Financial information

For the year ended on December 31, 2010

Rexel

ELECTRICAL SUPPLIES

Société Anonyme with Management and Supervisory Boards
with share capital of €1,301,064,980
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Financial information for the year ended December 31, 2010

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I. Activity report

This document is a free translation into English of the activity report for the year ended on December 31, 2010 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 activity report for the year ended on December 31, 2010, the French version will prevail.

1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

The activity report is presented in euros and all values are rounded to the nearest million, except when otherwise stated. Total amounts and sub-totals presented in the activity report are computed in thousands of euros then rounded to the nearest hundred thousand euros. Thus, numbers and percentages may differ from the numbers and percentages calculated on the basis of the numbers presented, and amounts may not add up precisely.

1.1 | Financial situation 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’s business is organized around the three main geographic areas in which it operates: Europe, North America, and Asia-Pacific. This geographic segmentation was determined on the basis of the Group’s financial reporting structure. Non-core operations and businesses managed at Group level are aggregated and presented under a separate segment called “Other Operations,” as defined below. This segment also includes unallocated corporate overhead expenses.

In 2010, the Group’s recorded consolidated sales were €11,960.1 million, of which €6,966.8 million in Europe (58% of sales), €3,530.8 million in North America (30% of sales), €1,116.3 million in Asia-Pacific (9% of sales) and €346.2 million from Other Operations (3% of sales).

The Europe zone consists of France (which accounts for approximately 33% of consolidated Group sales in this zone), 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, Hungary, Slovakia, the Czech Republic, Poland, Russia and the Baltic States).

The North America zone consists of the United States and Canada. The United States accounts for approximately 70% of consolidated Group sales in this zone, and Canada approximately 30%.

The Asia-Pacific zone consists of Australia, New Zealand and China, as well as certain Southeast Asian countries (Indonesia, Malaysia, Singapore and Thailand). Australia accounts for approximately 63% of consolidated Group sales in this zone, China nearly 20% and New Zealand close to 12%.

The Other Operations segment, which accounted for approximately 3% of consolidated Group sales over the period, includes ACE, the Agencies/Consumer Electronics division acquired from Hagemeyer, from the beginning of the second quarter of 2008. In February 2010, the Group disposed of Hagemeyer Cosa Liebermann in Asia (HCL Asia), a non-core legacy business acquired from Hagemeyer that distributes luxury goods in Asian countries. In June 2010, the Group disposed of Haagtechno B.V., a company specializing in importing and distributing Panasonic electrical goods in the Netherlands. Other Operations also include Chile, which accounts for less than 1% of consolidated Group sales in 2010, as well as certain other businesses managed by the Group. Unallocated corporate overheads (mainly personnel expenses and rental charges relating to the occupancy of the Group’s headquarters) are also included in this segment, as is the elimination of transactions between the various geographic segments.

The analysis below covers the Group’s sales, gross profit, distribution and administrative expenses, and operating income before the amortization of intangible assets recognized on the occasion of purchase price allocations and other income and other expenses (EBITA) separately for each of the three geographic segments, as well as for the Other Operations segment.

1.1.2 | Seasonality

Notwithstanding the relatively low degree of seasonality of the Group's sales, there is seasonality in cash flows due to change in working capital requirements. Generally, about half of annual free cash flow is generated in the first half of the year. The third quarter is weaker due to the increase in working capital requirements stemming from higher sales in September, and the fourth quarter stronger again.

1.1.3 | Effects of change in copper prices

The Group is indirectly exposed to fluctuations in copper prices in connection with the distribution of cable products. Cables accounted for approximately 17% of the Group's sales, and copper represents approximately 60% of the composition of cables. This exposure is indirect, since cable prices also depend on suppliers' commercial policies and the competitive environment in the Group's markets. Changes in copper prices have an estimated so-called "recurring" effect and an estimated "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 selling price of cables from one period to another. This effect bears mainly on sales;

- The non-recurring effect related to the change in copper-based cable prices corresponds to the effect of copper price variations on the selling price of cables between the moment they are purchased and the time they are sold, until all inventory has been reconstituted (direct effect on gross profit). In practice, the non-recurring effect on gross profit is determined by comparing the historical purchase price 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 is the non-recurring effect on gross profit. It is offset, where appropriate, by the non-recurring portion of changes in distribution and administrative expenses (mainly the variable portion of compensation of sales personnel, which accounts for approximately 10% of change in gross profit).

The two effects are assessed as much as possible on all cable sales over the period. Internal Rexel Group procedures stipulate that entities that do not have information systems allowing such exhaustive calculation must 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. On the basis of the sales covered, the Rexel Group deems the effects thus measured to be a reasonable estimate.

1.1.4 | Comparability of the Group's operating results

The Group undertakes acquisitions and disposals that may alter its scope of consolidation from one period to another. Exchange rates may also fluctuate significantly. 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 prices. 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 for 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 exchange rates against the euro affect the euro value of the Group's sales, expenses and other income statement and balance sheet items. By contrast, the Group has relatively low exposure to the transaction risk of using different currencies, as cross-border transactions are limited. To neutralize the currency translation effect on the comparability of its results, the Group compares its historical figures for the current year against the same period of the prior year figures, using for these figures the same euro exchange rates as in the current year.

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

For the analysis of 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" in the rest of this document.

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 the effect of different numbers of working days between the two periods presented by comparing its historical figures for each month in the current year against the prior year figures, adjusted proportionally for the number of working days during the current year. This analysis by number of working days is not deemed relevant to the Group's other consolidated income statement items.

Accordingly, in the following discussion of the Group's consolidated results, the following information may be provided for comparison purposes:

- On a constant basis, meaning excluding the effect of acquisitions and disposals and the effect of fluctuations in exchange rates. Such information is used for comparisons of sales and headcounts;
- On a constant basis and same number of working days, meaning on a constant basis and restated for the effect of change in the number of working days. Such information is used only for comparisons of sales;
- On a constant basis, adjusted, meaning on a constant basis, 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 does not derive from accounting systems but is an estimate of comparable data in accordance with the principles set out above. It is subject to the review of the statutory auditors, pursuant to Article L.823-10 of the French Commercial Code.

EBITA is used to monitor the Group's performance. EBITA is not an accepted accounting measure under IFRS. The table below sets out the reconciliation from reported operating income before other income and other expenses to Adjusted EBITA on a constant basis.

	Quarter ended December 31		Year ended December 31	
(in millions of euros)	2010	2009	2010	2009
Operating income before other income and other expenses	**190.2**	**145.5**	**593.1**	**450.2**
Changes in scope effects		(1.8)		(1.0)
Foreign exchange effects		7.8		25.6
Non-recurring effect related to copper	(10.2)	(7.2)	(23.4)	(19.5)
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	4.4	4.8	22.8	19.2
Adjusted EBITA on a constant basis	**184.4**	**149.1**	**592.5**	**474.6**

1.2 | Major events in 2010

2010 was marked by a progressive return to organic growth from the second quarter (+2.3%), which was confirmed in the following quarters (+3.2% and +5.2% respectively in the third and fourth quarters). The Group also recorded increased profitability quarter on quarter to reach a 5.0% adjusted EBITA margin over the whole year, compared to 4.0% in 2009.

In addition, the Group renewed its external growth operations with the acquisition of Grossauer in Switzerland and LuckyWell in China.

1.3 | Comparison of the financial results at December 31, 2010 and December 31, 2009

1.3.1 | Rexel Group's consolidated financial results

The following table sets out Rexel's consolidated income statement for the full year and fourth quarters of 2010 and 2009, in millions of euros and as a percentage of sales.

REPORTED	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**3,173.9**	**2,904.7**	**9.3%**	**11,960.1**	**11,307.3**	**5.8%**
Gross profit	786.7	715.1	10.0%	2,945.6	2,769.5	6.4%
Distribution and administrative expenses[(1)]	(592.1)	(564.8)	4.8%	(2,329.7)	(2,300.0)	1.3%
EBITA	**194.6**	**150.3**	**29.5%**	**615.9**	**469.5**	**31.2%**
Amortization[(2)]	(4.4)	(4.8)	(9.5)%	(22.8)	(19.2)	18.5%
Operating income before other income and expenses	**190.2**	**145.5**	**30.7%**	**593.1**	**450.2**	**31.7%**
Other income and expenses	(64.2)	(26.4)	143.2%	(107.7)	(134.4)	(19.8)%
Operating income	126.1	119.0	5.9%	485.4	315.8	53.7%
Financial expenses	(49.6)	(75.5)	(34.4)%	(203.1)	(203.1)	-
Share of income from associates	1.5	-	-	4.7	-	-
Income taxes	(16.5)	(9.1)	80.9%	(57.8)	(31.7)	82.4%
Net income	61.5	34.4	78.7%	229.2	81.0	183.0%
as a % of sales	1.9%	1.2%		1.9%	0.7%	
[(1)] Of which depreciation	(18.6)	(22.2)	(16.5)%	(76.1)	(83.5)	(8.9)%

[(2)] Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions.

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**3,173.9**	**3,017.6**	**5.2%**	**11,960.1**	**11,779.6**	**1.5%**
Same number of working days			*5.2%*			*1.3%*
Gross profit	776.1	737.2	5.3%	2,920.9	2,863.9	2.0%
as a % of sales	*24.5%*	*24.4%*		*24.4%*	*24.3%*	
Distribution and administrative expenses	(591.7)	(588.1)	0.6%	(2,328.4)	(2,389.3)	(2.5)%
as a % of sales	*(18.6)%*	*(19.5)%*		*(19.5)%*	*(20.3)%*	
EBITA	**184.4**	**149.1**	**23.7%**	**592.5**	**474.6**	**24.8%**
as a % of sales	***5.8%***	***4.9%***		***5.0%***	***4.0%***	

Group sales

In 2010, Rexel's consolidated sales increased by 5.8% to €11,960.1 million. Disposals, net of acquisitions, represented a reduction of €126.7 million (approximately 1%), stemming chiefly from the disposals of HCL and Haagtechno B.V., while exchange rate fluctuations had a positive effect in the amount of €599.1 million (approximately 5%), attributable to the appreciation of the Australian, Canadian and US dollars against the euro.

The following table sets out sales growth trends between 2010 and 2009, on a reported basis and on a constant basis and same number of working days:

		Sales growth 2010 vs. 2009					
		Q1	Q2	H1	Q3	Q4	Year
Growth on a constant basis and same number of working days		(5.7)%	2.3%	(1.6)%	3.2%	5.2%	1.3%
Number of working days effect		0.0%	0.9%	0.4%	(0.0)%	(0.0)%	0.2%
Organic growth	(a)	*(5.7)%*	*3.2%*	*(1.2)%*	*3.2%*	*5.2%*	*1.5%*
Changes in scope effect		(0.3)%	(0.8)%	(0.5)%	(1.5)%	(1.9)%	(1.1)%
Foreign exchange effect		2.0%	6.3%	4.2%	7.0%	5.8%	5.3%
Total scope and currency effects	(b)	*1.8%*	*5.5%*	*3.7%*	*5.5%*	*3.9%*	*4.2%*
Effective growth (a) x (b) [1]		(4.0)%	8.9%	2.4%	8.9%	9.3%	5.8%

[1] Organic growth compounded by the scope and currency effects

In the year 2010, sales increased by 1.3% on a constant basis and same number of working days. Higher copper-based cable prices compared to the year 2009 had an estimated positive impact of 2.9 percentage points. The negative impact of branch closures was estimated to account for 1.4 percentage points in the sales variation of the year 2010. In the fourth quarter of 2010, sales increased by 5.2% on constant basis and same number of working days with the rise in copper-based cable prices having a positive impact of 2.6 percentage points. Trends are positive in our three geographic areas although volumes remain low except in Asia-Pacific.

Gross profit

In the year 2010, gross profit amounted to €2,945.6 million, a 6.4% increase compared to 2009. On a constant basis, adjusted gross margin slightly improved by 10 basis points compared to 2009 from 24.3% in 2009 to 24.4% in 2010. This resilience reflects favorable channel mix (greater share of warehouse sales vs. direct sales), continued margin focus and incremental purchasing synergies with Hagemeyer. In the fourth quarter of 2010, adjusted gross margin increased by 10 basis points from 24.4% to 24.5% on a constant basis.

Distribution & administrative expenses

In the year 2010, on a constant basis, adjusted distribution and administrative expenses decreased by 2.5% between 2009 and 2010 compared to a 1.5% increase in sales, mostly benefiting from the impact of restructuring initiated since 2009. Adjusted personnel expenses decreased by 0.4% on a constant basis resulting from headcount reductions. At December 31, 2010, the number of employees was 27,391, down 2.9% compared to December 31, 2009, on a constant basis. Lease and maintenance costs decreased thanks notably to the network reorganization (closing of 86 branches over the last twelve months in 2010) and the lease renegotiations. Bad debt expenses decreased by 13.4% compared to the year 2009 to reach 0.4% of sales.

EBITA

EBITA reached €615.9 million in the year 2010, a 31.2% increase compared to the year 2009 on a reported basis. On a constant basis, adjusted EBITA increased by 24.8% and adjusted EBITA margin by 100 basis points from 4.0% in 2009 to 5.0% in 2010. Impact of additional sales was incremented by the improvement of gross margin and the effect of costs saving actions taken since 2009 to reduce distribution and administrative expenses. In the fourth quarter of 2010, adjusted EBITA increased by 23.7% and adjusted EBITA margin improved by 90 basis points from 4.9% to 5.8% on a constant basis.

Other income and other expenses

In 2010, other income and other expenses were a net expense of €107.7 million, including €65.2 million in restructuring expenses relating chiefly to restructuring plans implemented since 2009, in the aim of adapting the Group's structure to the prevailing economic environment. These plans have enabled adjustments to the headcount, to reduce the size of the distribution network and to integrate Hagemeyer entities. They totaled €48.3 million in Europe and €12.6 million in North America.

Other expenses included: (i) impairments of goodwill amounting to €36.6 million, with €23.5 million relating to the Dutch subsidiary, €8.9 million in New Zealand and €4.2 million to the Slovenian subsidiary; (ii) losses stemming from the disposals of certain ACE assets for €10.6 million; (iii) a €2.3 million expense relating to liability guarantees granted by the Group under the sale of investments; (iv) and acquisition-related costs amounting to €2.2 million.

Other income included: (i) compensation received from PPR in the amount of €3.7 million, under a guarantee given to Rexel in 2005; (ii) capital gains totaling €2.9 million relating primarily to the sale of two branches in Sweden; (iii) income of €2.5 million relating to reversals of restructuring provisions not used in France; and (iv) gains of €3.6 million stemming from the reduction of pension liabilities.

Financial expenses

In 2010, net financial expenses amounted to €203.1 million, equal to the amount recorded in 2009, representing an effective interest rate of 7.1% and 6.1% respectively.

In the fourth quarter of 2010, the effective interest rate was 7.1%, compared with 7.7% in the fourth quarter of 2009.

Share of profit/(loss) of associates

In 2010, the share of profit/(loss) of associates was a profit of €4.7 million. This profit came from the investment in DPI, a distributor of consumer electronics goods in the United States, consolidated under the equity method since December 31, 2009.

Tax expense

The effective tax rate was 20.5% at December 31, 2010, compared with 28.1% at December 31, 2009. The effective tax rate decreased in 2010 due to the recognition of a deferred tax asset relating to tax losses incurred in France in the previous year.

Net income

Net income was €229.2 million in fiscal year 2010 and €61.5 million in the fourth quarter of 2010, compared with €81.0 million in fiscal year2009 and €34.4 million in the fourth quarter of 2009.

Recurring net income, calculated from adjusted operating income before other income and expenses after deduction of financial expenses and related income tax, amounted to €270.9 million in fiscal year 2010 and €112.0 million in the fourth quarter of 2010, compared with €163.3 million in fiscal year 2009 and €45.5 million in the fourth quarter of 2009.

1.3.2 | Europe (58% of Group sales)

REPORTED	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**1,864.3**	**1,777.5**	**4.9%**	**6,966.8**	**6,705.1**	**3.9%**
Gross profit	488.2	460.6	6.0%	1,813.6	1,739.5	4.3%
Distribution and administrative expenses	(351.4)	(348.9)	0.7%	(1,367.0)	(1,399.8)	(2.3)%
EBITA	**136.7**	**111.7**	**22.4%**	**446.5**	**339.7**	**31.4%**
as a % of sales	*7.3%*	*6.3%*		*6.4%*	*5.1%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**1,864.3**	**1,815.1**	**2.7%**	**6,966.8**	**6,830.6**	**2.0%**
Same number of working days			*2.8%*			*1.4%*
Gross profit	481.0	465.2	3.4%	1,795.1	1,751.2	2.5%
as a % of sales	*25.8%*	*25.6%*		*25.8%*	*25.6%*	
Distribution and administrative expenses	(351.3)	(356.5)	(1.5)%	(1,366.4)	(1,426.1)	(4.2)%
as a % of sales	*(18.8)%*	*(19.6)%*		*(19.6)%*	*(20.9)%*	
EBITA	**129.7**	**108.8**	**19.3%**	**428.8**	**325.1**	**31.9%**
as a % of sales	***7.0%***	***6.0%***		***6.2%***	***4.8%***	

In the year 2010, sales increased by 3.9% in Europe compared to the year 2009 and reached €6,966.8 million. Acquisitions, net of disposals, accounted for a €3.2 million decrease, while changes in exchange rates accounted for a €128.7 million increase, mostly due to the appreciation of the Swedish krona, Norwegian krona, Pound Sterling and Swiss Franc against the euro. On a constant basis and same number of working days, sales increased by 1.4% in the year 2010, benefiting from copper-based cable prices increase compared to 2009. In the fourth quarter of 2010, sales increased by 2.8% on constant basis and same number of working days.

In France, sales amounted to €2,331.1 million in the year 2010, a 2.0% increase on a constant basis and same number of working days. Growth was driven by commercial and industrial end-markets while residential remained low. Rexel implemented initiatives which contributed to the sales growth with large accounts and projects. The Group estimates that it gained market share. In the fourth quarter of 2010, sales increased by 2.0% on constant basis and same number of working days.

In the United Kingdom, sales amounted to €896.3 million in the year 2010, a 3.2% decrease on a constant basis and same number of working days. The economic environment remains fragile with the reduction in government's spending. The level of project business in the market place has fallen whilst day to day business has stabilized and the overall decrease was mitigated by targeted growth initiatives. The Group estimates that it outperformed the market. In the fourth quarter of 2010, sales decreased by 2.4% on constant basis and same number of working days.

In Germany sales amounted to €912.9 million in the year 2010, an 11.6% increase on a constant basis and same number of working days. This performance was led by booming photovoltaic sales as well as the copper-based cable prices increase. The construction market remained stable at a low level. Sales improved in the industrial end-market, especially in the automotive and chemical sectors and other manufacturers. The Group estimates that it outperformed the market. In the fourth quarter of 2010, sales decreased by 1.7% on constant basis and same number of working days resulting from decrease in photovoltaic sales following the decrease in subsidies during the course of 2010.

In Scandinavia sales amounted to €836.6 million in the year 2010, a 0.7% increase on a constant basis and same number of working days. The activities in Finland recorded an 8.5% rise in sales driven by the Utilities and large nationwide contractors. The company estimated it has outperformed the market. In Sweden, sales decreased by 0.3% mainly in the Utilities mitigated by project sales to industrial customers. Sales in Norway posted a 3.0% decrease, mainly due to the Utility segment, mitigated by industry. In the fourth quarter of 2010, sales in Scandinavia increased by 2.8% on constant basis and same number of working days.

In the year 2010, gross profit amounted to €1,813.6 million, a 4.3% increase compared to 2009. On a constant basis, adjusted gross margin was 25.8% of sales in the year 2010, a 20 basis point improvement from 25.6% in the year 2009. This performance was mainly due to better purchasing terms, including synergies from the Hagemeyer integration. In the fourth quarter of 2010, adjusted gross margin improved by 20 basis points from 25.6% to 25.8% on a constant basis.

On a constant basis, adjusted distribution and administrative expenses decreased by 4.2% compared to a 2.0% increase in sales. Specific actions were implemented in 2009 and continued in 2010 in some countries in order to adjust the costs structure to the level of demand and synergies resulting from the integration of Hagemeyer progressed in line with expectations. Adjusted personnel expenses were reduced by 2.0% compared to the year 2009. The number of employees was reduced by 2.8% compared to December 31, 2009 on a constant basis, to 16,450 at December 31, 2010. Lease and maintenance expenses decreased compared to the year 2009 with branch network (closing of 47 branches over the last twelve months) and real estate rationalization. In the fourth quarter of 2010, adjusted distribution and administrative expenses decreased by 1.5% on a constant basis compared to a 2.7% increase in sales.

EBITA amounted to €446.5 million, a 31.4% increase compared to the year 2009. On a constant basis, adjusted EBITA increased by 31.9% and adjusted EBITA margin increased by 140 basis points to 6.2% in the year 2010. In the fourth quarter of 2010, adjusted EBITA increased by 19.3% on a constant basis and adjusted EBITA margin increased by 100 basis points to 7.0% of sales.

1.3.3 | North America (30% of Group sales)

REPORTED	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**934.2**	**773.4**	**20.8%**	**3,530.8**	**3,315.4**	**6.5%**
Gross profit	205.2	168.5	21.7%	769.0	709.2	8.4%
Distribution and administrative expenses	(160.2)	(142.8)	12.1%	(645.9)	(626.2)	3.1%
EBITA	**45.0**	**25.7**	**75.0%**	**123.1**	**83.0**	**48.3%**
as a % of sales	*4.8%*	*3.3%*		*3.5%*	*2.5%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**934.2**	**856.0**	**9.1%**	**3,530.8**	**3,583.2**	**(1.5)%**
Same number of working days			*9.1%*			*(1.2)%*
Gross profit	202.7	185.4	9.3%	763.4	767.2	(0.5)%
as a % of sales	*21.7%*	*21.7%*		*21.6%*	*21.4%*	
Distribution and administrative expenses	(160.0)	(158.0)	1.3%	(645.3)	(673.2)	(4.1)%
as a % of sales	*(17.1)%*	*(18.5)%*		*(18.3)%*	*(18.8)%*	
EBITA	**42.7**	**27.5**	**55.5%**	**118.1**	**94.0**	**25.7%**
as a % of sales	***4.6%***	***3.2%***		***3.3%***	***2.6%***	

In the year 2010, sales in North America amounted to €3,530.8 million, a 6.5% increase compared to 2009. This increase includes a €267.8 million favorable effect from changes in foreign exchange rates due to the appreciation of the Canadian and US dollar against the euro. On a constant basis and same number of working days, sales decreased by 1.2% in 2010 compared to 2009, despite higher copper-based cable prices compared to 2009. In the fourth quarter of 2010, sales were positive for the second consecutive quarter and increased by 9.1% on constant basis and same number of working days.

In the United States, sales amounted to €2,474.7 million in 2010, a 3.4% decrease on a constant basis and same number of working days. The closing of branch locations accounted for 3.1 percentage points of the decline. The industrial market was positive while residential market stagnated and

commercial remained low. Directed sales focus significantly increased sales to the public sector, helping to offset the significant and continuing drop in private commercial markets. Despite the economic environment, Rexel invested in growth initiatives such as energy efficiency, transportation, infrastructure, education and healthcare, which further mitigated the drop in sales. Sales to national retailers have continued picking up. In the fourth quarter of 2010, sales increased by 6.8% on constant basis and same number of working days.

In Canada, sales amounted to €1,056.1 million in 2010, a 4.3% increase on a constant basis and same number of working days. Commercial market, institutional and manufacturing sectors were strong, in particular in Quebec and Ontario partly offset by low but improving activity in Western Canada. Quoting remained active and backlog is above last year. In the fourth quarter of 2010, sales increased by 14.5% on constant basis and same number of working days.

In the year 2010, gross profit amounted to €769.0 million, an 8.4% increase compared to 2009. On a constant basis, adjusted gross margin increased by 20 basis points compared to 2009 at 21.6% of sales. This positive variation mainly resulted from a change in the channel mix (a greater share of warehouse sales vs. direct sales). In the fourth quarter of 2010, on a constant basis, adjusted gross margin remained in line with the fourth quarter of 2009, at 21.7% of sales.

On a constant basis, adjusted distribution and administrative expenses decreased by 4.1% compared to a 1.5% decrease in sales. Adjusted personnel costs decreased by 1.8% on a constant basis due to staff adaptation and benefits measures initiated since 2009. Headcount was reduced by 5.4% compared to December 31, 2009 on a constant basis, to 7,268 at December 31, 2010. Building costs benefited from network reorganization (closing of 37 branches over the last twelve months) and lease renegotiations. In the fourth quarter of 2010, adjusted distribution and administrative expenses increased by 1.3% on a constant basis compared to a 9.1% increase in sales.

EBITA amounted to €123.1 million in 2010, a 48.3% increase compared to 2009. On a constant basis, adjusted EBITA posted a 25.7% improvement and adjusted EBITA margin increased by 70 basis points to 3.3% in the year 2010. In the fourth quarter of 2010, adjusted EBITA increased by 55.5% on a constant basis and adjusted EBITA margin increased by 140 basis points to 4.6% of sales.

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

REPORTED	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**295.8**	**223.4**	**32.4%**	**1,116.3**	**847.7**	**31.7%**
Gross profit	63.8	49.0	30.2%	242.9	188.7	28.7%
Distribution and administrative expenses	(46.0)	(37.2)	23.8%	(179.2)	(142.6)	25.6%
EBITA	**17.7**	**11.8**	**50.4%**	**63.7**	**46.1**	**38.3%**
as a % of sales	*6.0%*	*5.3%*		*5.7%*	*5.4%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**295.8**	**259.8**	**13.9%**	**1,116.3**	**1,006.9**	**10.9%**
Same number of working days			*13.1%*			*10.9%*
Gross profit	63.1	56.5	11.5%	242.2	226.5	7.0%
as a % of sales	*21.3%*	*21.8%*		*21.7%*	*22.5%*	
Distribution and administrative expenses	(46.0)	(43.5)	5.9%	(179.2)	(172.0)	4.2%
as a % of sales	*(15.6)%*	*(16.7)%*		*(16.1)%*	*(17.1)%*	
EBITA	**17.0**	**13.1**	**30.3%**	**63.1**	**54.4**	**15.9%**
as a % of sales	***5.8%***	***5.0%***		***5.7%***	***5.4%***	

In the year 2010, sales in the Asia-Pacific zone increased by 31.7% compared to 2009 to €1,116.3 million, and 10.9% on a constant basis and same number of working days. Acquisitions accounted for a €2.1 million increase, due to the Suzhou Xidian acquisition in February 2009, while changes in exchange rates accounted for a €157.1 million increase, mostly due to the appreciation of the Australian dollar against the euro. For the fourth quarter of 2010, sales were up 13.1% on a constant basis and same number of working days compared to last year.

In Australia, sales amounted to €708.8 million, an 8.3% increase compared to 2009 on a constant basis and same number of working days. The growth was driven by projects in particular in public sector. In the fourth quarter of 2010, sales increased by 11.1% on constant basis and same number of working days.

In New Zealand, sales amounted to €133.2 million in 2010, a 1.4% decrease compared to 2009 on a constant basis and same number of working days. Sales were still affected by the slowdown of the residential and commercial construction markets. In the fourth quarter of 2010, sales increased by 1.5% on constant basis and same number of working days.

In Asia, sales amounted to €274.3 million in 2010, a 26.4% increase on a constant basis and same number of working days compared to 2009, with solid performance in automation. In the fourth quarter of 2010, sales increased by 25.2% on constant basis and same number of working days.

In the year 2010, gross profit increased by 28.7% to €242.9 million. On a constant basis, adjusted gross margin decreased by 80 basis points to 21.7% in 2010. This was mainly due to a change in the regional mix (increased share in Asia where gross margin is lower) together with a decrease in gross margin in China (driven by business mix with wholesale and industry) and in Australia (increased share of projects and pressure on cable margins). In the fourth quarter of 2010, adjusted gross margin deteriorated by 50 basis points from 21.8% to 21.3% on a constant basis.

On a constant basis, adjusted distribution and administrative expenses increased by 4.2% compared to 2009, while sales increased by 10.9%. Adjusted personnel costs increased by 3.6% on a constant basis. On a constant basis, headcount increased by 1.5% compared to December 31, 2009 to 2,632 at December 31, 2010. In the fourth quarter of 2010, adjusted distribution and administrative expenses increased by 5.9% on a constant basis, compared to a 13.9% increase in sales.

EBITA amounted to €63.7 million in 2010, a 38.3% increase compared to 2009. On a constant basis, adjusted EBITA increased by 15.9%, from 5.4% of sales in 2009 to 5.7% in 2010. In the fourth quarter of 2010, adjusted EBITA increased by 30.3% on a constant basis and adjusted EBITA margin increased by 80 basis points from 5.0% in 2009 to 5.8% in 2010.

1.3.5 | Other Operations (3% of Group sales)

REPORTED	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**79.6**	**130.4**	**(38.9)%**	**346.2**	**439.1**	**(21.2)%**
Gross profit	29.6	37.0	(20.1)%	120.1	132.0	(9.0)%
Distribution and administrative expenses	(34.4)	(35.9)	(4.1)%	(137.6)	(131.4)	4.7%
EBITA	**(4.9)**	**1.1**		**(17.4)**	**0.7**	
as a % of sales	*(6.1)%*	*0.8%*		*(5.0)%*	*0.2%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Year ended December 31		
(in millions of euros)	2010	2009	Change in %	2010	2009	Change in %
Sales	**79.6**	**86.8**	**(8.3)%**	**346.2**	**359.0**	**(3.6)%**
Same number of working days			*(8.2)%*			*(3.4)%*
Gross profit	29.4	30.0	(2.0)%	120.1	119.0	0.9%
as a % of sales	*36.9%*	*34.5%*		*34.7%*	*33.2%*	
Distribution and administrative expenses	(34.4)	(30.2)	14.1%	(137.6)	(118.0)	16.6%
as a % of sales	*(43.3)%*	*(34.8)%*		*(39.7)%*	*(32.9)%*	
EBITA	**(5.0)**	**(0.2)**		**(17.5)**	**1.1**	
as a % of sales	***(6.3)%***	***(0.2)%***		***(5.0)%***	***0.3%***	

In the year 2010, sales of the ACE activity (70% of other operations) posted an 11.0% decrease on a constant basis and same number of working days. Chile (23% of other operations) recorded a 24.5% increase on a constant basis and same number of working days. Disposals accounted for a €125.6 million decrease, mainly due to H.C.L. Asia and Haagtechno B.V. disposals, while changes in exchange rates accounted for a €45.5 million increase, mostly due to the appreciation of the Australian dollar against the euro. In the fourth quarter of 2010, sales decreased by 8.2% on constant basis and same number of working days.

On a constant basis, most of the adjusted EBITA decline was linked to both a lower performance in ACE and Chile as well as higher employee profit sharing charge due to the increase of group performance.

1.4 | Outlook

In 2011, Rexel will focus on three major priorities:

- Strengthen its market position through organic growth and acquisitions

Rexel expects continued sales growth in 2011, resulting from a combination of organic and external growth.

In markets that are expected to continue to gradually improve over the year and thanks to the implementation of its enhanced business model, Rexel expects an increase in volumes throughout the year that will support organic growth.

In addition, Rexel will continue external growth in the coming quarters. Acquisitions already announced in December 2010 (Switzerland) and January 2011 (Brazil, India and China) represent annual sales of circa €200 million on a full-year basis.

- Enhance its profitability and optimize capital employed to achieve its medium-term targets of an EBITA margin close to 6.5% and a return on capital employed close to 14%

Through continued gross margin optimization and tight cost control, Rexel targets an improvement of its profitability by around 50 basis points in 2011 and confirms its medium-term EBITA margin target of close to 6.5%. Combined with optimization of capital employed, this margin increase puts Rexel on track to achieve its medium-term return on capital employed (ROCE) target of close to 14%.

- Generate solid free cash flow

Thanks to tight management of working capital (even in a context of sales volumes recovery) and low capital intensity, free cash flow before interest and tax should exceed €500 million in 2011, allowing the Group to finance external growth while maintaining a sound financial structure.

2. | LIQUIDITY AND CAPITAL RESOURCES OF THE GROUP

2.1 | Cash flow at December 31, 2010 and December 31, 2009

The following table sets out Rexel's cash flow for the years and fourth quarters ended December 31, 2010 and 2009.

(in millions of euros)		Quarter ended December 31			Year ended December 31		
		2010	2009	Change in value	2010	2009	Change in value
Operating cash flow[1]		193.7	134.6	59.1	580.2	446.8	133.4
Interest	(a)	(40.9)	(45.3)	4.4	(160.7)	(149.3)	(11.4)
Taxes	(a)	11.8	(4.6)	16.4	(36.9)	(52.7)	15.8
Change in working capital requirements		134.2	165.6	(31.4)	42.0	471.6	(429.6)
Net cash flow from operating activities	(b)	298.8	250.3	48.5	424.6	716.4	(291.8)
Net cash flow from investing activities		(87.3)	(18.3)	(69.0)	(106.8)	(84.5)	(22.3)
Including operating capital expenditures[2]	*(c)*	*(22.0)*	*(9.8)*	*(12.2)*	*(52.4)*	*(38.5)*	*(13.9)*
Net cash flow from financing activities		(100.7)	(412.1)	311.4	(332.4)	(1,038.2)	705.8
Net cash flow		110.8	(180.1)	290.9	(14.6)	(406.3)	391.7
Free cash flow							
Free cash flow:							
- before interest and taxes (b) – (a) + (c)		**305.9**	**290.4**	**15.5**	**569.8**	**879.9**	**(310.1)**
- after interest and taxes (b) + (c)		**276.8**	**240.5**	**36.3**	**372.2**	**677.9**	**(305.7)**
WCR as a % of sales[3] at:					**Dec. 31, 2010**	**Dec. 31, 2009**	
Reported financial data					9.9%	10.5%	
Financial data on a constant basis					10.6%	11.0%	

[1] Before interest, taxes and change in working capital requirements.
[2] Net of disposals.
[3] Working capital requirements, end of period, divided by prior 12-month sales.

2.1.1 | Cash flow from operating activities

Operating cash flow

The €133.4 million increase stemmed essentially from the improvement in EBITDA (operating income before depreciation, other income and other expenses), which increased from €553.0 million in 2009 to €691.9 million in 2010.

Interest and taxes

In 2010, interest paid amounted to €160.7 million, compared with €149.3 million in the previous year. The increase was attributable primarily to higher credit margins in 2010 compared with 2009, following the Group's refinancing in July 2009.

In 2010, income tax paid amounted to €36.9 million, compared with €52.7 million in the previous year.

Change in working capital requirements

Change in working capital requirements represented an inflow of €42.0 million in 2010, compared with an inflow of €471.6 million in the previous year, reflecting the drop in sales and the measures taken by the Group to adjust working capital in 2009.

As a percentage of sales over the past 12 months, working capital requirements improved from 11.0% at December 31, 2009 to 10.6% at December 31, 2010 on a constant basis and excluding the effect of the derecognition of receivables under an off-balance sheet securitization program the United States. Working capital requirements for the year ended December 31, 2010 include a positive effect of €82.2 million stemming from the derecognition of securitized receivables under this program, representing an additional improvement of 70 basis points, or 9.9%.

2.1.2 | Cash flow from investing activities

Cash flow from investing activities consists of acquisitions and disposals of fixed assets, as well as financial investments. It represented an outflow of €106.8 million in 2010, compared with €84.5 million in the previous year. In the fourth quarter of 2010, cash flow from investing activities represented an outflow of €87.3 million, compared with an outflow of €18.3 million in the fourth quarter of 2009, mainly reflecting the impact of acquiring Grossauer in Switzerland in December 2010.

	Quarter ended December 31		Year ended December 31	
(in millions of euros)	2010	2009	2010	2009
Acquisitions of operating fixed assets	(22.7)	(20.2)	(57.5)	(51.1)
Gain/(loss) on disposal of operating fixed assets	0.8	10.0	7.0	13.4
Net change in debts and receivables on fixed assets	(0.2)	0.4	(1.9)	(0.8)
Net cash flow from operating investing activities	(22.0)	(9.8)	(52.4)	(38.5)
Acquisitions of financial fixed assets	(66.4)	(8.7)	(67.3)	(46.5)
Gain/(loss) on disposal of financial fixed assets	0.6	-	13.3	-
Dividends received from equity associates	1.4	-	1.4	
Net cash flow from financial investing activities	(64.4)	(8.7)	(52.6)	(46.5)
Net change in long-term investments	(0.9)	0.2	(1.8)	0.5
Net cash flow from investing activities	**(87.3)**	**(18.3)**	**(106.8)**	**(84.5)**

Acquisitions and disposals of fixed assets

Acquisitions of fixed assets, net of disposals, represented an outflow of €52.4 million in 2010, compared with €38.5 million in the previous year.

In 2010, gross capital expenditures amounted to €57.5 million, i.e. 0.5% of sales over the period, of which €25.0 million on IT systems, €16.8 million on the renovation of existing branches and the opening of new ones, €11.6 million on logistics and €4.1 million on other investments. In 2010, disposals of fixed assets amounted to €7.0 million, and related mainly to sales of buildings in Sweden, Latvia and Italy. Net change in the related payables and receivables was €1.9 million, increasing net capital expenditures over the period in the same amount.

In 2009, gross capital expenditures amounted to €51.1 million, i.e. 0.5% of sales over the period, of which €25.1 million on IT systems, €19.1 million on the renovation of existing branches and the opening of new ones, €5.7 million on logistics and €1.2 million on other investments. In 2009, disposals of fixed assets amounted to €13.4 million, and related mainly to the disposal of three branches, one in the United States and two in the United Kingdom, and the sale of a building in China. Net change in the related payables and receivables amounted to €0.8 million, increasing net capital expenditures over the period in the same amount.

Financial investments

Rexel's net financial investments represented an outflow of €52.6 million in 2010, compared with €46.5 million in the previous year.

In 2010, inflows covered the disposals of HCL Asia and Haagtechno B.V. in the amount of €3.4 million, and €10.2 million net of cash disposed. Outflows mainly included the acquisition of Grossauer in Switzerland for €64.1 million. Earn-outs and price adjustments on prior acquisitions represented a net total of €1.1 million. Dividends received from equity associate DPI totaled €1.4 million.

In 2009, outflows in respect of financial investments mainly included the acquisition of 63.5% of the shares of Suzhou Xidian Co. Ltd. in China for CNY41.0 million (€4.7 million), the increase in the Group's interest in Huazhang Electrical Automation Co. Ltd. in China, from 51% to 70%, via the exercise of a call option for CNY34.6 million (€3.6 million) and the acquisition of the remaining Hagemeyer shares for €27.2 million, including acquisition costs. Earn-outs and price adjustments on prior acquisitions represented a net total of €10.7 million.

2.1.3 | Cash flow from financing activities

Cash flow from financing activities comprises change in indebtedness and issuance of new shares.

In 2010, financing activities represented a net outflow of €332.4 million. Outflows comprised:

- Reduction of the 2009 Senior Credit Agreement in the amount of €407.8 million;
- Reduction in securitization programs bearing on trade receivables in the amount of €34.3 million;
- Changes in other credit facilities in the amount of €24.4 million;
- Payments related to finance lease liabilities in the amount of €5.2 million;
- Transaction costs paid in connection with Group refinancing in the amount of €5.0 million.

By contrast, inflows comprised:

- Issuance of additional senior unsecured bonds in the amount of €75.0 million (€76.7 million including the issuance premium);
- Issuance of treasury notes in the amount of €56.9 million;
- Proceeds from share capital increase related to the exercise of stock-options and to an employee share purchase plan for an aggregate amount of €9.7 million.

In 2009, financing activities represented net outflows of €1,038.2 million. Outflows comprised:

- Redemption of the 2008 Senior Credit Agreement in the amount of €2,401.0 million;
- Reduction in securitization programs bearing on trade receivables in the amount of €236.2 million;
- Transaction costs paid in connection with Group refinancing in the amount of €64.1 million;
- Payments related to finance lease liabilities in the amount of €7.7 million.

By contrast, inflows comprised:

- Subscription of the 2009 Senior Credit Agreement in the amount of €1,082.0 million;
- Issuance of senior unsecured notes in the amount of €575.0 million;
- Net disposals of treasury shares in the amount of €8.6 million;
- Net change in other credit facilities in the amount of €4.5 million.

2.2 | Sources of financing of the Group

In addition to the cash from operations and equity, the Group's main sources of financing are multilateral credit facilities, debt issuance and securitization programs. At December 31, 2010, Rexel's consolidated net debt amounted to €2,273.3 million and broke down as follows:

	December 31, 2010			December 31, 2009		
(in millions of euros)	Current	Non-current	Total	Current	Non-current	Total
Senior notes	-	669.5	669.5	-	575.0	575.0
Senior credit facility	-	761.5	761.5	-	1,091.2	1,091.2
Securitization	-	1,067.6	1,067.6	-	1,056.6	1,056.6
Bank loans	6.6	1.9	8.5	3.9	2.3	6.2
Commercial paper	56.9	-	56.9	-	-	-
Bank overdrafts and other credit facilities	66.6	-	66.6	83.5	-	83.5
Finance lease obligations	5.7	7.2	12.9	6.9	11.0	17.9
Accrued interest [1]	5.2	-	5.2	5.7	-	5.7
Less transaction costs	(19.0)	(44.2)	(63.2)	(16.5)	(58.8)	(75.3)
Total financial debt and accrued interest	**122.0**	**2,463.5**	**2,585.5**	**83.5**	**2,677.3**	**2,760.8**
Cash and cash equivalents			(311.9)			(359.6)
Fair value hedge derivatives			(0.3)			
Net financial debt			**2,273.3**			**2,401.2**

[1] of which accrued interest on Senior Notes in the amount of €2.5 million at December 31, 2010 (€1.5 million at December 31, 2009)

Net financial debt is detailed in note 19 of Rexel's Consolidated Financial Statements at December 31, 2010.

On January 20, 2010, Rexel issued additional senior unsecured notes in the amount of €75 million, following the issue made on December 21, 2009 in the amount of €575 million. The new notes are fully assimilated to the notes issued on December 21, 2009. They bear interest at a rate of 8.25% and are redeemable on December 15, 2016.

The issue price was 102.33% of the principal amount, i.e. a total of €76.7 million. Interest is due semi-annually on June 15 and December 15 each year, the first payment having been made on June 15, 2010.

In September 2010, Rexel launched a commercial paper program limited to €500 million with a fixed maturity ranging from one to three months depending on the type of note. The aim was to enlarge the investor base and optimize financing costs.

At December 31, 2010, the Group's liquidity amounted to €930.5 million, including €192.0 million of cash net of overdrafts and restated from commercial papers issued and €738.5 million of undrawn credit facilities.

The Indebtedness Ratio (Adjusted consolidated net debt/Adjusted consolidated EBITDA for the previous 12 months) is compared with the covenant every six months. The limits laid down in the senior debt contract signed on December 21, 2009 are set out below:

Date	31/12/2010	30/06/2011	31/12/2011	30/06/2012	31/12/2012	30/06/2013	31/12/2013	30/06/2014
Limite	4.90x	4.50x	4.00x	3.75x	3.50x	3.50x	3.50x	3.50x

At December 31, 2010, the Indebtedness Ratio, calculated in accordance with the terms of the senior credit contract, was 3.19 (compared with 4.32 at December 31, 2009).

(in millions of euros)	December 31, 2010
Net debt at closing currency exchange rates	2,273.3
Net debt at average currency exchange rates (A)	2,228.2
LTM EBITDA [1] (B)	699.3
Indebtedness ratio (A)/(B)	**3.19**

[1] Calculated in accordance with the terms of the senior credit contract

2.3 | Post-closing events

As part of its external growth strategy, in January 2011 the Group announced its acquisition of Nortel Suprimentos Industriais in Brazil, Yantra Automation Private Ltd in India and Wuhan Rockcenter automation in China. These acquisitions will help it expand its global footprint into three emerging countries.

Nortel Suprimentos Industriais is among the top three Brazilian distributors of electrical materials. It is based in Campinas in São Paulo state and has annual sales of around €110 million. The acquisition is to be carried out in two stages: an initial 75% majority stake acquired in January 2011, followed by acquisition of the remaining shares at the beginning of 2013 at a set price based on the company's operating performance in financial years 2011 and 2012.

Yantra Automation Private Ltd is a distributor specializing in automation and industrial controls. Based in Pune in India's Maharashtra state, it has annual sales of around €12 million. Pursuant to the acquisition agreement, the Group acquired an initial 74% majority stake in Yantra Automation Private Ltd in January 2011, and will acquire the remaining shares in 2014 at a set price based on the company's future operating performance.

Wuhan Rockcenter Automation Co.Ltd is based in Wuhan, the capital of the Hubei province in central China and posted sales of around €10 million in 2010. The Group acquired the assets and the business of this company. The acquisition price is subject to an earn-out based on future performance.

The total amount of these acquisitions is €59.3 million. At the closure of the consolidated financial statements, the Group did not have sufficient information to allocate the goodwill transferred in these transactions.

II. Consolidated financial statements

This document is a free translation from French to English of Rexel's original consolidated financial statements for the year ended December 31, 2010 and is provided solely for the convenience of English speaking readers. In the event of any ambiguity or discrepancy between this unofficial translation and the original consolidated financial statements for the year ended December 31, 2010, the French version will prevail.

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Consolidated Income Statement

(in millions of euros)	**Note**	**For the year ended December 31**	
		2010	**2009**
Sales	***4***	11,960.1	11,307.3
Cost of goods sold		(9,014.5)	(8,537.8)
Gross profit		**2,945.6**	**2,769.5**
Distribution and administrative expenses	***5***	(2,352.5)	(2,319.3)
Operating income before other income and expenses		**593.1**	**450.2**
Other income	***7***	16.1	33.1
Other expenses	***7***	(123.8)	(167.5)
Operating income		**485.4**	**315.8**
Financial income		49.3	47.7
Interest expense on borrowings		(189.8)	(173.2)
Refinancing related expenses		-	(21.2)
Other financial expenses		(62.6)	(56.4)
Financial expenses (net)	***8***	*(203.1)*	*(203.1)*
Share of profit of associates	***10.4***	4.7	-
Net income before income tax		**287.0**	**112.7**
Income taxes	***9***	(57.8)	(31.7)
Net income		**229.2**	**81.0**
Portion attributable:			
to the Group		228.5	80.6
to non-controlling interests		0.7	0.4
Earnings per share			
Basic earnings per share (in euros)	***16***	0.87	0.31
Fully diluted earnings per share (in euros)	***16***	0.87	0.31

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

Consolidated Statement of Comprehensive Income

(in millions of euros)	For the year ended December 31	
	2010	**2009**
Net income	**229.2**	**81.0**
Foreign currency translation	154.8	103.7
Income tax	8.1	(1.4)
	162.9	102.3
Gain (Loss) on cash flow hedges	17.7	(5.8)
Income tax	(7.9)	0.6
	9.8	(5.2)
Net gain on available for sale financial assets	-	0.6
Income tax	-	-
	-	0.6
Other comprehensive income for the period, net of tax	*172.7*	*97.7*
Total comprehensive income for the period, net of tax	**401.9**	**178.7**
Portion attributable:		
to the Group	400.4	178.6
to non-controlling interests	1.5	0.1

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

Consolidated Balance Sheet

(in millions of euros)	***Note***	**2010**	**2009**
		As of December 31	
Assets			
Goodwill	***10.1***	3,931.2	3,759.4
Intangible assets	***10.1***	934.4	927.8
Property, plant and equipment	***10.2***	245.4	261.6
Long-term investments	***10.3***	132.1	53.3
Investments in associates	***10.4***	9.3	5.9
Deferred tax assets	***9.2***	138.6	230.0
Total non-current assets		**5,391.0**	**5,238.0**
Inventories	***11.1***	1,203.1	1,141.4
Trade accounts receivable	***11.2***	2,022.0	1,901.5
Current tax assets		29.7	32.0
Other accounts receivable	***11.3***	406.4	371.9
Assets held for sale	***11.4***	23.1	10.5
Cash and cash equivalents	***12***	311.9	359.6
Total current assets		**3,996.2**	**3,816.9**
Total assets		**9,387.2**	**9,054.9**
Equity			
Share capital	***14***	1,301.0	1,291.1
Share premium	***14***	1,383.7	1,392.2
Reserves and retained earnings		1,140.4	720.9
Total equity attributable to equity holders of the parent		**3,825.1**	**3,404.2**
Non-controlling interests		9.3	7.8
Total equity		**3,834.4**	**3,412.0**
Liabilities			
Interest bearing debt	***19***	2,463.5	2,677.3
Employee benefits	***18***	174.4	173.8
Deferred tax liabilities	***9.2***	144.5	221.7
Provisions and other non-current liabilities	***17***	156.3	235.4
Total non-current liabilities		**2,938.7**	**3,308.2**
Interest bearing debt	***19***	116.8	77.8
Accrued interest	***19***	5.2	5.7
Trade accounts payable		1,866.2	1,676.0
Income tax payable		39.8	22.9
Other current liabilities	***21***	584.1	552.3
Liabilities related to assets held for sale	***11.4***	2.0	-
Total current liabilities		**2,614.1**	**2,334.7**
Total liabilities		**5,552.8**	**5,642.9**
Total equity and liabilities		**9,387.2**	**9,054.9**

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

Consolidated Statement of Cash Flows

(in millions of euros)	*Note*	For the year ended December 31	
		2010	**2009**
Cash flows from operating activities			
Operating income		485.4	315.8
Depreciation, amortization and impairment of assets		139.8	129.5
Employee benefits		(15.5)	(17.8)
Change in other provisions		(47.6)	7.3
Other non-cash operating items		18.1	12.0
Interest paid		(160.7)	(149.3)
Income tax paid		(36.9)	(52.7)
Operating cash flows before change in working capital requirements		*382.6*	*244.8*
Change in inventories		(26.6)	232.9
Change in trade receivables		(48.8)	521.8
Change in trade payables		121.6	(305.5)
Changes in other working capital items		(4.2)	22.4
Change in working capital requirements		*42.0*	*471.6*
Net cash from operating activities		**424.6**	**716.4**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(59.4)	(51.9)
Proceeds from disposal of property, plant and equipment		7.0	13.4
Acquisition of subsidiaries, net of cash acquired		(67.3)	(46.5)
Proceeds from disposal of subsidiaries, net of cash disposed		13.3	-
Change in long-term investments		(1.8)	0.5
Dividends received from associates		1.4	-
Net cash from investing activities		**(106.8)**	**(84.5)**
Cash flows from financing activities			
Capital increase	***14***	9.7	0.3
Contribution received from non-controlling shareholders		-	0.7
Disposal (Purchase) of treasury shares		1.1	8.6
Net change in credit facilities and other financial borrowings	***19.2***	(303.6)	(803.6)
Net change in securitization	***19.2***	(34.3)	(236.2)
Payment of finance lease liabilities	***19.2***	(5.2)	(7.7)
Dividends paid to non-controlling interests		(0.1)	(0.3)
Net cash from financing activities		**(332.4)**	**(1,038.2)**
Net increase in cash and cash equivalents		(14.6)	(406.3)
Cash and cash equivalents at the beginning of the period	***12***	359.6	807.0
Effect of exchange rate changes on cash and cash equivalents		(33.1)	(41.1)
Cash and cash equivalents at the end of the period	***12***	**311.9**	**359.6**

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

Consolidated Statement of Changes in Shareholders' Equity

(in millions of euros)	***Note***	Share capital	Share premium	Retained earnings and other reserves	Foreign currency translation	Fair value	Treasury shares	**Total attributable to the Group**	Non-controlling interests	**TOTAL**
For the period ended December 31, 2009										
At January 1, 2009		**1,280.0**	**1,409.9**	**711.2**	**(141.8)**	**(24.5)**	**(10.5)**	**3,224.3**	**24.1**	**3,248.4**
Foreign currency translation		-	-	-	102.6	-	-	102.6	(0.3)	102.3
Cash flow hedges		-	-	-	-	(5.2)	-	(5.2)	-	(5.2)
Available for sale financial assets		-	-	-	-	0.6	-	0.6	-	0.6
Income and expenses recognized directly in equity		**-**	**-**	**-**	**102.6**	**(4.6)**	**-**	**98.0**	**(0.3)**	**97.7**
Net income		-	-	80.6	-	-	-	80.6	0.4	81.0
Total comprehensive income for the period		**-**	**-**	**80.6**	**102.6**	**(4.6)**	**-**	**178.6**	**0.1**	**178.7**
Capital increase		10.8	(10.8)	-	-	-	-	-	-	-
Allocation of free shares		-	(6.9)	6.9	-	-	-	-	-	-
Share-based payments		0.3	-	5.3	-	-	-	5.6	-	5.6
Disposal (Purchase) of treasury shares		-	-	-	-	-	8.3	8.3		8.3
Transactions with non-controlling shareholders		-	-	(12.6)	-	-	-	(12.6)	(16.4)	(29.0)
At December 31, 2009		**1,291.1**	**1,392.2**	**791.4**	**(39.2)**	**(29.1)**	**(2.2)**	**3,404.2**	**7.8**	**3,412.0**
For the period ended December 31, 2010										
At January 1, 2010		**1,291.1**	**1,392.2**	**791.4**	**(39.2)**	**(29.1)**	**(2.2)**	**3,404.2**	**7.8**	**3,412.0**
Foreign currency translation		-	-	-	162.1	-	-	162.1	0.8	162.9
Cash flow hedges		-	-	-	-	9.8	-	9.8	-	9.8
Income and expenses recognized directly in equity		**-**	**-**	**-**	**162.1**	**9.8**	**-**	**171.9**	**0.8**	**172.7**
Net income		-	-	228.5	-	-	-	228.5	0.7	229.2
Total comprehensive income for the period		**-**	**-**	**228.5**	**162.1**	**9.8**	**-**	**400.4**	**1.5**	**401.9**
Capital increases	***14***	9.9	(0.2)	0.6	-	-	-	10.3	-	10.3
Allocation of free shares			(8.3)	8.3	-	-	-	-	-	-
Share-based payments		-	-	9.8	-	-	-	9.8	-	9.8
Disposal (Purchase) of treasury shares		-	-	-	-	-	0.4	0.4	-	0.4
At December 31, 2010		**1,301.0**	**1,383.7**	**1,038.6**	**122.9**	**(19.3)**	**(1.8)**	**3,825.1**	**9.3**	**3,834.4**

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

Accompanying Notes

1. | GENERAL INFORMATION

Rexel was incorporated on December 16, 2004. Shares of Rexel were admitted to trading on the Eurolist market of Euronext Paris on April 4, 2007. The group consists of Rexel and its subsidiaries (herein after 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 offer covers electrical installation equipment, conduits and cables, lighting, security and communication, climate control, tools, and white and brown products. The principal markets in which the Group operates are in Europe, North America (United States and Canada), and Asia-Pacific (mainly in Australia, New Zealand, and China).

These consolidated financial statements cover the period from January 1, 2010 to December 31, 2010. They were authorized for issue by the Management Board on February 1, 2011 and were modified by the Management Board on February 8th, 2011 to take into account certain information related to events after the reporting period.

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2. | SIGNIFICANT ACCOUNTING POLICIES

2.1 | Statement of Compliance

The consolidated financial statements as of December 31, 2010 (hereinafter referred to as "the financial statements") have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and those issued by the International Accounting Standards Board (IASB), applicable compulsorily as of December 31, 2010.

IFRSs as adopted by the European Union can be consulted on the European Commission's website: (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

2.2 | Basis of Preparation

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

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

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

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed frequently. The effect of changes in accounting estimates is accounted for from the date of revision.

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

- Business combinations (notes 2.5 and **3**)
- Impairment of intangible assets and goodwill (notes 2.5, 2.8, and 10.1)
- Employee benefits (notes 2.14 and 18)
- Provisions and contingent liabilities (notes 2.16, 17, and 22)
- Measurement of financial instruments (notes 2.10.4 and 20)
- Recognition of deferred tax assets (notes 2.20 and 9)
- Measurement of share-based payments (notes 2.15 and 15)

2.2.1 New Accounting Standards and Interpretations in Effect Starting from 2010

The following new and amended standards and interpretations previously endorsed by the EU were applied for the first time in the financial statements from 2010 but their adoption had no material effect on the Group's reporting:

- Improvements to IFRS issued in May 2008 in respect of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";
- Revised IFRS 3 "Business Combinations" and amended IAS 27 "Consolidated and Separate Financial Statements" issued in January 2008 apply prospectively for transactions occurring after January 1, 2010. IFRS 3 (Revised) introduces changes in the accounting for business combinations that affect the valuation of non-controlling interests, the accounting of transaction costs, the initial recognition and subsequent measurement of a contingent consideration, and business combinations achieved in stages. IAS 27 (Amended) requires that a change in the ownership interest of a parent company in a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions no longer give rise to goodwill, nor do they give rise to gains or losses in the income statement. Furthermore, the amended standard changes the accounting for losses incurred by a subsidiary and attributable to non-controlling interests, as well as for the loss of control of a subsidiary. For the year ended December 31, 2010, the application of IFRS 3 (Revised) resulted in the recognition of a charge of €2.2 million for transaction costs presented in the income statement under the line-item "Other Expenses";
- Amendment to IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" issued in July 2008. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as hedged risk or portion in a particular situation;
- Interpretations IFRIC 17 "Distributions of Non-cash Assets to Owners" and IFRIC 18 "Transfers of Assets from Customers";
- Amendment to IFRS 1 "First Time Adoption of IFRS: Additional Exemptions for First-time Adopters". The amendment exempts entities using the full cost method from retrospective application of the IFRSs for oil and gas assets. It also exempts entities with existing lease contracts from reassigning the classification of those contracts in accordance with IFRIC 4 "Determining Whether an Arrangement Contains a Lease" when the application of their national accounting requirements produces the same result;
- Amendments to IFRS 2 "Share-based Payment - Group Cash-settled Share-based Payment Transactions" addresses the treatment of such transactions when, within a Group, the entity that receives goods or services is not the one that settles the transaction;
- Improvements to IFRS issued in April 2009 clarify or introduce small changes to several IFRSs and IFRICs.

In addition, the following interpretations endorsed by the EU were previously applied by the Group in advance. Therefore their adoption had no material effect on the Group's reporting for 2010:

- Interpretation IFRIC 12 – Service Concessions Arrangements
- Interpretation IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

2.2.2 Accounting Standards and Interpretations Approved by the European Union not yet in Effect

The Group elected not to apply in advance the following new and amended standards and interpretations endorsed by the EU:

- Amendment to IAS 32 "Financial Instruments: Presentation - Classification of Rights Issued" addresses the accounting for certain rights (rights, options, or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, this amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. This amendment will be effective for financial years beginning on or after February 1, 2010 and is not expected to have a material impact on the Group's financial statements.

- Revised IAS 24 "Related Party Disclosures" clarifies the definition of a related party and introduces partial exemptions when the related party is a government-related entity. This amendment shall apply for financial years beginning on or after January 1, 2011.

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments". This interpretation addresses the accounting when the terms of financial liability are renegotiated and result in the issuance of equity instruments to extinguish all or part of such liability. This interpretation shall apply for financial years beginning on or after July 1, 2010.

- Amendment to interpretation IFRIC 14 "Prepayments of a Minimum Funding Requirement". This amendment permits entities subject to minimum funding requirements and which make early payments of contributions to treat the benefit of such early payment as an asset. This amendment will be effective for financial periods beginning on or after January 1, 2011.

2.3 | Basis of Consolidation

The consolidated financial statements include the financial statements for Rexel S.A., parent company of the Group, and its direct and indirect subsidiaries as of December 31, 2010. The subsidiaries (including Special Purpose Entities) are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, presently or potentially, exercisable voting rights are taken into account.

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the foreign currency translation recorded in equity
- Recognizes the fair value of the compensation received
- Recognizes the fair value of any investment retained
- Recognizes any benefit or deficit in profit or loss
- Reclassifies components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate

2.4 | Foreign Currency Translation

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

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

Foreign Currency Transactions

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

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

Foreign Operations

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

Net Investment in Foreign Operations

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

Hedge of Net Investment in Foreign Operations

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

2.5 | Intangible Assets

Goodwill

Business combinations from January 1, 2010

Business combinations completed from January 1, 2010 are accounted for using the acquisition method. The cost of an acquisition is measured as acquisition date fair value of the consideration transferred and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interests either at fair value or at the proportionate share of the acquiree's identifiable net assets. The costs of acquisition are recognized as expenses.

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

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

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

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

Business combinations before January 1, 2010

The main differences in processing acquisitions completed before January 1, 2010 compared with the policies described above concern the following provisions:

- Acquisition-related costs were included in the transaction cost for calculating goodwill,
- Non-controlling interests (previously referred to as minority interests) were stated at their share of the net assets in the entity acquired, and
- Contingent considerations were recorded at the time of the acquisition only when these corresponded to a current obligation of the Group, were likely to give rise to outflows and could be estimated in a sufficiently reliable manner. Subsequent adjustments to contingent considerations were recorded in goodwill.

Other Intangible Assets

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

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

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

Distribution networks are considered separable assets as they could be franchised. They correspond to the value added to each branch through the existence of a network, and include notably banners and catalogues. Their measurement is performed using the royalty relief method based on royalty rates used for franchise contracts, taking their profitability into account. The royalty rate ranges from 0.4% to 0.8% of sales depending on each country.

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

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

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

Amortization

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

2.6 | Property, Plant and Equipment

Owned Assets

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

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

Leased Assets

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

Assets held under finance leases are stated at an amount equal to the fair value of the leased property or, if this is lower, the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see note 2.8). Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital gains arising from the sale and leaseback of property, plant and equipment are recognized in full upon sale when the lease qualifies as an operating lease and the transaction is realized at fair value. They are spread on a straight-line basis over the lease term in case of a finance lease.

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

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

Depreciation

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

Land is not depreciated.

The estimated useful lives are as follows:

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

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

2.7 | Investments in Associates

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

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

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

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

2.8 | Impairment

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

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

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

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

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

Calculation of the Recoverable Amount

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

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

Reversal of Impairment Losses

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

Impairment losses in respect of goodwill may not be reversed.

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

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

2.9 | Inventories

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

2.10 | Financial assets

2.10.1 Long-term investments

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

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

2.10.2 Held for trading instruments

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

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

2.10.3 Trade and other accounts receivable

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

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

2.10.4 Derivative financial instruments

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

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

Interest rate & foreign exchange risks

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

Fair value estimates

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. This valuation method is referred to as Level 1 in the hierarchy established by IFRS 7.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The assumptions used are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This valuation method is referred to as Level 2 in the hierarchy established by IFRS 7.

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

2.10.5 Hedge accounting

Cash flow hedges

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

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

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

Fair value hedges

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

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

Hedge of monetary assets and liabilities denominated in foreign currency

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

2.10.6 | Cash and cash equivalents

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

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

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

2.12 | Share capital

Repurchase of equity instruments

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

Dividends

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

2.13 | Financial liabilities

Interest-bearing borrowings

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

Effective interest rate

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

Transaction costs

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

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

Net financial debt

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

2.14 | Employee benefits

Group companies operate various pension schemes. Some of these schemes are funded by insurance companies or trustee-administered funds in accordance with local regulation.

Pension and other long-term benefits include two categories of benefit:

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

These benefits are classified as either:

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

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

The liability recognized in the balance sheet in respect of defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs.

When the benefits of a plan are improved (reduced), the portion of the increased (decreased) benefit relating to past service by employees is recognized as an expense (income) in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense (income) is recognized immediately in profit or loss.

The Group recognizes actuarial gains and losses (resulting from changes in actuarial assumptions) using the corridor method. Under the corridor method, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain (loss) is not recognized.

When the calculation results in plan assets exceeding the Group's liabilities, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any currently available future refunds from the plan or reductions in future contributions to the plan.

The current and past service costs are presented in the income statement as part of the personnel expense.

The interest expenses (income) relating to the unwinding of the discounting of the defined benefit obligation and the expected return on plan assets are presented in financial income and expenses.

Other long-term benefits

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

Actuarial gains and losses are immediately recognized in the income statement.

2.15 | Share-based payments

Free shares and stock option programs allow the Group employees to acquire shares of the Group entities. The fair value of options granted is recognized as a personnel expense with a corresponding increase in other reserves in equity (when the plan qualifies as equity-settled) over the period during which the employees become unconditionally entitled to the options (the vesting period). The expense is based on Group estimates of the acquired equity instruments in accordance with conditions of granting.

The fair value is measured at grant date using a Black & Scholes model or a binomial model in accordance with the characteristics of the plans.

The proceeds received net of any directly attributable costs are recognized as an increase in share capital (for the nominal value) and share premium when equity instruments are exercised.

2.16 | Provisions

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

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

Provision for restructuring

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

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

Onerous contracts

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

Provisions for disputes and litigations

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

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

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

2.17 | Sales

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

Sales are recognized net of customer rebates and discounts.

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

2.18 | Other income and other expenses

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

2.19 | Financial expenses (net)

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

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

2.20 | Income tax

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

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

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

A net deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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

2.21 | Segment reporting

In accordance with IFRS 8 "Operating segments", operating segments are based on the Group's financial reporting structure. The Group's financial reporting is organized into geographical areas for its electrical equipment distribution business while non-core operations and certain businesses managed directly at Group level are reported independently.

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.

Based on this structure, the reportable segments are Europe, North America and the Asia-Pacific zone, which include the electrical equipment distribution business of the Group in these areas. The other operating segments are aggregated. They include the Group's electrical equipment distribution business in Chile and businesses managed at Group level.

The Group financial reporting is reviewed each month by the Management Board acting as the Chief operating decision maker.

2.22 | Earnings per share

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

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

3. | BUSINESS COMBINATIONS

3.1 | 2010 acquisitions

As part of its policy of external growth aiming at strengthening its presence in emerging countries, increasing its market share in mature countries and improving its offering of high value-added services, the Group acquired two electrical equipment distributors during December 2010: the companies Grossauer in Switzerland and LuckyWell Int'l Investment Limited in China.

Grossauer Elektro-Handels AG, based in Heiden in eastern Switzerland, has annual sales of around €50 million, and is active mainly in the industrial end-market. All of the company's share capital was acquired for the amount of 85 million Swiss francs (€64.1 million).

LuckyWell Int'l Investment Limited is a holding company which controls 100% of its operational subsidiary, Beijing Lucky Well Zhineng Electrical Co, which is active in the provinces of Beijing and Tianjin and essentially addresses industrial clients. This company has annual sales of around €16 million. All of the shares in LuckyWell Int'l Investment Limited were acquired. The acquisition price comprised an initial payment of 20 million RMB (€2.3 million) which will be subject to a price adjustment in 2012 depending on the operational performance level noted during 2011.

As these transactions are not significant on the Group's financial situation, and given their acquisition date, these two companies have not been consolidated in the financial statements at 31 December 31, 2010. Their inclusion within the Group's scope of consolidation is deferred to January 1, 2011. At December 31, 2010, the fair value of the consideration transferred for the acquisition of Grossauer Elektro-Handels AG and the initial payment for the investment in LuckyWell Int'l Investment Limited were recognized under "Other financial assets" (see note 10.3). The acquisition-related transaction costs were recognized under "Other expenses" (see note 7.2).

3.2 | 2009 acquisitions

Acquisition of remaining Hagemeyer shares

Following completion of the public take-over on the Hagemeyer securities in 2008, Rexel initiated a squeeze-out procedure in accordance with the Dutch Civil Code in order to acquire the remaining shares not held by Kelium or Hagemeyer. The Enterprise Chamber of Amsterdam (in The Netherlands) awarded Kelium the right to compulsorily acquire all remaining Hagemeyer shares. The Enterprise Chamber set the acquisition price at €4.85 per remaining share (the take-over price) plus accrued interest computed as per Dutch statutory interest for the period from March 14, 2008 (the settlement date under the Offer), until the day on which the shares were transferred to Kelium resulting in a payment of €5.18 per share. In this respect, Rexel acquired in the second quarter of 2009 the remaining outstanding 5,085,965 shares for a total consideration of €26.3 million. Thus, as of December 31, 2009, Rexel, through its subsidiary Rexel Distribution, has full ownership of Hagemeyer NV, following the merger with its subsidiary Kelium, the entity which initiated the public offer, effective on July 31, 2009.

This transaction was accounted for as an equity transaction. As a result, the difference between the carrying amount of the minority interests acquired and the fair value of the consideration paid was recognized directly as a decrease of the Group shareholders' equity for €9.2 million.

Purchase price allocation of the Hagemeyer acquisition

In the first quarter of 2009, Rexel completed the purchase price allocation to the identifiable assets and liabilities acquired from Hagemeyer and recorded certain adjustments to goodwill as determined on a provisional basis as of December 31, 2008. Thus, the balance-sheet as of December 31, 2008 was adjusted retrospectively for comparison purposes.

As of December 31, 2009, the final allocation of the Hagemeyer purchase price is as follows:

(in millions of euros)	
Preliminary goodwill on acquisition as at December 31, 2008 ……	**1,189.1**
Adjustment on provision and other non-current liabilities…………………	5.8
Deferred tax adjustment……………………………………………………	(14.3)
Others………………………………………………………………………	0.1
Final goodwill on acquisition as at December 31, 2009 ……………	**1,180.7**

Xidian

In the first half of 2009, Rexel completed the acquisition of 63.5% of the shares of Xidian (China) for a total consideration of CNY41.0 million (€4.7 million) net of cash acquired. Following the take-over, Xidian proceeded to a share capital increase of CNY18.0 million (€2.1 million) that was subscribed by Rexel proportionally to its ownership interest in the company. Goodwill arising on this acquisition was €4.2 million.

Huazhang

Pursuant to a share purchase agreement entered into on March 2, 2007 with Huazhang Overseas Holding Inc. as seller, Rexel exercised its call option and increased from 51% to 70% its shareholding interest in Huazhang Electrical Automation Co.Ltd, a Hong Kong based company that distributes automatisms and industrial equipment controls in Hong Kong and Western China. The transaction was executed on July 10, 2009 for a consideration of CNY34.6 million which was settled for USD 5.1 million (€3.6 million).

This transaction was accounted for as an equity transaction. As a result, the difference between the carrying amount of the minority interests acquired and the consideration paid was recognized directly as a decrease of the Group shareholders' equity for €3.4 million.

The above transactions are not deemed to be material on the financial situation of the Group.

4. | SEGMENT REPORTING

Geographical segment information for the periods ended December 31, 2010 and 2009

2010 *(in millions of euros)*	**Europe**	**North America**	**Asia-Pacific**	**Other segments**	**Total Operating Segments**	**Holding Companies**	**Total Group**
Income statement items							
Sales to external customers……………	6,966.8	3,530.8	1,116.3	346.2	**11,960.1**	-	**11,960.1**
Depreciation………………………………	(46.9)	(19.7)	(4.2)	(3.7)	**(74.5)**	(1.6)	**(76.1)**
EBITA [(1)] …………………………………	446.5	123.1	63.7	12.6	**645.9**	(30.0)	**615.9**
Goodwill impairment ……………………	(27.7)	-	(8.9)	-	**(36.6)**	-	**(36.6)**
Cash flow statement item							
Capital expenditures net of disposals …	(29.9)	(13.7)	(4.6)	(2.7)	**(50.9)**	(1.5)	**(52.4)**
Balance sheet items							
Working capital……………………………	679.7	348.5	133.9	44.1	**1,206.2**	(11.3)	**1,194.9**
Goodwill……………………………………	2,644.9	1,028.0	249.0	9.3	**3,931.2**	-	**3,931.2**

2009 *(in millions of euros)*	**Europe**	**North America**	**Asia-Pacific**	**Other segments (2)**	**Total Operating Segments**	**Holding Companies (2)**	**Total Group**
Income statement items							
Sales to external customers……………	6,705.1	3,315.4	847.7	439.1	**11,307.3**	-	**11,307.3**
Depreciation………………………………	(50.9)	(23.5)	(3.4)	(4.0)	**(81.8)**	(1.9)	**(83.7)**
EBITA [(1)] …………………………………	339.7	83.0	46.1	15.8	**484.6**	(15.2)	**469.4**
Goodwill impairment ……………………	(18.1)	-	-	-	**(18.1)**	-	**(18.1)**
Cash flow statement item							
Capital expenditures net of disposals …	(20.3)	(12.2)	(1.8)	(2.8)	**(37.1)**	(1.3)	**(38.4)**
Balance sheet items							
Working capital……………………………	730.8	320.2	101.5	58.0	**1,210.5**	(11.2)	**1,199.3**
Goodwill……………………………………	2,602.0	931.1	217.9	8.4	**3,759.4**	-	**3,759.4**

[(1)] EBITA is defined as total operating income before other income and expenses amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities.

[(2)] The 2009 data disclosed in the consolidated financial statements as of December 31, 2009, were adjusted following the transfer of the 3 entities from "Other segments" to the "Holding Companies". They are also comparable to the 2010 data.

No client accounts for more than 10% of the Group’s sales.

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

(in millions of euros)	For the year ended December 31	
	2010	2009
EBITA - Total Group……………………………………….	**615.9**	**469.4**
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities…	(22.8)	(19.2)
Other income and other expenses……………………………..……	(107.7)	(134.4)
Net financial expenses……………………………………………	(203.1)	(203.1)
Share of profit of associates…………………………………	4.7	-
Group consolidated income before income tax ………….	**287.0**	**112.7**

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

(in millions of euros)	For the year ended December 31	
	2010	2009
Working capital requirement……………………………………	1,194.9	1,199.3
Goodwill …………………………..…………..………………	3,931.2	3,759.4
Total allocated assets & liabilities ………………………..….	**5,126.1**	**4,958.7**
Liabilities included in allocated working capital…………………	2,434.9	2,214.3
Other non-current assets ………………………………………	1,321.2	1,248.6
Deferred tax assets……………………………………………...….	138.6	230.0
Income tax receivable……………………………...……………	29.7	32.0
Assets held for sale ………………………………………………	23.1	10.5
Derivatives……………………………………...……………	1.7	1.2
Cash and cash equivalents ……………………………………	311.9	359.6
Group consolidated total assets……………………………	**9,387.2**	**9,054.9**

5. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

(in millions of euros)	For the year ended December 31	
	2010	2009
Personnel costs (salaries & benefits) ………..………………	1,374.3	1,322.5
Building and occupancy costs ………………………………	262.8	281.1
Other external costs …………………………………………	565.8	555.7
Depreciation expense ………………………………………	76.1	83.7
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities …	22.8	19.2
Bad debt expense ……………………………………………	50.7	57.1
Total distribution and administrative expenses	**2,352.5**	**2,319.3**

6. | SALARIES & BENEFITS

(in millions of euros)	For the year ended December 31	
	2010	2009
Salaries and social security charges	1,324.3	1,278.2
Share-based payments	9.8	3.0
Pension and other post-retirement benefits-defined benefit plans	16.2	15.7
Other employee benefits	24.0	25.6
Total personnel costs	**1,374.3**	**1,322.5**

7. | OTHER INCOME & OTHER EXPENSES

(in millions of euros)	For the year ended December 31	
	2010	2009
Capital gains	2.9	4.7
Write-back asset impairment	-	0.1
Release of unused provisions	5.7	15.3
Other operating income	7.5	13.0
Total other income	**16.1**	**33.1**
Restructuring costs	(65.2)	(115.3)
Loss on non-current assets disposed of or written off....	(11.2)	(13.0)
Costs related to transactions following the IPO..	-	(2.3)
Goodwill and intangible assets impairment	(37.6)	(18.1)
Tangible assets impairment....................................	(3.3)	(8.4)
Acquisition-related costs	(2.2)	-
Other operating expenses	(4.3)	(10.4)
Total other expenses	**(123.8)**	**(167.5)**

7.1 | Other income

Capital gains

In 2010, capital gains from sales mainly comprise the sale of two Swedish branches for €1.7 million and a branch in Italy for €0.7 million.

In 2009, capital gains included proceeds from the disposal of a building in China for €1.5 million and four branches, two in the United States for €1.9 million and two in the United Kingdom for €0.2 million.

Release of unused provisions

In 2010, this income mainly concerned releases of unused provisions for restructuring. In particular, they are comprised of write-backs of reserves for empty buildings following settlements executed in 2010 with lessors in France and in the Netherlands for respectively €1.2 million and €0.6 million, and a €1.3 million release of provision relating to the redeployment of workforce in France.

In 2009, this line-item mainly included a release of €13.8 million of the unused portion of the reserve relating to the bankruptcy of Ceteco, a subsidiary of Hagemeyer N.V, as a result of a settlement entered into by Hagemeyer N.V. with among several parties, the receivers of Ceteco on February 8, 2010 (see note 22.1 Ceteco litigation).

Other operating income

In 2010, other operational income mainly include (i) a gain from reduced pension commitments of €3.6 million and (ii) a €3.7 million indemnification received from PPR, as a result of a warranty granted to Rexel in 2005 relating to the sale of its majority shareholding interest in the company.

In 2009, other operational income included (i) a gain of €2.6 million from decreased pension commitments in France, (ii) €5.5 million from the recognition of a financial asset from the investment in DPI, Inc. at fair value, (iii) a reimbursement of €3.4 million to be received from Sonepar from the sale of 6 German Hagemeyer branches in 2008, (iv) as well as a price adjustment of €0.7 million for the sale of Eastern Electrical (Ireland) to Edmundson in accordance with the decision of the European Union antitrust authority relating to the conditions precedent to the acquisition of Hagemeyer by Rexel.

7.2 | Other expenses

Restructuring costs

In 2010, restructuring costs are mainly related to restructuring plans initiated in 2009 to adapt the group structure to current trading. These costs mainly included the effect of workforce adaptation, downsizing the distribution network and Hagemeyer integration related costs. In Europe, they amounted to €48.3 million (€18.1 million in France, €8.0 million in the United Kingdom, €6.9 million in the Netherlands, €5.3 million in Spain and €5.2 million in Sweden) and to €12.6 million in North America (€11.5 million in the United States).

In 2009, this line item amounted to €115.3 million and included mainly restructuring due to the slowdown of activity and integration costs following the Hagemeyer acquisition. These costs mainly concerned Europe to the tune of €90.6 million (France: €24.6 million, Spain: €23.7 million, the United Kingdom: €6.7 million, the Netherlands: €6.4 million, Germany: €6.3 million and Sweden: €6.3 million) and North America in the amount of €19.5 million (€17.5 million in the United States).

Loss on non-current assets

In 2010, capital losses from sales related to the sale of two non-strategic activities inherited from the Hagemeyer group:

- Hagemeyer Cosa Liebermann in Asia (HCL Asia), operating as a wholesaler and agent of luxury goods in Asian countries. Pursuant to a sale and purchase agreement entered into with DKSH Holding Ltd, a privately held Swiss company, the disposal was completed on February 25, 2010 for a total consideration of USD 12.7 million (€9.0 million). Capital loss on this disposal amounted to €6.4 million. There was no tax effect on this transaction.
- Haagtechno B.V., a private company in the Netherlands engaged in the business of the import, warehousing and distribution of electronic products manufactured by Panasonic. Pursuant to a sale and purchase agreement entered into with Panasonic Marketing Europe GmbH, the disposal was completed on June 30, 2010 for a total consideration of €15.5 million. This amount was paid at the completion date. The capital loss from sales was recognized at an amount of €2.7 million. There was no tax effect on this transaction.

Also, assets written off for the period were recognized in 2010 leading to capital losses of €2.1 million.

In 2009, loss on non-current assets disposed of and written-off was comprised of the loss on disposal, in April 2009, of operations in Hungary for €4.0 million, the write-off of IT licenses in France for €4.1 million and the write-off of branches in Spain for €3.4 million.

Costs related to transactions following the IPO

In 2009, costs related to transactions following the IPO of Rexel concerned the free shares scheme for an amount of €2.3 million.

Goodwill and intangible assets impairment

Following the depreciation test carried out in 2010, the goodwill of the Netherlands, New Zealand and Slovenia are depreciated respectively at €23.5 million, €8.9 million and €4.2 million (see note 10.1).

Also, depreciation is recognized for €1.0 million on the intangible assets of Hagemeyer Brands Australia, which was sold in January 2011, to bring their book value in line with their fair value, less sales costs, prior to being classified as "assets held for sale" (see note 11.4).

In 2009, the goodwill of Slovakia, Finland and Ireland had been depreciated at €10.0 million, €4.6 million and €3.7 million respectively.

Tangible assets impairment

In 2010, depreciations on real estate and tangible assets are recognized for €1.6 million in the United Kingdom, €1.1 million in Poland and €0.6 million in Spain, in order to bring the book values in line with their fair value, less sales costs, prior to being classified as "assets held for sale".

In 2009, impairments on buildings and fixed assets were recognized for €3.5 million in Latvia, €1.7 million in Belgium, €1.6 million in Spain, €0.6 million in Italy and €0.4 million in the USA to bring the carrying value of the related assets to fair value less costs to sell before being classified as assets held for sale. Buildings in Belgium were sold in the second half of 2009.

Acquisition-related costs

Acquisition-related costs are now recognized as costs in accordance with the revised IFRS 3, which is applicable as of January 1, 2010. The costs incurred in 2010 as a result of acquisitions (Grossauer and LuckyWell) or ongoing acquisitions at December 31, 2010 amount to 2.2 million.

Other operating expenses

In 2010, other expenses refer mainly to a cost of €2.3 million as a warranty granted by the Group as part of share sales and a cost of €0.5 million in impairment of the group of assets and liabilities held for sale, relating to the distribution activity in Australia of Smeg electrical appliances (see note 11.4).

For the year ended December 31, 2009, this line-item mainly included the effect of a VAT reassessment for €6.5 million, a payroll tax exposure in France for €2.5 million and costs incurred in connection with the disposal of certain assets to Sonepar for €1.0 million.

8. | FINANCIAL EXPENSES (NET)

Net financial expenses are comprised of the following items:

(in millions of euros)	For the year ended December 31	
	2010	**2009**
Expected return on employee benefit plan assets	46.7	39.8
Interest income on cash and cash equivalents	0.9	3.2
Interest income on receivables and loans	1.7	2.6
Change in fair value of financial instruments held for trading	-	2.1
Financial income	**49.3**	**47.7**
Interest expense on financial debt (stated at amortized costs):	(151.0)	(136.0)
- Senior Credit Facilities	*(49.3)*	*(82.7)*
- Senior Notes	*(53.2)*	*(1.5)*
- Securitization programs	*(23.2)*	*(23.1)*
- Other financing	*(6.4)*	*(11.2)*
- Finance leases	*(1.5)*	*(2.1)*
- Amortization of transaction costs	*(17.4)*	*(15.4)*
Gains and losses on derivative instruments previously deferred in equity and recycled in the income statement statement	(33.8)	(36.8)
Change in fair value of derivatives through profit and loss	5.0	(8.2)
Ineffectiveness of interest rate hedges	0.2	-
Foreign exchange gain (loss) on financial liabilities	(10.2)	7.8
Interest expense on borrowings	**(189.8)**	**(173.2)**
Write-off of financing transaction costs	-	(21.2)
Refinancing costs	**-**	**(21.2)**
Interest cost of employee benefit obligations	(54.7)	(51.8)
Financial expenses (other)	(7.9)	(4.6)
Other financial expenses	**(62.6)**	**(56.4)**
Financial expenses (net)	**(203.1)**	**(203.1)**

9. | INCOME TAX

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

9.1 | Income tax expense

(in millions of euros)	For the year ended December 31	
	2010	**2009**
Current tax	(48.9)	(11.4)
Deferred tax	(8.9)	(20.3)
Total income tax expense	**(57.8)**	**(31.7)**

9.2 | Deferred tax assets and liabilities

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

(in millions of euros)	2010	2009
At the beginning of the period	**8.3**	**30.0**
Net income	(8.9)	(20.3)
Change in consolidation scope	0.3	(0.2)
Translation differences	2.5	(1.8)
Other changes	(8.1)	0.6
At the end of the period	**(5.9)**	**8.3**

Other changes consist essentially of tax effect on fair value of derivative instruments recognized directly as equity (€7.8 million) in 2010.

Deferred tax assets and liabilities are broken down as follows:

	As of December 31	
(in millions of euros)	2010	2009
Intangible assets	(265.7)	(249.4)
Property, plant and equipment	14.8	14.8
Financial assets	(11.3)	3.7
Trade accounts receivable	18.2	14.3
Inventories	1.6	2.7
Employee benefits	49.8	44.1
Provisions	16.0	29.5
Financing fees	(7.9)	(10.1)
Other items	22.3	20.9
Tax losses carried forward	351.2	365.1
Deferred tax assets / (liabilities), net before valuation allowance	**189.0**	**235.6**
Valuation allowance on deferred tax assets	(194.9)	(227.3)
Net deferred tax assets / (liabilities)	**(5.9)**	**8.3**
of which deferred tax assets	138.6	230.0
of which deferred tax liabilities	(144.6)	(221.7)

The depreciation of deferred tax assets of €194.9 million at December 31, 2010 (€227.3 million at December 31, 2009), comes from the recoverable amount of net deferred tax assets assessed by each tax entity based on the provisional taxable profits over the next 5 years. At December 31, 2010, it mainly refers to the losses carried forward in the United Kingdom, Spain and Italy.

9.3 | Effective tax rate

(in millions of euros)	2010	2009
Net income before tax and before share of profit in associates ………………………..…………………..	282.3	112.7
Theoretical tax rate …………………………………………	*34.4%*	*34.4%*
Income tax calculated at the theoretical tax rate …	(97.2)	(38.8)
Effect of tax rates in foreign jurisdictions …………………	17.1	13.0
Effect of tax rate variations …….……………………………	0.1	4.0
Effect of tax loss carryforwards / (unrecognized current tax losses) ……………………...…..……………..……	28.4	(53.5)
Effect of non-deductible expenses, tax exempt revenues……….…..………………………………………	(6.2)	43.6
Income tax expense for the period	**(57.8)**	**(31.7)**
Effective tax rate	***20.5%***	***28.1%***

The effective tax rate for the period ended December 31, 2010 is 20.5%, compared with 28.1% for the period ended December 31, 2009. In 2010, the expected year-ended tax rate includes the tax effect of the recognition of prior year tax losses carried forward in France that accounts for a decrease in the tax rate of 11.7%.

In 2009, non deductible expenses and tax exempt revenues mainly included tax gain resulting from financial restructuring and legal reorganization within the Group for an amount of €76.7 million partially offset by tax reassessment in France for an amount of €18.8 million.

As disclosed in the consolidated financial statements as of December 31, 2009, the Group considers the new French tax on companies' value added (Cotisation sur la Valeur Ajoutée des Entreprises or "CVAE"), calculated on a net amount of income and expenses as income tax under IAS12. Therefore, the related expense (before tax) was presented in the income tax line item in 2010 for an amount of €7.7 million for 2010. In addition, since some items such as asset depreciation expense, allowance for bad debt and inventories are not included in the value added calculation (which is the tax basis of this new tax) and will generate a future tax base, a deferred tax liability on these items of the relevant entities was recognized for €0.4 million at December 31, 2010.

10.| LONG-TERM ASSETS

10.1 | Goodwill and intangible assets

(in millions of euros)	Strategic partnerships	Distribution networks and banners	Software and other [1]	**Total intangible assets**	**Goodwill**
Gross carrying amount as of January 1, 2009	**185,6**	**549,7**	**327,2**	**1 062,5**	**3 767,4**
Change in consolidation scope	-	-	(0,4)	**(0,4)**	**(5,9)**
Additions	-	-	20,4	**20,4**	**-**
Disposals	-	-	(8,2)	**(8,2)**	**-**
Exchange differences	-	18,8	11,6	**30,4**	**119,5**
Other changes	-	-	(1,7)	**(1,7)**	**(11,7)**
Gross carrying amount as of December 31, 2009	**185,6**	**568,5**	**348,9**	**1 103,0**	**3 869,3**
Change in consolidation scope	-	-	(11,1)	**(11,1)**	**(0,3)**
Additions	-	-	20,1	**20,1**	**-**
Disposals	-	-	(2,7)	**(2,7)**	**-**
Exchange differences	-	32,2	18,7	**50,9**	**212,5**
Other items	-	-	(12,4)	**(12,4)**	**0,1**
Gross carrying amount as of December 31, 2010	**185,6**	**600,7**	**361,5**	**1 147,8**	**4 081,6**
Accumulated amortization and depreciation as of January 1, 2009	**-**	**-**	**(135,2)**	**(135,2)**	**(113,3)**
Change in consolidation scope	-	-	0,9	**0,9**	**11,0**
Amortization expense	-	-	(42,4)	**(42,4)**	**-**
Impairment [2]	-	-	(0,3)	**(0,3)**	**(18,1)**
Release	-	-	3,6	**3,6**	**-**
Exchange differences	-	-	(2,3)	**(2,3)**	**(0,8)**
Other changes	-	-	0,5	**0,5**	**11,3**
Accumulated amortization and depreciation as of December 31, 2009	**-**	**-**	**(175,2)**	**(175,2)**	**(109,9)**
Change in consolidation scope	-	-	5,1	**5,1**	**-**
Amortization expense	-	-	(45,0)	**(45,0)**	**-**
Impairment [3]	-	-	(1,0)	**(1,0)**	**(36,6)**
Release	-	-	2,6	**2,6**	**-**
Exchange differences	-	-	(9,4)	**(9,4)**	**(3,9)**
Other changes	-	-	9,5	**9,5**	**-**
Accumulated amortization and depreciation as of December 31, 2010	**-**	**-**	**(213,4)**	**(213,4)**	**(150,4)**
Carrying amount at January 1, 2009	**185,6**	**549,7**	**192,0**	**927,3**	**3 654,1**
Carrying amount at December 31, 2009	**185,6**	**568,5**	**173,7**	**927,8**	**3 759,4**
Carrying amount at December 31, 2010	**185,6**	**600,7**	**148,1**	**934,4**	**3 931,2**

[1] Including customer relationships for a net book value of €31.6 million as of December 31, 2010.

[2] Goodwill impairment in Ireland, Slovakia and Finland (see note 7.2)

[3] Goodwill impairment in the Netherlands, New Zealand and Slovenia (see note 7.2)

Goodwill arising in a business combination represents a payment made by the purchaser in anticipation of future economic benefits arising from assets that are not capable of being identified individually and accounted for separately according to IFRS, such as market shares, the value of human capital, the potential to develop existing business assets and expected synergies from the combination. In the wholesale distribution sector, these synergies notably include those expected in terms of purchasing, logistics, network density and administration. For the requirements of impairment testing, goodwill and other intangible assets (strategic partnerships and distribution networks) with an indefinite life have been allocated to the following cash-generating units:

(in millions of euros)		At December 31, 2010			At December 31, 2009		
CGU	**Geographical segment**	**Goodwill**	**Other intangible assets [1]**	**Total**	**Goodwill**	**Other intangible assets [1]**	**Total**
France	Europe	945.6	169.4	1,115.0	945.6	169.4	1,115.0
United States	North America	551.6	78.6	630.2	511.6	73.0	584.6
Canada	North America	476.3	76.0	552.3	419.5	67.0	486.5
The Netherlands	Europe	173.2	17.3	190.5	196.7	17.3	214.0
Sweden	Europe	199.5	21.0	220.5	174.5	18.3	192.8
Germany	Europe	171.3	51.7	223.0	171.3	51.7	223.0
United Kingdom	Europe	180.3	59.4	239.7	174.7	57.6	232.3
Norway	Europe	192.3	15.9	208.2	180.7	14.9	195.6
Australia	Asia-Pacific	185.2	29.5	214.7	152.0	24.2	176.2
Switzerland	Europe	180.6	33.7	214.3	152.2	28.4	180.6
Other		675.3	233.8	909.1	680.6	232.3	912.9
	Total	**3,931.2**	**786.3**	**4,717.5**	**3,759.4**	**754.1**	**4,513.5**

[1] Intangible assets with an indefinite useful life

Principal assumptions retained in the determining of the value in use

The calculation of the value in use for each cash-generating unit is based on cash flows arising from the three-year strategic plan and updated during the budgetary process in December 2010. Cash flows are extrapolated over a period of five years and take into account a terminal value. A perpetuity growth rate of 2.0% has been used for the calculation of the terminal value, identical to that used in 2009. This rate extrapolates expected long-term inflation in mature markets and is not subject to changes over the short term.

The estimate of the value in use of cash generating units is sensitive to assumptions about the discount rate. The discount rate was established on the basis of the weighted average cost of capital net of tax calculated for each country. The weighted average cost of capital reflects the time value of money and the specific risks of the asset, not already taken up in the cash flow forecasts, by taking into account the financial structure and the financing terms and conditions of a standard market participant.

The following discount rates are used to estimate the value in use:

	2010	2009
France	6,8%	7,5%
United States	6,8%	6,9%
Canada	6,9%	6,9%
The Netherlands	7,1%	8,1%
Sweden	7,0%	7,8%
Germany	6,6%	7,4%
United Kingdom	7,4%	8,2%
Norway	7,6%	8,4%
Australia	9,0%	8,9%
Switzerland	6,1%	6,8%
Other	7.0% to 13.0%	7.6% to 14.0%

As a result of impairment tests, a loss of €36.6 million was recognized in 2010 (€18.1 million in 2009) allocated to goodwill in the Netherlands (€23.5 million), in New Zealand (€8.9 million), and in Slovenia (€4.2 million) due to the deterioration in the economic climate and the downturn in markets.

Sensitivity analysis

With regard to the assessment of value-in-use of goodwill and other intangible assets, the Group believes that no likely changes in the discount rate (less than or equal to 50 basis points) would cause a reduction in the recoverable amount of the cash-generating units previously referred to, such that the recoverable amount would be significantly lower than its net book value, excluding the cash-generating units depreciated in 2010.

In addition, a 50-basis point increase in the discount rate, applied to the value in use of all cash-generating units would result in an additional €23.7 million impairment expense, and a 50-basis point decrease in the perpetual growth rate would result in an additional €17.1 million impairment expense.

10.2 | Property, plant & equipment

(in millions of euros)	Land & buildings	Plant & equipment	Other tangible assets	**Total property, plant and equipment**
Gross carrying amount as of January 1, 2009	**214.3**	**638.0**	**28.1**	**880.4**
Change in consolidation scope	(0.1)	(0.7)	-	**(0.8)**
Additions	2.6	24.3	3.7	**30.6**
Disposals	(16.9)	(39.3)	(2.0)	**(58.2)**
Exchange differences	2.9	17.1	2.0	**22.0**
Other changes	(18.7)	(2.6)	(2.0)	**(23.3)**
Gross carrying amount as of December 31, 2009	**184.1**	**636.8**	**29.8**	**850.7**
Change in consolidation scope	(0.5)	(10.6)	-	**(11.1)**
Additions	6.0	28.0	3.3	**37.3**
Disposals	(10.4)	(31.3)	(0.3)	**(42.0)**
Exchange differences	5.0	33.5	1.7	**40.2**
Other changes	20.0	(26.5)	0.4	**(6.1)**
Gross carrying amount as of December 31, 2010	**204.2**	**629.9**	**34.9**	**869.0**
Accumulated amortization and depreciation as of January 1, 2009	**(75.6)**	**(468.7)**	**(19.0)**	**(563.3)**
Change in consolidation scope	-	0.6	0.2	**0.8**
Depreciation expense	(9.5)	(48.1)	(3.2)	**(60.8)**
Impairment losses	(7.2)	(0.3)	(0.4)	**(7.9)**
Release	7.2	34.6	1.9	**43.7**
Exchange differences	(1.2)	(13.4)	(1.2)	**(15.8)**
Other changes	8.9	5.2	0.1	**14.2**
Accumulated amortization and depreciation as of December 31, 2009	**(77.4)**	**(490.1)**	**(21.6)**	**(589.1)**
Change in consolidation scope	0.5	9.5	-	**10.0**
Depreciation expense	(10.0)	(40.3)	(4.0)	**(54.3)**
Impairment losses	(2.7)	(0.6)	-	**(3.3)**
Release	6.6	29.5	0.3	**36.4**
Exchange differences	(1.7)	(26.8)	(1.2)	**(29.7)**
Other changes	(10.5)	17.4	(0.5)	**6.4**
Accumulated amortization and depreciation as of December 31, 2010	**(95.2)**	**(501.4)**	**(27.0)**	**(623.6)**
Carrying amount at January 1, 2009	**138.7**	**169.3**	**9.1**	**317.1**
Carrying amount at December 31, 2009	**106.7**	**146.7**	**8.2**	**261.6**
Carrying amount at December 31, 2010	**109.0**	**128.5**	**7.9**	**245.4**

Impairment of property, plant and equipment

In 2010, impairment losses accounted for in the profit and loss account and recognized under “Other expenses” (see notes 1.1 and 7.2) results in the write down of certain property, plant and equipment to bring its net book value back to its recoverable amount. This is based on the value in use and at the

level of the cash generating units, mainly in Poland, Spain and the United Kingdom. In 2009, the cash generating units concerned were Latvia, Belgium, Spain and Italy.

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

10.3 | Long-term investments

(in millions of euros)	As of December 31	
	2010	**2009**
Loans ………………………………………………………	0.2	0.1
Deposits ……………………………………………………..	8.7	7.5
Other financial assets ………………………………………	123.2	45.7
Financial assets …………………………………………	**132.1**	**53.3**

As of December 31, 2010, other long-term investments comprised mainly (i) the asset surplus of defined benefit plans relating to the liability of Hagemeyer pension plans in the Netherlands for a total of €41.1 million (€40.1 million in 2009 – see note18), (ii) the fair value hedging instruments for €5.7 million (€2.7 million in 2009) and derivatives for cash-flow hedges for a total of €2.7 million (€0.5 million in 2009).

They also include the fair market value of shares in Grossauer for a total of €68.0 million and shares in LuckyWell for a total of €2.3 million (see note 3).

10.4 | Investments in associates

Prior to its acquisition by Rexel, Hagemeyer owned 15% of the common shares of DPI, Inc., a Missouri corporation that distributes electronic audio and video products in the United States. In addition, Hagemeyer Finance B.V., a direct subsidiary of Hagemeyer, had a subordinated debt facility of US$11.8 million maturing on June 15, 2011 and bearing interest at 11% per year (accrued interest being payable at final maturity). Under the Hagemeyer acquisition, the investment in DPI, Inc., classified under the IAS 39 category "available-for-sale financial assets", and the loan classified in the IAS 39 category "loans and receivables" have been recognized at their fair value in the Group consolidated financial statements.

On December 16, 2009, Hagemeyer Finance B.V. entered into an agreement aimed at restructuring the financial structure of DPI, Inc. through the capitalization of the loan to DPI, Inc. in exchange for non-voting preference shares giving rights to a preferred dividend. The shareholders' agreement provides for certain contractual rights in favor of Hagemeyer Finance B.V., including veto rights over certain strategic decisions, characteristic of significant influence being exercised by Hagemeyer Finance B.V. over DPI, Inc.

Upon completion of this transaction, the Group holds 66.67% of the shares in DPI, Inc, of which 59.52% through non-voting preference shares. The investment in DPI, Inc. was accounted for using the equity method as at December 31, 2010.

The following table presents the financial information of DPI, Inc.:

(in millions of euros) - unaudited	As of December 31,	
DPI, Inc. balance sheet information	**2010**	**2009**
Total assets	47.2	32.6
Total liabilities	(30.5)	(21.9)
Shareholders' equity	16.7	10.7

	For the year ended December 31,	
DPI, Inc. sales and net income	**2010**	**2009**
Sales	139.3	110.9
Net income	7,1	4.3

11. | CURRENT ASSETS

11.1 | Inventories

(in millions of euros)	As of December 31	
	2010	**2009**
Cost …………………………………………………………	1,294.8	1,240.0
Allowance ……………………………………………………	(91.7)	(98.6)
Net inventories ………………………………………………	**1,203.1**	**1,141.4**

Changes in impairment losses:

(in millions of euros)	**2010**	**2009**
Allowance for inventories as of January 1……………	(98.6)	(102.9)
Change in consolidation scope ……………………………	1.4	0.4
Net change in allowance……………………………………	3.9	7.7
Exchange differences ……………………………………………	(6.0)	(3.5)
Other changes ………………………………………………	7.6	(0.3)
Allowance for inventories as of December 31…………	**(91.7)**	**(98.6)**

11.2 | Trade accounts receivable

(in millions of euros)	As of December 31	
	2010	**2009**
Nominal value ………………………………………………	2,158.0	2,020.7
Allowance ……………………………………………………	(136.0)	(119.2)
Trade accounts receivable ……………………………	**2,022.0**	**1,901.5**

Trade accounts receivable include taxes collected on behalf of the tax authorities that, in certain circumstances, may be recovered when the client defaults. These recoverable taxes amounted to €213.2 million as of December 31, 2010 (€202.6 million as of December 31, 2009).

The Group has put in place credit insurance programs in most major countries. Trade accounts receivable covered by these programs amounted to €716.4 million as of December 31, 2010 (€677.3 million as of December 31, 2009).

Finally, in certain countries, the Group benefits from supplementary guarantees according to the specificities of local jurisdictions, notably in the United States. Trade accounts receivable covered by

these guarantees represented €213.9 million as of December 31, 2010 (€173.9 million as of December 31, 2009).

On December 23, 2009, the Group entered into an agreement with Ester Finance Titrisation (the purchaser), a French subsidiary of Calyon, to sell a participating interest in eligible trade receivables of Rexel's US subsidiaries under a *Receivables Participation Agreement* ("RPA"). This agreement allows the Group to assign eligible receivables and receive cash consideration up to a maximum amount of US$220 million. This securitization program matures in December 2014.

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

As a result of the transfer to the purchaser of all risks and obligations attached to the receivables assigned in relation to the Ester program, these receivables are derecognized. The difference between the sale price and the carrying value of these receivables is recorded in the income statement as a financial expense.

As of December 31, 2010, receivables derecognized totaled €97.7 million (US$ 130.5 million) (€52.6 million as of December 31, 2009) and the resulting loss is recorded as a financial charge for €5.7 million (€0.7 million in 2009). Cash received in relation to derecognized receivables and not yet transferred to the purchaser totals €15.4 million (US$ 20.6 millions) and is recognized in financial liabilities.

In addition, the Group manages other on-balance sheet securitization programs as described in note 19.1.3.

Changes in impairment losses:

(in millions of euros)	**2010**	**2009**
Impairment losses on trade accounts receivable as of January 1……………………………………………..	**(119.2)**	**(107.2)**
Change in consolidation scope ……………………………	-	0.7
Net depreciation ……………………………………………..	(39.5)	(25.4)
Exchange differences ……………………………………………	(3.7)	(1.2)
Other changes …………………………………………………	26.4	13.9
Impairment losses on trade accounts receivable as of December 31……………………………………….	**(136.0)**	**(119.2)**

As of December 31, 2010, customer receivables are subject to impairment losses estimated on an individual basis following on from the assessment of a confirmed default risk for the customer in question for a total of €86.0 million (€75.3 million as of December 31, 2009).

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

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

(in millions of euros)	As of December 31	
	2010	2009
From 1 to 30 days	217.5	187.5

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

11.3 | Other accounts receivable

(in millions of euros)	As of December 31	
	2010	2009
Purchase rebates	294.1	268.1
VAT receivable and other sales taxes	22.0	25.9
Prepaid expenses	29.9	29.9
Derivatives	1.7	1.2
Other receivables	58.7	46.8
Total accounts receivable	**406.4**	**371.9**

11.4 Assets held for sale

On September 23, 2010, Hagemeyer Brands Australia Pty Ltd, a subsidiary of Rexel that distributes Smeg branded household appliances through a distribution agreement, entered into a binding Head of Agreement to sell this business to Smeg Spa, the supplier of the aforesaid household appliances.

This was conditional to the parties completing a sale contract and a transitional service contract. The transaction was completed in January 2011 and resulted in the cancellation of the distribution agreement with Smeg Spa. The assets and liabilities of Hagemeyer Brands Australia connected with this business were reclassified as “Assets and liabilities held for sale” and principally comprise the net carrying value of the Smeg distribution agreement as well as related assets and liabilities for a total of €14.5 million. Prior to being reclassified as assets held for sale, the group of assets and liabilities to be sold was measured at its fair value less the costs of sale, giving rise to a €1.0 million impairment charge in the income statement recognized under the line item “Other operating expenses” (see note 7.2).

Assets held for sale also include operating premises in the process of being sold in Latvia, Poland and Spain for a total of €7.7 million.

12. | CASH AND CASH EQUIVALENTS

(in millions of euros)	As of December 31	
	2010	2009
Short-term investments …………………………………	124.6	179.4
Cash at bank ………………………………………………	186.2	178.8
Cash in hand ………………………………………………	1.1	1.4
Cash and cash equivalents ……………………………	**311.9**	**359.6**

As of December 31, 2010, the securities include units in mutual funds, valued at their fair market value, for a total of €122.1 million (€141.4 million in 2009). These investments are in accordance with the Group's investment policy which requires that funds in which it invests are highly liquid, easily convertible into a known amount of cash and liable to a negligible risk of loss.

13. | SUMMARY OF FINANCIAL ASSETS

(in millions of euros)		IAS 39 Category	Hierarchy	As of December 31			
				2010		2009	
				Carrying amount	Fair value	Carrying amount	Fair value
Loans ……………………………………………………		L&R		0.2	0.2	0.1	0.1
Deposits …………………………………………………		L&R		8.7	8.7	7.5	7.5
Securities available for sale ……………………………		AFS	3	70.9	70.9	0.2	0.2
Hedging derivatives ……………………………………	(1)	N/A	2	8.8	8.8	2.7	2.7
Other ……………………………………………………	(2)	N/A		43.5	N/A	42.8	N/A
Total long-term investments…………………………				**132.1**	**-**	**53.3**	**-**
Trade accounts receivable ……………………………		L&R		**2,022.0**	**2,022.0**	**1,901.5**	**1,901.5**
Supplier rebates receivable ……………………………		L&R		294.1	294.1	268.1	268.1
VAT and other sales taxes receivable …………………	(2)	N/A		22.0	N/A	25.9	N/A
Other accounts receivable ………………………………		L&R		58.7	58.7	46.8	46.8
Hedging derivatives ……………………………………	(1)	N/A		-	-	-	-
Other derivative instruments ……………………………		TR	2	1.7	1.7	1.2	1.2
Prepaid expenses ………………………………………	(2)	N/A	2	29.9	N/A	29.9	N/A
Total other current assets ……………………………				**406.4**	**-**	**371.9**	**-**
Short-term investments …………………………………		FV	1	124.6	124.6	179.4	179.4
Cash ………………………………………………………		L&R		187.3	187.3	180.2	180.2
Cash and cash equivalents …………………………				**311.9**	**-**	**359.6**	**-**

(1) Accounting method specific to hedging
(2) Not classified as a financial asset under IAS 39

Loans and receivables	L&R
Financial assets available for sale	AFS
Held for trading	TR
Fair value through profit or loss	FV
Not applicable	N/A

14. | SHARE CAPITAL AND PREMIUM

14.1 | Changes in share capital and issuance premium

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

	Number of Shares	**Share capital**	**Share premium**
		(in millions of euros)	
At January 1, 2009	255,993,827	**1,280.0**	**1,409.9**
Issuance of shares in connection with free share schemes ………………	2,159,291	10.8	(10.8)
Exercise of stock options ………………………………………………………	66,900	0.3	-
Free shares attributed………………………………………………………	-	-	(6.9)
On December 31, 2009 ……………………………………………………	258,220,018	**1,291.1**	**1,392.2**
Exercise of share subscription options (1)………………………………………	1,489,092	7.4	0.2
Issuance of shares in connection with free share schemes (2)………………	147,763	0.7	(0.7)
Allocation of free shares (3)………………………………………………	-	-	(8.2)
Issuance of shares in connection with the Employee Share Purchase Plan ……	356,123	1.8	0.2
On December 31, 2010 ……………………………………………………	260,212,996	**1,301.0**	**1,383.7**

(1) *Exercise of share subscription options*

In November and December 2005, Rexel established share option programs for key management personnel and senior employees to subscribe for Rexel shares. Rights related to these options were fully vested at the time of the initial public offering of Rexel in April 2007 and are exercisable until October and November 2016. During the period ended December 31, 2010, 1,489,092 options connected with these programs were exercised under these plans (66,900 in 2009).

(2) *Share issues related to bonus share plans*

On June 23, 2008, Rexel implemented several bonus share plans for its senior executives and key employees. Under these plans, they will be eligible to receive Rexel shares, either at the end of a period of two years under the plan entitled "2+2 Plan", or at the end of a period of four years under the plan entitled "4+0 Plan". The issue of these bonus shares is subject to continuation of employment and performance conditions (see note 15.1).

Under the "2+2 Plan", the terms and conditions for the allocation of 146,031 bonus shares were met on June 24, 2010, as well as 1,732 shares on October 2, 2010, and as a consequence the company issued these new shares through allocation of the issue premium and incorporation in the share capital.

(3) *Bonus share issue*

In accordance with the approval given at the Shareholders' Meeting of May 20, 2009 and by the Supervisory Board on May 11, 2010, the Management Board, at its meeting of May 11, 2010, decided to grant 1,519,862 shares to the executive management and key employees of the Group subject to certain conditions (see note 15.1). The Management Board decided that the grant of these bonus shares would only occur at the end of the rights acquisition period by the beneficiaries through the creation of new shares. As a consequence, an allocation was made to the "appropriated earnings" as the offsetting of the issuance premium.

Treasury Shares

The Shareholders' Meeting of May 20, 2010 authorized the Company's Management Board, subject to the prior approval by the Supervisory Board, with the option of sub-delegation, to buy a maximum number of shares representing up to 10% of the company's share capital for a maximum price of €20 per share. This program is capped at €200 million with a term of 18 months from the date of the Shareholders' Meeting (ending November 20, 2011).

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

- to guarantee the liquidity and promote the market for the shares through the intermediary of an investment services provider;
- to implement any stock option plan of the Company;
- to subsequently conserve and provide shares in exchange or in payment under the framework of external growth operations and within a limit of 5% of the Company's share capital;
- to provide shares when rights attached to the securities giving access to shares in the Company are exercised;
- to cancel all or part of the shares bought back under this program;
- as well as any other objective that complies with regulation in force.

Under this share buy-back program, Rexel entered into a mandate, complying with a Code of Ethics recognized by France's AMF, with Calyon Cheuvreux with a view to promoting the liquidity of Rexel share transactions for an amount of €12.8 million. This amount may be adjusted either up or down according to the requirements necessary for the implementation of the contract.

On December 31, 2010, Rexel held 103,000 treasury shares valued at an average price of €16.255 per share and recorded as a reduction in shareholders' equity, for an amount of €1.7 million.

In addition, capital gains realized on the sale of treasury shares in 2010 amounted to €1.3 million net of tax and were recognized as an increase in shareholders' equity.

14.2 | Capital Management

Rexel shares have been listed on the Eurolist Euronext Paris market since April 4, 2007. As part of this stock market listing, the principal indirect shareholders of Rexel, namely funds managed by Clayton, Dubilier & Rice, Inc., Ray France Investment S.A.S. (itself a subsidiary of Eurazeo S.A.), funds managed by Merrill Lynch Global Private Equity (together the "Principal Investors") and Caisse de Dépôt et de Placement du Québec (together with the Principal Investors, the "Investors") agreed to organize the sale of all or part of the shares of Rexel that they held, directly or indirectly, according to certain terms and conditions. Each of the Investors may thus:

- sell its Rexel shares on the market subject to a maximum volume representing €10.0 million in each 30-day consecutive period;
- initiate a Rexel share transfer in the form (i) of a sale of Rexel's shares through an off-board block trade for a minimum amount of €75 million; or (ii) of a secondary public offering of Rexel's shares, whose minimum estimated proceeds are €150 million, provided that the other Investors may participate in this off-board block trade or secondary public offering and that no other secondary offering has already occurred in the preceding six months.

These planned sale undertakings will terminate on April 12, 2012, or at the date on which the Main Investors, direct or indirect, holding in Rexel's share capital falls below 40%. In addition, these sale undertakings will cease to apply to the investor who holds (directly or indirectly) less than 5% of Rexel's share capital.

Dividend distribution

(in millions of euros)	For the year ended December 31 2010	2009
Dividends paid during the year	-	-
Dividend per share allocated to common shares............	-	-
Proposed distribution of dividends (in € / share)	0.40	-

Under the Senior Credit Agreement signed on December 21, 2009, Rexel has restrictions on its dividend distribution policy (see note 19.1.2).

15. | SHARE-BASED PAYMENTS

15.1 | Bonus share plans

In addition to its long-term profit sharing policy for employees, Rexel has introduced plans to grant bonus shares whose characteristics are described below:

Plans issued in 2010

On May 11, 2010, Rexel implemented bonus share plans for its top executives and key managers amounting to 1,519,862 shares. In accordance with local regulations, these senior executives and key employees will be eligible to receive Rexel shares, either after a period of two years from the grant date (May 12, 2012), with a restriction on their sale for an additional two year period (May 12, 2014) under the "2+2 Plan", or a period of four years after the grant date, with no subsequent restrictions on their sale, under the "4+0 Plan".

The actual delivery of these bonus shares is subject to continuation of employment and performance conditions laid down in the plan.

Vesting conditions are presented in the following table:

Beneficiaries	**Members of Group Executive Committee and top managers**		**Other key employees**		**Total**
Vesting conditions	Two years of service from grant date and performance conditions based on: (i) 2010 adjusted EBITDA, (ii) 2009/2011 adjusted EBITDA margin increase and (iii) 2010 Net Debt to adjusted EBITDA ratio		20% of the shares vested based on two years service from grant date and performance conditions based on: (i) 2010 adjusted EBITDA, (ii) 2009/2011 adjusted EBITDA margin increase and (iii) 2010 Net Debt to adjusted EBITDA ratio for 80% of the shares vested		
Plan	2+2 Plan	4+0 Plan	2+2 Plan	4+0 Plan	
Date of delivery	May 12, 2012	May 12, 2014	May 12, 2012	May 12, 2014	
Maximum number of shares granted on May 11, 2010.............................	391,306	544,262	160,836	423,458	**1,519,862**
Canceled in 2010 due to presence not satisfied	-	-	(3,874)	(17,314)	**(21,188)**
Canceled in 2010 due to performance not satisfied	(6,601)	(9,168)	(2,173)	(5,701)	**(23,643)**
Maximum number of shares allocated on December 31, 2010	384,705	535,094	154,789	400,443	**1,475,031**

The fair value of Rexel's shares granted to employees was valued at €10.80 per share, this valuation being based on the stock price at grant date. The impact of restrictions attached to dividends relating to these shares for the period until their delivery to beneficiaries has been deducted.

Plans issued in 2009

On May 11, 2009, Rexel entered into several bonus share plans for its senior executives and key employees for a total of 1,372,166 shares. Depending on local regulations, these employees and executives will be eligible to receive Rexel shares, either after a period of two years from the grant dates (May 12, 2011), with a restriction on their sale for an additional two year period (May 12, 2013), or after a period of four years from the grant date (May 12, 2013) with no subsequent restrictions on their sale.

The actual transfer of these free shares is subject to the service and performance conditions of the schemes. Vesting conditions are presented in the following table:

Beneficiaries ……………………………	**Members of Group Executive Committee and top managers**		**Other key employees**		**Total**
Vesting conditions ……………………..	Two years of service from grant date and performance conditions based on: (i) 2009 adjusted EBITDA, (ii) 2008/2010 adjusted EBITDA margin increase and (iii) 2009 Net Debt to adjusted EBITDA ratio		40% of the shares vested based on two years of service from grant date and performance conditions based on: (i) 2009 adjusted EBITDA, (ii) 2008/2010 adjusted EBITDA margin increase and (iii) 2009 Net Debt to adjusted EBITDA ratio for 60% of the shares vested		
Plan ………………………………………	2+2 Plan	4+0 Plan	2+2 Plan	4+0 Plan	
Date of delivery …………………………	May 12, 2011	May 12, 2013	May 12, 2011	May 12, 2013	
Maximum number of shares granted on May 11, 2009 …………………………	107 934	218 884	259 282	786 066	**1 372 166**
Canceled in 2009 due to presence not satisfied …………………………………..	-	-	(8 511)	(19 006)	**(27 517)**
Canceled in 2009 due to performance not satisfied ……………………………..	(17 558)	(35 603)	(35 151)	(107 364)	**(195 676)**
Maximum number of shares allocated on December 31, 2009 …..	90 376	183 281	215 620	659 696	**1 148 973**
Canceled in 2010 due to presence not satisfied …………………………………..	(11 600)	(13 300)	(22 755)	(48 485)	**(96 140)**
Maximum number of shares allocated on December 31, 2010 ……	78 776	169 981	192 865	611 211	**1 052 833**

The fair value of Rexel's shares granted to employees was valued at €6.42 per share, with this valuation based upon the stock price at the grant date. As soon as it was decided that no dividend distribution was envisaged until the vesting date of these shares to the beneficiaries, no impact relating to the dividend distribution restriction attached to these shares has been taken into account in the fair value.

Plans issued in 2008

Rexel agreed several bonus share plans for its executive managers and key employees for a maximum number of 1,541,720 shares on June 23, 2008, increased by a further grant of 66,241 shares on October 1, 2008. Depending on local regulations, they will be eligible to receive Rexel shares, either after a period of two years from the grant date (June 24, 2010 or October 2, 2010), with a restriction on their sale for an additional two year period (June 24, 2012 or October 2, 2012), under the “2+2 Plan”, or after a period of four years from the grant date with no further subsequent restrictions to their sale, under the “4+0 Plan”.

The actual transfer of these bonus shares is subject to continuation of employment and performance conditions laid down in the plan.

Vesting conditions are presented in the following table:

Beneficiaries ……………	**Members of Group Executive Committee and top managers**				**Key employees**				**Total**
Vesting conditions ………..	Two years of service from grant date and performance conditions based on: (i) 2008 EBITDA, (ii) 2007/2009 EBITDA margin increase and (iii) 2009 Net Debt to adjusted EBITDA ratio				Two years of service from grant date and performance conditions based on: (i) 2008 EBITDA and (ii) 2007/2009 EBITDA margin increase				
Plan …………………………	**2+2 Plan**		**4+0 Plan**		**2+2 Plan**		**4+0 Plan**		
Date of delivery ……………	June 24,2010	October 2, 2010	June 24,2012	October 2, 2012	June 24,2010	October 2, 2010	June 24,2012	October 2, 2012	
Maximum number of shares attributed on grant date …………………………	**241,211**	**-**	**217,920**	**28,436**	**280,698**	**3,456**	**801,891**	**34,349**	**1,607,961**
Canceled in 2008 due to presence not satisfied ……	-		-	-	(13,218)	-	(18,848)	(2,853)	**(34,919)**
Maximum number of shares on December 31, 2008 ……	**241,211**	**-**	**217,920**	**28,436**	**267,480**	**3,456**	**783,043**	**31,496**	**1,573,042**
Canceled in 2009 due to presence not satisfied ……	(53,371)		-	-	(35,603)	-	(95,371)	(7,507)	**(191,852)**
Canceled in 2009 due to performance not satisfied ..	(155,179)		(180,031)	(23,492)	(115,697)	(1,724)	(343,193)	(11,975)	**(831,291)**
Maximum number of shares on December 31, 2009 ……	**32,661**	**-**	**37,889**	**4,944**	**116,180**	**1,732**	**344,479**	**12,014**	**549,899**
Canceled in 2010 due to presence not satisfied ……	-	-	-	-	(2,810)	-	(17,280)	(2,303)	**(22,393)**
Issued in 2010 …………	(32,661)		-	-	(113,370)	(1,732)	-	-	**(147,763)**
Maximum number of shares on December 31, 2010 ……	**-**	**-**	**37,889**	**4,944**	**-**	**-**	**327,199**	**9,711**	**379,743**

The fair value of Rexel's shares granted to employees was valued at €7.88 per share, with this valuation based upon the stock price at the grant date. The impact of restrictions attached to dividends in relation to these shares for the period until their delivery to beneficiaries has been deducted in the valuation.

Plans issued in 2007

Concurrently with its stock market listing, Rexel introduced several plans for the grant of bonus shares to senior executives and key employees for a total of 5,022,190 shares on April 11, 2007 and an additional 33,991 shares were granted on October 29, 2007. Depending on local regulations, they will be eligible to receive Rexel shares, either after a period of two years from the grant dates (April 12, 2009 or October 30, 2009), with a restriction on their sale for an additional two year period (April 12, 2011 or October 30, 2011), or a period of four years from the grant date with no restrictions on their sale.

The actual transfer of these shares is subject to continuation of employment and performance conditions laid down in the plan.

Vesting conditions are presented in the following table:

Beneficiaries	Members of Group Executive Committee and top managers	Members of Group Executive Committee and top managers	Key employees		Total
Vesting conditions	One year of service from grant date	Performance conditions based on the consolidated 2007 EBITDA and one year of service from grant date	Half of the shares will be allocated based on 2007 EBITDA and one year of service from grant date, and the other half based on 2008 EBITDA and two years of service from grant date		
Date of delivery	**April 11, 2007**	**April 11, 2007**	**April 11, 2007**	**October 29, 2007**	
Maximum number of shares allocated on grant date	**2,556,576**	**1,193,055**	**1,272,559**	**33,991**	**5,056,181**
Canceled in 2007 due to presence not satisfied	-	-	(74,726)	-	**(74,726)**
Number of shares allocated on December 31, 2007	**2,556,576**	**1,193,055**	**1,197,833**	**33,991**	**4,981,455**
Canceled in 2008 due to presence not satisfied	-	(88,254)	(96,171)	-	**(184,425)**
Number of shares allocated on December 31, 2008	**2,556,576**	**1,104,801**	**1,101,662**	**33,991**	**4,797,030**
Canceled in 2009 due to presence not satisfied	-	-	(13,968)	(2,050)	**(16,018)**
Issued in 2009	(1,302,133)	(562,702)	(286,982)	(7,474)	**(2,159,291)**
Number of shares allocated on December 31, 2010	**1,254,443**	**542,099**	**800,712**	**24,467**	**2,621,721**

According to assumptions relating to the turnover of beneficiaries and achievement of performance conditions, the expense relating to these plans settled in share equity instruments totaled €74.4 million (with no tax impact), with the amount based on the public offer price of €16.50 per share. It has been allocated over the period of acquisition.

15.2 | Stock option plans

Plans issued by Rexel in 2005

On October 28, 2005, Rexel established a share option subscription program (Plan No.1) that entitles key management personnel to purchase Rexel shares. On May 31, 2006 and October 4, 2006, further options were granted to new management personnel. On November 30, 2005, a share option subscription arrangement was set up for a broader circle of key employees of the Group (Plan No.2) with vesting conditions based on a four-year service period or the occurrence of certain events including in particular admission of the Company's shares to trading on a regulated market. On May 31, 2006, this plan was extended to new entrants.

Options granted under Plan No.1 and Plan No.2 vested in full upon the Initial Public Offering of Rexel shares in April 2007.

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

Plans issued in 2003 and 2004 by Rexel Distribution S.A. prior to its acquisition

Prior to its acquisition by Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.), stock option schemes were granted annually by Rexel Distribution S.A. (formerly Rexel S.A.) to management personnel.

All options were taken up by beneficiaries and give the right to the physical allocation of shares. The allocation conditions are as follows:

Date of allocation / beneficiaries	Number of instruments originally allocated	Number of options active as of December 31, 2010	Options term
Options granted to management prior to November 7, 2002	933,943	133,060	2012
Options granted to management in 2003	623,413	545	2013
Options granted to management in 2004	782,790	1,549	2014
Total options granted by Rexel Distribution S.A.	2,340,146	135,154	
Options granted to key managers ("Plan No.1")			
- on October 28, 2005	2,711,000	32,820	2015
- on May 31, 2006	169,236	-	
- on October 4, 2006	164,460	267,452	
Options granted to key employees ("Plan No.2")			
- on November 30, 2005	259,050	286,190	2015
- on May 31, 2006	34,550	35,876	
Total options granted by Rexel	3,338,296	622,338	

Number of stock options

The number of stock options is detailed below:

(Number of options)	Rexel S.A.		Rexel Distribution S.A.		
	2005 Plans		2004 Plans	2003 Plans	Plans prior to Nov. 7, 2002
	Executives	Key employees			
Options existing January 1, 2008	**1,639,398**	**542,432**	**491,014**	**1,134**	**208,154**
Canceled during this period	-	(3,500)	-	(589)	(39,543)
Exercised during this period	-	-	(488,969)	-	-
Options existing December 31, 2008	**1,639,398**	**538,932**	**2,045**	**545**	**168,611**
Canceled during this period	-	-	(496)	-	(35,551)
Exercised during this period	-	(66,900)	-	-	-
Options existing December 31, 2009	**1,639,398**	**472,032**	**1,549**	**545**	**133,060**
Exercised during this period	(1,339,126)	(149,966)	-	-	-
Options existing December 31, 2010	**300,272**	**322,066**	**1,549**	**545**	**133,060**
Exercisable options at the end of period	300,272	322,066	1,549	545	133,060
Exercise price	5€ /6,5€ /9,5€	5€ /6,5€	28,49€	21,61€	59,68€ 51,99€

15.3 | Employee share purchase plans

Pursuant to the authorization granted by the Shareholders' Meeting held on May 20, 2010 and by the Supervisory Board on May 20, 2010, the Management Board meeting held on August 31, 2010 decided to realize a reserved capital increase without preferential subscription rights in favor of certain employees of the Group in the following countries: Germany, Austria, Belgium, Canada, Spain, the United States, France, Norway, the Netherlands, the United Kingdom, Sweden and Switzerland.

In most of these eligible countries, subscription has been carried out directly or through employee shareholding funds (*fonds commun de placement d'entreprise* or *FCPE)* which received approval from the *Autorité des Marchés Financiers (AMF)* on June 1, 2010. The subscription period closed on September 27, 2010.

The price of the employee offering, except for US participating employees, was set at the average of the opening price of Rexel shares over the 20 trading days preceding the decision of the Management Board, minus a 20% discount, thus resulting in a subscription price of €9.85 per share. For US employees the subscription price is equal to 85% of the Rexel share price on the Paris Stock Exchange on September 10, 2010, i.e. €10.28 per share.

In France, participating employees benefit from an employer matching contribution equal to 100% of the subscribed amount up to €150 and 50% from €151 to €600. Outside France, employees have been granted two free matching shares for each of the first ten whole shares subscribed. For subsequent shares up to a limit of €750 invested, one matching share is allocated for each share subscribed. Matching shares are subject to a five- year service condition within the Group.

Settlement and delivery of the shares subscribed pursuant to this plan took place on November 19, 2010.

As of December 31, 2010, benefits granted to employees resulted in personnel costs of €1.2 million before tax of which €0.8 million related to the discount granted to employees, in addition to which €0.3 million related to the employer matching contribution offered to French beneficiaries and €0.1 million related to free shares granted to personnel from other countries (see note 15.4).

15.4 | Share-based payment expenses

Expenses related to free share plans are accounted for in "Distribution and administrative expenses" (except for the 2007 plan which was accounted for in "Other expenses" in consideration of the non-recurring nature of the IPO) and are summarized as follows:

	For the period ended December 31	
(in millions of euros)	**2010**	**2009**
Plans issued in 2007	-	2.3
Plans issued in 2008	1.1	1.2
Plans issued in 2009	3.3	2.0
Plans issued in 2010	4.5	-
Discount in connection with Employee Share Purchase Plan	0.8	-
Employer matching contribution offered to French beneficiaries	0.3	-
Free shares allocated under the Employee Share Purchase Plan	0.1	-
Total share-based payment expenses	**10.1**	**5.5**

16. | EARNINGS PER SHARE

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

	For the period ended December 31	
	2010	**2009**
Net income attributed to Company shareholders (in millions of euros)……..	***228.5***	***80.6***
Weighted average number of common shares issued (*in thousands*) …………	259,301	256,877
Non dilutive potential shares (in thousands)……………………………………………	2,814	2,909
Weighted average number of issued common shares and non dilutive potential shares (in thousands) ……………………………………………	***262,115***	***259,786***
Basic earnings per share (in euros) ………………………………………………..	**0.87**	**0.31**
Net income attributed to Company shareholders (in millions of euros) ……..	***228.5***	***80.6***
Weighted average number of issued common shares and non dilutive potential shares (in thousands) …………………………………………………………	262,115	259,786
Potential dilutive shares (*in thousands*) ………………………………………………..	1,780	1,460
- of which share options (in thousands) ……………………………………………	*268*	*517*
- of which bonus shares (in thousands) …………………………………………… [(1)]	*1,512*	*943*
Weighted average number of common shares used for the calculation of fully diluted earnings per share (in thousands) …………………………	***263,895***	***261,246***
Fully diluted earnings per share (in euros) …………………………………	**0.87**	**0.31**

(1) The number of potential dilutive shares does not include bonus shares whose allocation is subject to future performance.

17. | PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(in millions of euros)	As of December 31	
	2010	**2009**
Provisions ………………………………………………………	124.6	181.2
Other non-current liabilities ………………………………	31.7	54.2
Total ……………………………………………………	**156.3**	**235.4**

Other non-current liabilities essentially comprise the fair value of derivative instruments at €23.0 million (€43.7 million at December 31, 2009) (see note 20.1) and debts related to profit sharing schemes for French employees in the amount of €8.7 million (€10.5 million at December 31, 2009).

The variation in provisions is detailed in the table below:

(in millions of euros)	Provision for restructuring	Provision for tax litigation	Provision for other litigation	Provision for vacant properties	**Total provisions**
Balance at January 1, 2009	**23.5**	**35.2**	**64.8**	**50.5**	**174.0**
Change in consolidation scope	-	-	-	-	**-**
Increase	34.8	9.9	7.1	17.0	**68.8**
Use	(19.6)	(3.5)	(6.6)	(14.8)	**(44.5)**
Release	(0.6)	(0.9)	(14.9)	-	**(16.4)**
Translation differences	0.6	0.5	1.7	8.0	**10.8**
Other changes	(1.0)	(11.5)	(0.4)	1.4	**(11.5)**
At December 31, 2009	**37.7**	**29.7**	**51.7**	**62.1**	**181.2**
Change in consolidation scope	-	-	(3.4)	-	**(3.4)**
Increase	22.4	2.4	6.8	11.1	**42.7**
Use	(27.7)	(5.1)	(33.9)	(19.0)	**(85.7)**
Release	(2.2)	(5.7)	(1.0)	(2.7)	**(11.6)**
Translation differences	1.7	0.7	1.5	2.0	**5.9**
Other changes	(2.7)	0.4	(1.8)	(0.4)	**(4.5)**
At December 31, 2010	**29.2**	**22.4**	**19.9**	**53.1**	**124.6**

Provisions principally comprise:

- accrued expenses for social and voluntary redundancy plans to adapt the Group's structure to current trading conditions. These restructuring plans resulted in the closure of branches, distribution centers and administrative headquarters. Accrued expense for restructuring activities undertaken at December 31, 2010, mainly concerned France at €7.8 million (€12.2 million in 2009), United States at €6.0 million (€7.2 million in 2009), Sweden at €3.4 million (3.3 million in 2009), United Kingdom in the amount of €3.2 million, Canada at €2.4 million (€2.9 million in 2009), the Netherlands at €2.2 million and Spain in the amount of €2.1 million (€2.8 million in 2009);
- litigation concerning fiscal matters in France (see note 22.2) in the amount of €15.2 million (€19.2 million in 2009) and, in Canada, €4.0 million (€4.4 million in 2009);
- other litigation in the amount of €14.7 million, of which an amount of €7.6 million relating to warranties for products sold, in addition to litigation concerning personnel in the amount of €2.6 million (unchanged since 2009) and commercial litigation in an amount of €2.6 million. Change in provisions mainly relates to settlement of the Ceteco proceedings in the amount of €29.8 million, following the settlement agreement concluded on February 8, 2010 (see note 22);
- provisions for vacant properties amounting to €41.2 million in the United Kingdom (€43.1 million in 2009), including a €25.0 million reserve for onerous contract in relation to closure of a distribution centre operated by Hagemeyer and various lease contracts for vacant properties amounting to €9.4 million, including €5.0 million in the United States (€5.6 million in 2009) and €2.9 million in France (€5.8 million in 2009).

18. | EMPLOYEE BENEFITS

The Group provides employee benefits under various arrangements, including defined benefit and defined contribution plans. The specific conditions of these plans vary according to the rules applying in each country concerned. These plans include pensions, lump-sum payments on retirement, jubilees, early retirement benefits, and health care and life insurance benefits in favor of former employees, including retired employees. The most significant funded retirement plans are in Canada, the United Kingdom, the United States, the Netherlands and Switzerland, and are managed through vehicles independent of the Group. In France and Italy, the obligations principally concern lump-sum payments on retirement and long service awards (jubilees), and are usually unfunded.

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

	Defined benefit obligations	
(in millions of euros)	**2010**	**2009**
At the beginning of the period	**1,040.3**	**924.1**
Service cost	16.2	14.3
Interest cost	54.7	51.8
Benefit payments	(51.1)	(47.1)
Employee contributions	3.5	3.6
Actuarial (gain) loss	14.2	58.2
Change in consolidation scope	(1.8)	-
Translation differences	59.6	38.2
Curtailment /settlement and other	(2.4)	(2.8)
At the end of the period	**1,133.2**	**1,040.3**

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

	Fair value of the defined benefit plan assets	
(in millions of euros)	**2010**	**2009**
At the beginning of the period	**845.7**	**728.7**
Employer contributions	28.9	33.5
Employee contributions	3.5	3.6
Return on plan assets	47.3	99.1
Benefit payments	(51.1)	(47.1)
Translation differences	46.4	27.9
At the end of the period	**920.7**	**845.7**

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

(in millions of euros)	As of December 31				
	2010	**2009**	**2008**	**2007**	**2006**
Restated defined benefit obligations ………………	**1,133.2**	**1,040.3**	**924.1**	**461.6**	**482.0**
of which Funded schemes …………………………	*1,030.5*	*951.1*	*842.1*	*370.6*	*385.6*
of which Unfunded schemes ………………………	*102.7*	*89.2*	*82.0*	*91.0*	*96.4*
Fair value of plan assets …………………………………	(920.7)	(845.7)	(728.7)	(353.1)	(343.6)
Funded status ………………………………………	**212.5**	**194.6**	**195.4**	**108.5**	**138.4**
Unrecognized actuarial gains and losses ……………	(80.9)	(62.2)	(61.9)	14.4	(4.7)
Effect of the asset ceiling………………………………	-	-	-	2.7	-
Recognized provision for defined benefit obligations ………………………………	**131.6**	**132.4**	**133.5**	**125.6**	**133.7**
of which "Employee benefits" ………………………	*174.4*	*173.8*	*175.4*	*125.6*	*133.7*
of which"Other financial assets" [(1)] ………………	*(42.8)*	*(41.4)*	*(41.9)*	-	-

(1) Of the €42.8 million surplus of the defined benefit plan assets over liabilities, €41.1 million relates to the Hagemeyer post-employment scheme in the Netherlands which is subject to minimum funding rules. Pursuant to the plan, the company is entitled to contribution holidays when the funding ratio is beyond 175%, and a refund of 80% of the surplus when the ratio is above 225% or upon termination of the plan for the amount of the surplus. As a result, no asset ceiling was recognized at December 31, 2010 or at December 31, 2009.

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

(in millions of euros)	As of December 31	
	2010	**2009**
Service costs [(1)] …………………………………………	16.2	14.3
Interest cost [(2)] ………………………………………………	54.7	51.8
Expected return on assets [(2)] …………………………	(46.7)	(39.8)
Curtailment and settlement [(3)]……………………………	(3.6)	(2.9)
Amortization of actuarial gains / losses [(1)] ……………	1.7	1.4
Past service costs [(4)] ……………………………………	1.0	-
Expense recognized ………………………………	**23.3**	**24.8**

(1) Recognized as personnel costs (see note 6)
(2) Recognized as net financial expenses (see note **8**)
(3) Recognized as other income and expenses (see note **7**)
(4) Including income of €0.9 million included in personnel costs and an expense of €1.9 million included in other expenses

The main actuarial assumptions at the date of the most recent actuarial valuation are as follows:

	Euro Zone		United Kingdom		Canada		United States		Switzerland	
(in %)	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Discount rate [1]……………………..	5.25	5.25	5.50	5.75	5.35	6.00	5.25	5.75	2.75	3.00
Expected return on plan assets [2] .	5.15	4.90	6.60	6.70	6.75	6.75	7.75	7.75	3.60	3.60
Future salary increases ……………….	2.50	2.50	3.50	3.50	3.00	3.00	n/a	n/a	2.00	2.00
Future pension increases ……………..	2.00	2.00	2.55	2.55	2.00	2.00	n/a	n/a	1.00	1.00

(1) Discount rates have been set by reference to market yields on high quality corporate bonds with a similar duration to the underlying obligation. Discount rates were determined based on a database developed by Rexel's actuary which includes several hundreds of AA corporate bonds with durations from one year to approximately 30 years. For each plan, expected benefit payments are discounted using the rate that matches the plan duration. Then the database computes a single rate that, when applied to cash-flows of all plans, retrieves the same present value of the aggregated cash-flows of each individual plan.

(2) As a general rule, the expected long term return on assets has been calculated according to the weighted average of expected return on bonds and equities. The expected return on bonds has been assumed equal to the applicable discount rate as set out above. Expected return on equities was determined on the basis of the discount rate plus a 3% risk premium.

Sensitivity analysis

As of December 31, 2010, a 25 basis points decrease in discount rates would result in a €45.2 million increase in the present value of the defined benefit obligation. A 25 basis points decrease applied to the expected return on assets would result in a €2.2 million increase in the expense.

As of December 31, 2010, a 1% inflation rate increase in medical costs would translate to a €5.1 million increase in the present value of the health care plan obligation.

As of December 31, 2010, the weighted average allocation of Group funds invested for retirement plans by type of investment is as follows: 37% in stocks, 47% in bonds and 16% in other investment categories. This allocation was used to assess the expected rate of increase for pensions in 2010.

19. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of December 31, 2010. Financial liabilities include interest-bearing loans, borrowings and accrued interest less transaction costs.

19.1 | Net financial debt

(in millions of euros)	As of December 31, 2010			As of December 31, 2009		
	Current	Non-current	Total	Current	Non-current	Total
Senior Notes	-	669.5	669.5	-	575.0	575.0
Senior Credit Facilities	-	761.5	761.5	-	1,091.2	1,091.2
Securitization programs	-	1,067.6	1,067.6	-	1,056.6	1,056.6
Bank loans	6.6	1.9	8.5	3.9	2.3	6.2
Commercial paper program	56.9	-	56.9	-	-	-
Bank overdrafts and other credit facilities	66.6	-	66.6	83.5	-	83.5
Finance lease obligations	5.7	7.2	12.9	6.9	11.0	17.9
Accrued interest [(1)]	5.2	-	5.2	5.7	-	5.7
Less transaction costs	(19.0)	(44.2)	(63.2)	(16.5)	(58.8)	(75.3)
Total financial debt and accrued interest	***122.0***	***2,463.5***	***2,585.5***	***83.5***	***2,677.3***	***2,760.8***
Cash and cash equivalents			(311.9)			(359.6)
Fair value hedge derivatives			(0.3)			-
Net financial debt			**2,273.3**			**2,401.2**

[(1)] of which accrued interest on Senior Notes in the amount of €2.5 million at December 31, 2010 (€1.5 million at December 31, 2009)

19.1.1 Senior Notes

On December 21, 2009, Rexel issued senior unsecured notes for a nominal sum of €575 million (the “Notes”). The funds raised were used to refinance part of the debt obligation relating to the previous Senior Credit Agreement. The Notes bear interest annually at 8.25% and are listed on the Luxembourg Stock Exchange. Rexel will pay interest on the Notes semi-annually on June 15 and December 15, starting from June 15, 2010. The notes will mature on December 15, 2016.

These Notes are guaranteed by certain of Rexel’s subsidiaries. The Notes and all of Rexel’s existing and future unsecured senior debt rank pari passu and senior to all its existing and future subordinated debt.

The Notes are redeemable in whole or in part at any time prior to December 15, 2013 at a redemption price equal to 100% of their principal amount, plus a “make-whole” premium and accrued and unpaid interest. On or after December 15, 2013, the Notes are redeemable in whole or in part by paying the redemption price set forth below.

Redemption period beginning on:	Redemption price (as a % of principal amount)
December 15, 2013	104,125%
December 15, 2014	102,063%
December 15, 2015 and after	100,000%

In addition, at any time on or prior to December 15, 2012, the Notes are redeemable up to 35% of the outstanding principal amount with the net proceeds from an equity offering of new Rexel shares.

On January 20, 2010, Rexel issued €75 million of senior unsecured notes in addition to the notes issued on December 21, 2009 for an amount of €575 million. These additional notes fully assimilated to the notes issued on December 21, 2009 pay interest at a rate of 8.25% and are redeemable on December 15, 2016. The issue price was 102.33% of the nominal amount corresponding to €76.7 million.

The Notes are hedged at a fair value of €475 million. Their value has been adjusted to reflect interest rate fluctuations.

19.1.2 Senior Credit Agreement

As of December 31, 2010, facilities under the Senior Credit Agreement and other senior term loan agreements were as follows:

Credit facilities	Commitment *(in millions of euros)*	Underwriter	Balance due as of December 31, 2010 *(in millions of local currency)*	Currency	Balance due as of December 31, 2010 *(in millions of euros)*
Facility A	390.7	Rexel SA	156.0	CAD	117.1
			370.0	USD	276.9
Facility B	1,074.0	Rexel SA	70.0	CHF	56.0
			500.0	SEK	55.8
			294.6	USD	220.5
2009 Senior Credit Facilities subtotal	**1,464.7**				**726.2**
Bilateral line	35.3	Rexel SA	35.3	EUR	35.3
TOTAL	**1,500.0**				**761.5**

During the financial year ended December 31, 2010, the maximum commitment corresponding to Facilities A and B under the 2009 Senior Credit Agreement was reduced by €40 million in July 2010 (decreasing from €600.0 million to €586.0 million for Facility A and from €1,100.0 to €1,074.0 million for Facility B) following execution of a bilateral €40.0 million Term Loan Agreement on July 28, 2010. Terms and conditions under this Term Loan Agreement are similar to those applied to the 2009 Senior Credit Agreement (whose terms and conditions are described in the consolidated financial statements for the year ended December 31, 2009).

Furthermore, the maximum commitment corresponding to Facility A and the bilateral Term Loan Agreement was reduced by €200.0 million in December 2010 (decreasing from €586.0 million to €390.7 million for Facility A and from €40.0 million to €35.3 million for the bilateral Term Loan Agreement), in accordance with contractual provisions.

Interests and margin

These multicurrency credit facilities carry interest at EURIBOR or LIBOR rates depending on the currency in which amounts are drawn, plus a margin which varies depending on the leverage ratio.

At December 31, 2010 the applicable margin stood at 2.50% for Facility A and 2.75% for Facility B.

The margin applicable varies in accordance with the ranges in which the Pro Forma Leverage Ratio (as defined below) falls at the end of each semester as set out below:

Leverage ratio	Facility A Margin	Facility B Margin
Greater than or equal to 5.00:1 ……………………………	4.25%	4.50%
Less than 5.00:1 but greater than or equal to 4.50:1 ……..	3.50%	3.75%
Less than 4.50:1 but greater than or equal to 4.00:1………	3.00%	3.25%
Less than 4.00:1 but greater than or equal to 3.50:1 ……..	2.50%	2.75%
Less than 3.50:1 but greater than or equal to 3.00:1 …….	2.00%	2.25%
Less than 3.00:1 but greater than or equal to 2.50:1 ……..	1.75%	2.00%
Less than 2.50:1 ……………………………………………….	1.50%	1.75%

In addition, the applicable margin shall be increased by a utilization fee equal to:

- 0.25% per annum *pro rata temporis* for the period during which the facilities are drawn down for an amount less than or equal to 66% but greater than 33% of the total commitments; and
- 0.50% per annum *pro rata temporis* for the period during which the facilities are drawn down for an amount greater than 66% of the total commitments.

Rexel shall also pay a commitment fee in the base currency computed at the rate of 40% of the applicable margin on that lender's available commitment under each facility.

Covenant (Pro Forma Leverage Ratio)

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

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

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

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

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

Commitments

Under the terms of the Senior Credit Agreement, Rexel must maintain the Pro Forma Leverage Ratio below the following levels on the dates indicated:

Date	Leverage ratio
December 31, 2010 …………………..	4,90:1
June 30, 2011 ………………………….	4,50:1
December 31, 2011 …………………..	4,00:1
June 30, 2012 ………………………….	3,75:1
December 31, 2012 …………………..	3,50:1
June 30, 2013 ………………………..	3,50:1
December 31, 2013 …………………..	3,50:1
June 30, 2014 ………………………….	3,50:1

As of December 31, 2010, this ratio was 3.19, thus satisfying the provisions of the Credit Agreement.

Other undertakings

The Senior Credit Agreement introduced covenants relating to limits on capital expenditure and restrictions on dividend payments when the Leverage Ratio *pro forma* exceeds 4.00:1.

Other covenants

The Senior Credit Agreement contains certain covenants that restrict the capacity of Group companies, parties to that Agreement and certain subsidiaries from (i) granting security interests or warranties based on their assets; (ii) making loans to others; (iii) creating security interests; (iv) undertaking certain investments; (v) disposing of assets; or (vi) substantially changing the general nature of the Group's business.

Prepayment

The Senior Credit Agreement contains certain covenants for total or partial acceleration of maturity, particularly in the event of a change of control of Rexel, the sale of all or a part of Rexel's assets, payment default or in the event of accelerated maturity of other financial debt of certain Group entities (above established thresholds) or other events that are likely to have a significant negative effect on the obligations of borrowers and guarantors.

19.1.3 Securitization programs

The Rexel Group runs several securitization programs presented in the table below, with the exception of the off-balance sheet US program such as disclosed in note 11.2, which enable it to obtain financing at a lower cost than issuing bonds or bank loans.

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

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

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

Securitization programs are subject to certain covenants concerning the quality of the trade receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables). As of December 31, 2010, Rexel had satisfied all of these covenants.

The features of the securitization program are summarized in the table below:

Program	Commitment	Amount of receivables pledged as of December 31, 2010	Amount drawn down as of December 31, 2010	Balance as of		Repayment
				as of December 31, 2010	as of December 31, 2009	
2005 - Europe and Australia (1)	500.0 EUR	588.4 EUR	444.8 EUR	444.8	478.6	11/02/2012
United States	250.0 USD	387.3 USD	241.0 USD	180.4	155.8	23/12/2014
Canada (2)	140.0 CAD	238.4 CAD	140.0 CAD	105.1	107.1	13/12/2012
2008 - Europe	450.0 EUR	477.6 EUR	337.3 EUR	337.3	315.1	17/12/2013
TOTAL				**1,067.6**	**1,056.6**	

(1) On July 30, 2010, the 2005 securitization program implemented for Rexel's operation in Europe and Australia was amended to reduce the original commitment from €600 million to €500 million and to increase headroom on covenants related to portfolio triggers.

(2) The maximum authorized commitment was reduced from CAD175 million to CAD140 million in April 2010.

These receivables assignment programs pay interest at variable rates plus a spread which is specific to each program.

As of December 31, 2010, the total commitment of these securitization programs was €1,242.2 million and was utilized up to €1,067.6 million.

Furthermore, Rexel also operates an off-balance sheet program restricted to its US subsidiaries. Under this program, all risks and rewards attached to the receivables are transferred to the purchaser and such receivables are derecognized (see note 11.2).

19.1.4 Commercial paper program

In September 2010, Rexel launched a €500 million commercial paper program with a fixed maturity ranging from one to three months depending on the notes issued to diversify the investor base and minimize the cost of financing.

As of December 31, 2010, the company had issued €56.9 million in commercial paper.

19.2 | Change in net financial debt

As of December 31, 2010 and 2009, the change in net financial debt is as follows:

(in millions of euros)	2010	2009
As of January 1, ……	**2,401.2**	**2,932.0**
Repayment of 2008 Senior Credit Agreement……	-	(2,401.0)
Subscriptions (Repayments) of 2009 Senior Credit Agreement ……	(407.8)	1,082.0
Subscription of Senior Notes……	76.7	575.0
Issuance of commercial paper……	56.9	-
Transaction costs related to refinancing……	(5.0)	(64.1)
Net change in other credit facilities and bank overdrafts……	(24.4)	4.5
Net change in credit facilities……	**(303.6)**	**(803.6)**
Net change in securitization……	(34.3)	(236.2)
Payment of finance lease liabilities……	(5.2)	(7.7)
Net change in financial liabilities……	***(343.1)***	***(1,047.5)***
Change in cash and cash equivalents ……	14.6	406.3
Translation differences ……	154.3	70.2
Change in consolidation scope……	10.1	5.5
Amortization of transaction costs……	17.4	36.6
Change in fair value and other changes……	18.8	(1.9)
At December 31, ……	**2,273.3**	**2,401.2**

On January 20, 2010, Rexel issued €75 million of notes in addition to the notes issued on December 21, 2009 in an amount of €575 million. These additional notes, which are the same as the notes issued on December 21, 2009, pay interest at a rate of 8.25% and are redeemable on December 15, 2016. The issue price was 102.33% of the nominal amount equating to €76.7 million. Interest payments are due semi-annually on June 15 and December 15 each year, starting from June 15, 2010.

In the year ended December 31, 2009, the net change in lines of credit included the following operations:

Refinancing of the 2008 Senior Credit Agreement and issuance of Senior Notes in December 2009

On December 21, 2009 the remaining amount due under the 2008 Senior Credit Agreement was entirely redeemed for €2,104.7 million. This Credit Agreement was refinanced simultaneously by drawings under the new Senior Credit Agreement for an amount of €1,082 million and the issuance of the €575 million senior unsecured notes. The balance was paid with available cash at the date of the transaction. Financing fees related to this transaction amounted to €13.0 million for the issuance of Senior Notes and €27.9 million for setting up the new Senior Credit Agreement.

Amendment of the 2008 Senior Credit Agreement in July 2009

As part of the execution of the amendment to the 2008 Senior Credit Agreement signed on July 30, 2009, Rexel paid off €150.0 million early under Facility A and €60.0 million under Facility A'. Financing fees related to these transactions amounted to €22.8 million.

Repayment of Facility D under the 2008 Senior Credit Agreement in March 2009

On March 26, 2009, the remaining amount due under Facility D of the 2008 Senior Credit Agreement was fully repaid at €86.7 million. This two-year term facility was repaid in part with the proceeds from new securitization programs set up by Rexel in December 2008 following the acquisition of Hagemeyer.

20.| MARKET RISKS AND FINANCIAL INSTRUMENTS

20.1 | Interest rate risk

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

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

(in millions of euros)	As of December 31	
	2010	**2009**
Senior notes and other fixed rate debt [1]……………	670.6	585.5
Fixed-rate debt before hedging………………………………………..	*670.6*	*585.5*
Floating to fixed rate swaps……………………………………………	1,286.4	1,047.8
Fixed to floating rate swaps……………………………………………	(475.0)	(225.0)
Active Interest rate options - Collars [2]…………………..…………	721.3	1,057.6
Sub total fixed or capped rate debt after hedging	***2,203.3***	***2,465.9***
Floating rate debt before hedging……………………………………	1,914.4	2,175.3
Floating to fixed rate swaps……………………………………………	(1,286.4)	(1,047.8)
Fixed to floating rate swaps……………………………………………	475.0	225.0
Active Interest rate options - Collars [2]…………………..…………	(721.3)	(1,057.6)
Cash and cash equivalents……………………………………………	(311.9)	(359.6)
Sub total current floating rate debt after hedging	***70.0***	**(64.7)**
Active Interest rate options - Collars *(2)* …………………..………	-	-
Sub total current floating rate debt after hedging	**70.0**	**(64.7)**
Total net financial debt	**2,273.3**	**2,401.2**

[1] After deduction of the €0.3 million in connection with the fair value hedge of the senior notes

[2] interest rate options for which one of the exercise prices (cap or floor) is in the money.

Fair value hedge derivatives

The Group partially swapped the fixed rate debt on the Senior Notes for €475.0 million in variable rate debt. These derivatives are classified as fair value hedges.

As of December 31, 2010, the portfolio associated with derivative financial instruments that qualify as fair value hedges was as follows:

	Total notional amount *(in millions of euros)*	Maturity	Weighted average fixed rate paid (received)	Variable rate paid (received)	Fair value[2] *(in millions of euros)*
Swaps paying floating rate					
Euro …………	100.0	March 2011	(2.99%)	3M Euribor	**0.5**
Euro …………	375.0	December 2016	(2.84%)	3M Euribor	**6.0**
Euro …………	100.0	December 2016 [1]	(2.35%)	3M Euribor	**(1.5)**
Swaps paying fixed rate					
Euro …………	(100.0)	March 2011	2.67%	(3M Euribor)	**(0.4)**
Euro …………	(150.0)	March 2012	2.19%	(3M Euribor)	**(2.0)**
Euro …………	(100.0)	March 2013	2.29%	(3M Euribor)	**(2.0)**
Total					**0.6**

[1] Starting date: March 2011

[2] Fair value including €0.2million of interest accrued as of December 31, 2010

The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognized on the income statement as interest expenses on borrowings. The changes in fair value of the derivatives created to hedge the changes in the fair value of the hedged item are recognized in the income statement to match each other. The change in fair value of these fair value hedging rate swaps for the period ended December 31, 2010 was a gain of €4.2 million, thereby partially offsetting a loss of €5.3 million resulting from the change in the fair value of the Senior Notes.

Cash flow hedge derivatives

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

These variable-rate receiver and fixed-rate payer swaps mature between March 2010 and March 2014. It is the Group's intention to renew a material part of these swaps in order to hedge the variability of future interest expense related to its variable rate debt according to its aforementioned policy. The allocation of hedging instruments among currencies hinges upon the Group's expectations concerning trends of the interest rates linked to those currencies. Those instruments are classified as cash flow hedges and are measured at fair value.

It is the Group's intention to renew a material part of these swaps when they mature in order to hedge the variability of future interest expense related to its variable rate debt in accordance with its policy. The allocation of hedging instruments among currencies hinges upon the Group's expectations concerning trends of the interest rates linked to those currencies. Those instruments are classified as cash flow hedges and are measured at fair value.

As of December 31, 2010, derivative instruments classified as cash flow hedges were as follows:

	Total notional amount (in millions of local currency)	Total notional amount (in millions of euros)	Maturity	Floating rate received	Weighted average fixed rate paid	Fair value[3] (in millions of euros)
Swaps paying fixed rate						
Swiss Franc ……………	30.0 [1]	24.0	March 2011	3M Libor	0.35%	(0.0)
Swiss Franc ……………	40.0	32.0	March 2013	3M Libor	0.94%	(0.4)
Swiss Franc ……………	90.0	72.0	March 2014 [2]	3M Libor	0.81%	(0.0)
Canadian Dollar ……….	100.0	75.1	September 2013	3M Libor	1.57%	0.9
Canadian Dollar ……….	70.0	52.5	March 2013	3M Libor	2.72%	(1.0)
Euro ……………………	100.0	100.0	March 2012 [2]	3M Euribor	1.42%	(0.2)
Euro ……………………	200.0	200.0	March 2014 [2]	1M Euribor	1.39%	1.8
Swedish Krona …………	500.0	55.8	September 2012	3M Stibor	2.59%	(0.2)
US Dollar ………………	200.0	149.7	September 2011	3M Libor	3.35%	(3.4)
	230.0	172.1	December 2011	3M Libor	3.50%	(5.4)
	200.0	149.7	September 2012	3M Libor	3.18%	(6.7)
	280.0	209.5	March 2013	3M Libor	2.82%	(9.3)
Pound Sterling ……….	25.0	29.0	March 2012 [2]	3M Libor	1.97%	(0.3)
Total		**1,321.4**				**(24.2)**

[1] Swap of a total notional amount of 50 millions Swiss francs of which 20 million are ineligible for cash flow hedges since they exceed the underlying debt. This reclassification trigger the recycling to earnings of the unrealized value of this component of the swap, with no significant impact on the accounts as of the end of December.

[2] Starting date: March 2011

[3] Fair value including (€1.0) million of interest accrued as of December 31, 2010

[1] Swap with a total nominal amount of CHF50 million of which 20 million is not classified as cash flow hedges since they exceed the underlying debt. This reclassification has resulted in running the latent value of this swap component through the income statement without this having a material impact on the year-end financial statements.

[2] Starting date: March 2011

[3] Fair value including €1.0 million of accrued interest at December 31, 2010

	Total notional amount (in millions of local currency)	Total notional amount (in millions of euros)	Maturity	Floating rate received	Weighted average fixed rate paid	Fair value[2] (in millions of euros)
Collars						
Euro [1] ………………………..	550.0	550.0	March 2011	3M Euribor	2,65%-4,50%	(2.2)
Pound Sterling…………………	66.0	76.7	March 2011	3M Libor	3,75%-5,75%	(0.6)
Canadian Dollar ……………..	126.0	94.6	March 2011	3M C-Dor	2,75%-5,00%	(0.4)
Total		**721.3**				**(3.2)**

[1] The initial notional amount of €900 million was reduced to €550 million on February 26, 2010 and simultaneously Rexel entered into three swaps paying a fixed rate for a total notional amount of €350 million (see note on fair value hedge derivatives).

[2] Fair value including €0.5 million of accrued interest at December 31, 2010

The change in fair value of the cash flow hedge instruments for the period ended December 31, 2010 was recognized as a €19.5 million increase in shareholders' equity before tax.

The following table indicates the periods in which the Group expects the cash flow associated with derivative instruments qualified as cash flow hedges to take place. They will be recognized in the income statement following the same schedule:

(in millions of euros)	**Fair value**	**One year**	**Two years**	**Three years**	**Thereafter**
Derivative assets ……………	3.6		0.2	2.7	0.7
Derivative liabilities …………	(29.4)	(22.7)	(6.2)	(0.4)	
Derivatives ……………………	**(25.8)**	**(22.7)**	**(6.1)**	**2.3**	**0.7**
Cash flow hedged ………….	**(25.8)**	**(22.7)**	**(6.1)**	**2.3**	**0.7**

Sensitivity to interest rate variation

As of December 31, 2010 a 1% rise in interest rates on variable debt after effective interest rate hedging would lead to an increase in the yearly interest expense estimated at €5.2 million and an equity increase of €16.4 million.

20.2 | Currency risk exposure

Forward contracts

Exchange risk exposure arises principally from external financing in foreign currencies or financing extended to foreign affiliates in their local currency or that received from them. In order to neutralize the exposure to the exchange rate risk, the positions denominated in currencies other than the euro are hedged using forward contracts with a term generally ranging from one to three months. The hedge contracts are renewed as necessary while exposure remains.

Currency options

In addition, since the presentation of the financial statements is in euro, the Group is required to translate income and expenses denominated in other currencies into euro in preparing its financial statements at average rates applicable to the period. Therefore, the Group has entered into several currency options to partially hedge the effect of its exposure to the translation risk related to its foreign operations. These instruments are qualified as held for trading under IAS 39.

The notional amount and the fair value of financial instruments hedging currency risk as of December 31, 2010 were €147 million (€445 million forward sales and €298 million forward purchases) and (€2.7) million respectively. The change in fair value of currency derivatives came to €6.0 million as of December 31, 2010 and is recognized on the income statement as net financial income for €6.3 million (see Note 8) and as an operating loss of €0.2 million and lastly very little in the cash flow hedge reserve.

Sensitivity to changes in foreign exchange rates

The presentation currency of the financial statements being the euro, the Group is required to translate into euro those assets, liabilities, revenues and expenses denominated in currencies other than the euro in preparing its financial statements.

The results of these operations are included in the Group's consolidated income statement after conversion at the average rate applicable to the period. A 5% increase (or decrease) of the euro against the US dollar and the Canadian dollar would have led to a decrease (increase) in sales of €180.8 million and a decrease (increase) in operating income before other income and other expenses of €6.7 million.

The Group's financial liabilities and shareholders' equity are likewise included on its consolidated balance sheet after conversion at the financial year-end exchange rate. Thus, a 5% appreciation (depreciation) of the euro against the other currencies as compared to the closing exchange rates as of December 31, 2010 would result in a corresponding decrease (increase) in financial debt and shareholders' equity of €68.0 million and €86.3 million respectively.

Financial debt per repayment currency

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

(in millions of euros)	**Euro**	**US dollar**	**Canadian dollar**	**Australian dollar**	**Norwegian krona**	**Swedish krona**	**Pound sterling**	**Swiss franc**	**Other currencies**	**Total**
Financial liabilities ………………	1,295.4	696.3	222.4	99.2	1.1	56.7	145.1	56.5	12.9	2,585.5
Fair value hedge derivatives …….	(0.3)	-	-	-	-	-	-	-	-	(0.3)
Cash and cash equivalents…….	(204.8)	(33.2)	1.6	(23.0)	(11.2)	(0.9)	(10.9)	(5.2)	(24.3)	(311.9)
Net financial position before hedging	**1,090.3**	**663.1**	**224.0**	**76.2**	**(10.1)**	**55.7**	**134.2**	**51.3**	**(11.4)**	**2,273.3**
Impact of hedge………………..	(176.2)	(87.9)	12.2	(7.4)	(27.8)	130.6	(121.1)	219.5	58.1	-
Net financial position after hedging	**914.1**	**575.3**	**236.2**	**68.8**	**(37.9)**	**186.4**	**13.1**	**270.8**	**46.6**	**2,273.3**
Impact of a 5% increase in exchange rate…………		28.8	11.8	3.4	(1.9)	9.3	0.7	13.5	2.3	**68.0**

20.3 | Liquidity Risk

The €650 million of debt from the Senior Notes matures in December 2016 while that relating to the Senior Credit Agreement and to the bilateral credit agreement matures in December 2014 for €726.2 million and €35.3 million respectively.

Rexel may be required to repay amounts due early as a result of non-compliance with covenants set forth in note 19.1.2.

Lastly, securitization programs mature in 2012, 2013 and 2014. The financing arising from these programs directly depends on the amounts and quality of the portfolio 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.

The contractual repayment schedule of the principal portion of the financial debt is as follows:

(in millions of euros)	As of December 31	
Maturities:	**2010**	**2009**
One year	140.9	99.9
Two years	553.5	4.0
Three years	334.6	584.7
Four years	941.1	314.6
Five years	1.8	1,248.8
Thereafter	676.8	584.1
Sub-total financial debt	**2,648.7**	**2,836.1**
Transaction costs	(63.2)	(75.3)
Financial debt	**2,585.5**	**2,760.8**

As of December 31, 2010, the remaining contractual due dates in relation to financial indebtedness and derivatives, including interest owed, are as follows:

(in millions of euros) ***Maturities:***	**Financial debt & interest**	**Derivatives**	**Total**
One year	254.8	(20.7)	234.1
Two years	663.6	(3.2)	660.5
Three years	440.0	3.1	443.0
Four years	1,036.1	(1.0)	1,035.1
Five years	55.4	(3.2)	52.2
Thereafter	725.5	(4.3)	721.3
Total	**3,175.5**	**(29.2)**	**3,146.2**

In addition, trade accounts payable amounted to €1,866.2 million at December 31, 2010 (€1,676.0 million at December 31, 2009) are due within one year.

20.4 | Counterparty risk

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

Credit risk with respect to trade accounts receivable is limited due to the large number of customers, the diversity of their activities (contractors, manufacturers, municipalities), and their geographical spread in France and abroad. In addition, credit insurance programs have been implemented in the majority of the significant countries in which the Group operates. The maximum risk corresponding to the total accounts receivable after impairment amounted to €2,022.0 million and is detailed in note **11.2** Trade receivables.

The counterparty risk concerning cash, cash equivalents and hedging instruments is likewise limited by the quality of the relevant counterparties, which are the Group's traditional banking partners for its financing and are almost exclusively based in Europe. The outstanding amount was €321.6 million as of December 31, 2010 (€363.5 million as of December 31, 2009), which equals the net book value of the aforementioned items.

The maximum counterparty risk on the Group's other financial assets was €404.7 million (€370.7 million as of December 31, 2009) and essentially corresponds to supplier discounts receivable.

21. | SUMMARY OF FINANCIAL LIABILITIES

(in millions of euros)		Category IAS 39	Hierar-chy	As of December 31			
				2010		**2009**	
				Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Bonds		AC		669.5	718.3	575.0	579.3
Other financial debts, including accrued interest		AC		1,916.0	1,916.0	2,185.8	2,185.8
Total financial liabilities				**2,585.5**	**-**	**2,760.8**	**-**
Hedging derivatives	(1)	N/A	2	23.0	23.0	43.7	43.7
Other liabilities	(2)	N/A		8.7	N/A	10.5	N/A
Total other non-current liabilities				**31.7**	**-**	**54.2**	**-**
Trade accounts payable		AC		1,866.2	1,866.2	1,676.0	1,676.0
Customer rebates payable		AC		101.7	101.7	102.4	102.4
Personnel and social security charges	(2)	N/A		248.1	N/A	216.7	N/A
VAT receivable and other sales taxes	(2)	N/A		67.2	N/A	65.8	N/A
Hedging derivatives	(1)	N/A		11.3	11.3	4.1	4.1
Other derivatives		TR	2	4.0	4.0	9.9	9.9
Other liabilities		AC		147.6	-	149.7	149.7
Deferred income	(2)	N/A		4.2	N/A	3.7	N/A
Total other debts				**584.1**	**-**	**552.3**	**-**

(1) Accounting method specific to hedging
(2) Not classified as a financial liability under IAS 39

Financial liabilities - stated at amortized cost	AC
Held for trading	TR
Fair value through profit or loss	FV
Not applicable	N/A

22. | LITIGATION

22.1 | Litigation

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

The principal proceedings are set out below.

Settlement of litigation regarding bankruptcy of Ceteco

On February 8, 2010, Hagemeyer N.V., the Management Board of Ceteco, the auditors of Ceteco and one of its insurance companies, entered into a settlement with Ceteco's receivers, under which all legal actions and claims pursuant to Ceteco's bankruptcy were withdrawn and definitely waived. On March 1, 2010, as per this settlement, Hagemeyer N.V. paid €29.8 million to Ceteco's receivers net of payments by Sonepar amounting to €23.4 million (pursuant to the October 23, 2007 agreement between Rexel and Sonepar providing for certain provisions in relation to the allocation of any losses suffered as a result of this litigation proceeding), and payments by other parties. A provision had been recorded for this litigation as of December 31, 2009.

Litigation relating to Elettroveneta

During 2007, Rexel Italia, an indirect subsidiary of Rexel, considered the acquisition of Elettroveneta, an Italian corporation operating mainly in the region of Veneto. In 2007, further to a disagreement on the price, the signature of the agreement was cancelled. On July 31, 2008, the shareholders of Elettroveneta filed a claim with the court of Monza against Rexel Italia, Rexel SA and its manager based on the allegation that an agreement on the price had been reached and that an agreement therefore existed between the parties despite the lack of signature.

Elettroveneta's shareholders have filed a claim with the Court of Monza to be indemnified for the losses suffered, for a minimum amount of €24.8 million excluding interest. Elettroveneta's shareholders consider that the losses suffered are between €24.5 million and €29.5 million. The Court of Monza recognized that it was not competent to rule on the matter and dismissed itself; the proceedings are now reinstated before the Court of Milan.

The Group believes that it has sound legal grounds to defeat this claim, but cannot give assurances that its defense will ultimately prevail.

Asbestos litigation

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

22.2 | Tax litigation

The principal tax proceedings involving Group companies as of December 31, 2010 are described below:

Manudax Belgium

Manudax Belgium N.V., one of Hagemeyer's Belgian subsidiaries, entered into voluntary liquidation on November 27, 2000. During 1999 and 2000, Manudax Belgium was subject to a tax reassessment for VAT in connection with fraudulent transactions allegedly entered into by former employees during the period beginning late 1996 until early 1998. The amount of this tax reassessment, including penalties and excluding interest, is €78.2 million. The interest accrued until December 31, 2007 amounts to €52.1 million. All reassessments have been challenged by Manudax Belgium.

The time allowed for recourse against Manudax's shareholder is statute barred. Accordingly, the recoverable amount is limited by the Manudax assets under liquidation, a value estimated at €14 million. Since the Group's participation in Manudax has completely depreciated, Rexel deems that the outcome of this litigation should not impact its financial condition.

Rexel Développement

In 2008, Rexel Développement S.A.S. was subject to a tax audit for the fiscal years 2005 and 2006.

In December 2008, French tax authorities notified a tax reassessment relating to services invoiced in 2005 by Clayton Dubilier & Rice Inc., Eurazeo and Merrill Lynch Global Partners Inc. at the time of the buy-out of Rexel Distribution in an amount of €33.6 million. These services are alleged not to have been rendered in the business interests of the company and are classified as constructive dividends. The taxes reassessed amounted to €22 million including interest for late payment, and a notice was issued to this effect in February 2010. As Rexel Développement's claim against the reassessment was dismissed, it filed an application with the Administrative Court in December 2010. A provision has been set aside for the full amount of the corresponding tax expense by writing down deferred tax assets for the corresponding part of tax losses carried forward, as well as a provision for risks.

Rexel Distribution

In 2008, Rexel Distribution was notified of a proposed tax reassessment by the French tax authorities which alleged that the selling price of its shareholding in Rexel Inc. (Rexel's US subsidiary), transferred in 2005 to its Luxembourg subsidiary Rexel Luxembourg (formerly Mexel), was €346 million lower than its market value. The reassessment at year-end 2009 amounted to €46.2 million, resulting in a maximum income tax expense of around €18 million, which is covered in full by a provision. The Group challenged this decision after the tax reassessment notice was served in February 2010. A provision was recognized for this amount by writing down deferred tax assets on tax losses carried forward as well as a provision for risks.

22.3 | Other contingent liabilities

The Group has granted the following warranties to purchasers in connection with the disposal of certain subsidiaries. These warranties had not been called at year-end.

Warranties given in connection with the sale of HCL Asia

In connection with the disposal of HCL Asia (see Note 7.2), the Group granted the purchaser a warranty for contingent liabilities amounting to USD 2.5 million, excluding tax and pension claims (USD 7.0 million including tax and pension claims). The warranty expires in September 2011, with the exception of tax claims for which local statutes of limitation apply.

Warranties given in connection with the sale of Haagtechno B.V.

In connection with the sale and purchase agreement relating to the disposal of Haagtechno B.V.(see Note 7.2), the Group granted the purchaser a warranty for contingent liabilities amounting to €1.6 million. The warranty is effective for an aggregate amount of damages exceeding €0.5 million, in which case the full amount is recovered by the purchaser. The agreement also provides that the warranty shall only be effective for 12 months as from the transaction date (June 30, 2010), with the exception of the tax claims for which the applicable statute of limitation period applies.

Environmental warranty

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

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

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

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

23.| RELATED PARTY TRANSACTIONS

Executive compensation

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

(in millions of euros)	For the year ended December 31	
	2010	**2009**
Salaries and other short-term benefits …………………………	11.1	10.3
Post-employment benefits (service costs) ………………………	2.4	1.9
Severance benefits…………………………………………………	0.6	-
Free shares and stock options [(1)]…………………………………	2.2	0.3

[(1)] Share-based payment expense is detailed in Note 15.1 – Free shares schemes

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

In the event of a breach of employment contract, the Group could have to compensate the executive committee members a total amount of €11.9 million.

24.| CONTRACTUAL OBLIGATIONS

The following table details the due dates of the Group's financial debts, operating lease contracts and service agreements:

(in millions of euros)	**Payments outstanding as of December 31, 2010**					
	Total	**2011**	**2012**	**2013**	**2014**	**> 2014**
Gross financial debt………………………	2,648.7	140.9	553.5	334.6	941.1	678.6
Operating leases …………………………	651.8	185.2	142.3	103.5	74.4	146.4
Service agreements …………………..	126.4	30.3	27.3	26.2	22.1	20.5

Commitments under operating lease contracts

The above table presents the minimum lease payments under non-cancelable leases of buildings and installations which fall due more than one year after December 31, 2010.

The total expense under operating lease contracts was €218.7 million for the year ended December 31, 2010 (€223.6 million as of December 31, 2009).

Non-cancelable service agreements

As part of its policy of outsourcing IT resources, the Group has entered into service agreements implying financial commitments and penalties for early termination. Fees remaining due in respect of these service agreements came to €126.4 million as of December 31, 2010.

25.| EVENTS AFTER THE REPORTING PERIOD

As part of its external growth strategy, in January 2011 the Group announced its acquisition of Nortel Suprimentos Industriais in Brazil, Yantra Automation Private Ltd in India and Wuhan Rockcenter automation in China. These acquisitions will help it expand its global footprint into three emerging countries.

Nortel Suprimentos Industriais is among the top three Brazilian distributors of electrical materials. It is based in Campinas in São Paulo state and has annual sales of around €110 million. The acquisition is to be carried out in two stages: an initial 75% majority stake acquired in January 2011, followed by acquisition of the remaining shares at the beginning of 2013 at a set price based on the company's operating performance in financial years 2011 and 2012.

Yantra Automation Private Ltd is a distributor specializing in automation and industrial controls. Based in Pune in India's Maharashtra state, it has annual sales of around €12 million. Pursuant to the acquisition agreement, the Group acquired an initial 74% majority stake in Yantra Automation Private Ltd in January 2011, and will acquire the remaining shares in 2014 at a set price based on the company's future operating performance.

Wuhan Rockcenter Automation Co.Ltd is based in Wuhan, the capital of the Hubei province in central China and posted sales of around €10 million in 2010. The Group acquired the assets and the business of this company. The acquisition price is subject to an earn-out based on future performance.

The aggregate amount paid for these acquisitions is €59.3 million. At the closure of the consolidated financial statements, the Group did not have sufficient information to allocate the consideration transferred in these transactions.

26.| CONSOLIDATED ENTITIES AS OF DECEMBER 31, 2010

	Head office	% Interest	% Control
FRANCE			
Holding companies and Group services companies			
Rexel S.A.	Paris	Parent company	
Rexel Développement S.A.S.	Paris	100.00	100.00
Rexel Distribution S.A.	Paris	100.00	100.00
Rexel Services S.A.S.	Paris	100.00	100.00
Société Immobilière d'Investissement Parisienne S.N.C.	Paris	100.00	100.00
Société Logistique Appliquée S.N.C.	Paris	100.00	100.00
Rexel Financement S.N.C.	Paris	100.00	100.00
Rexel Amérique Latine S.A.S.	Paris	100.00	100.00
SCI Adour Bastillac	Paris	70.00	100.00
SCI CM Immobilier	Paris	100.00	100.00
Operating companies			
Rexel Services S.A.S.	Paris	100.00	100.00
Dismo France S.A.S.	St-Ouen l'Aumône	100.00	100.00
Espace Elec S.A.S.	Bastia	100.00	100.00
Bizline S.A.S.	Paris	100.00	100.00
Citadel S.A.S.	Paris	100.00	100.00
Conectis S.A.S.	Paris	100.00	100.00
Francofa	Rosny sous Bois	100.00	100.00
EUROPE			
Germany			
Rexel GmbH	Munich	100.00	100.00
Simple System GmbH & Co KG	Munich	20.00	20.00
Euro Marketing & Deinstleistungs GmbH	Munich	100.00	100.00
Hagemeyer Deutschland GmbH & Co KG	Munich	100.00	100.00
Hagemeyer Deutschland Verwaltungs GmbH	Munich	100.00	100.00
Hagemeyer Beteiligungs GmbH	Munich	100.00	100.00
Silstar Deuthschland GmbH	Emmerich	100.00	100.00
Hagemeyer Holding Deutschland GmbH	Munich	100.00	100.00
United Kingdom			
CDME UK Ltd	Potters Bar	100.00	100.00
Rexel Senate Ltd	Potters Bar	100.00	100.00
Denmans Electrical Wholesalers Ltd	Potters Bar	100.00	100.00
Martines Ltd	Potters Bar	100.00	100.00
Power Industries Ltd	Erdington	100.00	100.00
Clearlight Electrical Ltd	Erdington	100.00	100.00
Rexel Senate Pension Trustees Ltd.	Potters Bar	100.00	100.00
Senate Group Ltd	Potters Bar	100.00	100.00
John Godden Ltd	Potters Bar	100.00	100.00
Sunbridge TradingCo. Ltd	Potters Bar	100.00	100.00
Sunbridge Electrical Wholesales Ltd	Potters Bar	100.00	100.00
Rexel (UK) Holdings Ltd.	Birmingham	100.00	100.00
Rexel (UK) Ltd	Birmingham	100.00	100.00
Newey & Eyre Ltd.	Birmingham	100.00	100.00
Parker Merchanting Limited	Birmingham	100.00	100.00
WF Electrical Plc	Dagenham	100.00	100.00
Newey & Eyre (C.I.) Ltd.	Birmingham	100.00	100.00
Neilco Ltd.	Birmingham	100.00	100.00
Warrior (1979) Ltd.	Birmingham	100.00	100.00

	Head office	% Interest	Control
Newey & Eyre International Ltd.	Birmingham	100.00	100.00
N. & E. (Overseas) Ltd.	Guernsey	100.00	100.00
Dunlop & Hamilton Ltd.	Belfast	100.00	100.00
H.A. Wills (Southampton) Ltd.	Birmingham	100.00	100.00
Rexel (UK) Pension Trustees Ltd.	Birmingham	100.00	100.00
Pollard Ray & Sampson Ltd.	Birmingham	100.00	100.00
A&A Security Technologies Limited	Birmingham	100.00	100.00
Defiance Contractor Tools Limited	Birmingham	100.00	100.00
J&N Wade Limited	Dagenham	100.00	100.00
Blackstone Holdings Limited	Dagenham	100.00	100.00
OLC Limited	Dagenham	100.00	100.00
Grants Electrical Supplies Ltd.	Dagenham	100.00	100.00
Ross Industrial Controls Ltd.	West Lothian	100.00	100.00
OLC (Holdings) Ltd.	Dagenham	100.00	100.00
Sweden			
Svenska Elgrossist Aktiebolaget Selga	Alvsjô	100.00	100.00
Storel AB	Lila edet	100.00	100.00
Moel AB	Bredaryd	100.00	100.00
Austria			
Rexel Central Europe Holding GmbH	Vienna	100.00	100.00
Rexel Austria GmbH	Vienna	100.00	100.00
Schäcke GmbH	Vienna	100.00	100.00
Regro Elektro-Grosshandel GmbH	Vienna	100.00	100.00
The Netherlands			
CDME BV	Amsterdam	100.00	100.00
BV Electrotechnische Groothandetl JK Busbroek	Zwolle	100.00	100.00
Rexel Nederland B.V.	Capelle A/D Ijssel	100.00	100.00
Cosa Liebermann B.V.	Hoofddorp	100.00	100.00
Kompro B.V.	Hertogenbosch	100.00	100.00
Servicom B.V.	Den Bosch	100.00	100.00
Hagemeyer NV	Hoofddorp	100.00	100.00
Rexel NCE Supply Solutions B.V.	Hoofddorp	100.00	100.00
Hagemeyer Finance B.V.	Hoofddorp	100.00	100.00
Borsu International B.V.	Hoofddorp	100.00	100.00
Freetime Group B.V.	Hoofddorp	100.00	100.00
Rexel NCE B.V.	Hoofddorp	100.00	100.00
Italy			
Rexel Italia SpA	Agrate Brianza	100.00	100.00
Spain			
ABM-Rexel SL	Madrid	100.00	100.00
Belgium			
Rexel Belgium S.A.	Brussells	100.00	100.00
Portugal			
Rexel Distribuição de Material Elecrico S.A.	Alfragide	100.00	100.00
Ireland			
Rexel Electrical Supply & Services Holding Ltd.	Dublin	100.00	100.00
M Kelliher 1998 Ltd.	Dublin	100.00	100.00
Hagemeyer Industrial Ireland Ltd.	Dublin	100.00	100.00
Athlone Electrical Wholesale Ltd	Dundalk	100.00	100.00
Portlaoise Electrical Wholesale Ltd	Count Laois	100.00	100.00
Gen-Weld safety EquipementCy Ltd	Limerick	100.00	100.00
Newey & Eyre (Ireland) Ltd.	Dublin	100.00	100.00
Switzerland			
Finelec Developpement S.A.	Sion	100.00	100.00
Elektro Material AG	Zurich	100.00	100.00

	Head office	% Interest	% Control
Luxembourg			
Rexel Luxembourg S.A.	Luxembourg	100.00	100.00
Czech Republic			
Rexel CZ s.r.o.	Prostejov	100.00	100.00
Slovakia			
Hagard Hal AS	Nitra	100.00	100.00
Hagemeyer Slovak Republic s.r.o.	Bratislava	100.00	100.00
Hungary			
Rexel Hungary General Supply & Services LLC	Budapest	100.00	100.00
Slovenia			
Elektronabava d.o.o.	Ljubljana	100.00	100.00
Poland			
Elektroskandia Polska S.A.	Poznan	100.00	100.00
Russia			
Est-Elec Ltd.	Moscow	100.00	100.00
OOO Elektroskandia Rus	St. Petersburg	100.00	100.00
Latvia			
SIA Elektroskandia Latvia	Riga	100.00	100.00
Estonia			
OÜ Elektroskandia Baltics	Tallinn	100.00	100.00
Lithuania			
Elektroskandia LT UAB	Vilnius	100.00	100.00
Finland			
Elektroskandia Suomi Oy	Hyvinkää	100.00	100.00
Kiinteistöosakeyhtiö Lahden Voimakatu 4	Lahti	100.00	100.00
Kiinteistöosakeyhtiö Lappeenrannan Teoliisuuskatu 11	Lappeenranta	100.00	100.00
Norway			
Elektroskandia Norge AS	Oslo	100.00	100.00
Elektroskandia Norway Holding AS	Oslo	100.00	100.00
SOUTH AMERICA			
Chile			
Rexel Chile SA	Santiago	100.00	100.00
Rexel Electra SA	Santiago	100.00	100.00
Flores y Kersting SA	Santiago	100.00	100.00
Brazil			
Elektroskandia Indústria E Commércio Lta.	Sao Paulo	100.00	100.00
NORTH AMERICA			
United States			
Rexel International Projects Group, Inc.	Dallas	100.00	100.00
International Electrical Supply Corp.	Wilmington	100.00	100.00
Rexel Inc.	Dallas	100.00	100.00
SKRLA LLC	Dallas	100.00	100.00
SPT Holdings Inc.	Dallas	100.00	100.00
Summers Group Inc.	Dallas	100.00	100.00
Rexel of America LLC	Dallas	100.00	100.00
Branch Group Inc.	Dallas	100.00	100.00
Southern Electric Supply Company Inc.	Dallas	100.00	100.00
Vantage Electric Group Inc.	Crystal Lake	50.00	100.00
CES Bahamas Ltd	Dallas	99.80	99.80
General Supply & Services Inc.	Shelton	100.00	100.00
Gesco General Supply & Services Puerto Rico LLC	Puerto Rico	100.00	100.00

	Head office	% Interest	% Control
General Supply & Services Malaysia LLC	Shelton	100.00	100.00
General Supply & Services Macau LLC	Shelton	100.00	100.00
General Supply & Services Indonesia LLC	Shelton	100.00	100.00
General Supply & Services SA Holding LLC	Shelton	100.00	100.00
Canada			
Rexel North America Inc.	St Laurent	100.00	100.00
Rexel Canada Electrical Inc.	St Laurent	100.00	100.00
Mexico			
Gexpro Mexico S de RL de CV	Nuevo Leon	100.00	100.00
Supply Priority Services, S. de R.L. de C.V.	Nuevo Leon	100.00	100.00
Bermuda			
HCL Limited	Hamilton	100.00	100.00

ASIA OCEANIA

	Head office	Interest	Control
Hong Kong SAR			
Comrex Hong Kong Ltd	Hong Kong	100.00	100.00
Huazhang Electric Automation Holding Co Ltd	Hong Kong	70.00	70.00
Waelchli & Co. Ltd	Hong Kong	100.00	100.00
China			
Rexel Hailongxing Electrical Equipment Co Ltd	Beijing	65.00	65.00
Rexel Hualian Electric Equipment Commercial Co Ltd	Shanghai	65.00	65.00
Zhejiang Huazhang Electric Trading Co Ltd	Huanzhou	70.00	100.00
Gexpro Supply (Schangai) Co Ltd	Shanghai	100.00	100.00
Rexel China Management Co Ltd	Shanghai	100.00	100.00
Suzhou Xidian Co Ltd	Suzhou	63.50	63.50
Shangai Suhua Industrial Control Equipment Co Ltd	Shanghai	63.50	63.50
Macao SAR			
QI-YI General Supply & Services Macau Ltd	Macao	100.00	100.00
Korea			
Gexpro korea Co. Ltd	Seoul	100.00	100.00
Indonesia			
P.T. Sutra Hacelindo	Jakarta	100.00	100.00
P.T. Hagemeyer Cosa Liebermann	Jakarta	100.00	100.00
Pt General Supply & Services Indonesia	Jakarta	100.00	100.00
Malaysia			
General Supply & Services (M) SND BHD	Kuala Lumpur	100.00	100.00
Japan			
Cosa Liebermann KK	Tokyo	100.00	100.00
Singapore			
Gexpro Supply Asia Pty Ltd	Singapore	100.00	100.00
Thailand			
Rexel General Supply and Services Co Ltd	Bangkok	100.00	100.00
Australia			
Rexel Pacific Pty Ltd	Sydney	100.00	100.00
Rexel Group Australia Pty Ltd	Sydney	100.00	100.00
Australian Regional Wholesalers Pty Ltd	Milton	100.00	100.00
EIW Holding Pty Ltd	Perth	100.00	100.00
Hagemeyer Holdings (Australia) Pty Ltd	Kingsgrove	100.00	100.00
Hagemeyer Brands Australia Pty Ltd	Kingsgrove	100.00	100.00
New Zealand			
Hagemeyer (NZ) Ltd	Auckland	100.00	100.00
Redeal Ltd	Auckland	100.00	100.00
Redeal Pensions Ltd	Auckland	100.00	100.00

III. Statutory auditors' report

This is a free translation into English of the statutory auditor's report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users.
The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.
This report also includes information relating to the specific verification of information given in the Group's management report.
This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Rexel S.A.

Registered office: 189-193 boulevard Malesherbes - 75017 Paris

Share capital: €.1 301 064 980

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2010

To the Shareholders,

In compliance with the assignment entrusted to us by your shareholders' decision and your annual general meeting, we hereby report to you, for the year ended December 31, 2010, on:

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

These consolidated financial statements have been approved by your management board *(directoire)*. Our role is to express an opinion on these consolidated financial statements based on our audit.

Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2010 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Justification of our assessments

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

As disclosed in note 2.2 to the consolidated financial statements, the group makes estimates and assumptions, particularly in respect of the measurement of financial instruments (notes 2.10.4 and 20), goodwill and intangible assets (notes 2.5 and 10.1), employees' benefits (notes 2.14 and 18), share-based payments (notes 2.15 and 15), provisions (notes 2.16, 17 and 22) and deferred taxation (notes 2.20 and 9). We have examined the data and assumptions used as well as the procedure for approving these estimates by management. We have also reviewed the calculations made by the group and verified that the notes to the consolidated financial statements provide appropriate disclosure.

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

Specific verification

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

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

Paris La Défense, February 8, 2011

The statutory auditors
French original signed by

KPMG Audit *Département de KPMG S.A.*	Ernst & Young Audit
Hervé Chopin *Partner*	Pierre Bourgeois *Partner*