investments (€1.8 million in the first half of 2013). Disposals of fixed assets amounted to €2.3 million (€19.2 million in the first half of 2013). Net changes in the related payables and receivables amounted to €7.2 million, accounting for an increase in net capital expenditures for the period (€0.2 million in the first half of 2013).

Financial investments

Financial investments resulted in a net cash-out of €8.8 million in the first half of 2014 as compared to a net outflow of €2.1 million in the first half of 2013, consisting mainly in acquisition of subsidiaries.

In the first half of 2014, they were mainly comprised of the acquisition price of Esabora Digital Services in France, as well as earn-out payments and price adjustments related to prior years' acquisitions.

In the first half of 2013, acquisitions net of cash of acquired entities accounted for an outflow of €3.0 million. These investments mainly include Luxlight in South East-Asia, Huazhang in China, and miscellaneous acquisitions in Slovakia.

2.1.3 | Cash flow from financing activities

Cash flow from financing activities included mainly changes in indebtedness.

In the first half of 2014, cash flow from financing activities reflected a net debt repayment of €70.9 million, resulting mainly from the:

- Decrease of €78.7 million in assigned receivables with respect to securitization programs; and
- Increase in other borrowings amounting to €13.7 million.

In the first half of 2013, cash flow from financing activities reflected additional resources of €348.1 million, resulting mainly from:

- US$ 500 million and €650 million issuance of senior notes accounting for €1,025.0 million net of transaction costs;
- Redemption of the 8.25% senior notes due 2016 for €640.3 million including a redemption premium of €54.0 million;
- Increase in other borrowings amounting to €72.7 million, primarily consisting of the issue of commercial paper for €21.9 million;
- Decrease of €56.1 million in assigned receivables with respect to securitization programs;
- Repayment of Financing lease obligation of €44.1 million; and
- Net decrease of €25.9 million in the drawings of the senior credit facilities.

2.2 | Sources of financing

In addition to the cash from operations, the Group's main sources of financing are bond issuances, securitization programs and multilateral credit lines. At June 30, 2014, Rexel's consolidated net debt amounted to €2,406.4 million, consisting of the following items:

	June 30, 2014			December 31, 2013		
(in millions of euros)	Current	Non-current	Total	Current	Non-current	Total
Senior notes	-	1,888.9	1,888.9	-	1,835.6	1,835.6
Securitization	-	1,006.3	1,006.3	-	1,067.5	1,067.5
Bank loans	71.2	8.5	79.8	35.6	19.2	54.8
Commercial paper	122.2	-	122.2	119.1	-	119.1
Bank overdrafts and other credit facilities	52.9	-	52.9	54.3	-	54.3
Finance lease obligations	7.9	21.2	29.2	7.3	24.7	32.0
Accrued interest [(1)]	6.0	-	6.0	11.6	-	11.6
Less transaction costs	(11.6)	(32.8)	(44.4)	(11.2)	(38.8)	(50.0)
Total financial debt and accrued interest	**248.7**	**2,892.2**	**3,140.9**	**216.7**	**2,908.2**	**3,124.9**
Cash and cash equivalents			(716.6)			(957.8)
Accrued interest receivables			(0.1)			-
Debt hedge derivative			(17.8)			25.1
Net financial debt			**2,406.4**			**2,192.2**

(1) of which accrued interest on Senior Notes in the amount of €4.7 million at June 30, 2014 (€4.6 million at December 31, 2013)

At June 30, 2014, the Group's liquidity amounted to €1,670.8 million (€1,884.3 million at December 31, 2013).

(in million of euros)	June 30, 2014	December 31, 2013
Cash and cash equivalents	716.6	957.8
Bank overdrafts	(52.9)	(54.3)
Commercial paper	(122.2)	(119.1)
Undrawn Senior credit agreement	1,100.0	1,100.0
Bilateral facility	29.3	-
Others credit facilities	-	(0.2)
Liquidity	**1,670.8**	**1,884.3**

On June 26, 2014, Rexel entered into a Revolving Credit Facility agreement with Wells Fargo Bank International for a maximum amount of US$40 million. As of June 30, 2014, this facility was not drawn down.

Senior Credit Facility Agreement

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 3.00x as of June 30, 2014 (vs. 3.16x as of June 30, 2013).

II. Condensed consolidated interim financial statements as of June 30, 2014 (unaudited[1])

[1] The condensed consolidated interim financial statements as of June 30, 2014 have been subjected to a limited review by Rexel's statutory auditors. The statutory auditors' review report on the 2014 half year information is presented after the condensed consolidated interim financial statements.

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Consolidated Income Statement *(unaudited)*

(in millions of euros)	**Note**	For the quarter ended June 30,		For the period ended June 30,	
		2014	**2013 (1)**	**2014**	**2013 (1)**
Sales	*4*	3,220.3	3,314.9	6,287.6	6,468.8
Cost of goods sold		(2,434.6)	(2,509.9)	(4,737.8)	(4,876.7)
Gross profit		**785.7**	**805.0**	**1,549.8**	**1,592.1**
Distribution and administrative expenses	*5*	(625.8)	(638.1)	(1,259.8)	(1,286.7)
Operating income before other income and expenses		**159.9**	**166.9**	**290.0**	**305.4**
Other income	*6*	2.5	0.5	3.3	2.8
Other expenses	*6*	(41.4)	(72.9)	(60.9)	(85.4)
Operating income		**121.1**	**94.5**	**232.4**	**222.8**
Financial income		1.4	0.9	2.6	1.2
Interest expense on borrowings		(43.1)	(42.9)	(86.3)	(82.8)
Refinancing costs		-	-	-	(23.5)
Other financial expenses		(5.5)	(6.3)	(9.8)	(12.1)
Net financial expenses	*8*	***(47.2)***	***(48.3)***	***(93.5)***	***(117.2)***
Share of profit / (loss) of associates		-	0.8	-	0.1
Net income before income tax		**73.8**	**47.0**	**138.9**	**105.6**
Income tax	*9*	(26.5)	(15.1)	(48.4)	(34.2)
Net income		**47.3**	**32.0**	**90.5**	**71.4**
Portion attributable:					
to the Group		*47.5*	*31.6*	*90.5*	*71.3*
to non-controlling interests		*(0.1)*	*0.3*	*-*	*0.1*
Earnings per share:					
Basic earnings per share (in euros)	*12*	*0.17*	*0.12*	*0.32*	*0.26*
Fully diluted earnings per share (in euros)	*12*	*0.17*	*0.12*	*0.32*	*0.26*

(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 condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income *(unaudited)*

(in millions of euros)	For the quarter ended June 30, 2014	For the quarter ended June 30, 2013 [1]	For the period ended June 30, 2014	For the period ended June 30, 2013 [1]
Net income	**47.3**	**32.0**	**90.5**	**71.4**
Items to be reclassified to profit and loss:				
Net gain / (loss) on net investment hedges	(9.8)	24.0	(9.5)	6.2
Income tax	3.4	(10.6)	3.3	(2.1)
	(6.4)	13.4	(6.2)	4.1
Foreign currency translation adjustment	41.9	(114.6)	39.8	(79.7)
Income tax	(1.8)	11.2	(2.6)	(6.7)
	40.1	(103.4)	37.2	(86.4)
Net gain / (loss) on cash flow hedges	(0.5)	1.0	0.0	2.1
Income tax	0.2	(0.3)	(0.0)	(0.7)
	(0.3)	0.7	0.0	1.4
Items not to be reclassified to profit and loss:				
Remeasurements of net defined benefit liability	(34.5)	49.8	(38.2)	63.9
Income tax	0.9	(5.9)	1.6	(9.1)
	(33.6)	43.9	(36.6)	54.8
Other comprehensive income / (loss) for the period, net of tax	*(0.3)*	*(45.3)*	*(5.6)*	*(26.1)*
Total comprehensive income for the period, net of tax	**47.0**	**(13.4)**	**84.9**	**45.3**
Portion attributable:				
to the Group	*46.9*	*(13.4)*	*85.0*	*45.2*
to non-controlling interests	*0.1*	-	*(0.1)*	*0.1*

[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 condensed consolidated interim financial statements.

Consolidated Balance Sheet (*unaudited)*

(in millions of euros)	**Note**	**As of June 30, 2014**	**As of December 31, 2013** [1]
Assets			
Goodwill		4,123.7	4,111.2
Intangible assets		1,046.7	1,038.3
Property, plant and equipment		280.5	278.1
Long-term investments		52.1	51.7
Deferred tax assets		130.1	161.6
Total non-current assets		**5,633.1**	**5,640.9**
Inventories		1,410.4	1,389.5
Trade accounts receivable		2,271.2	2,062.8
Current tax assets		12.2	18.3
Other accounts receivable		452.0	467.8
Assets held for sale		3.8	3.4
Cash and cash equivalents	*15.1*	716.6	957.8
Total current assets		**4,866.2**	**4,899.7**
Total assets		**10,499.3**	**10,540.5**
Equity			
Share capital		1,421.1	1,416.7
Share premium		1,509.9	1,510.8
Reserves and retained earnings		1,162.5	1,289.5
Total equity attributable to equity holders of the parent		**4,093.5**	**4,217.0**
Non-controlling interests		9.8	10.1
Total equity		**4,103.3**	**4,227.1**
Liabilities			
Interest bearing debt (non-current part)	*15.1*	2,892.2	2,908.2
Employee benefits		283.9	243.4
Deferred tax liabilities		132.5	172.1
Provision and other non-current liabilities		87.7	108.0
Total non-current liabilities		**3,396.3**	**3,431.7**
Interest bearing debt (current part)	*15.1*	242.7	205.2
Accrued interest	*15.1*	6.0	11.6
Trade accounts payable		1,946.5	2,009.9
Dividend payable		211.9	-
Income tax payable		33.4	37.2
Other current liabilities		559.3	617.9
Total current liabilities		**2,999.8**	**2,881.7**
Total liabilities		**6,396.1**	**6,313.4**
Total equity and liabilities		**10,499.3**	**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 condensed consolidated interim financial statements.

Consolidated Statement of Cash Flows *(unaudited)*

(in millions of euros)	*Note*	For the quarter ended June 30, 2014	For the quarter ended June 30, 2013 [1]	For the period ended June 30, 2014	For the period ended June 30, 2013 [1]
Cash flows from operating activities					
Operating income		121.1	94.6	232.4	222.8
Depreciation, amortization and impairment of assets	*5 - 6*	53.4	76.2	77.5	100.0
Employee benefits		(3.7)	(9.0)	(7.3)	(12.3)
Change in other provisions		(6.6)	1.2	(6.4)	(4.4)
Other non-cash operating items		3.7	5.0	5.4	7.4
Interest paid		(38.1)	(45.7)	(76.1)	(88.6)
Income tax paid		(23.6)	(35.7)	(51.2)	(57.8)
Operating cash flows before change in working capital requirements		***106.0***	***86.5***	***174.3***	***167.1***
Change in inventories		22.7	37.6	2.5	12.4
Change in trade receivables		(80.5)	(87.3)	(185.8)	(137.4)
Change in trade payables		22.3	40.9	(93.8)	(28.1)
Change in other w orking capital items		(16.1)	(20.7)	(18.8)	(20.9)
Change in working capital requirements		***(51.6)***	***(29.5)***	***(295.9)***	***(174.0)***
Net cash from operating activities		**54.4**	**57.0**	**(121.6)**	**(6.9)**
Cash flows from investing activities					
Acquisition of tangible and intangible assets		(24.6)	(20.4)	(49.7)	(44.1)
Proceed from disposal of tangible and intangible assets		1.3	0.7	2.3	19.2
Acquisition of subsidiaries, net of cash acquired	*3*	(3.9)	(0.9)	(11.7)	(3.0)
Change in long-term investments		2.0	3.5	2.9	0.9
Net cash from investing activities		**(25.2)**	**(17.1)**	**(56.1)**	**(27.0)**
Cash flows from financing activities					
Issuance of capital		(0.0)	0.1	0.7	0.8
Disposal / (Purchase) of treasury shares		(1.5)	(1.4)	(2.8)	(0.3)
Acquisition of non-controlling interests		(0.4)	-	(0.4)	-
Issuance of senior notes net of transaction costs		-	1,025.2	-	1,025.2
Repayment / Buy-out of senior notes due 2016		-	(640.3)	-	(640.3)
Settlement of interest rate sw aps qualified as fair value hedge		-	-	-	30.4
Net change in credit facilities and other financial borrow ings	*15.2*	(27.4)	(96.4)	13.7	32.6
Net change in securitization	*15.2*	59.5	38.9	(78.7)	(56.1)
Net change in finance lease liabilities	*15.2*	(1.8)	(1.8)	(3.3)	(44.1)
Dividends paid		-	0.0	-	(0.1)
Net cash from financing activities		**28.4**	**324.5**	**(70.9)**	**348.1**
Net (decrease) / increase in cash and cash equivalents		**57.4**	**364.4**	**(248.6)**	**314.1**
Cash and cash equivalents at the beginning of the period		655.5	234.1	957.8	291.9
Effect of exchange rate changes on cash and cash equivalents		3.6	6.0	7.4	(1.5)
Cash and cash equivalents at the end of the period		**716.6**	**604.4**	**716.6**	**604.4**

[1] Restated for changes in accounting policies follow ing the adoption of IFRIC interpretation 21 "Lev ies" (see note 2.2.1)

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

Consolidated Statement of Changes in Shareholders' Equity *(unaudited)*

(in millions of euros)		Share capital	Share premium	Retained earnings	Foreign currency translation	Cash flow hedge reserve	Remeasurement of net defined benefit liability	Total attributable to the Group	Non-controlling interests	Total
For the period ended June 30, 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		-	-	71.3	-	-	-	**71.3**	0.1	71.4
Other comprehensive income		-	-	-	(82.4)	1.4	54.8	**(26.2)**	0.1	(26.1)
Total comprehensive income for the period		**-**	**-**	**71.3**	**(82.4)**	**1.4**	**54.8**	**45.1**	**0.2**	**45.3**
Appropriation of net income		-	-	(203.1)	-	-	-	**(203.1)**	(0.1)	(203.2)
Share capital increase		4.3	(7.9)	4.4	-	-	-	**0.8**	-	0.8
Share based payments		-	-	8.2	-	-	-	**8.2**	-	8.2
Disposal / (Purchase) of treasury shares		-	-	(0.8)	-	-	-	**(0.8)**	-	(0.8)
As of June 30, 2013 (1)		**1,363.9**	**1,410.4**	**1,227.0**	**56.4**	**(1.6)**	**(94.1)**	**3,962.0**	**8.4**	**3,970.4**
For the period ended June 30, 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		-	-	90.5	-	-	-	**90.5**	-	90.5
Other comprehensive income		-	-	-	31.1	-	(36.6)	**(5.5)**	(0.1)	(5.6)
Total comprehensive income for the period		**-**	**-**	**90.5**	**31.1**	**-**	(36.6)	**85.0**	**(0.1)**	**84.9**
Appropriation of net income	**11**	-	-	(211.9)	-	-	-	**(211.9)**	-	(211.9)
Share capital increase	**10**	4.4	(0.9)	(2.8)	-	-	-	**0.7**	-	0.7
Share based payments		-	-	5.7	-	-	-	**5.7**	-	5.7
Acquisition of non-controlling interests		-	-	(0.3)	-	-	-	**(0.3)**	(0.2)	(0.5)
Disposal / (Purchase) of treasury shares		-	-	(2.8)	-	-	-	**(2.8)**	-	(2.8)
As of June 30, 2014		**1,421.1**	**1,509.9**	**1,256.1**	**9.7**	**(1.7)**	**(101.7)**	**4,093.5**	**9.8**	**4,103.3**

(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 condensed consolidated interim financial statements.

Accompanying Notes

1. | GENERAL INFORMATION

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

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

These condensed consolidated interim financial statements cover the period from January 1 to June 30, 2014 and were authorized for issue by the Board of Directors on July 29, 2014.

2. | SIGNIFICANT ACCOUNTING POLICIES

2.1 | Statement of compliance

The condensed consolidated interim financial statements (hereafter referred to as “the condensed financial statements”) for the period ending June 30, 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These condensed financial statements are also compliant with the standards of the IASB in force at June 30, 2014. In particular, the condensed financial statements have been prepared in accordance with IAS 34, relating to Interim Financial Reporting. In accordance with the aforementioned standard, only a selection of explanatory notes is included in these condensed financial statements. These notes must be read in conjunction with the Group’s financial statements prepared for the financial year closed on December 31, 2013 and included in the Registration Document filed with the *Autorité des Marchés Financiers* on March 21, 2014 under the number D.14-0181.

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 condensed financial statements as at June 30, 2014 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 accounting principles and adopted methods are identical to those used as of December 31, 2013 and described in the notes to the consolidated financial statements for the financial year ended December 31, 2013, with the exception of the new standards and interpretations disclosed in note 2.2.1.

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

2.2.1 | Changes in accounting policies and amended standards and interpretations

Changes in accounting policies: 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 shareholders’ 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 period ended June 30, 2013 was a decrease of respectively €3.8 million and €2.5 million. Prior year comparative information was restated accordingly.

Amended standards

Effective 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 | Accounting standards and interpretations issued by IASB and IFRS Interpretation Committee but not yet approved by the European Union

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

- IFRS 9 "Financial Instruments" aims at replacing IAS 39 "Financial Instruments - Recognition and Measurement". It is a 3-phase project where only phase 1, "Classification and Measurement" was issued. Phase 2, "Impairment Methodology", and phase 3 "Hedge Accounting", have not been issued yet. The endorsement process by the European Union has been placed on hold, pending the completion of the whole project by the IASB.

- Amendment to IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosures" postpones the mandatory application date of IFRS to January 1, 2015 and modifies the requirements on transition disclosures.

- Amendment to IFRS 9 “Hedge Accounting” and amendments to IFRS 9, IFRS 7 and IAS 39 :

  - bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;

  - allow the changes to address the “own credit” issue included in IFRS 9 Financial Instruments to be applied in isolation without applying the other changes introduced by IFRS 9 ; and

  - remove the January 1, 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

- 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.

- 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.

3. | BUSINESS COMBINATION

3.1 | 2014 business combinations

As part of Rexel’s external growth policy, which aims to strengthen its presence in emerging markets and improve the offering of its high value-added services, the Group completed the following acquisitions in the first half of 2014:

- On January 7, 2014, the Group completed the acquisition of Esabora Digital Services pursuant to a share purchase agreement dated November 14, 2013. This company, based in France and created in 1990, is specialized in editing advanced software tools for electrical contractors and installers. The consideration transferred was €7.0 million. It recorded annual sales of around €1.6 million in 2013. The company has been consolidated starting from its acquisition date.
- On March 28, 2014, the Group acquired AMP Ingenieros SAS, based in Peru and created in 1991. This company is specialized in the distribution of international branded electrical supplies, panel building and engineering services. It recorded annual sales of around €1.4 million in 2013. The consideration transferred was €0.7 million. This entity has been consolidated as from April 1, 2014.

3.2 | Follow up of 2013 acquisitions and impact of business combinations

The Group consolidated as of January 1, 2014 Lenn International Pte Ptd (Singapore) and Rexel Quality Trading (Thailand) acquired in November 2013, such as disclosed in note 3.1 in the consolidated financial statements as of December 31, 2013.

The table below shows the consideration allocated to identifiable assets and liabilities, estimated on a provisional basis as of June 30, 2014, for the entities acquired in 2014 and those acquired in late 2013.

Status of acquisitions integrated as at June 30, 2014 *(in millions of euros)*	
Other fixed assets	6.0
Other non current assets	0.4
Current assets	22.3
Net financial debt	(4.2)
Current liabilities	(13.5)
Net asset acquired (except goodwill acquired)	**11.0**
Goodwill acquired	17.7
Consideration transferred	**28.6**
Cash acquired	(3.9)
Deferred payments	(2.2)
Net cash paid for acquisitions	**22.5**
Payments in 2013 [(1)]	(10.9)
Net cash flow for the period	**11.7**

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

4. | SEGMENT REPORTING

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

Operations that are substantially similar 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.

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.

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.

Information by geographic segment for the periods ending June 30, 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 quarter ended June 30,							
Sales to external customers................	1,748.6	1,109.0	299.6	63.0	**3,220.3**	0.0	**3,220.3**
EBITA [(1)]..	107.6	57.3	9.2	(0.2)	**174.0**	(10.2)	**163.7**
Goodwill impairment..........................	(6.1)	-	-	(23.6)	**(29.7)**	-	**(29.7)**

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 quarter ended June 30,							
Sales to external customers................	1,757.2	1,154.7	324.0	79.1	**3,314.9**	-	**3,314.9**
EBITA [(1)]..	107.2	65.9	16.2	1.0	**190.4**	(16.1)	**174.3**
Goodwill impairment..........................	(44.0)	-	-	-	**(44.0)**	-	**(44.0)**

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 period ended June 30,							
Sales to external customers	3,508.0	2,081.1	572.5	125.9	**6,287.5**	0.2	**6,287.6**
EBITA [(1)]	208.6	90.7	16.2	(0.6)	**314.9**	(17.0)	**297.9**
Goodwill impairment..........................	(6.3)	-	-	(23.6)	**(29.9)**	-	**(29.9)**
As of June 30,							
Working capital................................	812.0	577.0	192.2	56.2	**1,637.4**	(220.6)	**1,416.8**
Goodwill.......................................	2,618.1	1,240.1	250.9	14.5	**4,123.7**	-	**4,123.7**

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 period ended June 30,							
Sales to external customers	3,489.0	2,224.3	602.8	152.7	**6,468.8**	-	**6,468.8**
EBITA [(1)]	205.6	113.0	24.1	1.1	**343.8**	(26.4)	**317.4**
Goodwill impairment..........................	(44.0)	-	-	-	**(44.0)**	-	**(44.0)**
As of December 31,							
Working capital................................	614.5	509.3	141.7	46.9	**1,312.4**	(17.8)	**1,294.6**
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 quarter ended june 30, 2014	2013 [1]	For the period ended June 30, 2014	2013 [1]
EBITA - Total Group	**163.7**	**174.3**	**297.9**	**317.4**
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities	(3.8)	(7.3)	(7.9)	(12.0)
Other income and other expenses	(38.9)	(72.4)	(57.6)	(82.6)
Net financial expenses	(47.2)	(48.3)	(93.5)	(117.2)
Share of profit/(loss) of associates	-	0.8	-	0.1
Group consolidated income before income tax	**73.8**	**47.0**	**138.9**	**105.6**

[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:

(in millions of euros)	As of June 30, 2014	As of December 31, 2013 [1]
Working capital	1,416.8	1,294.6
Goodwill	4,123.7	4,111.2
Total allocated assets & liabilities	**5,540.4**	**5,405.8**
Liabilities included in allocated working capital	2,716.8	2,625.3
Other non-current assets	1,379.3	1,368.1
Deferred tax assets	130.1	161.6
Current tax assets	12.2	18.3
Assets classified as held for sale	3.8	3.4
Derivatives	-	0.3
Cash and cash equivalents	716.6	957.8
Group consolidated total assets	**10,499.3**	**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

(in millions of euros)	**For the period ended June 30,** 2014	2013 [1]
Personnel costs (salaries & benefits)	760.5	770.7
Building and occupancy costs	138.7	137.8
Other external costs	297.4	307.4
Depreciation expense	39.8	38.6
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities	7.9	12.0
Bad debt expense	15.5	20.2
Total distribution and administrative expenses	**1,259.8**	**1,286.7**

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

6. | OTHER INCOME & OTHER EXPENSES

(in millions of euros)	For the period ended June 30, 2014	2013
Gains on disposal of tangible assets	1.2	1.2
Write-back asset impairment	0.1	0.7
Release of unused provisions	0.5	0.9
Gains on earn-out	1.5	-
Total other income	**3.3**	**2.8**
Restructuring costs	(22.9)	(29.6)
Losses on non-current assets disposed of	(1.3)	(1.5)
Impairment of goodwill and fixed assets	(29.9)	(50.0)
Acquisition related costs	(6.6)	(1.1)
Other operating expenses	(0.3)	(3.2)
Total other expenses	**(60.9)**	**(85.4)**

6.1 Other Income

Gains on earn-out

In the first half of 2014, a settlement gain of €1.5 million was recognized on the payment of an earn-out related to the acquisition of Yantra, a distributor of electrical supplies based in India that was acquired in 2010.

6.2 Other expenses

Restructuring costs

In the first half of 2014, restructuring costs of €22.9 million were mainly related to logistics reorganization and branch network optimization in Europe (mainly in France, Germany, Italy, Spain and the United Kingdom) and North America (mainly USA).

In the first half of 2013, restructuring costs of €29.6 million were mainly related to the rationalization of logistics and branch closures in Sweden, France, the United Kingdom, The Netherlands, Germany and Spain.

Goodwill and assets impairment

In the first half of 2014, management has recognized a goodwill impairment expense of €29.9 million, of which €23.6 million attributable to Brazil, €3.4 million to Slovakia and €2.7 million to Luxembourg (see note 7).

In the first half of 2013, management had recognized a goodwill impairment expense of €44.0 million, of which €42.8 million attributable to The Netherlands and €1.2 million to Spain. In addition, IT assets were retired and written-back for an amount of €5.7 million in The Netherlands.

Acquisitions related costs

In the first half of 2014, acquisition costs are associated with acquisitions completed in the period and professional fees incurred in connection with some investment projects.

Other operating expenses

For the period ended June 30, 2013, other operating expenses mainly included the effect of the early termination of an incentive scheme granted to senior executives in Brazil and corporate headquarters relocation expenses.

7. | GOODWILL IMPAIRMENT

Goodwill is tested for impairment annually (as of December 31) and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The Group considers the actual level of performance compared to the current year budget of cash-generating units (CGUs) when reviewing for indicators of impairment. As a result, management carried-out an impairment test as of June 30, 2014 limited to the cash-generating units showing a value-in-use close to their carrying value at December 31, 2013.

As a result of this analysis, in the first half of 2014, management has recognized an impairment expense of €29.9 million (see note 6) against goodwill (€44.0 million in the first half of 2013). This impairment is relating to Brazil for €23.6 million, to Slovakia for €3.4 million and to Luxembourg for €2.7 million. In Brazil, the impairment reflected the continuous slowdown and uncertain outlook of the economy leading to branch network resizing.

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. EBITA margin is set in increments of 50 base points.

- Discount rates : unchanged as compared to December 31, 2013.

- Perpetual growth rates : unchanged as compared to December 31, 2013.

Sensitivity analysis

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

	Goodwill & intangible assets after impairment[1]	EBITA margin *(-50 bps)*	Discount rate *(+50 bps)*	Perpetual growth rate *(-50 bps)*
The Netherlands	76.6	(13.3)	(10.0)	(7.0)
Brazil	4.1	(5.0)	(2.5)	(0.6)
Other tested CGU	57.0	(5.9)	(2.3)	(1.4)

(1) Intangible assets with an indefinite useful life

8. | NET FINANCIAL EXPENSES

(in millions of euros)	For the period ended June 30, 2014	2013
Interest income on cash and cash equivalents	1.6	0.4
Interest income on receivables and loans	1.0	0.8
Financial income	**2.6**	**1.2**
Interest expense on financial debt (stated at amortized cost)	(84.2)	(92.2)
Interest expense on interest rate derivatives	4.9	1.4
Gains and losses on derivative instruments previously deferred in other comprehensive income and recycled in the income statement	0.2	0.7
Foreign exchange gain (loss)	(0.0)	3.5
Change in fair value of exchange rate derivatives through profit and loss	(0.1)	(2.1)
Change in fair value of interest rate derivatives through profit and loss	(7.1)	5.8
Interest expense on borrowings	**(86.3)**	**(82.8)**
Non-recurring refinancing costs	**-**	**(23.5)** [1]
Net financial expense on employee benefit obligations	(5.0)	(6.9)
Others	(4.8)	(5.2)
Other financial expenses	**(9.8)**	**(12.1)**
Net financial expenses	**(93.5)**	**(117.2)**

[1] Loss related to the refinancing transactions, such as disclosed in note 20.1.2 in consolidated financial statements as of December 31, 2013, including the redemption premium, and the write-back of transaction fees after deducting fair value hedge adjustments.

9. | INCOME TAX

Income tax expense for an interim period is calculated based on the tax rate of the expected year-end income, i.e. by applying the average estimated tax rate for the 2014 financial year to the interim income before taxes and share of profit (loss) in associates. The effective tax rate for the period ended June 30, 2014 is 34.9%, as compared to 32.4%[1] for the period ended June 30, 2013.

[1] such as restated for the adoption of IFRIC interpretation 21 "Levies"

10. | SHARE CAPITAL AND 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	Issuance premium
		(in millions of euros)	
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	6,100	0.0	-
Issuance of shares in connection with and employee share purchase	35,237	0.2	0.5
Issuance of shares in connection with free shares plans	846,741	4.2	-
Allocation of free shares	-	-	(8.2)
Free shares cancelled	-	-	6.8
As of June 30, 2014	**284,225,292**	**1,421.1**	**1,509.9**

Treasury shares

On June 30, 2014, Rexel held 1,638,536 treasury shares (1,670,202 as of December 31, 2013) valued at an average price of €13.62 per share (€13.21 per share as of December 31, 2013) that were recognized as a reduction in shareholders' equity, for an amount of €23.0 million (€22.1 million as of December 31, 2013).

11. | DIVIDEND

The Shareholders' Meeting of May 22, 2014 decided 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 effective date of dividend payment was July 2, 2014.

	For the period ended June 30,	
(in millions of euros)	**2014**	**2013**
Dividends on ordinary shares	€ 0.75	€ 0.75
Dividend payable	**211.9**	**203.1**
of which: - dividend payable in cash	65.6	53.0
- dividend payable in shares	146.3	150.1

12. | EARNINGS PER SHARE

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

	For the period ended June 30,	
	2014	**2013** [2]
Net income attributed to ordinary shareholders *(in millions of euros)*...........	***90.5***	***71.3***
Weighted average number of ordinary shares (*in thousands*)	281,790	269,924
Potential dilutive shares resulting from the dividend payment in shares (in thousands).	655	2,472
Non dilutive potential shares (in thousands)	1,490	1,606
Weighted average number of issued common shares and non dilutive potential shares (in thousands)	***283,935***	***274,002***
Basic earning per share (in euros)	**0.32**	**0.26**
Net income attributed to ordinary shareholders *(in millions of euros)*	***90.5***	***71.3***
Weighted average number of issued common shares and non dilutive potential shares (in thousands)	283,935	274,002
Potential dilutive shares (in thousands)	2,846	2,702
- of which share options (in thousands)	*127*	*147*
- of which bonus shares (in thousands) ....[1]	*2,719*	*2,555*
Weighted average number of common shares used for the calculation of fully diluted earnings per share (in thousands)	***286,781***	***276,704***
Fully diluted earnings per share (in euros)...	**0.32**	**0.26**

[1] The number of potential dilutive shares does not take into account the free shares whose allocation is subject to future performance.

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

13. | SHARE BASED PAYMENTS

On May 22, 2014, Rexel entered into free share plans for the members of the Group Executive Committee and key managers amounting to a maximum of 1,641,008 shares. According to these plans, these employees and executives 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 granting date with no subsequent restrictions, the so-called “4+0 Plans”.

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

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 / 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 / EBITDA between 2014 and 2016 (iii) Rexel share market performance compared to peers		**Total**
Plan	2+2	4+0	3+2	4+0	
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	**12.56**
Maximum number of shares granted on May 22, 2014	353,555	466,949	353,555	466,949	**1,641,008**

The fair value of Rexel's shares granted to members of the Group Executive Committee and key managers 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 restrictions attached to the dividends until the delivery date of the shares to the beneficiaries are computed as a reduction of the fair value.

14. | POST-EMPLOYMENT AND LONG-TERM BENEFITS

As of June 30, 2014, the major Group's defined benefit plan obligations were re-measured including pension plans in Canada, in Switzerland and in the United Kingdom. The impacts of actuarial changes were estimated based on a sensitivity analysis that considered changes in discount rates and differences between actual and expected plan asset performance.

For the period ended June 30, 2014, actuarial losses after tax of €36.6 million were recognized in other comprehensive income (gains after tax of €54.8 million in June 2013) resulting from the decrease in the discount rate as of June 30, 2014 for defined benefit plans as compared to December 31, 2013, partially compensated by the positive return on plan assets.

They are as follow:

Discount rate (in %)	As of June 2014	As of December 2013
United Kingdom	4.25	4.50
Canada	4.25	4.75
Switzerland	1.75	2.00

In the Netherlands, a Collective Defined Contribution (CDC) plan has been implemented as of January 1, 2014 in *lieu et place* of a 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 fundwith 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 of the period ended June 30, 2014 associated with the DB Plan derecognition as the net defined benefit obligation liability was nil as of January 1, 2014 (the fair value of the defined benefit liability and the plan assets was €351.5 million).

15. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of June 30, 2014. Financial liabilities include interest-bearing loans from financial institutions, borrowings and accrued interest less transaction costs.

15.1 | Net financial debt

As of June 30, 2014, Rexel's consolidated net debt amounted to €2,406.4 million, consisting of the following items:

(in millions of euros)	As of June 30, 2014 Current	As of June 30, 2014 Non-current	As of June 30, 2014 Total	As of December 31, 2013 Current	As of December 31, 2013 Non-current	As of December 31, 2013 Total
Senior Notes	-	1,888.9	1,888.9	-	1,835.6	1,835.6
Securitization	-	1,006.3	1,006.3	-	1,067.5	1,067.5
Bank loans	71.2	8.5	79.8	35.6	19.2	54.8
Commercial paper	122.2	-	122.2	119.1	-	119.1
Bank overdrafts and other credit facilities	52.9	-	52.9	54.3	-	54.3
Finance lease obligations	7.9	21.2	29.2	7.3	24.7	32.0
Accrued interests [(1)]	6.0	-	6.0	11.6	-	11.6
Less transaction costs	(11.6)	(32.8)	(44.4)	(11.2)	(38.8)	(50.0)
Total financial debt and accrued interest	***248.7***	***2,892.2***	***3,140.9***	***216.7***	***2,908.2***	***3,124.9***
Cash and cash equivalents			(716.6)			(957.8)
Accrued interest receivables			(0.1)			-
Debt hedge derivatives			(17.8)			25.1
Net financial debt			**2,406.4**			**2,192.2**

(1) Of which accrued interests on Senior Notes for €4.7 million as of June 30, 2014 (€4.6 million as of December 31, 2013).

15.1.1 | Senior notes

As of June 30, 2014, the carrying amount of the existing senior notes is detailed as follows:

	As of June 30, 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	8.9	**497.7**	EUR	488.8	488.8	(0.3)	**488.5**
Senior notes due 2019	USD	500.0	366.1	(4.7)	**361.4**	USD	500.0	362.6	(11.5)	**351.1**
Senior notes due 2020	USD	500.0	366.1	(0.8)	**365.3**	USD	500.0	362.6	(8.6)	**354.0**
Senior notes due 2020	EUR	650.0	650.0	14.6	**664.6**	EUR	650.0	650.0	(7.9)	**642.1**
TOTAL			1,871.0	18.0	**1,888.9**			1,863.9	(28.3)	**1,835.6**

(1) Adjustment to reflect interest rate fluctuations on the hedged part of the notes

15.1.2 | 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.

Securitization programs are subject to certain covenants concerning the quality of the trade receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables). As of June 30, 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 June 30, 2014	Amount drawn down as of june 30, 2014	Balance as of June 30, 2014	Balance as of December 31, 2013	Repayment
		(in millions of currency)		(in millions of euros)		
2011 - Europe and Australia	EUR 425.0	EUR 465.6	EUR 359.0	359.0	402.4	12/16/2016
United States	USD 470.0	USD 608.8	USD 435.4	318.8	326.3	12/18/2015
Canada	CAD 190.0	CAD 272.8	CAD 188.0	128.9	129.5	11/17/2017
2013 - Europe	EUR 384.0	EUR 449.7	EUR 300.3	300.3	308.0	12/19/2018
TOTAL				**1,106.9**	**1,166.2**	
***Of which*:**	***- on balance sheet:***			***1,006.3***	***1,067.5***	
	- off balance sheet (US Ester program) :			***100.6***	***98.7***	

These securitization programs pay interest at variable rates including a specific credit spread to each program. As of June 30, 2014, the total outstanding amount authorized for these securitization programs was €1,283.4 million, of which €1,106.9 million were used.

15.1.3 | 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 June 30, 2014, the company had issued €122.2 million of commercial paper (€119.1 million as of December 31, 2013).

15.2 | Change in net financial debt

As of June 30, 2014 and June 30, 2013, the change in net financial debt was as follows:

(in millions of euros)	For the period ended June 30, 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	-	(14.3)
Net change in bank loans and bank overdrafts	13.7	72.7
Net change in credit facilities	**13.7**	**417.4**
Net change in securitization	(78.7)	(56.1)
Net change in finance lease liabilities	(3.3)	(44.1)
Net change in financial liabilities	***(68.4)***	***317.3***
Change in cash and cash equivalents	248.6	(314.1)
Translation differences	18.2	(32.5)
Effect of changes in consolidation scope on gross indebtedness	6.1	0.0
Amortization of transaction costs	5.6	7.8
Non recurring refinancing costs	-	23.5
Other changes [(1)]	4.3	27.7
As of June 30,	**2,406.4**	**2,628.9**

(1) Of which in 2013, €30.4 million relating to the settlement of interest swaps qualified as fair value hedge on the Senior notes due 2016.

15.3 | Liquidity risk

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

The contractual repayment schedule of financial liabilities is as follows:

(in millions of euros) ***Due within***	As of June 30, 2014	As of December 31, 2013
One year	260.2	227.9
Two years	232.7	252.2
Three years	365.5	411.5
Four years	132.6	134.3
Five years	799.6	798.2
Thereafter	1,394.7	1,350.9
Total financial debt	**3,185.3**	**3,174.9**
Transaction costs	(44.4)	(50.0)
Financial debt	**3,140.9**	**3,124.9**

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 Credit Agreement was refinanced in March 2013. The Senior Facility Agreement and the Bilateral Term loan provide a five-year multicurrency revolving credit facility for an aggregate maximum amount of €1.1 billion which can also be drawn down through swingline loans for an aggregate amount of €165 million.

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

As of June 30, 2014, Rexel complied with this covenant and did not draw down this facility.

On June 26, 2014, Rexel entered into a Revolving Credit Facility agreement with Wells Fargo Bank International for a maximum amount of US$40 million. As of June 30, 2014, this facility was not drawn down.

Lastly, securitization programs mature in 2015, 2016, 2017 and 2018. The financing under these programs directly depends on the amounts and quality of transferred receivables. In the event that the relevant companies do not comply with certain obligations, these securitization programs may have to be repaid early, which could have an adverse effect on the Group's liquidity and financial situation. In addition, if the special purpose entities to which the receivables have been transferred were unable to issue short term debt (commercial paper, *billets de trésorerie*) under conditions that are equal to those available up to now, the Group's liquidity and financial position could be affected.
As of June 30, 2014, the Group's liquidity amounted to €1,670.8 million (€1,884.3 million as of December 2013), in excess of €1,410.6 million compared to €260.2 million expected to be paid within the next twelve months with respect to debt repayment:

(in millions of euros)	As of June 30, 2014	As of December 31, 2013
Cash and cash equivalents	716.6	957.8
Bank overdrafts	(52.9)	(54.3)
Commercial paper	(122.2)	(119.1)
Undrawn Senior credit agreement	1,100.0	1,100.0
Bilateral facility	29.3	-
Others	-	(0.2)
Liquidity	**1,670.8**	**1,884.3**

16. | FAIR VALUE OF FINANCIAL INSTRUMENTS

As at June 30, 2014, the Group held the following classes of financial instruments measured at fair value:

	June 30, 2014		December 31, 2013		
	Carrying amount	*Fair value*	Carrying amount	*Fair value*	IFRS13 Hierarchy
Financial assets					
Hedging derivatives	25.0	25.0	-	-	Level 2
Other derivatives	0.0	0.0	0.3	0.3	Level 2
Financial liabilities					
Bonds	1,888.9	1,994.1	1,835.6	1,961.1	Level 1
Hedging derivatives	8.1	8.1	25.5	25.5	Level 2
Other derivatives	12.0	12.0	9.6	9.6	Level 2

IFRS hierarchy:

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

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

Valuation techniques:

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

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

17. | SEASONALITY

Despite the low impact of seasonality on sales, changes in the Group's working capital requirements lead to variations in cash flows over the course of the year. As a general rule, the Group's 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.

18. | LITIGATION

For the period ended June 30, 2014, there was no significant change relating to the litigation disclosed in the financial statements as of December 31, 2013 with a significant impact on Rexel's financial position or profitability.

19. | EVENTS AFTER THE REPORTING PERIOD

On July 10, 2014, Rexel exercised a call option to acquire the remaining 30% ownership interest in the holding company of Huazhang Electric Automation, a 70% owned subsidiary based in China for a consideration of €12.1 million (HKD127.3 million).

On July 11, 2014, the Group entered simultaneously into an equity transfer agreement and a joint venture contract to purchase a 55% controlling interest in Beijing Ouneng Tongxing Technology Co. Ltd., an automation distributor based in China. Completion of these agreements is subject to certain conditions precedent and is expected to take place on September 30, 2014 at the latest. The consideration is comprised of an initial payment of RMB25 million and a second payment depending on completion accounts of the acquiree. These agreements also provide for a call option for the remaining interests exercisable by Rexel in the period of April 1, 2018 to July 31, 2018.

On July 29, 2014, Rexel acquired a 95.0% controlling interest in Elevite, a Swiss based lighting solutions distributor for €18.8 million (CHF22.8 million).

III. Statutory auditors' report

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

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

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

Period from January 1, 2014 to June 30, 2014

Statutory auditors' review report on the interim financial information

To the Shareholders,

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

- the review of the accompanying condensed consolidated interim financial statements of Rexel for the period from January 1, 2014 to June 30, 2014;
- the verification of the information presented in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the management board (*conseil d'administration*). Our role is to express a conclusion on these financial statements based on our review.

1. Conclusion on the financial statements

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

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

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed consolidated interim financial statements subject to our review.

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

Neuilly-sur-Seine and Paris-La Défense, July 29, 2014

The statutory auditors

French original signed by

PricewaterhouseCoopers Audit	ERNST & YOUNG Audit
Christian Perrier	Philippe Diu

V. Responsibility statement

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

Paris, July 29, 2014

Rudy Provoost
Chairman of the Board of Directors