Financial information

As of December 31, 2012

REXEL

Société Anonyme with Management and Supervisory Boards
with share capital of €1,359,616,145
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Financial information for the year ended December 31, 2012

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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, 2012 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, 2012, the French version will prevail.

1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

1.1 | Financial position of the Group

1.1.1 | Group Overview

The Group is a worldwide leader in the professional distribution of low and ultra-low voltage electrical products, based on sales and number of branches. The Group principally operates in four geographic areas: Europe, North America, Asia-Pacific and Latin America; this last segment, which in prior years was presented in "Other operations", is now presented separately. The "Other operations" segment now mainly includes unallocated corporate overhead expenses, as other businesses managed at Group level and previously reported in this segment are now reported under the Europe segment. This geographic segmentation is based on the Group's financial reporting structure.

In 2012, the Group recorded consolidated sales of €13,449.2 million, of which €7,448.6 million were generated in Europe (56% of sales), €4,348.6 million in North America (32% of sales), €1,341.9 million in Asia-Pacific (10% of sales) and €310.0 million in Latin America (2% of sales).

Europe (56% of Group sales) consists of France (which accounts for 33% of Group sales in this region), Germany, the United Kingdom, Ireland, Austria, Switzerland, the Netherlands, Belgium, Luxembourg, Sweden, Finland, Norway, Italy, Spain and Portugal, as well as several other Central and Northern European countries (Slovenia, Slovakia, the Czech Republic, Poland, Russia and the Baltic States).

North America (32% of Group sales) consists of the United States and Canada. The United States accounts for 69% of Group sales in this region, and Canada for 31%.

Asia-Pacific (10% of Group sales) consists of Australia, New Zealand, China and India, as well as certain countries in Southeast Asia (Indonesia, Malaysia, Singapore and Thailand). Australia accounts for 58% of Group sales in this region.

Latin America (2% of Group sales) consists of Brazil, Chile and Peru. Brazil accounts for 58% of Group sales in this region.

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

1.1.2 | Seasonality

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

1.1.3 | Impact of changes in copper price

The Group is indirectly exposed to fluctuations in copper price in connection with its distribution of cable products. Cables represent approximately 17% of the Group's sales and copper accounts for approximately 60% of the composition of cables. This exposure is indirect since cable prices also reflect suppliers' commercial policies and the competitive environment of markets in which the Group operates. Changes in copper price have an estimated "recurring" and "non-recurring" effect on the Group's performance, assessed as part of the monthly internal reporting process of the Rexel Group:

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

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

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

1.1.4 | Comparability of the Group's operating results

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

Excluding the effects of acquisitions and disposals

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

Excluding the effects of exchange rate fluctuations

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

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

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

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

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

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

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

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

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

Changes in accounting principles

As of June 30, 2012, Rexel has elected for the early adoption of revised IAS 19 "Employee Benefits" following its endorsement by the EU on June 6, 2012. The early adoption of this amendment provides further information as to the Group's financial situation, in particular the presentation in the financial statements of the surplus or deficit of pension funds. Accounting policy changes have been applied retrospectively as of January 1, 2011 and comparative information have been adjusted to reflect the impact on the income statement of this early adoption as follows:

(in millions of euros)	As of Jun. 30, 2011	As of Sep. 30, 2011	As of Dec. 31, 2011	As of Jun. 30, 2012
Decrease in distribution and administrative expenses	1.3	2.0	2.7	3.2
Increase in financial expenses	(3.0)	(4.5)	(6.0)	(4.5)
Deferred tax income	0.1	0.2	0.3	0.2
Decrease in net income	**(1.6)**	**(2.3)**	**(3.0)**	**(1.1)**

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

	Quarter ended December 31		Period ended December 31	
(in millions of euros)	2012	2011	2012	2011
Operating income before other income and other expenses	**202.2**	**201.0**	**754.1**	**706.6**
Changes in scope effects		3.5		13.6
Foreign exchange effects		6.0		25.5
Non-recurring effect related to copper	1.2	6.0	(1.8)	6.4
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	4.0	2.7	13.3	15.7
Adjusted EBITA on a constant basis	**207.4**	**219.2**	**765.6**	**767.8**

1.2 | Comparison of financial results as of December 31, 2012 and 2011

1.2.1 | Rexel Group’s consolidated financial results

The following table sets out Rexel’s consolidated income statement for the full year and fourth quarters of 2012 and 2011, in millions of euros and as a percentage of sales.

REPORTED	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**3,439.8**	**3,343.7**	**2.9%**	**13,449.2**	**12,717.1**	**5.8%**
Gross profit	855.7	823.0	4.0%	3,315.0	3,117.5	6.3%
Distribution and administrative expenses(1)	(649.5)	(619.4)	4.9%	(2,547.6)	(2,395.2)	6.4%
EBITA	**206.2**	**203.6**	**1.3%**	**767.4**	**722.3**	**6.2%**
Amortization(2)	(4.0)	(2.7)	48.1%	(13.3)	(15.7)	(14.9)%
Operating income before other income and expenses	**202.2**	**201.0**	**0.6%**	**754.1**	**706.6**	**6.7%**
Other income and expenses	(37.0)	(77.0)	-51.9%	(106.7)	(107.0)	-0.3%
Operating income	165.2	124.0	33.2%	647.4	599.6	8.0%
Financial expenses	(51.1)	(45.0)	13.6%	(200.1)	(197.1)	1.5%
Share of income from associates	1.6	1.6	1.2%	3.1	2.8	10.8%
Income taxes	(33.4)	(20.8)	60.7%	(131.7)	(89.3)	47.5%
Net income	82.2	59.8	37.4%	318.6	316.0	0.8%
as a % of sales	2.4%	1.8%		2.4%	2.5%	
(1) Of which depreciation	(19.4)	(17.7)	9.5%	(73.7)	(72.5)	1.7%

(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			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**3,439.8**	**3,646.2**	**(5.7)%**	**13,449.2**	**13,711.2**	**(1.9)%**
Same number of working days			*(4.7)%*			*(1.8)%*
Gross profit	856.9	904.7	(5.3)%	3,312.9	3,352.3	(1.2)%
as a % of sales	*24.9%*	*24.8%*		*24.6%*	*24.4%*	
Distribution and administrative expenses	(649.5)	(685.5)	(5.3)%	(2,547.3)	(2,584.5)	(1.4)%
as a % of sales	*(18.9)%*	*(18.8)%*		*(18.9)%*	*(18.8)%*	
EBITA	**207.4**	**219.2**	**(5.4)%**	**765.6**	**767.8**	**(0.3)%**
as a % of sales	***6.0%***	***6.0%***		***5.7%***	***5.6%***	

Sales

In 2012, Rexel’s consolidated sales amounted to €13,449.2 million, a 5.8% increase from 2011, fueled by a positive currency impact and acquisitions, each of them representing respectively 4.0% and 3.8%.

The effect of acquisitions, net of disposals, amounted to €479.2 million and resulted from :

- Acquisitions accounting for €544.1 million, of which Europe for €200.5 million (Eurodis and Société Commerciale Toutelectric (SCT) in France, Wilts Electrical Wholesale in the United Kingdom, Erka in Spain and La Grange in Belgium), North America for €232.6 million (Platt Electric Supply and Munro Distributing in the United States and Liteco in Canada), Asia-Pacific for €23.1 million (Zhongheng in China and AD Electronics in India) and Latin America for €87.9 million (V&F Tecnologia and Dirome in Peru, Delamano and Etil in Brazil); and
- Divestments accounting for €64.9 million, related to the disposal of the non-core ACE business (Agencies/Consumer Electronics), in 2011.

In 2012, the Group recorded a positive currency impact of €515.0 million, mainly due to the strengthening against the euro of the other major currencies (including the U.S. dollar) in which it records sales.

On a constant and same number of working days basis, sales decreased by 1.8%, partially impacted by lower copper-based cable prices and weaker photovoltaic market. By geography, Europe declined by 3.3%, North America was up by 1.8%, Asia-Pacific posted a drop of 5.5% and in Latin America sales grew by 3.7%. Excluding the negative impact of 0.7 percentage point due to the lower copper-based cable prices compared to 2011 and the negative impact of 0.3 percentage point due to lower photovoltaic sales, sales were down 0.8%, on a constant basis and same number of working days. On a constant and actual number of working days basis, sales decreased by 1.9% as the calendar impact was positive at 0.1 percentage point.

In the fourth quarter of 2012, on a reported basis, sales were up 2.9%, fueled by a positive currency impact and acquisitions, representing respectively 3.1% and 5.9%.
On a constant and same number of working days basis, sales decreased by 4.7%, reflecting lower volumes in major markets and an unfavorable base effect (5.3% growth posted in the fourth quarter of 2011). By geography, Europe posted a drop of 5.5%, North America was down by 2.2%, Asia-Pacific declined by 8.7% and Latin America slightly decreased by 1.1%. Excluding the negative impact of 0.1 percentage point due to the lower copper-based cable prices compared to the fourth quarter of 2011 and the negative impact of 1.1 percentage point due to lower photovoltaic sales, sales were down 3.5%, on a constant basis and same number of working days. On a constant and actual number of working days basis, sales decreased by 5.7% as the calendar impact was negative at 1.0 percentage point.

		Q1	Q2	Q3	Q4	Year-to-Date
Growth on a constant basis and same number of working days		1.7%	(0.1)%	(3.6)%	(4.7)%	(1.8)%
Number of working days effect		2.6%	(1.0)%	(0.6)%	(1.0)%	(0.1)%
Growth on a constant basis and actual number of working days	(a)	*4.3%*	*(1.1)%*	*(4.2)%*	*(5.7)%*	*(1.9)%*
Changes in scope effect		0.6%	2.3%	6.0%	5.9%	3.8%
Foreign exchange effect		2.4%	4.7%	6.0%	3.1%	4.0%
Total scope and currency effects	(b)	*3.0%*	*6.9%*	*11.9%*	*9.0%*	*7.8%*
Effective growth (a) x (b) (1)		7.4%	5.8%	7.2%	2.9%	5.8%

(1) Organic growth compounded by the scope and currency effects

Gross profit

In 2012, gross profit amounted to €3,315.0 million, an increase of 6.3% as compared to 2011, on a reported basis. On a constant basis, adjusted gross profit slightly decreased by 1.2% and adjusted gross margin increased by 20 basis points to 24.6% of sales, mainly coming from better purchasing conditions in Europe.
In the fourth quarter of 2012, on a constant basis, adjusted gross profit decreased by 5.3% and adjusted gross margin increased by 10 basis points to 24.9% of sales.

Distribution & administrative expenses

In 2012, distribution and administrative expenses amounted to €2,547.6 million, a 6.4% increase as compared to 2011, on a reported basis. On a constant basis, adjusted distribution and administrative expenses decreased by 1.4%, while sales decreased by 1.9%. Personnel costs and other external

expenditures decreased respectively by 0.9% and 1.1%, as well as building and occupancy expenses that declined by 3.3%, reflecting the effect of the 111 branch closures in 2012, mainly in the United Kingdom and the United States. At December 31, 2012, the number of employees totaled 30,416 (on a full time equivalent basis), a 2.5% decrease compared to December 31, 2011.
In the fourth quarter of 2012, on a constant basis, adjusted distribution and administrative expenses decreased by 5.3%, while sales decreased by 5.7%.

EBITA

In 2012, EBITA stood at €767.4 million, an increase of 6.2% from 2011, on a reported basis. On a constant basis, adjusted EBITA is almost flat at -0.3% and adjusted EBITA margin improved by 10 basis points to 5.7%. This improvement resulted from higher gross margin along with control over distribution and administrative expenses.
In the fourth quarter of 2012, EBITA stood at €206.2 million, a 1.3% increase compared to the fourth quarter of 2011, on a reported basis. On a constant basis, adjusted EBITA decreased by 5.4% and adjusted EBITA margin remained stable at 6.0%.

Other income and expenses

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

- €45.7 million goodwill impairment on the following cash-generating units: The Netherlands for €23.9 million, New Zealand for €20.2 million and Slovenia for €1.6 million, as a result of lower than expected 2012 performance, resulting in downward revised long term perspectives;
- €49.9 million restructuring costs mainly related to restructuring plans in Europe for €39.6 million, mainly in the United-Kingdom, Germany, France, Sweden and in The Netherlands; in North America for €5.1 million and in Asia-pacific for €4.4 million.
- €7.8 million acquisition costs arising from completed and on-going transactions; and
- These expenses were partially compensated by €7.8 million income with respect to the release of an unused provision following a favorable judgment on a tax reassessment.

In 2011, other income and expenses represented a net expense of €107.0 million, consisting mainly of:

- €87.9 million impairment of goodwill, tangible and intangible assets on The Netherlands (€47.2 million), Spain (€20.7 million), Slovenia (€7.6 million) and New Zealand (€4.7 million), and €7.0 million of impairment on the assets of Hagemeyer Brands Australia, disposed of in July 2011;
- €39.8 million of costs related to restructuring plans implemented in Europe (€31.2 million, mainly in Spain, in the United Kingdom and in The Netherlands), in North America (€6.3 million) and Asia-Pacific (€1.9 million, mainly in New Zealand); and
- Partially compensated by a €26.1 million gain related to the disposal of Hagemeyer Brands Australia and Kompro B.V.

Net Financial income / (expenses)

In 2012, net financial expenses stood at €200.1 million, as compared to €197.1 million in 2011. The effective interest rate was 7.0% in 2012 (7.2% in 2011) and 6.6% in the fourth quarter of 2012 (7.7% in the fourth quarter of 2011), as a result of the optimization of the use of cash available and lower nominal interest rates.

Share of profit/(loss) of associates

In 2012, the share of profit of associates amounted to €3.1 million, related to DPI (US consumer electronics retail distributor), compared to €2.8 million in 2011.
In the fourth quarter of 2012, the share of profit of associates was €1.6 million, same as in 2011.

Tax expense

The effective tax rate was 29.4% in 2012, compared to 22.2% in 2011. In 2011, the tax rate included the impact of UK tax losses carried forward and incurred in previous periods that were recognized as a result of the group's ability to utilize these losses against future taxable profits, due to the recovery of the UK operations.

Net income

Net income amounted to €318.6 million in 2012, a 0.8% increase as compared to €316.0 million in 2011. The positive evolution of the operating income is offset by the rise in the effective tax rate.
In the fourth quarter of 2012, net income amounted to €82.2 million, a 37.4% increase as compared to €59.8 million in the fourth quarter of 2011, mainly due to lower impairment charges as compared to the fourth quarter of 2011.

1.2.2 | Europe (56% of Group sales)

REPORTED	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**1,923.0**	**1,940.4**	**(0.9)%**	**7,448.6**	**7,420.7**	**0.4%**
Gross profit	521.0	516.3	0.9%	2,015.2	1,958.9	2.9%
Distribution and administrative expenses	(373.1)	(373.2)	(0.0)%	(1,481.5)	(1,447.0)	2.4%
EBITA	**147.9**	**143.1**	**3.4%**	**533.7**	**511.9**	**4.3%**
as a % of sales	*7.7%*	*7.4%*		*7.2%*	*6.9%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**1,923.0**	**2,033.6**	**(5.4)%**	**7,448.6**	**7,723.7**	**(3.6)%**
Same number of working days			*(5.5)%*			*(3.3)%*
Gross profit	522.7	544.3	(4.0)%	2,012.1	2,042.9	(1.5)%
as a % of sales	*27.2%*	*26.8%*		*27.0%*	*26.4%*	
Distribution and administrative expenses	(373.1)	(400.2)	(6.8)%	(1,481.3)	(1,524.6)	(2.8)%
as a % of sales	*(19.4)%*	*(19.7)%*		*(19.9)%*	*(19.7)%*	
EBITA	**149.7**	**144.1**	**3.9%**	**530.9**	**518.3**	**2.4%**
as a % of sales	***7.8%***	***7.1%***		***7.1%***	***6.7%***	

In 2012, sales in Europe amounted to €7,448.6 million, an increase of 0.4% from 2011, on a reported basis. Acquisitions accounted for €200.5 million. Favorable exchange rate variations accounted for €102.5 million, due to the appreciation of the British Pound and the Swiss franc against the euro. On a constant and same number of working days basis, sales decreased by 3.3% from 2011, reflecting the economic slowdown of major European countries. Excluding the negative impact of photovoltaic sales, sales decreased by 2.8%, on a constant basis and same number of working days.
In the fourth quarter of 2012, sales slightly declined by 0.9% on a reported basis. On a constant and same number of working days basis, sales decreased by 5.5% from the fourth quarter of 2011. Excluding the negative impact of photovoltaic sales, sales decreased by 3.8%, on a constant basis and same number of working days.

In France, sales amounted to €2,484.6 million in 2012, a 2.4% decrease as compared to 2011 on a constant and same number of working days basis, reflecting lower demand on the three end-markets and, consequently, a decrease in cable sales and industrial equipment partially offset by higher volumes in lighting products.

In the fourth quarter of 2012, sales decreased by 2.1% from the fourth quarter of 2011, on a constant and same number of working days basis.

In the United Kingdom, sales amounted to €1,042.3 million in 2012, a decrease of 3.3% from 2011 on a constant and same number of working days basis, reflecting the unfavorable impact of branch closures and the drop in photovoltaic sales. Excluding both effects, sales decreased by 1.8% from 2011 on a constant and same number of working days basis, mainly resulting from lower projects activity, especially due to the base effect of the Olympics that favored 2011.
In the fourth quarter of 2012, sales decreased by 8.7% from the fourth quarter of 2011, on a constant and same number of working days basis. Excluding photovoltaic sales, sales decreased by 3.5% from the fourth quarter of 2011, on a constant and same number of working days basis.

In Germany, sales amounted to €867.6 million in 2012, a 4.1% decrease from 2011 on a constant and same number of working days basis. Excluding photovoltaic sales, sales were down 1.3% from 2011 on a constant and same number of working days basis, reflecting a lower demand in the construction and industrial end-markets.
In the fourth quarter of 2012, sales decreased by 9.0% from the fourth quarter of 2011, on a constant and same number of working days basis. Excluding photovoltaic sales, sales decreased by 2.4% from the fourth quarter of 2011 on a constant and same number of working days basis.

In Scandinavia sales amounted to €934.6 million in 2012, a decrease of 1.2% from 2011 on a constant and same number of working days basis. A 0.7% increase in sales was recorded in the operations in Norway while sales in Finland and Sweden posted respectively a 2.5% and 2.0% decrease.
In the fourth quarter of 2012, sales decreased by 7.5% from the fourth quarter of 2011, on a constant and same number of working days basis, reflecting deteriorating macro-economic conditions in Finland and Sweden (14.8% and 9.6% decrease in sales, respectively), while Norway operations remained stable at -0.2%.

In Benelux, sales amounted to €604.1 million in 2012, a 6.9% decrease on a constant and same number of working days basis. Operations in Belgium decreased by 3.5%, affected by photovoltaic sales (-2.0% excluding photovoltaic sales), and the operations in The Netherlands posted a 9.6% decline from 2011 on a constant and same number of working days basis, as a consequence of difficult market conditions and an ongoing company reorganization process.
In the fourth quarter of 2012, sales decreased by 14.5% from the fourth quarter of 2011, on a constant and same number of working days basis. In Belgium, sales decreased by 13.0% from the fourth quarter of 2011 on a constant and same number of working days basis (-2.7% excluding photovoltaic sales). The Netherlands posted a 16.1% decrease from the fourth quarter of 2011, on a constant and same number of working days basis.

In Switzerland and Austria, sales amounted respectively to €414.7 million and €314.0 million in 2012. Switzerland posted a 1.4% increase from 2011 on a constant and same number of working days basis, mainly driven by higher sales of cables and lightings thanks to solid construction and industrial markets. Austria recorded a 5.2% increase from 2011 on a constant and same number of working days basis, driven by industrial and construction segments despite fierce competition.
In the fourth quarter of 2012, on a constant and same number of working days basis, sales increased in both countries from the fourth quarter of 2011: 2.9% in Switzerland and 1.8% in Austria.

In Southern Europe, sales amounted to €402.3 million in 2012, decreasing by 10.5% from 2011 on a constant and same number of working days basis, largely due to the macro-economic environment in Spain and Italy, with a 14.4% and 6.8% decrease from 2011, respectively.
In the fourth quarter of 2012, sales remained stable at +0.1% as compared to the fourth quarter of 2011, on a constant and same number of working days basis, with a 1.8% increase in Spain and a significant improvement in Italy (0.9% decrease in the fourth quarter of 2012 compared to the fourth quarter of 2011, while the decrease amounted to 8.4% in the third quarter of 2012 compared to the same period in 2011).

In 2012, Europe recorded a gross profit of €2,015.2 million, an increase of 2.9% from 2011, on a reported basis. On a constant basis, adjusted gross profit decreased by 1.5% and adjusted gross margin was 27.0% of sales, an improvement of 60 basis points from 2011, mainly due to improved product mix and better purchasing terms.

In the fourth quarter of 2012, on a constant basis, adjusted gross profit decreased by 4.0% and adjusted gross margin was 27.2% of sales, an improvement of 40 basis points from the fourth quarter of 2011.

Distribution and administrative expenses amounted to €1,481.5 million, a 2.4% increase from 2011, on a reported basis. On a constant basis, adjusted distribution and administrative expenses decreased by 2.8% in 2012, while sales decreased by 3.6%. Personnel costs decreased by 3.1% as compared to 2011. This decrease is mainly related to a reduction of workforce (17,057 employees at December 31, 2012, a 3.7% decrease compared to December 31, 2011) and lower employee incentives. Building and occupancy expenses decreased by 3.8% as compared to 2011 due to a reorganization of the branch network (40 branch closures) and other external expenditures decreased by 1.6% as compared to 2011.
In the fourth quarter of 2012, on a constant basis, adjusted distribution and administrative expenses decreased by 6.8%, while sales decreased by 5.4%.

In 2012, EBITA amounted to €533.7 million, a 4.3% increase from 2011, on a reported basis. On a constant basis, adjusted EBITA increased by 2.4% while the adjusted EBITA margin increased by 40 basis points to 7.1% of sales.
In the fourth quarter of 2012, on a constant basis, adjusted EBITA increased by 3.9% while the adjusted EBITA margin increased by 70 basis points to 7.8% of sales.

1.2.3 | North America (32% of Group sales)

REPORTED	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**1,124.2**	**1,025.3**	**9.6%**	**4,348.6**	**3,738.2**	**16.3%**
Gross profit	253.5	224.2	13.1%	945.7	801.7	18.0%
Distribution and administrative expenses	(189.4)	(164.9)	14.9%	(720.1)	(628.0)	14.7%
EBITA	**64.1**	**59.3**	**8.2%**	**225.6**	**173.7**	**29.9%**
as a % of sales	*5.7%*	*5.8%*		*5.2%*	*4.6%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**1,124.2**	**1,189.0**	**(5.5)%**	**4,348.6**	**4,267.5**	**1.9%**
Same number of working days			*(2.2)%*			*1.8%*
Gross profit	253.0	265.6	(4.7)%	946.1	925.2	2.3%
as a % of sales	*22.5%*	*22.3%*		*21.8%*	*21.7%*	
Distribution and administrative expenses	(189.4)	(194.1)	(2.4)%	(720.1)	(722.7)	(0.4)%
as a % of sales	*(16.8)%*	*(16.3)%*		*(16.6)%*	*(16.9)%*	
EBITA	**63.6**	**71.5**	**(11.0)%**	**226.0**	**202.5**	**11.6%**
as a % of sales	***5.7%***	***6.0%***		***5.2%***	***4.7%***	

In 2012, sales in North America amounted to €4,348.6 million, up 16.3% compared to 2011, on a reported basis. The acquisitions of Platt Electric Supply and Munro Distributing in the United States and Liteco in Canada, accounted for €232.6 million. Favorable exchange rate variations accounted for €296.7 million, due to the appreciation of both US and Canadian dollar against the euro during the period. On a constant and same number of working days basis, sales increased by 1.8% in 2012 compared to 2011.
In the fourth quarter of 2012, on a reported basis, sales were up 9.6%. On a constant and same number of working days basis, sales decreased by 2.2% from the fourth quarter of 2011.

In the United States, sales rose to €2,999.0 million in 2012, an increase of 1.0% from 2011 on a constant and same number of working days basis. Growth was driven by the oil & gas industry and energy conservation projects. We saw the first sign of recovery in residential and commercial markets. Excluding the unfavorable effect of branch closures, sales grew by 2.9% from 2011 on a constant and same number of working days basis.

In the fourth quarter of 2012, sales decreased by 1.2% from the fourth quarter of 2011, on a constant and same number of working days. Excluding branch closures, sales grew by 1.0% on a constant and same number of working days basis.

In Canada, sales amounted to €1,349.5 million in 2012, up by 3.5% from 2011 on a constant and same number of working days basis. Sales were strong in the industrial end-market, particularly in the mining and oil & gas sectors.
In the fourth quarter of 2012, sales decreased by 4.5% from the fourth quarter of 2011, on a constant and same number of working days basis. This decrease reflected a challenging base effect (Q4 2011 posted a solid 7.6% growth, boosted by large projects in Western Canada and Ontario) and postponement of new projects in 2013.

In 2012, in North America, gross profit amounted to €945.7 million, an increase of 18.0% from 2011, on a reported basis. On a constant basis, adjusted gross profit increased by 2.3% and adjusted gross margin increased by 10 basis points compared with 2011 at 21.8% of sales, mainly due to pricing initiatives in the United States.
In the fourth quarter of 2012, on a constant basis, adjusted gross profit decreased by 4.7% and adjusted gross margin was 22.5 % of sales, a 20 basis points increase from the fourth quarter of 2011.

Distribution and administrative expenses amounted to €720.1 million, a 14.7% increase as compared to 2011, on a reported basis. On a constant basis, compared to the 1.9% increase in sales, adjusted distribution and administrative expenses decreased by 0.4% in 2012. Personnel costs slightly increased by 0.9% from 2011. The workforce was 8,647 employees as of December 31, 2012, and remained stable compared to December 31, 2011. Building and occupancy expenses decreased by 5.7% in 2012 as compared to 2011, benefiting from the reorganization of the branch network (29 branch closures in 2012).
In the fourth quarter of 2012, on a constant basis, adjusted distribution and administrative expenses decreased by only 2.4%, while sales decreased by 5.5%.

In 2012, EBITA rose to €225.6 million, an increase of 29.9% from 2011, on a reported basis. On a constant basis, adjusted EBITA rose by 11.6% from 2011 and the adjusted EBITA margin increased by 50 basis points to 5.2% of sales.
In the fourth quarter of 2012, on a constant basis, adjusted EBITA decreased by 11.0% while the adjusted EBITA margin decreased by 30 basis points to 5.7% of sales.

1.2.4 | Asia-Pacific (10% of Group sales)

REPORTED	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**315.9**	**325.4**	**(2.9)%**	**1,341.9**	**1,278.4**	**5.0%**
Gross profit	63.6	69.5	(8.5)%	281.2	279.8	0.5%
Distribution and administrative expenses	(53.1)	(51.4)	3.2%	(221.2)	(201.9)	9.5%
EBITA	**10.5**	**18.1**	**(41.8)%**	**60.0**	**77.9**	**(22.9)%**
as a % of sales	*3.3%*	*5.6%*		*4.5%*	*6.1%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**315.9**	**346.7**	**(8.9)%**	**1,341.9**	**1,418.6**	**(5.4)%**
Same number of working days			*(8.7)%*			*(5.5)%*
Gross profit	63.6	76.4	(16.7)%	281.8	314.6	(10.4)%
as a % of sales	*20.1%*	*22.0%*		*21.0%*	*22.2%*	
Distribution and administrative expenses	(53.1)	(56.9)	(6.7)%	(221.2)	(229.0)	(3.4)%
as a % of sales	*(16.8)%*	*(16.4)%*		*(16.5)%*	*(16.1)%*	
EBITA	**10.5**	**19.5**	**(46.0)%**	**60.6**	**85.5**	**(29.2)%**
as a % of sales	***3.3%***	***5.6%***		***4.5%***	***6.0%***	

In 2012, sales in Asia-Pacific amounted to €1,341.9 million, up 5.0% from 2011, on a reported basis. The acquisitions of Chinese and Indian entities contributed €23.1 million to the increase, with a further €117.2 million from favorable exchange rate variation, primarily due to the appreciation of the Australian dollar against the euro. On a constant and same number of working days basis, sales decreased by 5.5% in 2012.
In the fourth quarter of 2012, on a reported basis, sales declined by 2.9%. On a constant and same number of working days basis, sales decreased by 8.7% from the fourth quarter of 2011.

Australia recorded a 7.4% decrease in sales to €773.2 million from 2011, on a constant and same number of working days basis, macro-economic conditions remaining difficult and the mining industry deteriorating in the fourth quarter 2012 (decrease in commodity prices and implementation of a new carbon tax as from July 1, 2012) and have been affected by closures of 19 branches. Excluding the unfavorable branch closure effect, sales decreased by 5.5% compared to 2011.
In the fourth quarter of 2012, sales decreased by 13.6% from the fourth quarter of 2011, on a constant and same number of working days basis. Excluding the unfavorable branch closure effect, sales decreased by 10.8%.

New Zealand recorded sales of €133.7 million in 2012, a decrease of 9.7% on a constant and same number of working days basis, from 2011. Sales have been mainly affected by the poor macro-economic environment and by the successive earthquakes in Christchurch that delayed reconstruction work.
In the fourth quarter of 2012, sales slightly decreased by 0.4% from the fourth quarter of 2011, on a constant and same number of working days basis.

In China, sales amounted to €364.9 million in 2012, up 2.0% from 2011, on a constant and same number of working days basis, mainly driven by the industrial automation segment and projects and affected by lower wind-power activity following the anti-dumping tax the United States enforced in July. Excluding the drop in wind-power activity, sales growth stood at 3.8%, on a constant and same number of working days basis compared to 2011.
In the fourth quarter of 2012, sales decreased by 1.5% from the fourth quarter of 2011, on a constant and same number of working days basis. Excluding the drop in wind-power activity, sales growth stood at 7.5%, on a constant and same number of working days basis.

In 2012, in Asia-Pacific, gross profit increased by 0.5% to €281.2 million, on a reported basis. On a constant basis, adjusted gross profit decreased by 10.4% from 2011 and adjusted gross margin was 21.0% of sales, a decrease of 120 basis points from 2011, as a result of unfavorable macroeconomics conditions (including commodity prices), unfavorable country mix effect (higher sales from China with lower gross margin) and one-off adjustments.
In the fourth quarter of 2012, on a constant basis, adjusted gross profit decreased by 16.7% and adjusted gross margin was 20.1% of sales, a decrease of 190 basis points from the fourth quarter of 2011.

Distribution and administrative expenses amounted to €221.2 million, a 9.5% increase, on a reported basis. On a constant basis, adjusted distribution and administrative expenses decreased by 3.4% from 2011, while sales decreased by 5.4%. Personnel costs decreased by 4.4%, and workforce stood at 2,730 employees at December 31, 2012, a 6.7% decrease compared to December 31, 2011. Building and occupancy expenses and other external expenses decreased respectively by 0.6% and 4.8%, as compared to 2011.
In the fourth quarter of 2012, on a constant basis, adjusted distribution and administrative expenses decreased by 6.7%, while sales decreased by 8.9%.

In 2012, EBITA amounted to €60.0 million, a 22.9% decrease as compared to 2011, on a reported basis. On a constant basis, adjusted EBITA decreased by 29.2% from 2011. Adjusted EBITA margin decreased by 150 basis points to 4.5% of sales.
In the fourth quarter of 2012, on a constant basis, adjusted EBITA decreased by 46.0% while the adjusted EBITA margin decreased by 230 basis points to 3.3% of sales.

1.2.5 | Latin America (2% of Group sales)

REPORTED	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**76.7**	**52.8**	**45.4%**	**310.0**	**214.9**	**44.3%**
Gross profit	17.2	13.7	25.7%	70.9	50.1	41.5%
Distribution and administrative expenses	(16.5)	(10.0)	65.0%	(64.8)	(39.9)	62.3%
EBITA	**0.7**	**3.7**	**(80.9)%**	**6.2**	**10.2**	**(39.7)%**
as a % of sales	*0.9%*	*7.0%*		*2.0%*	*4.7%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**76.7**	**77.0**	**(0.3)%**	**310.0**	**301.4**	**2.8%**
Same number of working days			*(1.1)%*			*3.7%*
Gross profit	17.3	19.3	(10.5)%	71.0	68.1	4.3%
as a % of sales	*22.5%*	*25.0%*		*22.9%*	*22.6%*	
Distribution and administrative expenses	(16.5)	(14.4)	14.6%	(64.8)	(55.1)	17.5%
as a % of sales	*(21.5)%*	*(18.7)%*		*(20.9)%*	*(18.3)%*	
EBITA	**0.8**	**4.9**	**(84.1)%**	**6.3**	**13.0**	**(51.7)%**
as a % of sales	***1.0%***	***6.4%***		***2.0%***	***4.3%***	

In 2012, sales in Latin America amounted to €310.0 million, up 44.3% from 2011, on a reported basis. The acquisitions of Peruvian and Brazilian entities contributed €87.9 million to the increase.
In 2012, on a constant and same number of working days basis, sales increased by 3.7% from 2011. Sales in Brazil decreased by 1.0% (58% of sales in this segment), whereas Chilean (36% of sales in this segment) and Peruvian (6% of sales in this segment) operations posted a double-digit performance, with respectively 10.1% and 18.9% increase in sales compared to 2011.
In the fourth quarter of 2012, sales decreased by 1.1% from the fourth quarter of 2011, on a constant and same number of working days basis, reflecting a contrasted situation with a strong performance in Peru (19.6% increase) and a 1.6% increase in Chile, while sales in Brazil were down 4.7%, still impacted by slower momentum in the industry and the ongoing integration process of the recently acquired company Delamano.

In 2012, in Latin America, gross profit amounted to €70.9 million, an increase of 41.5% from 2011, on a reported basis. On a constant basis the adjusted gross profit increased by 4.3% from 2011 and adjusted gross margin was 22.9% of sales, an increase of 30 basis points from 2011, as a result of better purchase conditions and lower inventory losses in Brazil.
In the fourth quarter of 2012, on a constant basis, adjusted gross profit decreased by 10.5% and adjusted gross margin was 22.5% of sales, a 250 basis points decrease from the fourth quarter of 2011 (the fourth quarter was favored by rebates accrual phasing in connection with newly acquired Brazilian entities).

Distribution and administrative expenses amounted to €64.8 million, a 62.3% increase on a reported basis. On a constant basis, adjusted distribution and administrative expenses increased by 17.5% from 2011, while sales increased by 2.8%. Personnel costs increased by 24.8% mainly due to inflation and costs incurred to build up a solid business platform in Brazil. In addition, the workforce increased by 3.1% compared to December 31, 2011, to 1,775 employees at December 31, 2012.
In the fourth quarter of 2012, on a constant basis, adjusted distribution and administrative expenses increased by 14.6%, while sales decreased by 0.3%.

In 2012, EBITA amounted to €6.2 million, a 39.7% decrease compared to 2011, on a reported basis. On a constant basis, adjusted EBITA decreased by 51.7% compared to 2011. Adjusted EBITA margin decreased by 230 basis points to 2.0% of sales.
In the fourth quarter of 2012, on a constant basis, adjusted EBITA decreased by 84.1% while the adjusted EBITA margin decreased by 540 basis points to 1.0% of sales.

1.2.6 | Other operations

REPORTED	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**0.0**	**(0.1)**	**(84.1)%**	**0.2**	**64.9**	**(99.7)%**
Gross profit	0.4	(0.7)	> 100%	1.9	27.0	(93.0)%
Distribution and administrative expenses	(17.5)	(19.9)	(12.2)%	(60.0)	(78.3)	(23.4)%
EBITA	**(17.1)**	**(20.5)**	**(16.7)%**	**(58.1)**	**(51.3)**	**13.3%**
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31			Period ended December 31		
(in millions of euros)	2012	2011	Change in %	2012	2011	Change in %
Sales	**0.0**	**(0.2)**	**n.a.**	**0.2**	**0.0**	**n.a.**
Same number of working days			*n.a.*			*n.a.*
Gross profit	0.4	(0.7)	n.a.	1.9	1.5	25.3%
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	
Distribution and administrative expenses	(17.5)	(20.0)	(12.6)%	(60.0)	(53.1)	13.0%
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	
EBITA	**(17.1)**	**(20.7)**	**(17.4)%**	**(58.1)**	**(51.6)**	**12.6%**
as a % of sales	***n.a.***	***n.a.***		***n.a.***	***n.a.***	

This segment mostly includes unallocated corporate overhead expenses. In 2011, the €64.9 million sales, reported in this segment, were related to the ACE businesses that were divested in 2011.

On a constant basis, EBITA decreased by €6.5 million as compared to 2011, mainly due to new profit sharing plans for employees, higher executive compensation and consulting fees linked to launching the new company plan “Energy In Motion”.

1.3 | Outlook

The ongoing uncertain economic climate leads us to exercise caution with regards to the 2013 outlook.

The trend in organic sales is likely to remain negative in the first half, with an expected return to growth in the second half, helped by improving indicators in North America and fast-growing countries. As a result, we target slightly positive organic sales growth for the year as a whole.

On this basis, we aim at delivering in 2013:

- Stable adjusted EBITA margin of 5.7%,
- Free cash flow of more than €600 million before interest and tax, corresponding to around €300 million after interest and tax.

Assuming a return to organic sales growth in the second half of 2013 and beyond, combined with the benefits of the “Energy in Motion” plan, Rexel confirms its medium-term objectives of an adjusted EBITA margin above 6.5% and free cash flow after interest and tax above €500 million in 2015.

2. | LIQUIDITY AND CAPITAL RESOURCES

2.1 | Cash flow

(in millions of euros)		Quarter ended December 2012	Quarter ended December 2011	Change	Period ended December 2012	Period ended December 2011	Change
Operating cash flow [(1)]		**197.7**	**206.7**	**(9.0)**	**748.5**	**739.3**	**9.2**
Interest	(a)	(43.6)	(40.2)	(3.4)	(169.7)	(155.4)	(14.3)
Taxes	(a)	(48.5)	(14.3)	(34.2)	(143.4)	(85.9)	(57.5)
Change in working capital requirements		230.8	184.0	46.8	(37.2)	(69.9)	32.7
Net cash flow from operating activities	**(b)**	**336.4**	**336.2**	**0.2**	**398.2**	**428.1**	**(29.9)**
Net cash flow from investing activities		**(153.6)**	**(68.0)**	**(85.6)**	**(675.2)**	**(124.1)**	**(551.1)**
Including operating capital expenditures [(2)]	*(c)*	*(29.6)*	*(26.3)*	*(3.3)*	*(83.8)*	*(68.4)*	*(15.4)*
Net cash flow from financing activities		**(131.6)**	**(30.9)**	**(100.7)**	**151.1**	**(158.1)**	**309.2**
Net cash flow		**51.2**	**237.3**	**(186.1)**	**(125.9)**	**145.9**	**(271.8)**
Free cash flow							
Free cash flow:							
- before interest and taxes (b) – (a) + (c)		**398.9**	**364.4**	**34.5**	**627.5**	**601.0**	**26.5**
- after interest and taxes (b) + (c)		**306.8**	**309.9**	**(3.1)**	**314.4**	**359.7**	**(45.3)**
WCR as a % of sales [(3)] at:					**December 31, 2012**	**December 31, 2011**	
Reported basis					10.6%	9.7%	
Constant basis					10.7%	10.4%	

(1) Before interest, taxes and change in working capital requirements.

(2) Net of disposals.

(3) Working capital requirements, end of period, divided by last 12-month sales.

2.1.1 | Cash flow from operating activities

Rexel's net cash flow from operating activities amounted to an inflow of €398.2 million in 2012 compared to €428.1 million inflow in 2011.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements increased from €739.3 million in 2011 to €748.5 million in 2012. This increase was mainly due to the EBITA growth by €45.2 million from €722.2 million in 2011 to €767.4 million in 2012.

Interest and taxes

Interest paid in 2012 totaled €169.7 million compared with €155.4 million in 2011 due to a higher average debt while the effective interest rate decreased slightly at 7.0% in 2012 compared to 7.2% in 2011.

In 2012, €143.4 million was paid in income tax compared to €85.9 million paid in 2011, due to higher taxable income, mainly resulting from EBITA improvement.

Change in working capital requirements

In 2012, change in working capital requirement accounted for an outflow of €37.2 million compared to an outflow of €69.9 million in 2011. This €32.7 million improvement in working capital requirement resulted from higher cash collections from customers in 2012.

As a percentage of sales over the last 12 months, working capital requirements amounted to 10.7% as of December 31, 2012 compared to 10.4% as of December 31, 2011 on a constant basis. The increase in working capital requirements as a percentage of sales is mainly due to a higher level of inventories and a lower level of trade payables at December 31, 2012 as compared to December 31, 2011.

2.1.2 | *Cash flow from investing activities*

Cash flow from investing activities consisting of acquisitions and disposals of fixed assets, as well as financial investments, amounted to a €675.2 million outflow in 2012, as compared to an outflow of €124.1 million in 2011.

(in millions of euros)	Quarter ended December		Period ended December	
	2012	2011	2012	2011
Acquisitions of operating fixed assets	(36.8)	(37.8)	(90.6)	(98.2)
Gain/(loss) on disposal of operating fixed assets	2.0	6.9	7.1	26.4
Net change in debts and receivables on fixed assets	5.2	4.6	(0.3)	3.4
Net cash flow from operating investing activities	(29.6)	(26.3)	(83.8)	(68.4)
Acquisition of subsidiaries, net of cash acquired	(122.5)	(42.8)	(595.6)	(100.5)
Gain/(loss) on disposal of financial fixed assets	-	-	-	44.8
Dividends received from equity associates	1.9	0.3	3.8	0.6
Net cash flow from financial investing activities	(120.6)	(42.5)	(591.8)	(55.1)
Net change in long-term investments	(3.4)	0.8	0.4	(0.6)
Net cash flow from investing activities	**(153.6)**	**(68.0)**	**(675.2)**	**(124.1)**

Acquisitions and disposals of operating fixed assets

Acquisitions of operating fixed assets, net of disposals, accounted for an outflow of €83.5 million in 2012, compared to €71.8 million outflow in 2011.

In 2012, gross capital expenditures amounted to €90.6 million, i.e. 0.7% of sales for the period, of which €45.5 million related to IT systems, €24.8 million to branch acquisition and renovation, €17.0 million to logistics and €3.3 million to other investments. Disposals of fixed assets in 2012 amounted to €7.1 million. Net changes in the related payables and receivables amounted to €0.3 million, accounting for an increase in net capital expenditures for the period.

In 2011, gross capital expenditures amounted to €98.2 million, i.e. 0.8% of sales for the period, of which €44.6 million related to IT systems, €36.3 million to branch acquisition and renovation, €12.2 million to logistics and €5.1 million to other investments. Disposals of fixed assets in 2011 amounted to €26.4 million, mainly related to the disposal of a non-strategic business in Australia. Net changes in the related payables and receivables amounted to €3.4 million, accounting for a decrease in net capital expenditures for the period.

Financial investments

Financial investments amounted to a net outflow of €591.8 million in 2012 compared to a net outflow of €55.1 million in 2011.

In 2012, acquisitions net of cash of acquired entities resulted in an outflow of €595.6 million. These investments mainly include Platt Electric Supply and Munro Distributing company in the United-States, SCT in France, Liteco in Canada, La Grange in Belgium, Etil in Brazil, Wilts in the United Kingdom, Erka in Spain, Distribuidora Romero S.L. in Peru and Luxlight Pte Ltd in Singapore.

In 2011, acquisitions net of cash of acquired entities resulted in an outflow of €100.5 million. These investments included Nortel Suprimentos Industriais and Delamano in Brazil, Yantra Automation Private Ltd and AD Electronics in India, Wuhan Rockcenter Automation and Beijing Zongheng in China, Eurodis in France and Tegro in Germany. Furthermore, the consolidation of Grossauer ElektroHandels as of January 1, 2011 resulted in an inflow related to the company’s existing cash at that date.

Gain on disposal of financial fixed assets amounted to €44.8 million in 2011 and mainly related to the Hagemeyer Brand Australia (HBA) and Kompro B.V. disposals.

2.1.3 | Cash flow from financing activities

Cash flow from financing activities included mainly changes in indebtedness.

In 2012, cash flow from financing activities reflected additional net inflows of €151.1 million. Outflows resulted mainly from:

- buy-back of €69.1 million of senior notes due December 15, 2016,
- dividend distribution in cash of €143.0 million,
- the acquisition of remaining non-controlling interest of Suzhou Xidian Co. company in China for €22.2 million,
- decrease in other borrowings amounting to €9,1 million, and net purchase of treasury shares of €1.5 million.

Inflows were comprised of:

- US$ 500 million issuance of senior notes amounting to €366.2 million net of transaction costs,
- €14.8 million increase in assigned receivables with respect to securitization programs,
- €9.4 million from finance lease, and
- €2.6 million increase in drawings under the senior credit facilities.

In 2011, cash flow from financing activities reflected additional net outflows of €158.1 million, resulting principally from:

- repayment of drawings under the 2009 Senior Credit Agreement amounting to €695.9 million,
- buy-back of notes issued in May 2011 for €11.3 million,
- a decrease in assigned receivables with respect to securitization programs by €5.0 million and related transaction costs of €3.2 million,
- dividend distribution for 2010 period of €105.3 million, and
- acquisition of treasury shares of €30.8 million.

Inflows were comprised of :

- bond issue in May 2011 of €492.8 million net of transaction costs,
- other variations in credit lines amounting to €94.4 million, primarily consisting of the issue of commercial paper (for an €47.8 million increase in commercial paper),
- €16.6 million from new leasing transactions, and
- capital increases of €88.5 million, of which €86.0 million related to the dividends paid in shares.

2.2 | Sources of financing

In addition to the cash from operations and equity, the Group's main sources of financing are bond issuances, securitization programs and multilateral credit lines. At December 31, 2012, Rexel's consolidated net debt amounted to €2,599.2 million, consisting of the following items:

(in millions of euros)	December 31, 2012			December 31, 2011		
	Current	Non-current	Total	Current	Non-current	Total
Senior notes	-	1,504.3	1,504.3	-	1,181.4	1,181.4
Credit facility	-	25.9	25.9	-	30.6	30.6
Securitization	351.7	747.8	1,099.5	105.9	973.5	1,079.4
Bank loans	43.3	16.7	60.0	39.7	8.1	47.8
Commercial paper	114.8	-	114.8	104.8	-	104.8
Bank overdrafts and other credit facilities	77.6	-	77.6	86.0	-	86.0
Finance lease obligations	51.2	31.1	82.3	6.8	22.9	29.7
Accrued interest (1)	9.4	-	9.4	10.0	-	10.0
Less transaction costs	(20.5)	(22.6)	(43.1)	(19.8)	(33.9)	(53.7)
Total financial debt and accrued interest	**627.6**	**2,303.2**	**2,930.8**	**333.4**	**2,182.6**	**2,516.0**
Cash and cash equivalents			(291.9)			(413.7)
Fair value hedge derivatives			(39.8)			(24.1)
Net financial debt			**2,599.2**			**2,078.2**

(1) of which accrued interest on Senior Notes in the amount of €4.5 million at December 31, 2012 (€3.5 million at December 31, 2011)

On March 28, 2012, Rexel issued US$ 400 million (€299.9 million) senior unsecured notes. The notes were issued at 100% of their nominal amount and bear interest annually at 6.125%. They are listed on the Luxembourg Stock Exchange. On April 23, 2012, an additional US$100 million principal amount of these notes was issued at a price of 100.75% of nominal (i.e. an issuance price of €76.7 million). The additional notes are fully fungible with the previously-issued notes and have identical terms and conditions.

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

At December 31, 2012, the Group's liquidity amounted to €1,173.4 million (€1,695.6 million at December 2011).

In million of euros

Cash and cash equivalents	291.9
Bank overdrafts	(77.6)
Commercial paper	(114.8)
Undrawn Senior credit agreement	1,074.1
Others	(0.1)
Liquidity	**1,173.4**

The Group's leverage ratio (adjusted consolidated net debt / adjusted consolidated EBITDA for the previous 12 months) is tested for compliance with the covenant every six months. The limit is as follows:

Date	31/12/2012	30/06/2013	31/12/2013	30/06/2014
Commitment	3.50x	3.50x	3.50x	3.50x

The indebtedness ratio, as calculated under the terms of the senior credit agreement, stood at 2.95x at the end of December 2012 (vs. 2.40x at end December 2011), well below the applicable covenant limit of 3.50x in December 2012.

(in millions of euros)	December 31, 2012
Net debt at closing currency exchange rates	2,599.2
Net debt at average currency exchange rates (A)	2,633.1
LTM EBITDA [1] (B)	893.8
Indebtedness ratio (A)/(B)	**2.95**

(1) Calculated in accordance with the terms of the senior credit agreement

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, 2012 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, 2012, the French version will prevail.

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Consolidated Income Statement

(in millions of euros)	Note	For the year ended December 31, 2012	2011 [1]
Sales	*4*	13,449.2	12,717.1
Cost of goods sold		(10,134.2)	(9,599.6)
Gross profit		**3,315.0**	**3,117.5**
Distribution and administrative expenses	*5*	(2,560.9)	(2,410.9)
Operating income before other income and expenses		**754.1**	**706.6**
Other income	*7*	15.9	39.6
Other expenses	*7*	(122.6)	(146.6)
Operating income		**647.4**	**599.6**
Financial income		2.3	4.3
Interest expense on borrowings		(178.8)	(183.2)
Other financial expenses		(23.7)	(18.2)
Net financial expenses	*8*	***(200.1)***	***(197.1)***
Share of profit / (loss) of associates		3.1	2.8
Net income before income tax		**450.3**	**405.3**
Income tax	*9*	(131.7)	(89.3)
Net income		**318.6**	**316.0**
Portion attributable:			
to the Group		318.1	315.3
to non-controlling interests		0.5	0.7
Earnings per share:			
Basic earnings per share (in euros)	*15*	1.18	1.18
Fully diluted earnings per share (in euros)	*15*	1.17	1.17

[1] Restated for changes in accounting policies following the early adoption of revised IAS 19 (see note 2.2.1).

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

Consolidated Statement of Comprehensive Income

(in millions of euros)	2012	2011 [1]
	For the year ended December 31,	
Net income	**318.6**	**316.0**
Items to be reclassified to profit and loss:		
Net gain / (loss) on net investment in foreign subsidiaries	10.5	(14.1)
Income tax	(2.5)	4.0
	8.0	(10.1)
Foreign currency translation	0.6	17.8
Net gain / (loss) on cash flow hedges	3.9	20.3
Income tax	(0.9)	(6.9)
	2.8	13.5
Items not to be reclassified to profit and loss:		
Remeasurements of net defined benefit liability	(133.8)	(50.8)
Income tax	22.6	13.0
	(111.1)	(37.8)
Other comprehensive income/(loss) for the period, net of tax	*(99.7)*	*(16.6)*
Total comprehensive income for the period, net of tax	**218.9**	**299.4**
Portion attributable:		
to the Group	*218.4*	*297.8*
to non-controlling interests	*0.5*	*1.6*

[1] Restated for changes in accounting policies following the early adoption of revised IAS 19 (see note 2.2.1).

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

Consolidated Balance Sheet

(in millions of euros)	***Note***	**As of December 31, 2012**	**As of December 31, 2011 [1]**	**As of January 1, 2011 [1]**
Assets				
Goodwill	***10.1***	4,369.2	4,002.2	3,931.2
Intangible assets	***10.1***	1,035.8	935.7	934.4
Property, plant and equipment	***10.2***	282.7	261.7	245.4
Long-term investments	***10.3***	79.5	97.1	132.1
Investments in associates	***10.4***	10.8	11.8	9.3
Deferred tax assets	***9.2***	171.9	153.4	155.6
Total non-current assets		**5,949.9**	**5,461.9**	**5,408.0**
Inventories	***11.1***	1,426.7	1,240.8	1,203.1
Trade accounts receivable	***11.2***	2,123.9	2,122.9	2,022.0
Current tax assets		26.1	21.0	29.7
Other accounts receivable	***11.3***	476.4	455.2	406.4
Assets held for sale	***12***	21.2	3.7	23.1
Cash and cash equivalents	***13***	291.9	413.7	311.9
Total current assets		**4,366.2**	**4,257.3**	**3,996.2**
Total assets		**10,316.1**	**9,719.2**	**9,404.2**
Equity				
Share capital	***15***	1,359.6	1,344.1	1,301.0
Share premium	***15***	1,418.3	1,412.2	1,383.7
Reserves and retained earnings		1,331.4	1,274.1	1,074.6
Total equity attributable to equity holders		**4,109.3**	**4,030.4**	**3,759.3**
Non-controlling interests		8.3	11.5	9.3
Total equity		**4,117.6**	**4,041.9**	**3,768.6**
Liabilities				
Interest bearing debt (non-current part)	***20.1***	2,303.2	2,182.3	2,463.5
Employee benefits	***19***	372.9	280.4	257.2
Deferred tax liabilities	***9.2***	152.3	111.3	144.5
Provision and other non-current liabilities	***18***	101.8	157.6	156.3
Total non-current liabilities		**2,930.1**	**2,731.6**	**3,021.5**
Interest bearing debt (current part)	***20.1***	618.3	323.5	116.8
Accrued interest	***20.1***	9.3	10.0	5.2
Trade accounts payable		1,937.2	1,903.3	1,866.2
Income tax payable		42.6	56.0	39.8
Other current liabilities	***22***	661.1	652.9	584.1
Liabilities related to assets held for sale		-	-	2.0
Total current liabilities		**3,268.5**	**2,945.7**	**2,614.1**
Total liabilities		**6,198.6**	**5,677.3**	**5,635.6**
Total equity and liabilities		**10,316.1**	**9,719.2**	**9,404.2**

[1] Restated for changes in accounting policies following the early adoption of revised IAS 19 (see note 2.2.1).

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

Consolidated Statement of Cash Flows

(in millions of euros)	***Note***	For the year ended December 31, **2012**	**2011** [1]
Cash flows from operating activities			
Operating income		647.4	599.6
Depreciation, amortization and impairment of assets	***5-7***	133.7	176.1
Employee benefits		(37.3)	(22.5)
Change in other provisions		(17.4)	1.7
Other non-cash operating items		22.1	(15.6)
Interest paid		(169.7)	(155.4)
Income tax paid		(143.4)	(85.9)
Operating cash flows before change in working capital requirements		***435.4***	***498.0***
Change in inventories		(76.8)	(27.5)
Change in trade receivables		113.7	(68.4)
Change in trade payables		(55.5)	12.9
Changes in other working capital items		(18.6)	13.1
Change in working capital requirements		***(37.2)***	***(69.9)***
Net cash from operating activities		**398.2**	**428.1**
Cash flows from investing activities			
Acquisition of tangible and intangible assets		(90.9)	(94.8)
Proceeds from disposal of tangible and intangible assets		7.1	26.4
Acquisition of subsidiaries, net of cash acquired	***3.1***	(595.6)	(100.5)
Proceeds from disposal of subsidiaries, net of cash disposed of		-	44.8
Change in long-term investments		0.4	(0.6)
Dividends received from associates		3.8	0.6
Net cash from investing activities		**(675.2)**	**(124.1)**
Cash flows from financing activities			
Issuance of capital	**15**	2.9	2.4
Contribution received from minority shareholders		-	0.8
Disposal / (Purchase) of treasury shares		(1.5)	(30.8)
Acquisition of non-controlling interests	***3.2***	(22.2)	-
Issuance of senior notes net of transaction costs	***20.2***	366.2	-
Buy-out of senior notes	***20.2***	(69.1)	-
Net change in credit facilities and other financial borrowings	***20.2***	(6.4)	(122.8)
Net change in securitization	***20.2***	14.8	(5.0)
Net change in finance lease liabilities	***20.2***	9.4	16.5
Dividends paid	***15.1***	(143.0)	(19.2)
Net cash from financing activities		**151.1**	**(158.1)**
Net (decrease) / increase in cash and cash equivalents		**(125.9)**	**145.9**
Cash and cash equivalents at the beginning of the period		413.7	311.9
Effect of exchange rate changes on cash and cash equivalents		4.1	(44.1)
Cash and cash equivalents at the end of the period		**291.9**	**413.7**

[1] Restated for changes in accounting policies following the early adoption of revised IAS 19 (see note 2.2.1).

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	Foreign currency translation	Cash flow hedge reserve	Remeasurement of net defined benefit liability	Total attributable to the Group	Non-controlling interests	Total
For the year ended December 31, 2011										
At January 1, 2011 (as reported)		**1,301.0**	**1,383.7**	**1,036.8**	**122.9**	**(19.3)**	**-**	**3,825.1**	**9.3**	**3,834.4**
Effect of changes in accounting policies following the early adoption of revised IAS 19		-	-	(65.8)	-	-	-	**(65.8)**	-	(65.8)
At January 1, 2011 [1]		**1,301.0**	**1,383.7**	**971.0**	**122.9**	**(19.3)**	**-**	**3,759.3**	**9.3**	**3,768.6**
Net income		-	-	315.3	-	-	-	**315.3**	0.7	316.0
Other comprehensive income		-	-	-	6.8	13.5	(37.8)	**(17.5)**	0.9	(16.6)
Total comprehensive income for the period		**-**	**-**	**315.3**	**6.8**	**13.5**	**(37.8)**	**297.8**	**1.6**	**299.4**
Appropriation of net income	**15.1**	-	-	(105.2)	-	-	-	**(105.2)**	**(0.2)**	**(105.4)**
Share capital increase	**15.1**	43.1	28.5	17.0	-	-	-	**88.6**	**0.8**	89.4
Share based payments [2]		-	-	19.6	-	-	-	**19.6**	**-**	19.6
Disposal (Purchase) of treasury shares		-	-	(29.7)	-	-	-	**(29.7)**	-	(29.7)
At December 31, 2011 [1]		**1,344.1**	**1,412.2**	**1,188.0**	**129.7**	**(5.8)**	**(37.8)**	**4,030.4**	**11.5**	**4,041.9**
For the year ended December 31, 2012										
At January 1, 2012		**1,344.1**	**1,412.2**	**1,188.0**	**129.7**	**(5.8)**	**(37.8)**	**4,030.4**	**11.5**	**4,041.9**
Net income		-	-	318.1	-	-	-	**318.1**	0.5	318.6
Other comprehensive income		-	-	-	8.6	2.8	(111.1)	**(99.7)**	-	(99.7)
Total comprehensive income for the period		**-**	**-**	**318.1**	**8.6**	**2.8**	**(111.1)**	**218.4**	**0.5**	**218.9**
Appropriation of net income	**15.1**	-	-	(173.5)	-	-	-	**(173.5)**	-	(173.5)
Share capital increase	**15.1**	15.5	6.1	11.8	-	-	-	**33.4**	-	33.4
Share based payments [2]		-	-	21.0	-	-	-	**21.0**	-	21.0
Disposal (Purchase) of treasury shares		-	-	(2.0)	-	-	-	**(2.0)**	-	(2.0)
Acquisition of non-controlling interests	**3.2**	-	-	(18.9)	0.5	-	-	**(18.4)**	(3.7)	(22.1)
At December 31, 2012		**1,359.6**	**1,418.3**	**1,344.5**	**138.8**	**(3.0)**	**(148.9)**	**4,109.3**	**8.3**	**4,117.6**

[1] Restated for changes in accounting policies following the early adoption of revised IAS 19 (see note 2.2.1).

[2] of which €19.9 million (€17.2 million in 2011) free shares expense (see note 16) and €1.1 million relating to the tax effect of free shares granted in the United States (€2.4 million in 2011)

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

Accompanying Notes

1. | GENERAL INFORMATION

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

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

These consolidated financial statements cover the period from January 1 to December 31, 2012, and were authorized for issue by the Management Board on February 5, 2013.

2. | SIGNIFICANT ACCOUNTING POLICIES

2.1 | Statement of Compliance

The consolidated financial statements (hereafter referred to as “the financial statements”) for the period ending December 31, 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the standards of the International Accounting Standards Board (IASB) which are in force as at December 31, 2012.

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

2.2 | Basis of Preparation

The financial statements as at December 31, 2012 are presented in euros and all values are rounded to the nearest tenth of a million, unless otherwise stated. Totals and sub-totals presented in the consolidated financial statements are first computed in thousands of euros and then rounded to the nearest tenth of a million. Thus, the numbers may not sum precisely due to this rounding.

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

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

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

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

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

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

2.2.1 | Changes in accounting policies and amended standards and interpretations

Changes in accounting policies

IAS 19 Employee Benefits

The Group early adopted the amendment to IAS 19 "Employee benefits", endorsed by the EU on June 6th, 2012 and which application is compulsory as from January 1st, 2013. This amendment improves information on the Group's financial situation, in particular the presentation in the financial statements of the surplus or deficit of pension funds.

This amendment to IAS 19 "Employee Benefits":

- eliminates the previous option to defer the recognition of actuarial gains and losses, under the "corridor method",
- removes the concept of expected returns on plan assets,
- changes the recognition method of past service costs which are no longer expensed on a straight-line basis over the average period until the benefits become vested,
- requires to recognize administration costs other than those associated with the management of plan assets in profit and loss when the services are rendered and removes the option to include such costs in the calculation of the return on plan assets or in the defined benefit obligation,
- updates the presentation of changes in assets and liabilities arising from defined benefit plans, including a requirement to present the remeasurements in other comprehensive income (OCI), and
- increases the disclosure requirements for defined benefit plans, including the disclosure of information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

The Group adopted this amendment as of June 30, 2012. Accounting policy changes have been applied retrospectively in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the restatement of prior year financial information.
As a result of the voluntary early adoption of the amendment to IAS 19, the following adjustments were made to the financial statements:

(in millions of euros)	As of Jan. 1, 2011 [1]	As of Dec. 31, 2011 [1]
Net increase in employee benefit liabilities…………	(82.8)	(139.6)
Net increase in deferred tax assets…………………	17.0	30.7
Net decrease in shareholders' equity	**(65.8)**	**(108.9)**
Net income / (expense) recognized in other comprehensive income………………………………	-	(37.8)
Decrease in distribution and administrative expenses………………………………………………	-	2.7
Increase in financial expenses………………………	-	(6.0)
Deferred tax income …………………………………	-	0.3
Decrease in net income……………………………	**-**	**(3.0)**
Basic earning per share……………………………	-	(0.02)
Fully diluted earnings per share……………………	-	(0.01)

[1] Unrecognised actuarial gains and losses adjusted for Canadian changes in plan asset value due to variances between estimated and actual values as of December 31, 2010 and for revised discount rate in the United Kingdom as of December 31, 2011

Amended standards and interpretations

In 2012, the Group has applied the following new amendments, standards and interpretations previously endorsed by the European Union:

- Amendment to IAS 1 "Presentation of Items of Other Comprehensive Income" improves the consistency and clarity of the presentation of items of other comprehensive income (OCI). It requires presenting separately the items that have to be reclassified to profit and loss. When items of OCI are presented before tax, tax effect must split on the same basis.
- Amendment to IFRS 7 "Transfers of Financial Assets" increases the required disclosures on the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, but its application had no impact on the Group's financial statements.

The European Union also endorsed the following amendments which are not applicable to the Group and therefore had no impact on the Group's financial position and performance:

- Amendment to IAS 12 Income tax – Deferred taxes : Recovery of Underlying Assets which clarifies the determination of deferred tax on investment property measured at fair value under the model of IAS 40.
- Amendment to IFRS 1 First-Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters which provides guidance on how to present IFRS financial statements when functional currency ceases to be subject to hyperinflation.

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

The standards and interpretations that are issued and endorsed by the European Union, but not yet effective are disclosed below.

- IFRS 10 "Consolidated Financial Statements" provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation—Special Purpose Entities".

- IFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities that meet definition of a joint venture.

- IFRS 12 "Disclosures of Interests in Other Entities" combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.

  The application of IFRS 10, 11 and 12 is compulsory for fiscal years starting on January 1st, 2014 with earlier application permitted and would not have any significant impact on the Group's financial performance. In addition, following the issuance of IFRS 10, IFRS 11, and IFRS 12, IAS 27 and IAS 28 have been revised as follows:

  - IAS 27 "Separate Financial Statements" now only includes requirements for separate financial statements and is thus no longer applicable to Rexel, and

  - IAS 28 "Investments in Associates and Joint Ventures" prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

- IFRS 13 "Fair Value Measurement" defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. IFRS 13 is applicable for fiscal years starting on January 1st, 2013.

- Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities" clarifies the requirement for offsetting financial instruments and is applicable for fiscal years starting on January 1st, 2013.

2.2.3 | Accounting standards and interpretations issued by IASB but not yet approved by the European Union

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

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

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

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

- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities : Transition Guidance” : the amendments clarify the transition guidance in IFRS 10 Consolidated Financial Statements. The amendments also provide additional transition relief in IFRS 10, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.

- Amendments to IFRS 10, IAS 27 and IFRS 12: Investment Entities: the amendments provide an exception to the consolidation requirement in IFRS 10 “Consolidated Financial Statements” for investment entities and require these to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. Investment entities are defined as entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

In addition, in 2012, IASB issued an omnibus of improvements to IFRS, applicable on or after Jan 1, 2013, including:

- Amendments to IFRS 10, 11 and 12 giving additional transition relief by limiting the requirement to provide adjusted comparative information to only the preceding comparative period,

- Amendment to IAS 1, clarifying the requirements for comparative information,

- Amendment to IAS 16 clarifying the classification of servicing equipment,

- Amendment to IAS 32 clarifying the accounting for the tax effect of distributions to holders of equity instruments, and

- Amendment to IAS 34, clarifying the requirement for segment information on total assets and liabilities in interim financial reporting.

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, 2012. 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, present and potential 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
- Reclassifies the foreign currency translation into the net income
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any benefit or deficit in profit or loss
- 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 foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on disposal.

Hedge of Net Investment in Foreign Operations

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

2.5 | Intangible Assets

Goodwill

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

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

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

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

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

Other Intangible Assets

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

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

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

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

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

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

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

Amortization

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

2.6 | Property, Plant and Equipment

Owned Assets

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

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

Leased Assets

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

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

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

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

Depreciation

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

Land is not depreciated.

The estimated useful lives are as follows:

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

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

2.7 | Investments in Associates

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

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

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

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

2.8 | Impairment

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

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

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

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

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

Calculation of the Recoverable Amount

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

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

Reversal of Impairment Losses

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

Impairment losses in respect of goodwill may not be reversed.

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

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

2.9 | Inventories

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

2.10 |Financial assets

2.10.1 | Long-term investments

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

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

2.10.2 | Held for trading instruments

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

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

2.10.3 | Trade and other accounts receivable

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

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

2.10.4 | Derivative financial instruments

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

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

Interest rate & foreign exchange risks

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

Fair value 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 14) and the summary of financial liabilities (note 22).

2.10.5 | Hedge accounting

Cash flow hedges

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

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

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

Fair value hedges

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

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

Hedge of monetary assets and liabilities denominated in foreign currency

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

2.10.6 | Cash and cash equivalents

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

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

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

2.12 |Share capital

Repurchase of equity instruments

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

Dividends

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

2.13 |Financial liabilities

Interest-bearing borrowings

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

Effective interest rate

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

Transaction costs

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

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

Net financial debt

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

2.14 |Employee benefits

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

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

Post-employment and other long-term benefits include:

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

These benefits are classified as either:

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

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

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

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

When the benefits of a plan are improved (reduced), the portion of the increased (decreased) benefit relating to past service by employees is recognized immediately as an expense (income) in the income statement. The current and past service costs as well as administrative costs paid from registered pension plans' assets outside of IAS 19 are presented in the income statement as part of the distribution and administrative expenses. The net interest expenses (income) relating to the discounting of the net funded position (defined benefit obligation less plan assets) is presented in net financial expenses in the income statement.

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

Other long-term benefits

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

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

2.15 |Share-based payments

Bonus share programs allow the Group employees to receive shares of the parent company of the Group. The fair value of bonus shares 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 fair value estimate of the equity instruments in accordance with conditions of granting.

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

2.16 |Provisions

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

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

Provision for restructuring

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

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

Onerous contracts

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

Provisions for disputes and litigations

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

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

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

2.17 |Sales

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

Sales are recognized net of customer rebates and discounts.

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

2.18 |Other income and other expenses

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

2.19 |Financial expenses (net)

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

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

2.20 |Income tax

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: 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 management reporting structure. The information is shown by geographic zone for the electrical equipment distribution business, whereas the other businesses and holding entities are shown separately.

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

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

- Europe, aggregating Southern continental Europe, Eastern and central Europe, United-Kingdom / Ireland, and Benelux and Nordics,
- North America, aggregating United-States and Canada,

- The Asia-Pacific area,
- Latin America.

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

2.22 |Earnings per share

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

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

3. | ACQUISITIONS

3.1 | 2012 Business combinations

As part of Rexel’s external growth policy, which aims to strengthen its presence in emerging markets, increase its market share in mature countries and improve the offering of its high value-added services, the Group completed the following acquisitions in 2012:

Europe

- *United Kingdom*

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

- *France*

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

- *Spain*

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

- *Belgium*

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

North America

- *Canada*

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

- *United States*

On July 2, 2012, the Group completed the acquisition of Platt Electric Supply, a premier independent distributor of electrical products & services in the Western U.S, operating 111 branches located in 7 states.

The Group acquired 100% ownership interest for a total consideration, of €325.7 million (US$410.0 million). The goodwill of €199.1 million was recognised on a provisional basis, the fair value measurement of working capital, fixed assets and lease agreements being still under progress as of balance sheet date. Platt Electric Supply has been consolidated starting on its acquisition date. The company posted annual sales of around €310 million in 2011.

On November 30, 2012, the Group completed the acquisition of Munro Distributing Company, a progressive, independent distributor of electrical products and services in the Eastern United States of America and California, specializing in energy efficiency and conservation solutions, operating 12 branches located in the 5 states. The Group acquired 100% ownership interest for a total consideration, of €113.2 million (US$147.0 million). The goodwill of €86.6 million was recognised on a provisional basis, the purchase price allocation being outstanding as of the balance sheet date. Munro Distributing Company has been consolidated starting on its acquisition date. The company posted annual sales of around €88 million in 2011.

Asia-Pacific

- *Singapore*

LuxLight Pte Ltd, based in Singapore and operating in South East Asia, was acquired on November 30, 2012. It recorded annual sales of around €10 million in 2011. This entity will be consolidated starting on January 1, 2013.

Latin America

- *Brazil*

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

- *Peru*

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

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

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

	Platt		Munro		Others	TOTAL
(in millions of)	*(USD)*	*(euros)*	*(USD)*	*(euros)*	*(euros)*	*(euros)*
Distribution networks	57.7	45.8	-	-	-	45.8
Customer relationship	60.1	47.7	-	-	8.7	56.4
Other fixed assets	7.8	6.2	1.4	1.1	15.6	22.8
Other non current assets	0.1	0.1	0.5	0.4	4.5	5.0
Current assets	123.9	98.4	48.9	37.6	109.2	245.2
Financial debt	-	-	(0.7)	(0.5)	(26.9)	(27.4)
Other non current liabilities	(37.6)	(29.9)	(0.2)	(0.1)	(5.2)	(35.2)
Current liabilities	(52.7)	(41.8)	(15.4)	(11.8)	(50.2)	(103.9)
Net asset acquired (except goodwill acquired)	**159.3**	**126.5**	**34.6**	**26.6**	**55.6**	**208.8**
Goodwill acquired	250.7	199.1	112.4	86.6	125.3	411.0
Consideration transferred	**410.0**	**325.7**	**147.0**	**113.2**	**180.9**	**619.8**
Cash acquired	-	-	-	-	(3.8)	(3.8)
Deferred payments	-	-	-	-	(1.5)	(1.5)
Payments related to entities not yet consolidated	-	-	-	-	13.9	13.9
Net cash paid for acquisitions	**410.0**	**325.7**	**147.0**	**113.2**	**189.5**	**628.4**
Payments in 2011 [1]	-	-	-	-	(32.8)	(32.8)
Net cash flow for the period	**410.0**	**325.7**	**147.0**	**113.2**	**156.8**	**595.6**

[1] converted at the exchange rate on the acquisition date

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

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

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

3.2 | Acquisition of non-controlling interests

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

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

3.3 | 2011 Business combinations

The Group completed the following acquisitions in 2011:

Europe

- *France*

R-Scan, a start-up company specialized in energy efficiency audits and based in Western France and operating under the trade name of Inoveha, was acquired on September 23, 2011. This transaction bears on the acquisition of an initial 70% ownership interest in the share capital and further put and call options exercisable until 2018. This entity has been consolidated as of October 1, 2011.

Eurodis Sécurité, a distributor of security equipment (fire detection, intrusion, access control, CCTV), was acquired on December 29, 2011. In 2010, it posted annual sales of approximately €18 million. This entity has been consolidated as of January 1, 2012.

- *Germany*

Tegro (Tech. Elektro Großhandels) GmbH, based in Germany, was acquired on May 3, 2011. It booked sales of approximately €10 million in 2010. This entity has been consolidated as of May 1, 2011.

Asia Pacific

- *China*

Wuhan Rockcenter Automation, acquired in January 2011 and based in Wuhan, posted annual sales of approximately €10 million in 2010. This entity has been consolidated as of January 1, 2011.

In accordance with an Asset and Business Transfer Agreement executed in June 2011, assets of Beijing Zhongheng, a company based in Beijing were acquired by a newly created company for that purpose and 65% controlled by the Group. Beijing Zhongheng posted sales of approximately €34 million in 2010. The Group holds a call exercisable in 2014 to acquire the remaining 35% interest. This entity has been consolidated as of July 1, 2011.

- *India*

Yantra Automation Private Ltd, acquired in January 2011 and based in Pune, is a distributor specialised in Automotive and industrial controls. In 2010, it posted annual sales of approximately €12 million. The Purchase Agreement stipulates the acquisition of 74% of the share capital rights in January 2011 and the acquisition of the rest of the share capital in 2014. This entity has been consolidated as of January 1, 2011.

AD Electronics, a company specialized in industrial automotive distribution and based in Mumbai, was acquired on May 17, 2011. The Purchase Agreement provides for the acquisition of 75% of the share capital rights in May and July 2011 and the acquisition of the rest of the share capital in 2015. This entity has been consolidated as of July 1, 2011.

Latin America

- *Brazil*

Nortel Suprimentos Industriais, which was acquired on January 19, 2011, is one of the top three Brazilian distributors of electrical materials. It is based in Campinas in the state of São Paulo and recorded annual sales of around €104 million in 2010. The Group acquired the full ownership of this company. This entity has been consolidated as of January 1, 2011.

Delamano Solucões EM MRO Ltda and Delamano Montagens e Instalações Industriais Ltda, based in Santo André in the state of São Paulo, were acquired on November 30, 2011. They recorded annual sales of around €54 million in 2010. The Group acquired the full ownership of these companies.This entity has been consolidated as of January 1, 2012.

- *Peru*

V&F Tecnologia Comercial SAC, a distributor of electrical supplies specialized in industrial automation projects based in Lima with annual sales of around €10 million in 2010, was acquired on October 4, 2011. The Group acquired full ownership of this company. This entity has been consolidated as of January 1, 2012.

The table below shows the consideration allocated as of December 31, 2011 to identifiable assets and liabilities of the acquired entities in 2011, with the exception of Delamano, V&F and Eurodis that have been consolidated starting on January 2012. It also includes entities acquired in 2010 and consolidated as of January 1st 2011, Grossauer and Luckywell:

(in millions of euros)	
Customer relationship	14.6
Other fixed assets	18.4
Other non current assets	6.7
Current assets	79.7
Financial debt	(14.4)
Other non current liabilities	(9.2)
Current liabilities	(32.3)
Net asset acquired (except goodwill acquired)	**63.3**
Goodwill acquired	92.1
Consideration transferred	**155.4**
Cash acquired	(11.3)
Deferred payments	(6.4)
Payments related to entities consolidated as of January 1, 2012	33.1
Net cash paid for acquisitions	**170.7**
Payments in 2010 (1)	(66.4)
Foreign currency translation	(3.8)
Net cash flow for the period	**100.5**

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

The amount of fees associated with these acquisitions totaled €7.5 million, of which €5.6 million was incurred for the period ended December 31, 2011. In Brazil, the amount of goodwill deductible for tax purposes is €45.3 million and led to the recognition of a deferred tax asset of €3.6 million.

*

4. | SEGMENT REPORTING

In 2012, the Group made minor changes in its organization and therefore discloses the Latin-American segment separately. Therefore, the reportable segments are Europe, North America, Asia-Pacific and Latin America. 2011 comparative data were restated accordingly together with changes in accounting policies following the early adoption of revised IAS19 "Employee Benefits" such as disclosed in note 2.2.1.

In 2011, other operations included non core businesses that were disposed of.

Information by geographic segment for the periods ending December 31, 2012 and 2011

2012 *(in millions of euros)*	Europe	North America	Asia-Pacific	Latin-America	Other operations	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
Income statement items								
Sales to external customers…………………. [(2)]	7,448.6	4,348.6	1,341.9	310.0	-	**13,449.0**	0.2	**13,449.2**
Depreciation………………………………………	(48.3)	(16.4)	(5.5)	(1.5)	-	**(71.7)**	(2.0)	**(73.7)**
EBITA [(1)]………………………………………	533.7	225.6	60.0	6.2	-	**825.5**	(58.1)	**767.4**
Goodwill impairment……………………………	(25.5)	-	(20.2)	-	-	**(45.7)**	-	**(45.7)**
Cash flow statement item								
Capital expenditures net of disposals…………	(53.0)	(14.8)	(7.1)	(4.6)	-	**(79.5)**	(4.3)	**(83.8)**
Balance sheet items								
Working capital………………………………	730.2	496.0	173.6	50.2	-	**1,450.0**	(21.5)	**1,428.5**
Goodwill……………………………………..	2,714.9	1,340.0	248.0	66.3	-	**4,369.2**	-	**4,369.2**

2011 *(in millions of euros)*	Europe	North America	Asia-Pacific	Latin-America	Other operations	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
Income statement items								
Sales to external customers…………………. [(2)]	7,420.7	3,738.2	1,278.4	214.9	64.9	**12,717.0**	-	**12,717.0**
Depreciation………………………………………	(47.3)	(17.0)	(4.8)	(1.0)	(0.8)	**(70.9)**	(1.7)	**(72.6)**
EBITA [(1)]………………………………………	511.9	173.7	77.9	10.2	(0.1)	**773.5**	(51.2)	**722.3**
Goodwill impairment……………………………	(54.8)	-	(4.7)	-	-	**(59.5)**	-	**(59.5)**
Cash flow statement item								
Capital expenditures net of disposals…………	(51.4)	(11.7)	(8.0)	(2.3)	10.1	**(63.3)**	(5.1)	**(68.4)**
Balance sheet items								
Working capital………………………………	627.9	394.9	174.6	36.5	-	**1,233.9**	36.7	**1,270.6**
Goodwill……………………………………..	2,646.9	1,049.9	266.7	38.7	-	**4,002.2**	-	**4,002.2**

(1) EBITA is defined as operating income before amortization of intangible assets recognized upon purchase price allocation and before other income and other expenses.
(2) Of which €2,484.6 million generated in France in 2012 (€2,474.7 million in 2011)

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

(in millions of euros)	For the year ended December 31, 2012	2011
EBITA - Total Group……………………………………………………	**767.4**	**722.3**
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities…………………………	(13.3)	(15.7)
Other income and other expenses…………………………………………………	(106.7)	(107.0)
Net financial expenses………………………………………………………………..	(200.1)	(197.1)
Share of profit/(loss) of associates……………………………………………	3.1	2.8
Group consolidated income before income tax…... …………………	**450.3**	**405.3**

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

(in millions of euros)	As of December 31, 2012	As of December 31, 2011
Working capital	1,428.5	1,270.6
Goodwill	4,369.2	4,002.2
Total allocated assets & liabilities	**5,797.7**	**5,272.8**
Liabilities included in allocated working capital	2,590.0	2,546.2
Other non-current assets	1,408.8	1,306.3
Deferred tax assets	171.9	153.4
Current tax assets	26.1	21.0
Other current assets	0.4	-
Assets classified as held for sale	21.2	3.7
Derivatives	8.1	2.1
Cash and cash equivalents	291.9	413.7
Group consolidated total assets	**10,316.1**	**9,719.2**

5. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

(in millions of euros)	For the year ended December 31, 2012	2011
Personnel costs (salaries & benefits)	1,535.0	1,436.8
Building and occupancy costs	269.5	257.0
Other external costs	622.3	583.7
Depreciation expense	73.7	72.5
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities	13.3	15.7
Bad debt expense	47.1	45.2
Total distribution and administrative expenses	**2,560.9**	**2,410.9**

6. | SALARIES & BENEFITS

(in millions of euros)	For the year ended December 31, 2012	2011
Salaries and social security charges	1,460.7	1,367.6
Share-based payments	19.9	17.2
Pension and other post-retirement benefits-defined benefit plans	10.8	13.0
Other employee expenses	43.5	39.0
Total employee expenses	**1,535.0**	**1,436.8**

7. | OTHER INCOME & OTHER EXPENSES

(in millions of euros)	For the year ended December 31, 2012	2011
Gains on disposal of consolidated entities	-	26.1
Gains on disposal of tangible assets	2.3	8.4
Write-back asset impairment	0.1	0.2
Release of unused provisions	11.7	4.5
Other operating income	1.8	0.4
Total other income	**15.9**	**39.6**
Restructuring costs	(49.9)	(39.8)
Losses on non-current assets disposed of	(2.2)	(2.0)
Impairment of goodwill and fixed assets	(46.8)	(87.9)
Acquisition related costs	(7.8)	(5.6)
Losses on earn-out	(2.3)	-
Other operating expenses	(13.6)	(11.3)
Total other expenses	**(122.6)**	**(146.6)**

7.1 Other Income

Gain on disposal of consolidated entities

In 2011, €26.1 million gains on consolidated entities included (i) a gain related to the disposal of Hagemeyer Brands Australia Pty Limited, corresponding to the exchange gain initially recognized in other comprehensive income and reclassified to profit and loss and (ii) a gain related to the disposal of Kompro B.V. in The Netherlands.

Release of unused provisions

In 2012, this line item mainly includes the release of a provision of €7.8 million on a tax reassessment with respect to the deduction of VAT related to services rendered by the investment funds, at the time of Rexel's LBO. The Group filed a claim to the Administrative Court, which dismissed the French tax authority from its request (see note 25.2).

In 2011, it mainly included the release of provisions on litigation with French social security authorities for €2.1 million and on the closing of the liquidation of Ceteco, a Dutch subsidiary of Hagemeyer for €1.0 million.

7.2 Other expenses

Restructuring costs

In 2012, restructuring costs were mainly related to restructuring plans in Europe for €39.6 million (€31.2 million in 2011), mainly in the United-Kingdom, Germany, France, Sweden and in The Netherlands in North America for €5.1 million (€6.3 million in 2011) and in Asia-pacific for €4.4 million (€1.9 million in 2011).

Goodwill and assets impairment

In 2012, impairment on goodwill has been recognized on the following cash-generating units: The Netherlands for €23.9 million (€47.2 million in 2011), New Zealand for €20.2 million (€4.7 million in 2011) and Slovenia for €1.6 million (€7.6 million in 2011), as a result of lower than expected operating performance (see note 10.1).

In addition, in 2011, impairment charges were recognised on Spanish fixed assets other than goodwill for €20.7 million and on Hagemeyer Brands Australia Pty Ltd intangible assets prior to their disposal in 2011 for €7 million.

Other operating expenses

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

In 2011, other expenses were mainly related (i) to litigation with social security authorities for €6.5 million, (ii) to employee claims for €2.0 million and (iii) to tax claims for €0.8 million.

8. | NET FINANCIAL EXPENSES

(in millions of euros)	For the year ended December 31, 2012	2011
Interest income on cash and cash equivalents	0.7	2.0
Interest income on receivables and loans	1.6	2.3
Financial income	**2.3**	**4.3**
Interest expense on financial debt (stated at amortized cost)	(182.6)	(156.0)
Gains and losses on derivative instruments previously deferred in other comprehensive income and recycled in the income statement	(5.6)	(24.3) [1]
Foreign exchange gain (loss)	(8.6)	11.0
Change in fair value of exchange rate derivatives through profit and loss	8.8	(5.9)
Change in fair value of interest rate derivatives through profit and loss	9.2	(8.0)
Interest expense on borrowings	**(178.8)**	**(183.2)**
Net financial expense on employee benefit obligations	(11.8)	(11.0)
Others	(11.9)	(7.3)
Other financial expenses	**(23.7)**	**(18.2)**
Financial expenses (net)	**(200.1)**	**(197.1)**

[1] including an expense of €13.1 million resulting from the de-designation of cash-flow hedge swaps following the partial repayment of the underlying senior credit facilities.

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 2012	2011
Current tax	(119.4)	(104.5)
Prior year adjustments on current income tax	(0.8)	1.5
Deferred tax	(11.5)	13.7
Total income tax expense	**(131.7)**	**(89.3)**

9.2 | Deferred tax assets and liabilities

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

(in millions of euros)	2012	2011
Net deferred tax at the beginning of the period	**42.1**	**11.1**
Deferred tax income (expense)	(11.5)	13.7
Other comprenhensive income	21.8	8.0
Change in consolidation scope	(30.1)	(0.9)
Translation differences	(0.2)	4.8
Other changes	(2.3)	5.4
Net deferred tax at the end of the period	**19.7**	**42.1**

In 2012, other comprehensive income mainly consisted of tax effect on remeasurements of net defined benefit liability recognized for €22.6 million (€13.0 million in 2011).

Deferred tax assets and liabilities are broken down as follows:

	As of December 31	
(in millions of euros)	2012	2011
Intangible assets	(314.2)	(274.5)
Property, plant and equipment	3.5	7.8
Financial assets	10.2	(11.7)
Trade accounts receivable	21.8	18.6
Inventories	13.0	8.2
Employee benefits	122.6	91.9
Provisions	6.8	7.8
Financing fees	2.3	(1.0)
Other items	13.3	23.9
Tax losses carried forward	327.2	350.3
Deferred tax assets / (liabilities), net	**206.5**	**221.5**
Valuation allowance on deferred tax assets	(186.8)	(179.4)
Net deferred tax assets / (liabilities)	**19.7**	**42.1**
of which deferred tax assets	171.9	153.4
of which deferred tax liabilities	(152.3)	(111.3)

Depreciation of deferred tax assets of €186.8 million as of December 31, 2012 (€179.4 million as of December 31, 2011), is determined in respect of the recoverability of net deferred tax assets assessed by each tax entity. The recoverable amount is based on the expected taxable profits over the next 5 years as well as risks arising from tax reassessments. As of December 31, 2012, it mainly refers to the losses carried forward in the United Kingdom, France, Germany and Spain.

9.3 | Effective tax rate

(in millions of euros)	2012		2011	
Income before tax and before share of profit in associates	447.3		402.5	
French legal tax rate		*36.1%*		*36.1%*
Income tax calculated at the legal tax rate	(161.5)		(145.3)	
			-	
Differences of tax rates in foreign jurisdictions	32.7	*(7.3%)*	22.8	*(5.7%)*
Changes in tax rates	(4.2)	*0.9%*	(2.0)	*0.5%*
(Current year losses unrecognized), prior year losses utilized	(1.3)	*0.3%*	38.6	*(9.6%)*
(Non-deductible expenses), tax exempt revenues	2.6	*(0.6%)*	(3.4)	*0.8%*
Actual income tax expense	**(131.7)**	***29.4%***	**(89.3)**	***22.2%***

In 2012, non-deductible expenses and tax exempt revenues include a release of provision of €15.3 million in connection with the dismissal by Administrative Court of a tax reassessment (see note 25.2), partially offset by the tax effect of Goodwill impairment for an amount of €11.9 million.

In 2011, the impact on the income tax expense of non-deductible expenses and tax exempt revenues mainly included a tax gain resulting from legal reorganisations of French holding companies for €39.1 million partially offset by tax reassessment in France for €31.6 million. Prior year losses carried forward have been partially recognized in the UK and resulted in a deferred tax asset of €42.8 million (£37.1 million) following the assessment of future taxable profits as of the balance sheet date.

10. | LONG-TERM ASSETS

10.1 | Goodwill and intangible assets

(in millions of euros)	Strategic partnerships	Distribution networks	Software and intangible assets with finite useful lives[1]	**Total intangible assets**	**Goodwill**
Gross carrying amount as of January 1, 2011 ………………………………………..	**185.6**	**600.7**	**361.5**	**1,147.8**	**4,081.6**
Effect of acquisitions and divestitures ………….	-	-	5.0	**5.0**	**90.9**
Additions ……………………………………………	-	-	34.0	**34.0**	**-**
Disposals ……………………………………………	-	-	(2.4)	**(2.4)**	**-**
Exchange differences ……………………………	-	7.4	5.7	**13.1**	**39.0**
Other changes ……….…………………………….	-	-	(1.1)	**(1.1)**	**(0.1)**
Gross carrying amount as of December 31, 2011 …………...…………	**185.6**	**608.1**	**402.7**	**1,196.4**	**4,211.4**
Effect of acquisitions and divestitures ………….	-	45.8	59.7	**105.5**	**405.6**
Additions ……………………………………………	-	-	32.2	**32.2**	**-**
Disposals ……………………………………………	-	-	(4.9)	**(4.9)**	**-**
Exchange differences ……………………………	-	0.7	(2.6)	**(1.9)**	**9.1**
Other changes …………………………………….	-	-	-	**-**	**(0.3)**
Gross carrying amount as of December 31, 2012 ………………………..	**185.6**	**654.6**	**487.1**	**1,327.3**	**4,625.8**
Accumulated amortization and depreciation as of January 1, 2011 …….	**-**	**-**	**(213.4)**	**(213.4)**	**(150.4)**
Change in consolidation scope ………………….	-	-	8.2	**8.2**	**0.4**
Amortization expense ……………………………	-	-	(37.1)	**(37.1)**	**-**
Impairment losses [2] ……………………………	-	(5.8)	(11.4)	**(17.2)**	**(59.5)**
Decrease of amortization …………………………	-	-	(0.5)	**(0.5)**	**-**
Exchange differences ……………………………	-	-	(4.3)	**(4.3)**	**0.2**
Other changes …………………………………….	-	-	3.6	**3.6**	**0.1**
Accumulated amortization and depreciation as of December 31, 2011 ..	**-**	**(5.8)**	**(254.9)**	**(260.7)**	**(209.2)**
Change in consolidation scope ………………….	-	-	(2.6)	**(2.6)**	**-**
Amortization expense ……………………………	-	-	(32.5)	**(32.5)**	**-**
Impairment losses [3] ……………………………	-	-	(0.7)	**(0.7)**	**(45.7)**
Decrease of amortization …………………………	-	-	3.5	**3.5**	**-**
Exchange differences ……………………………	-	-	1.1	**1.1**	**(1.7)**
Other changes …………………………………….	-	-	0.4	**0.4**	**-**
Accumulated amortization and depreciation as of December 31, 2012 ..	**-**	**(5.8)**	**(285.7)**	**(291.5)**	**(256.6)**
Carrying amount at January 1, 2011	**185.6**	**600.7**	**148.1**	**934.4**	**3,931.2**
Carrying amount at December 31, 2011	**185.6**	**602.3**	**147.8**	**935.7**	**4,002.2**
Carrying amount at December 31, 2012	**185.6**	**648.8**	**201.4**	**1,035.8**	**4,369.2**

(1) Including customer relationships for a net book value of €67.2 million as of December 31, 2012 (€26.0 million as of December 31, 2011).

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

(3) Goodwill impairment in The Netherlands, New Zealand and Slovenia.

Impairment testing of goodwill and intangibles with indefinite lives

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

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

(in millions of euros)		At December 31, 2012			At December 31, 2011		
CGU	**Geographic segment**	**Goodwill**	**Other intangible assets (1)**	**Total**	**Goodwill**	**Other intangible assets (1)**	**Total**
France	Europe	966.3	169.4	1,135.7	946.6	169.4	1,116.0
United States	North America	839.1	123.4	962.5	575.0	81.2	656.2
Canada	North America	506.1	77.1	583.2	480.2	76.7	556.9
The Netherlands	Europe	102.1	17.3	119.4	126.0	17.3	143.3
Sweden	Europe	208.4	21.9	230.3	200.7	21.1	221.8
Germany	Europe	172.9	51.7	224.6	172.9	51.7	224.6
United Kingdom	Europe	199.8	62.7	262.5	185.8	61.3	247.1
Norway	Europe	204.1	16.9	221.0	193.4	16.0	209.4
Australia	Asia-Pacific	191.3	30.5	221.8	191.3	30.5	221.8
Switzerland	Europe	226.3	34.9	261.2	224.8	34.7	259.5
Other		752.8	228.6	981.4	705.5	228.0	933.5
	Total	**4,369.2**	**834.4**	**5,203.6**	**4,002.2**	**787.9**	**4,790.1**

(1) Intangible assets with an indefinite useful life

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

The recoverable amount of the cash-generating units was determined based on value in use. The calculation of the value in use is based on cash flows arising from the three-year strategic plan performed in June and updated during the budgetary process in November 2012. Cash flows are extrapolated over a period of five years and take into account a terminal value. A perpetuity growth rate has been used for the calculation of the terminal value. Cash-flows were discounted on the basis of the weighted average cost of capital net of tax calculated for each country. Country-specific risk is incorporated by applying individual risk-free rates and beta factors. The weighted average cost of capital reflects the time value of money and the specific risks of the asset, not already factored in the cash-flow forecasts, by taking into account the financial structure and the financing terms and conditions of a standard market participant.

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

- Discount rate

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

	2012	2011
France	7.40%	7.40%
United States	7.50%	7.00%
Canada	6.70%	6.80%
The Netherlands	7.80%	8.00%
Sweden	7.80%	8.10%
Germany	7.40%	7.70%
United Kingdom	7.20%	7.50%
Norway	8.30%	8.70%
Australia	9.00%	9.10%
Switzerland	6.40%	6.50%
Other	6.9% to 13.0%	6.8% to 12.5%

- Perpetuity growth rate

This growth rate is used to extrapolate cash flows beyond a five-year horizon and is based on expected long-term inflation, assuming no growth in volume. This rate is not subject to changes over the short term. The perpetuity growth rates used to measure the terminal value were 2% for mature markets, 3% for China and India and 4.5% for Brazil, similar to 2011.

As a result of impairment tests, a loss of €45.7 million was recognized in 2012 (€59.5 million in 2011) and allocated to goodwill in The Netherlands for €23.9 million (47.2 million 2011), in New Zealand for €20.2 million (€4.7 million in 2011), and in Slovenia for €1.6 million (€7.6 million in 2011) due to the deterioration of the expected performance of these CGUs resulting in revised long term prospects.

Sensitivity analysis

With regards to the assessment of value-in-use of goodwill and other intangible and fixed assets, the Group believes that no reasonably possible changes in the EBITA margin, discount rate or perpetuity growth rate (less than or equal to 50 basis points) would cause the carrying value of the above cash-generating units to materially exceed its recoverable amount, excluding Brazil (for which the carrying value equals the recoverable amount) and the cash-generating units already impaired in 2012. Therefore, for the latter countries, any adverse movement in a key assumption would lead to a further impairment.

A 50 basis points increase in the discount rate, applied to the value in use of all cash-generating units would result in an additional €28.2 million impairment expense. A 50 basis points decrease in the perpetuity growth rate or in the terminal value EBITA margin would result in additional impairment expenses of €14.4 million and €37.1 million respectively.

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, 2011 …	**204.2**	**629.9**	**34.9**	**869.0**
Effect of acquisitions and divestitures ……………………	24.3	(0.7)	(5.4)	**18.2**
Additions ………………………………………………………	21.0	39.0	4.4	**64.4**
Disposals ………………………………………………………	(22.7)	(41.3)	(6.7)	**(70.7)**
Exchange differences ………………………………………	2.7	5.4	-	**8.1**
Other changes …………………………………………………	15.4	3.6	(1.5)	**17.5**
Gross carrying amount as of December 31, 2011……………………………………………………	**244.9**	**635.9**	**25.7**	**906.5**
Effect of acquisitions and divestitures ……………………	8.5	47.5	0.4	**56.4**
Additions ……………………………………………………..	4.0	46.4	8.0	**58.4**
Disposals ……………………………………………………..	(7.2)	(47.0)	(3.2)	**(57.4)**
Exchange differences ………………………………………	1.1	(0.4)	0.2	**0.9**
Other changes …………………………………………………	1.8	1.5	(5.7)	**(2.4)**
Gross carrying amount as of December 31, 2012 ……………………………………………………..	**253.1**	**683.9**	**25.4**	**962.4**
Accumulated depreciation and amortization as of January 1, 2011 …………………………………….	**(95.2)**	**(501.4)**	**(27.0)**	**(623.6)**
Change in consolidation scope ……………………………	(11.9)	3.7	4.3	**(3.9)**
Depreciation expense ………………………………………	(10.4)	(38.2)	(2.5)	**(51.1)**
Impairment losses ……………………………………………	(9.3)	(1.9)	-	**(11.2)**
Release …………………………………………………………	7.5	39.7	6.6	**53.8**
Exchange differences ………………………………………	(1.2)	(4.5)	-	**(5.7)**
Other changes …………………………………………………	(2.1)	(0.8)	(0.2)	**(3.1)**
Accumulated depreciation and amortization as of December 31, 2011………………………………..	**(122.6)**	**(503.4)**	**(18.8)**	**(644.8)**
Change in consolidation scope ……………………………	(1.2)	(33.2)	-	**(34.4)**
Depreciation expense…………………………………………	(10.1)	(42.8)	(1.7)	**(54.6)**
Impairment losses………………………………………………	(0.2)	(0.1)	-	**(0.3)**
Release …………………………………………………………	4.7	44.4	3.0	**52.1**
Exchange differences ………………………………………	(0.4)	-	(0.1)	**(0.5)**
Other changes …………………………………………………	(0.5)	1.0	2.3	**2.8**
Accumulated depreciation and amortization as of December 31, 2012 ……………………………….	**(130.3)**	**(534.1)**	**(15.3)**	**(679.7)**
Carrying amount at January 1, 2011	**109.0**	**128.5**	**7.9**	**245.4**
Carrying amount at December 31, 2011	**122.3**	**132.5**	**6.9**	**261.7**
Carrying amount at December 31, 2012	**122.8**	**149.8**	**10.1**	**282.7**

Additions of the period include €10.4 million of assets (€18.4 million in 2011) acquired through finance lease contracts. In the consolidated cash flow statement, these acquisitions have been included in cash flows from investing activities, and the corresponding variation of financial debt was included in “Net change in finance lease liabilities” in cash flows from financing activities.

Tangible assets impairment

In 2011, impairment losses accounted for and recognized under “Other expenses” (see notes 2.18 and 7.2) resulted in the write down of certain properties and equipment to bring their net book value to their recoverable amount. Impairments were recorded mainly in Spain, for €10.6 million (see note 10.1).

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	
	2012	2011
Loans	0.1	0.8
Deposits	23.3	15.8
Other long-term investments	56.0	80.5
Long-term investments	**79.5**	**97.1**

As of December 31, 2012, other long-term investments mainly include:

(i) the fair value of hedging instruments for €39.8 million (€25.9 million as of December 31, 2011) and derivatives held for trading for €2.4 million (€1.6 million as of December 31, 2011).

(ii) the purchase price of the shares of Luxlight for €13.6 million (see note 3.1); this company was acquired in late 2012 and will be consolidated in 2013.

As of December 31, 2011, other long-term investments were comprised of :

(i) the asset surplus of defined benefit plans relating to the liability of Hagemeyer pension plans in The Netherlands for €18.0 million, and

(ii) the purchase price of the shares and quotas in the Peruvian company V&F Tecnología for €4.5 million, in the Brazilian company Delamano for €14.5 million and in the French company Eurodis for €14 million (see note 3.3). These companies were consolidated as from January 1, 2012.

10.4 | Investments in associates

The Group holds 66.67% of the shares in DPI, Inc, of which 59.52% are held in the form of non-voting preference shares. The investment in DPI, Inc., a company based in Saint Louis (USA) and specialized in the distribution of consumer electronics, was accounted for using the equity method.

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

(in millions of euros) - unaudited	As of December 31	
DPI, Inc. balance sheet information	**2012**	**2011**
Total assets	60.8	58.3
Total liabilities	(41.8)	(37.8)
Shareholders' equity	**18.9**	**20.6**

	For the year ended December 31,	
DPI, Inc. sales and net income	**2012**	**2011**
Sales	124.0	122.4
Net income	4.6	4.2

11. | CURRENT ASSETS

11.1 | Inventories

(in millions of euros)	As of December 31 2012	2011
Cost	1,530.6	1,334.8
Allowance	(103.9)	(94.0)
Net inventories	**1,426.7**	**1,240.8**

Changes in impairment losses:

(in millions of euros)	2012	2011
Allowance for inventories as of January 1	(94.0)	(91.7)
Change in consolidation scope	(17.7)	(4.1)
Net change in allowance	7.2	2.3
Translation difference	0.6	(0.4)
Allowance for inventories as of December 31	**(103.9)**	**(94.0)**

11.2 | Trade accounts receivable

(in millions of euros)	As of December 31 2012	2011
Nominal value	2,276.5	2,269.9
Impairment losses	(152.6)	(147.0)
Trade accounts receivable	**2,123.9**	**2,122.9**

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 €252.5 million as of December 31, 2012 (€243.7 million as of December 31, 2011).

The Group has put in place credit insurance programs in most major countries. Trade accounts receivable covered by these programs amounted to €723.0 million as of December 31, 2012 (€836.7 million as of December 31, 2011).

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 €260.1 million as of December 31, 2012 (€238.0 million as of December 31, 2011).

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 2015.

The purchase price of the receivables is equal to the face value of the receivables sold less a discount including a credit risk premium and the funding. 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, 2012, derecognized receivables totaled €112.2 million (€102.8 million as of December 31, 2011) and the resulting loss was recorded as a financial expense for €5.3 million (€4.1 million in 2011). Cash received in relation to derecognized receivables and not yet transferred to the purchaser totaled €18.5 million and was recognized in financial liabilities.

In addition, the Group manages other on-balance sheet securitization programs as described in note 20.1.3.

Changes in impairment losses:

(in millions of euros)	2012	2011
Impairment losses on trade accounts receivable as of January 1	**(147.0)**	**(136.0)**
Change in consolidation scope …………………………………………………	(8.3)	(1.8)
Net depreciation ………………………………………………………………………..	3.1	(9.0)
Translation differences ………………..………………………………………	(0.4)	(0.3)
Impairment losses on trade accounts receivable as of December 31………………………………………………………………….	**(152.6)**	**(147.0)**

As of December 31, 2012, customer receivables were subject to impairment losses estimated on an individual basis following the assessment of a confirmed default risk for the customer in question for €98.1 million (€101.9 million as of December 31, 2011).

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

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

	As of December 31	
(in millions of euros)	2012	2011
From 1 to 30 days …….……………………………………………………	262.4	232.3

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

11.3 | Other accounts receivable

	As of December 31	
(in millions of euros)	2012	2011
Purchase rebates ……….…………………………………………………….	324.3	318.7
VAT receivable and other sales taxes ……………………………………………	30.7	25.8
Prepaid expenses …………………………………………………………………	38.2	40.4
Derivatives …………………………………………………………………………	8.1	2.1
Other receivables …………………………………………………………………	75.2	68.2
Total accounts receivable ………………………………………………	**476.4**	**455.2**

12. | ASSETS HELD FOR SALE

As of December 31, 2012, assets held for sale were €21.2 million (€3.7 million as of December 31, 2011). They mainly included a vacant property in the United Kingdom, held under a lease agreement, which was disposed of to a third party on January 9, 2013 for €15.4 million (£12.5 million) as a result of the different following transactions.

On December 21, 2012, the Group entered into agreements to early terminate the existing lease agreement with the lessor and undertook to purchase the leased property effective on January 9, 2013. Concurrently to this transaction, the Group entered into a sale agreement with a third party, effective on January 9, 2013, for €15.4 million (£12.5 million). In that respect, the property held under the finance lease was recognized as an asset held for sale for its selling price (€15.4 million).

13. | CASH AND CASH EQUIVALENTS

(in millions of euros)	As of December 31	
	2012	**2011**
Cash equivalents	133.9	135.3
Cash at bank	156.6	277.2
Cash in hand	1.3	1.2
Cash and cash equivalents	**291.9**	**413.7**

As of December 31, 2012, short-term investments include units in mutual funds, valued at their fair market value, for a total of €133.9 million (€133.3 million as of December 31, 2011). These investments were made in accordance with the Group's investment policy which requires that funds in which it invests are highly liquid, easily convertible into a known amount of cash and liable to a negligible risk of loss.

14. | SUMMARY OF FINANCIAL ASSETS

(in millions of euros)	IAS 39 Category	IFRS 7 Hierarchy*	As of December 31			
			2012		**2011**	
			Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Loans	L&R		0.1	0.1	0.8	0.8
Deposits	L&R		23.3	23.3	15.8	15.8
Assets available for sale	AFS		13.8	13.8	33.3	33.3
Hedging derivatives [1]	N/A	2	39.8	39.8	25.9	25.9
Other derivative instruments	TR	2	2.4	2.4	1.6	1.6
Others [2]	N/A		0.0	N/A	46.7	N/A
Total long-term investments			**79.5**	**-**	**124.1**	**-**
Trade accounts receivable	L&R		**2,123.9**	**2,123.9**	**2,122.9**	**2,122.9**
Supplier rebates receivable	L&R		324.3	324.3	318.7	318.7
VAT and other taxes receivable [2]	N/A		30.7	N/A	25.8	N/A
Other accounts receivable	L&R		75.2	75.2	68.2	68.2
Hedging derivatives [1]	N/A	2	-	-	0.7	0.7
Other derivative instruments	TR	2	8.1	8.1	1.4	1.4
Prepaid expenses [2]	N/A		38.2	N/A	40.4	N/A
Total other current assets			**476.4**	**-**	**455.1**	**-**
Cash equivalents	FV	1	133.9	133.9	135.3	135.3
Cash	L&R		157.9	157.9	278.4	278.4
Cash and cash equivalents			**291.9**	**-**	**413.7**	**-**

[1] Specific accounting treatment for hedging
[2] Not a financial instrument under IAS 39

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

* For IFRS 7 hierarchy see note 2.10.4

15. | SHARE CAPITAL AND PREMIUM

15.1 | Changes in share capital and issuance premium

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

	Number of Shares	Share capital	Issuance premium
		(in millions of euros)	
On January 1, 2011	**260,212,996**	**1,301.0**	**1,383.7**
Exercise of share subscription options [(1)]	347,152	1.8	1.2
Issuance of shares in connection with payments of dividends	5,376,107	26.9	58.7
Issuance of shares in connection with free shares plan	2,883,504	14.4	(12.6)
Allocation of free shares	-	-	(18.8)
On December 31, 2011 [(4)]	**268,819,759**	**1,344.1**	**1,412.2**
Exercise of share subscription options [(1)]	65,936	0.3	-
Issuance of shares in connection with payments of dividends [(3)]	2,273,474	11.4	18.8
Issuance of shares in connection with free shares plan and employee share purchase plans 2010 [(2)]	426,595	2.1	(14.4)
Issuance of shares in connection with free shares plan and employee share purchase plans 2012 [(4)]	337,465	1.7	1.7
On December 31, 2012	**271,923,229**	**1,359.6**	**1,418.3**

(1) *Exercise of share subscription options*

For the period ended December 31, 2012, 65,936 shares options were exercised by senior employees and key management personnel (347,152 for the period ended December 31, 2011).

(2) *Issuance of shares in connection with free shares plan and employee share purchase plans*

In May 2012, 48,788 shares were issued in connection the 2010 bonus free shares plan ("Plan 2+2").

In June and October 2012, 377,666 shares were issued in connection with the 2008 bonus free shares plan ("Plan 4+0").

In April and December 2012, 141 shares were issued in connection the 2010 employee share purchase plan.

(3) *Issuance of shares in connection with payments of dividends*

The Shareholders' Meeting of May 16, 2012 approved the payment of a dividend of €0.65 per share, either in cash or in Rexel shares at a price of €13.39, at the option of each shareholder. The total amount of the dividend distributed was €173.5 million, of which €143.0 million was paid in cash and €30.5 million was settled by the issuance of 2,273,474 new shares. Capital increase related costs of €0.3 million were recognized in reduction of the share premium.

(in millions of euros)	For the year ended December 31, 2012	2011
Dividends on ordinary shares	€ 0.65	€ 0.40
Dividends paid	**173.5**	**105.2**
o/w: - dividends paid in cash	143.0	19.2
- dividends paid in shares	30.5	86.0

(4) *Issuance of shares in connection with the Employee Share Purchase Plan*

The settlement and delivery of the shares subscribed by employees under the Employee Share Purchase Plan occurred in November 2012. 297,665 shares were issued at a price of 12.14€, and 39,800 shares at a price of 13.76€ for US employees. Capital increase related costs of €1.1 million were recognized in reduction of the share premium.

15.2 | Capital Management and treasury shares

The Shareholders' Meeting of May 19, 2011 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 €22 per share. This program is capped at €200 million with a term of 18 months from the date of the Shareholders' Meeting (ending November 19, 2012).

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

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

Under this share buy-back program, Rexel entered into a mandate with Natixis, complying with a Code of Ethics recognized by the *Autorité des Marchés Financiers* (AMF), the French securities regulator, to promote the liquidity of Rexel share transactions for an amount of €12.8 million.

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

On December 31, 2012, Rexel held 2,292,534 treasury shares (2,590,773 as of December 31, 2011) valued at an average price of €12.72 per share (€12.12 per share as of December 31, 2011) and recorded as a reduction in shareholders' equity, for an amount of €29.2 million (€31.4 million as of December 31, 2011).

Net capital gains realized on the sale of treasury shares in 2012 amounted to €1.3 million net of tax and were recognized as an increase in shareholders' equity (net capital loss of €0.6 million in 2011).

16. | SHARE-BASED PAYMENTS

16.1 |Bonus share plans

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

Plans issued in 2012

On May 2, 2012 and on July 26, 2012, Rexel entered into free share plans for its top executives and key managers amounting to a maximum of 2,262,404 shares. According to these plans, these employees and executives will either be eligible to receive Rexel shares two years after the grant date (May 3, 2014 and July

27, 2014), these being restricted for an additional two-year period (until May 3, 2016 and July 27, 2016), the so-called "2+2 Plan", or four years after the granting date with no subsequent restrictions, the so-called "4+0 Plan". The delivery of these shares is subject to service and performance conditions of the schemes as described below:

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

(1) The fair value of Rexel's shares granted to employees is estimated based upon the stock price at the grant date. The restrictions attached to the dividends until the delivery date of the shares to the beneficiaries are computed as a reduction of the fair value.

Plans issued in 2011

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

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

Vesting conditions are presented in the following table:

Beneficiaries …………………………….	Members of Group Executive Committee and top managers		Other key employees		Operational manager		Total
Vesting conditions ……………………..	Two year service condition from grant date and performance conditions based on: (i) 2011 adjusted EBITDA, (ii) 2010/2012 adjusted EBITDA margin increase and (iii) 2011 ratio Net Debt to adjusted EBITDA		Two year service condition from grant date and 80% based on additional performance conditions relative to: (i) 2011 adjusted EBITDA, (ii) 2010/2012 adjusted EBITDA margin increase and (iii) 2011 ratio Net Debt to adjusted EBITDA		Two year service condition from grant date		
Plan………………………………………..	2+2	4+0	2+2	4+0	2+2	4+0	
Delivery date……………………………..	May 12, 2013 / October 11, 2013	May 12, 2015 / October 11, 2015	May 12, 2013 / October 11, 2013	May 12, 2015 / October 11, 2015	May 12, 2013 / October 11, 2013	May 12, 2015 / October 11, 2015	
Maximum number of shares granted on May 12, 2011 …………………………	429,203	507,879	177,931	484,110	96,375	387,250	**2,082,748**
Maximum number of shares granted on October 11, 2011 [(1)]………………..	295,550	8,381	10,929	25,859	-	-	**340,719**
Cancelled in 2011 ………………………	(65,301)	(82,178)	(18,474)	(60,197)	(9,750)	(11,500)	**(247,400)**
Maximum number of shares allocated as of December 31, 2011 ……………..	659,452	434,082	170,386	449,772	86,625	375,750	**2,176,067**
Cancelled in 2012 ………………………	(311,597)	(239,950)	(76,333)	(203,856)	(3,625)	(24,625)	**(859,986)**
Maximum number of shares allocated as of December 31, 2012 ……………..	347,855	194,132	94,053	245,916	83,000	351,125	**1,316,081**
Share fair value at the attribution date May 12, 2011……………………………..	*€17.22*	*€16.42*	*€17.22*	*€16.42*	*€17.22*	*€16.42*	
Share fair value at the attribution date October 11, 2011………………………..	*€11.39*	*€10.34*	*€11.39*	*€10.34*			

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

Furthermore, October 11, 2011, Rexel entered into free share plans for its top executives and key managers amounting to a maximum of 1,343,310 shares. According to these plans, these employees and executives will either be eligible to receive Rexel shares three years after the grant date (October 11, 2014), these being restricted for an additional two-year period (October 11, 2016), the so-called “3+2 Plan”, or five years after the granting date with no subsequent restrictions, the so-called “5+0 Plan”.

The delivery of these shares is subject to service and market conditions as described below:

Beneficiaries …………………………	Members of Group Executive Committee and top managers	Other key employees	Total
Vesting conditions ……………………	Three year service condition from grant date and Rexel share performance compared with a panel of shares from firms of the same activity segment condition.		
Plan……………………………………	3+2	5+0	
Delivery date……………………………	October 11, 2013	October 11, 2015	
Maximum number of shares granted on October 11, 2011.……………………	840,334	502,976	**1,343,310**
Maximum number of shares allocated as of December 31, 2011 ……………..	840,334	502,976	**1,343,310**
Cancelled in 2012 ………………………	-	(56,387)	**(56,387)**
Maximum number of shares allocated as of December 31, 2012 ……………..	840,334	446,589	**1,286,923**
Share fair value at the attribution date……	*€7,17*	*€6,15*	

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

Plans issued in 2010 and before

In 2010, 2009 and 2008, Rexel entered into several bonus share plans for its senior executives and key employees for a total of 4,499,989 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, with a restriction on their sale for an additional two year period, or after a period of four years from the grant date with no subsequent restrictions on their sale.

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

	Plans issued in 2010	Plans issued in 2009	Plans issued in 2008
Maximum number of shares granted initially ……………….	**1,519,862**	**1,372,166**	**1,607,961**
Shares cancelled…………………………………………………………….	(148,267)	(335,335)	(1,080,455)
Shares delivered…………………………………………………………….	-	(268,416)	(147,763)
Maximum number of shares allocated as of December 31, 2011 and not yet delivered……………………………………………………..	**1,371,595**	**768,415**	**379,743**
Shares cancelled in 2012 ………………………………………………………	(25,630)	(2,187)	(2,077)
Shares delivered in 2012 ………………………………………………………	(508,511)	-	(377,666)
Maximum number of shares allocated as of December 31, 2012 and not yet delivered……………………………………………………..	**837,454**	**766,228**	**0**
Share fair value at the grant date…………………………………………	*€6.42*	*€7.88*	*€16.5*

16.2 | Stock option plans

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

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

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

Date of allocation / beneficiaries	Number of instruments originally allocated	Number of options active as of December 31, 2012	Options term	Exercise price
Options granted to key managers ("Plan No.1")				
- on October 28, 2005	2,711,000	32,820	October 28, 2015	€5
- on May 31, 2006	169,236	-		
- on October 4, 2006	164,460	-		
Options granted to key employees ("Plan No.2")				
- on November 30, 2005	259,050	165,154	November 30, 2015	€5
- on May 31, 2006	34,550	11,276		€6.5
Total options granted by Rexel	**3,338,296**	**209,250**		

16.3 | Employee share purchase plans

Pursuant to the authorization granted by the shareholders' meeting held on May 16, 2012 and by the Supervisory Board on May 16, 2012, the Management Board meeting held on September 3, 2012 decided to realize a reserved capital increase in favour of employees in sixteen countries.

In most of these eligible countries, subscription has been carried out directly or through employee shareholding funds (*fonds communs de placement d'entreprise* or *FCPE)* which received approval from the *Autorité des Marchés Financiers (AMF)* on July 17 2012. The subscription period closed on September 28, 2012.

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 €12.14 per share. For US employees the subscription price is equal to 85% of the Rexel share price on the Paris Stock Exchange on September 7, 2012, i.e. €13.76 per share.

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

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

In the United Kingdom, a specific share incentive plan has been proposed to employees through a trustee. Subscription price will be the minimum of the Rexel share market value as measured on September 29, 2012 (€15.55) and on March 13, 2013. Employees are granted two matching shares for each of the first fifteen whole shares subscribed and for subsequent shares up to €800 invested one matching share is allocated for each share subscribed. Matching shares are subject to a three-year service condition within the Group.

The settlement and delivery of the shares subscribed for pursuant to this plan took place in November 2012, except for the United Kingdom plan, scheduled in March 2013.The overall subscription was 3.7 million of euros. Benefits granted to employees resulted in personnel costs of €1.4 million before tax of which €0.9 million related to the discount granted to employees and €0.5 million related to the employer matching contribution offered to French beneficiaries for the period ended December 31, 2012.

16.4 |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:

(in millions of euros)	For the year ended December 31, 2012	2011
Plans issued in 2009	0.2	1.2
Plans issued in 2010	2.3	6.9
Plans issued in 2011	13.6	8.8
Plans issued in 2012	2.7	-
Expense related to employee share purchase plan	1.1	0.3
Total free share plans expense	**19.9**	**17.2**

17. | EARNINGS PER SHARE

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

	For the year ended December 31, 2012	2011
Net income attributed to ordinary shareholders *(in millions of euros)*	***318.1***	***315.3***
Weighted average number of ordinary shares (*in thousands*)	267,931	264,688
Non dilutive potential shares (in thousands)	1,440	1,637
Weighted average number of issued common shares and non dilutive potential shares (in thousands)	***269,371***	***266,325***
Basic earning per share (in euros)	**1.18**	**1.18**
Net income attributed to ordinary shareholders *(in millions of euros)*	***318.1***	***315.3***
Weighted average number of issued common shares and non dilutive potential shares (in thousands)	269,371	266,325
Potential dilutive shares (in thousands)	2,822	2,331
- of which share options (in thousands)	*138*	*189*
- of which bonus shares (in thousands) [1]	*2,684*	*2,142*
Weighted average number of common shares used for the calculation of fully diluted earnings per share (in thousands)	***272,193***	***268,656***
Fully diluted earnings per share	**1.17**	**1.17**

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

18.| PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(in millions of euros)	As of December 31	
	2012	**2011**
Provisions	75.2	125.3
Other non-current liabilities	26.6	32.3
Total	**101.8**	**157.6**

Other non-current liabilities essentially comprise the fair value of derivative instruments at €16.4 million (€22.9 million at December 31, 2011) (see note 21.1) and debts related to profit sharing schemes for French employees in the amount of €10.2 million (€9.4 million at December 31, 2011).

The variation in provisions is detailed in the table below:

(in millions of euros)	Restructuring	Tax litigation	Other litigation & warranty claims	Vacant properties	**Total provisions**
At January 1, 2011	**29.2**	**22.4**	**19.9**	**53.1**	**124.6**
Change in consolidation scope	(0.3)	-	1.4	(3.1)	**(2.0)**
Increase	15.5	1.6	15.7	15.3	**48.1**
Use	(20.3)	(2.8)	(1.7)	(16.4)	**(41.2)**
Release	(0.3)	(1.5)	(3.7)	(0.7)	**(6.2)**
Translation differencies	(0.2)	-	(0.1)	1.9	**1.6**
Other changes	(5.2)	-	(3.2)	8.8	**0.4**
At December 31, 2011	**18.4**	**19.7**	**28.3**	**58.9**	**125.3**
Change in consolidation scope	-	0.2	-	-	**0.2**
Increase	27.4	0.1	3.9	9.1	**40.5**
Use	(21.3)	(1.3)	(6.3)	(18.2)	**(47.1)**
Release	(0.5)	(12.2)	(2.5)	(28.9)	**(44.1)**
Translation differencies	-	-	-	1.1	**1.1**
Other changes	(0.1)	-	(0.5)	(0.1)	**(0.7)**
At December 31, 2012	**23.9**	**6.5**	**22.9**	**21.9**	**75.2**

Provisions mainly comprise:

- Provisions for redundancy plans to adapt the Group's structure to current trading conditions. These restructuring plans resulted in the closure of branches, distribution centers and administrative headquarters. Provisions for restructuring activities undertaken at December 31, 2012, mainly concerned, Europe for €18.1 million (€15.3 million in 2011), North America for €4.8 million (€2.4 million in 2011) and Asia-Pacific for €1.1 million (€0.4 million in 2011).
- Tax litigation concerned mainly France for €4.2 million (€16.8 million in 2011) and Canada for €2.0 million (€2.5 million in 2011). In 2012, provisions for tax litigation were released by €12.2 million, of which €7.8 million following the favorable judgment of the French Administrative Court (see note 25.2).
- Other litigations and warranty claims amounted to €22.9 million (€28.3 million in 2011), of which €7.5 million (€8.8 million in 2011) relating to litigation with French social security authorities, €3.5 million for employee claims (€6.6 million in 2011) and €2.3 million for commercial litigations (€2.2 million in 2011);
- Provisions for lease commitments related to vacant properties concern mainly the United Kingdom for €11.0 million (€41.5 million in 2011), the United States for €6.0 million (€10.7 million in 2011) and France for €2.5 million (€2.7 million in 2011). As part of agreements entered into on December 21st, 2012 in connection with the termination of a lease contract and the disposal of a vacant property in

the United Kingdom, the provision for lease payments, previously accounted for as an onerous lease, was fully released for €28.4 million (see note 12).

19. | POST-EMPLOYMENT AND LONG-TERM BENEFITS

19.1 |Defined benefit plans description

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

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

In the United Kingdom, Rexel operates deferred final salary defined benefits through the *Rexel UK Pension Scheme* fund. All sections under this plan are closed to new entrants with effect of April 5th 2002. Accrued benefits and pensions are subject to indexation. Statutory funding objectives are agreed between the Trustee Board and the company. In that respect, the Trustee Board carries out a full valuation of the Scheme at least every three years, after which a recovery plan of contributions is agreed with the company to restore any funding deficit. The next valuation is due to be performed as at April 5th, 2014. The Trustee Board is also responsible for determining the investment strategy of the plan.

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

In The Netherlands, the main pension plan in force is a mix between defined benefit and defined contribution ("hybrid-type" plan). The defined benefit portion is subject to a ceiling. Above the defined benefit portion, a defined contribution section applies. Defined benefit pension plan is a salary average plan open for new entrants and managed through a Board, *Sagittarius Pension Fund.* This Board is responsible for applying the administration agreement, the contributions with the company, and determining the investment strategy of the plan so as to comply with minimum funding levels required by the Dutch regulator (DNB).

In Canada, defined benefit pension plans mainly include:

- The Employees' Plan which is a registered plan and has both defined benefit and defined contribution provisions. The defined benefit provision of the plan has a career average type formula. This plan was closed to new entrants on January 1st, 2000.

- The Executives' Pension Plan and the Supplementary Executives' Retirement Plan ["SERP"] which provides retirees with a pension based on a percentage of their prior earnings. The Executives' Plan is a final average earnings defined benefit registered plan. The SERP has two provisions: the first provides benefit in excess of the limits of the Executives' Plan and the second portion provides a term annuity upon retirement based on a notional account.

For both plans, a valuation is performed every three years. Employee's plan next valuation is due on 31st December 2013. Last Executive's Pension Plan valuation was performed as of 31st December 2012.

19.2 |Employee Benefit Plan information

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)	*Netherlands*	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
At January 1, 2011	**328.8**	**310.5**	**223.6**	**134.5**	**135.7**	**1,133.2**
Service cost	2.2	0.1	2.8	4.4	4.6	14.2
Interest cost	16.4	16.7	11.4	4.1	6.6	55.2
Benefit payments	(18.8)	(9.9)	(10.7)	(7.5)	(6.3)	(53.2)
Employee contributions	0.6	-	0.8	2.4	0.2	4.0
Change in consolidation scope	-	-	-	14.1	1.5	15.6
Translation differencies	-	10.1	3.0	4.1	1.9	19.0
Past service cost / settlement and other	-	-	-	(1.3)	-	(1.3)
Remeasurements						
Effect of change in financial assumptions	*11.1*	*12.0*	*25.4*	*1.6*	*0.2*	*50.3*
Effect of experience adjustments	*(6.2)*	*(4.1)*	*(1.6)*	*(3.2)*	*(0.6)*	*(15.7)*
At December 31, 2011	**334.2**	**335.5**	**254.7**	**153.0**	**144.0**	**1,221.3**
Service cost	2.3	0.1	3.8	4.5	4.8	15.5
Interest cost	16.5	16.2	11.4	4.2	6.6	54.9
Benefit payments	(18.8)	(11.3)	(11.5)	(6.3)	(6.8)	(54.7)
Employee contributions	0.6	-	0.8	2.6	0.3	4.3
Change in consolidation scope	-	-	-	-	1.7	1.7
Translation differencies	-	7.6	0.8	1.0	(0.2)	9.2
Past service cost / settlement and other	(3.0)	-	(0.7)	(1.8)	(1.1)	(6.6)
Remeasurements						
Effect of change in demographic assumptions	*0.2*	*0.2*	*-*	*-*	*(0.1)*	*0.3*
Effect of change in financial assumptions	*78.4*	*41.8*	*19.4*	*20.3*	*24.9*	*184.8*
Effect of experience adjustments	*(10.9)*	*7.0*	*(0.8)*	*(4.5)*	*0.8*	*(8.4)*
At December 31, 2012	**399.5**	**397.1**	**277.9**	**173.0**	**174.9**	**1,422.3**

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

	Plan assets					
(in millions of euros)	*Netherlands*	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
At January 1, 2011	**364.3**	**228.7**	**158.0**	**121.3**	**48.4**	**920.7**
Employer contributions	3.1	14.5	7.7	3.7	5.2	34.1
Employee contributions	0.6	-	0.8	2.4	0.2	4.0
Interest income	18.8	11.2	7.8	4.1	2.3	44.2
Benefit payments	(18.8)	(9.9)	(10.7)	(7.5)	(6.3)	(53.2)
Change in consolidation scope	-	-	-	11.4	0.6	12.0
Translation differencies	-	9.2	1.7	3.7	0.8	15.4
Return on plan assets excluding interest income (OCI)	(21.4)	8.2	(4.7)	3.0	(1.6)	(16.6)
At December 31, 2011	**346.5**	**261.9**	**160.6**	**142.0**	**49.6**	**960.6**
Employer contributions	2.8	16.1	14.3	5.2	6.6	45.0
Employee contributions	0.6	-	0.8	2.6	0.3	4.3
Interest income	17.6	12.1	7.3	4.0	2.1	43.1
Benefit payments	(18.8)	(11.3)	(11.5)	(6.3)	(6.8)	(54.7)
Translation differencies	-	7.4	0.7	1.0	0.2	9.3
Return on plan assets excluding interest income (OCI)	33.7	4.4	1.7	0.2	2.1	42.1
At December 31, 2012	**382.4**	**290.6**	**173.9**	**148.7**	**54.1**	**1,049.7**

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

(in millions of euros)	Net liability / (asset)					
	Netherlands	United Kingdom	Canada	Switzerland	Other	Group
At January 1, 2011	**(35.4)**	**81.8**	**65.6**	**13.1**	**87.4**	**212.5**
Service cost	2.2	0.1	2.8	4.4	4.6	14.2
Interest cost	(2.4)	5.4	3.6	0.0	4.3	11.0
Past service cost/settlement and other	-	-	-	(1.3)	-	(1.3)
Employer contributions	(3.1)	(14.5)	(7.7)	(3.7)	(5.2)	(34.1)
Change in consolidation scope	-	-	-	2.7	0.9	3.6
Translation differencies	-	0.9	1.3	0.3	1.1	3.6
Remeasurements	26.3	(0.2)	28.5	(4.7)	1.2	51.2
At December 31, 2011	**(12.4)**	**73.6**	**94.1**	**10.9**	**94.3**	**260.7**
Service cost	2.3	0.1	3.8	4.5	4.8	15.5
Interest cost	(1.1)	4.1	4.1	0.2	4.5	11.8
Past service cost/settlement and other	(3.0)	-	(0.7)	(1.8)	(1.1)	(6.6)
Employer contributions	(2.8)	(16.1)	(14.3)	(5.2)	(6.6)	(45.0)
Change in consolidation scope	-	-	-	-	1.7	1.7
Translation differencies	-	0.2	0.1	-	(0.4)	(0.1)
Remeasurements	*34.0*	*44.6*	*16.9*	*15.6*	*23.5*	*134.6*
At December 31, 2012	**17.0**	**106.5**	**104.0**	**24.2**	**120.7**	**372.6**

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)	Liability reconciliation					
	Netherlands	United Kingdom	Canada	Switzerland	Other	Group
For the year ended December 31, 2011						
Defined benefit obligations	**334.2**	**335.5**	**254.7**	**153.0**	**144.0**	**1,221.3**
of which Funded schemes	*334.2*	*334.3*	*216.9*	*150.8*	*75.9*	*1,112.0*
of which Unfunded schemes	-	*1.2*	*37.8*	*2.2*	*68.1*	*109.3*
Fair value of plan assets	(346.5)	(261.9)	(160.6)	(142.0)	(49.6)	(960.6)
Recognized net liability for defined benefit obligations	**(12.4)**	**73.6**	**94.1**	**10.9**	**94.3**	**260.7**
of which "Employee benefits"	*5.6*	*73.6*	*94.1*	*10.9*	*96.0*	*280.4*
of which "Other financial assets" (1)	*(18.0)*	-	-	-	*(1.7)*	*(19.7)*
For the year ended December 31, 2012						
Defined benefit obligations	**399.5**	**397.1**	**277.9**	**173.0**	**174.9**	**1,422.3**
of which Funded schemes	*399.5*	*395.7*	*236.1*	*170.6*	*91.7*	*1,293.6*
of which Unfunded schemes	-	*1.4*	*41.8*	*2.4*	*83.2*	*128.7*
Fair value of plan assets	(382.4)	(290.6)	(173.9)	(148.7)	(54.1)	(1,049.7)
Recognized net liability for defined benefit obligations	**17.0**	**106.5**	**104.0**	**24.2**	**120.7**	**372.6**
of which "Employee benefits"	*17.0*	*106.5*	*104.0*	*24.2*	*120.7*	*372.6*
of which "Other financial assets"	-	-	-	-	-	-

(1) The €18.0 million surplus of the defined benefit plan assets over liabilities related 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, 2011.

19.3 |Re-measurements of the net defined benefit liability

(in millions of euros)	Other comprehensive income					
	Netherlands	United Kingdom	Canada	Switzerland	Other	Group
Return on plan assets excluding interest income	21.4	(8.2)	4.7	(3.0)	1.5	16.5
Effect of change in financial assumptions	11.1	12.0	25.4	1.6	0.1	50.2
Effect of experience adjustments	(6.2)	(4.1)	(1.6)	(3.5)	(0.5)	(15.9)
OCI recognized for the year ended December 31, 2011	**26.3**	**(0.2)**	**28.5**	**(5.0)**	**1.1**	**50.8**
Return on plan assets excluding interest income	(33.7)	(4.4)	(1.7)	(0.2)	(2.2)	(42.2)
Effect of change in demographic assumptions	0.2	0.2	-	-	(0.1)	0.3
Effect of change in financial assumptions	78.4	41.8	19.3	20.2	24.5	184.2
Effect of experience adjustments	(10.9)	7.0	(0.8)	(4.5)	0.7	(8.5)
OCI recognized for the year ended December 31, 2012	**34.0**	**44.6**	**16.8**	**15.5**	**22.9**	**133.8**

19.4 |Employee Benefit expense

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

(in millions of euros)	Expense					
	Netherlands	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
Service cost [1]	2.2	0.1	2.8	4.4	4.6	14.2
Past service costs [1]	-	-	-	(1.3)	-	(1.3)
Net Interest expense [2]	(2.4)	5.4	3.6	0.0	4.3	11.0
Other [1]	-	-	-	0.3	0.0	0.3
Expense recognized for the year ended December 31, 2011	**(0.1)**	**5.6**	**6.4**	**3.4**	**9.0**	**24.2**
Service costs [1]	2.3	0.1	3.8	4.5	4.8	15.5
Past service costs [1]	(3.0)	-	(0.7)	(1.8)	(1.1)	(6.6)
Net Interest expense [2]	(1.1)	4.1	4.1	0.2	4.5	11.8
Other [1]	-	-	-	0.1	0.5	0.6
Expense recognized for the year ended December 31, 2012	**(1.8)**	**4.2**	**7.2**	**3.0**	**8.7**	**21.3**

[1] Recognized as personnel costs (see note 6) and in other income (see note 7)

[2] Recognized as net financial expenses (see note 8)

Description of plan amendments and curtailements

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

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

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

19.5 |Plan asset allocation

(in millions of euros)	Plan assets class			
	Netherlands	*United Kingdom*	*Canada*	*Switzerland*
Cash and cash equivalents	-	-	1.5	-
Equity instruments (quoted in an active market)	101.2	14.4	69.7	40.3
Debt instruments (quoted in an active market)	181.3	135.7	86.5	60.8
Real estate	-	-	-	23.4
Investment funds	-	105.3	-	-
Asset held by insurance company	64.0	-	-	-
Other	-	6.5	2.9	17.5
At December 31, 2011	**346.5**	**261.9**	**160.6**	**142.0**
Cash and cash equivalents	-	30.5	0.8	-
Equity instruments (quoted in an active market)	109.1	16.2	75.2	44.6
Debt instruments (quoted in an active market)	190.0	107.9	94.5	66.9
Real estate	-	-	-	26.8
Investment funds	-	135.4	-	-
Asset held by insurance company	83.3	-	-	-
Other	-	0.6	3.4	10.4
At December 31, 2012	**382.4**	**290.6**	**173.9**	**148.7**

19.6 |Actuarial assumptions

The main actuarial assumptions are as follows:

(in %)	Netherlands		United Kingdom		Canada		Switzerland	
	2012	2011	2012	2011	2012	2011	2012	2011
Average plan duration	15	12	17	16	13	14	12	10
Discount rate	3.25	5.25	4.00	4.70	3.98	4.48	1.75	2.75
Future salary increases	3.75	3.75	3.50	3.50	3.00	3.00	2.00	2.00

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

19.7 |Post-employment plan risks

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

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

- **Volatility in discount rates and inflation**

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

- **Volatility in asset values**

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

Sensitivity analysis

	Sensitivity to a 25 basis points decrease in discount rate					
(in millions of euros)	*Netherlands*	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
Service cost	0.1	-	0.2	0.1	0.1	0.5
Defined Benefit Obligation	14.7	16.4	8.8	5.0	4.3	49.2
	Sensitivity to a 10% downturn in financial market					
(in millions of euros)	*Netherlands*	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
Plan assets	(10.9)	(1.6)	(7.5)	(4.5)	(2.1)	(26.6)

Risk Management

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

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

19.8 |Expected cash flows

	Expected cash flow					
(in millions of euros)	*Netherlands*	*United Kingdom*	*Canada*	*Switzerland*	*Other*	*Group*
Expected benefit payments for 2013………………………………	18.1	9.2	16.0	6.4	13.4	63.1
Expected benefit payments for 2014………………………………	18.6	9.5	16.7	6.2	7.5	58.5
Expected benefit payments for 2015………………………………	18.8	10.4	17.4	6.1	10.9	63.5
Expected benefit payments for 2016………………………………	18.8	10.7	18.0	6.2	8.8	62.4
Expected benefit payments for 2017 and after……………………	115.5	78.8	122.1	52.9	78.6	447.9
Expected benefit contributions for 2013……………………………	2.8	16.1	14.3	5.2	6.6	45.0

20. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of December 31, 2012. Financial liabilities include interest-bearing loans from financial institutions, borrowings and accrued interest less transaction costs.

20.1 |Net financial debt

(in millions of euros)	As of December 31, 2012			As of December 31, 2011		
	Current	Non-current	Total	Current	Non-current	Total
Senior Notes…………	-	1,504.3	1,504.3	-	1,181.4	1,181.4
Credit Facilities …………	-	25.9	25.9	-	30.6	30.6
Securitization …………	351.7	747.8	1,099.5	105.9	973.5	1,079.4
Bank loans …………	43.3	16.7	60.0	39.7	8.1	47.8
Commercial paper …………	114.8	-	114.8	104.8	-	104.8
Bank overdrafts and other credit facilities …………	77.6	-	77.6	86.0	-	86.0
Finance lease obligations …………	51.2	31.1	82.3	6.8	22.9	29.7
Accrued interests [(1)] …………	9.4	-	9.4	10.0	-	10.0
Less transaction costs …………	(20.5)	(22.6)	(43.1)	(19.8)	(33.9)	(53.7)
Total financial debt and accrued interest……	***627.6***	***2,303.2***	***2,930.8***	***333.5***	***2,182.6***	***2,516.0***
Cash and cash equivalents …………			(291.9)			(413.7)
Fair value hedge derivatives…………			(39.8)			(24.1)
Net financial debt			**2,599.2**			**2,078.2**

(1) Of which accrued interests on Senior Notes for €4.5 million as of December 31, 2012 (€3.5 million as of December 31, 2011).

20.1.1 | Senior notes

	As of December 31, 2012					As of December 31, 2011				
	Nominal amount *(in millions of currency)*		**Nominal amount** *(in millions of euros)*	Fair value adjust-ments	**Total**	**Nominal amount** *(in millions of currency)*		**Nominal amount** *(in millions of euros)*	Fair value adjust-ments	**Total**
Senior notes due 2016	EUR	586.3	586.3	43.7	**630.0**	EUR	650.0	650.0	42.7	**692.7**
Senior notes due 2018	EUR	488.8	488.8	5.4	**494.2**	EUR	488.8	488.8	-	**488.8**
Senior notes due 2019	USD	500.0	379.0	1.2	**380.1**	-	-	-	-	**-**
TOTAL			1,454.1	50.3	**1,504.3**			1,138.8	42.7	**1,181.4**

Senior notes due 2016

On December 21, 2009, Rexel issued senior unsecured notes for a nominal amount of €575 million. The funds raised were used to refinance part of the debt obligation related to the previous Senior Credit Agreement. The notes bear interest annually at 8.25% and are listed on the Luxembourg Stock Exchange. Rexel pays 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. On January 20, 2010, an additional €75 million principal amount of these notes were issued at a price of 102.33% of their nominal amount (i.e. an issuance price of €76.7 million). The additional notes were fully assimilated to the original notes and have identical terms and conditions.

Notes due 2016 and all of Rexel's existing and future unsecured senior debt rank *pari passu* and senior to all its existing and future subordinated debt. These 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 the first half of 2012, Rexel bought-out €63.8 million nominal amount of senior notes due December 15, 2016, at their market value of €69.6 million. This transaction resulted in a net financial expense of 1.0 M€ after taking into consideration the impact of fair value hedging adjustment.

As of December 31, 2012, the fair value of notes due 2016 is hedged for an amount of €386.3 million (€200 million as of December 31, 2011). The notes carrying value has been adjusted to reflect interest rate fluctuations on the hedged part.

Notes due 2018

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

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

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

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

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

As of December 31, 2012, the fair value of Senior Notes due 2018 is hedged for an amount of €300 million (nil as of December 31, 2011). The notes carrying value has been adjusted to reflect interest rate fluctuations on the hedged part.

Notes due 2019

On March 28, 2012, Rexel issued US$ 400 million (€299.9 million) senior unsecured notes. The notes were issued at 100% of their nominal amount and bear interest annually at 6.125%. They are listed on the Luxembourg Stock Exchange. On April 23, 2012, an additional US$100 million principal amount of these notes was issued at a price of 100.75% of nominal (i.e. an issuance price of €76.7 million). The additional notes are fully fungible with the previously-issued notes and have identical terms and conditions.

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

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

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

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

As of December 31, 2012, the fair value of notes due 2019 is hedged for an amount of US$300.0 million (€227.4 million). The notes carrying value has been adjusted to reflect interest rate fluctuations on the hedged part.

20.1.2 | Senior Credit Agreement

On December 21, 2009, Rexel entered into a €1,700 million credit facilities agreement which provided for two facilities:

- Facility A, a three-year multi-currency revolving credit facility, for an initial maximum amount of €600 million, which matured in December 2012 and therefore is no longer available,
- Facility B, a five-year multi-currency revolving credit facility, for an initial maximum amount of €1,100 million, reduced by €25.9 million in 2010 following the execution of a bilateral term loan agreement.

As of December 31, 2012, the bilateral term loan agreement was drawn at the level of its maximum level of €25.9 million, and the total available amount of €1,074.1 million on Facility B under the Senior Credit Agreement remained unused:

Credit Facility	Commitment	Balance due as of December 31, 2012			Balance due as of December 31, 2011		
	(in millions of euros)	*(in millions of local currency)*		*(in millions of euros)*	*(in millions of local currency)*		*(in millions of euros)*
Facility B under Senior Credit Agreement	1,074.1		-	-		-	-
Bilateral facility	25.9	EUR	25.9	25.9	EUR	30.6	30.6
TOTAL	**1,100.0**			**25.9**			**30.6**

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, 2012 the applicable margin stood at 2.00% (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 B Margin
Greater than or equal to 5.00:1 ……………………………………	4.50%
Less than 5.00:1 but greater than or equal to 4.50:1 ……………	3.75%
Less than 4.50:1 but greater than or equal to 4.00:1……………	3.25%
Less than 4.00:1 but greater than or equal to 3.50:1 ……………	2.75%
Less than 3.50:1 but greater than or equal to 3.00:1 …………	2.25%
Less than 3.00:1 but greater than or equal to 2.50:1 ……………	2.00%
Less than 2.50:1 ………………………………………………………	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	Indebtedness Ratio
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, 2012, this ratio was 2.95, in compliance with the provisions of the Senior Credit Agreement.

Other undertakings

The Senior Credit Agreement contains 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.

20.1.3 | Securitization programs

The Rexel Group runs several securitization programs presented in the table below, 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 certain programs, the Group also has the option of contributing its receivables in exchange for subscribing the securitization vehicle's subordinated notes.

In view of their characteristics, notably the fact that the Group retains a significant part of the late payment and credit risks, these receivables assignment programs, with the exception of the off-balance sheet US program such as disclosed in note 11.2, 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, 2012, Rexel had satisfied all of these covenants.

The features of Rexel's securitization programs including the off-balance sheet programs are summarized in the table below:

Program	Commitment	Amount of receivables assigned as of December 31, 2012	Amount drawn down as of December 31, 2012	Balance as of December 31, 2012	Balance as of December 31, 2011	Repayment
		(in millions of currency)		*(in millions of euros)*		
2011 - Europe and Australia	EUR 425.0	EUR 572.6	EUR 422.3	422.3	428.6	12/16/2016
United States	USD 470.0	USD 501.9	USD 370.4	280.7	289.0	12/18/2015
Canada [1]	CAD 190.0	CAD 279.5	CAD 190.0	144.6	105.9	11/17/2017
2008 - Europe	EUR 384.0	EUR 535.9	EUR 351.8	351.8	358.7	12/17/2013
TOTAL				**1,199.5**	**1,182.2**	
***Of which*:**	***- on balance sheet:***			***1,099.6***	***1,079.4***	
	- off balance sheet (Ester program) :			***99.9***	***102.8***	

[1] On November 19th, 2012, Rexel renewed the securitization program in Canada over a five-year period.

These securitization programs pay interest at variable rates plus a spread which is specific to each program. As of December 31, 2012, the total outstanding amount authorized for these securitization programs was €1,309.9 million, of which €1,199.5 million was utilized.

20.1.4 | Commercial paper program

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

As of December 31, 2012, the company had issued €114.8 million of commercial paper (€104.8 million as of December 31, 2011).

20.2 |Change in net financial debt

As of December 31, 2012 and 2011, the change in net financial debt was as follows:

(in millions of euros)	For the period ended December 31, 2012	2011
At January 1	**2,078.2**	**2,273.3**
Issuance of senior notes	376.6	500.0
Buy-out of senior notes	(69.1)	(11.3)
Net change in term loan facilities	2.6	(695.9)
Transaction costs	(10.6)	(10.4)
Net change in other credit facilities and bank overdrafts	(9.0)	94.4
Net change in credit facilities	**290.6**	**(123.1)**
Net change in securitization	14.8	(5.0)
Net change in finance lease liabilities	9.4	16.5
Net change in financial liabilities	***314.8***	***(111.6)***
Change in cash and cash equivalents	125.8	(145.9)
Translation differences	(8.5)	22.3
Effect of changes in consolidation scope on gross indebtedness	27.4	14.3
Amortization of transaction costs	21.1	20.0
Other changes [(1)]	40.2	5.8
At December 31	**2,599.2**	**2,078.2**

(1) Of which €43.4 million relating to the recognition of financial lease obligation following amendments to lease agreement of vacant properties in the United Kingdom (see note 12)

21. | MARKET RISKS AND FINANCIAL INSTRUMENTS

21.1 |Interest rate risk

In order to hedge its exposure to changing interest rates, the Group has adopted an interest rate hedging strategy aimed at maintaining a hedging ratio on a one-year rolling basis of close to 80% 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, 2012	As of December 31, 2011
Senior Notes and other fixed rate debt	1,522.1	1,168.2
Floating to fixed rate swaps	1,026.1	1,330.0
Fixed to floating rate swaps	(938.7)	(475.0)
Sub total fixed or capped rate instruments	***1,609.5***	***2,023.3***
Floating rate debt before hedging	1,369.0	1,323.6
Floating to fixed rate swaps	(1,026.1)	(1,330.0)
Fixed to floating rate swaps	938.7	475.0
Cash and cash equivalents	(291.9)	(413.7)
Sub total floating rate debt instruments	**989.7**	**54.9**
Total net financial debt	**2,599.2**	**2,078.2**

Fair value hedge derivatives

As of December 31, 2012, the portfolio associated with derivative financial instruments qualified as fair value hedges is as follows:

	Total notional amount *(in millions of currency)*	Total notional amount *(in millions of euros)*	Maturity	Weighted average fixed rate received	Floating rate paid	Fair value [1] *(in millions of euros)*
Swaps paying variable rate						
Euro ………………………………	386.3	386.3	December 2016	2.73%	3M Euribor	34.5
Euro ………………………………	300.0	300.0	December 2018	1.08%	3M Euribor	5.1
American dollar……………………	300.0	227.4	December 2019	1.31%	3M Libor	0.9
Total		**913.7**				**40.4**

[1] Derivative instruments are presented at fair value, including accrued interest receivable for €0.6 million

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

The change in fair value of these fair value hedging swaps for the period ending December 31, 2012 represented a gain of €18.0 million, partially offset by a loss of €7.6 million resulting from the change in the fair value of the Senior Notes.

Cash-flow hedge derivatives

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

Cash-flow hedge swaps mature until March 2014. The Group intends to renew a significant portion of these swaps in order to hedge the variability of future interest expense related to its floating interest debt, in accordance with the strategy described above. The allocation of hedging instruments among currencies hinges upon the Group's expectations concerning trends of the interest rates linked to those currencies.

As of December 31, 2012, derivative instruments classified as cash flow hedges are as follows:

	Total notional amount *(in millions of currency)*	Total notional amount *(in millions of euros)*	Maturity	Floating rate received	Weighted average fixed rate paid	Fair value [1] *(in millions of euros)*
Swaps paying fixed rate						
Euro………………………………..	200.0	200.0	March 2014	1M Euribor	2.12%	(8.2)
Canadian dollar……………………	40.0	30.4	March 2013	3M Libor	2.72%	(0.1)
	100.0	76.1	September 2013	3M Libor	1.57%	(0.1)
American dollar……………………	140.0	106.1	March 2013	3M Libor	2.82%	(0.7)
British pound ……………………..	25.0	30.6	March 2013	3M Libor	0.93%	(0.0)
Total		**443.3**				**(9.2)**

[1] Derivative instruments are presented at fair value, including accrued interest payable for €3.4 million

The change in fair value of the cash flow hedging instruments for the period ending December 31, 2012 was recorded as a €4.1 million increase in cash-flow hedge reserve (before tax).

Derivatives not eligible for hedge accounting

	Total notional amount *(in millions of currency)*	Total notional amount *(in millions of euros)*	Maturity	Floating rate received (paid)	Weighted average fixed rate paid (received)	Fair value [1] *(in millions of euros)*
Swaps paying fixed rate						
Canadian dollar……………………	30.0	22.8	March 2013	3M Libor	2.72%	(0.1)
Swiss franc………………………	40.0	33.1	March 2013	3M Libor	0.94%	(0.1)
	90.0	74.6	March 2014	3M Libor	0.81%	(1.2)
	100.0	82.8	March 2015	3M Libor	(0.02)%	(0.0)
American dollar………………..	140.0	106.1	March 2013	3M Libor	2.82%	(0.7)
	100.0	75.8	September 2014	3M Libor	1.56%	(1.6)
Euro………………………………	100.0	100.0	March 2013	3M Euribor	2.29%	(0.5)
	25.0	25.0	December 2016	3M Euribor	1.85%	(1.4)
	62.5	62.5	May 2018	6M Euribor	3.21%	(9.1)
Total		**582.8**				**(14.8)**
Swaps paying variable rate						
Euro………………………………	25.0	25.0	December 2016	(3M Euribor)	(2.89%)	2.4

(1) Derivative instruments are presented at fair value, including accrued interest payable of €2.0 million

Sensitivity to interest rate variation

As of December 31, 2012, a 1% increase in interest rates on variable debt after effective interest rate hedging would lead to an increase in the yearly interest expense estimated at €9.9 million and a €11.2 million rise in the fair value of the hedging instruments, of which a €8.5 million financial income and a €2.7 million gain in other comprehensive income, before tax effect.

21.2 |Foreign exchange risk

Forward contracts

Foreign 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 foreign exchange risk exposure, 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.

As of December 31, 2012, the notional value of foreign exchange derivatives was €1,396.4 million (€1,527.9 million of forward sales and €131.5 million of forward purchases). Forward contracts are recognized at their fair value for a net positive amount of €1.6 million. The change in fair value of forward contracts for the period ending December 31, 2012 was recorded as financial income of €8.0 million.

Sensitivity to changes in foreign exchange rates

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

The results of these operations are included in the Group's consolidated income statement after conversion at the average rate applicable to the period. On an annual basis, a 5% increase (or decrease) of the euro against the main currencies (US dollar, Canadian dollar, Australian dollar and British Pound) would lead to a decrease (increase) in sales of €311.3 million and a decrease (increase) in operating income before other income and other expenses of €15.5 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, 2012 would result in a corresponding decrease (increase) in financial debt and shareholders' equity of €96.4 million and €90.4 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 krone	Swedish krona	British pound	Swiss franc	Other currencies	Total
Financial liabilities	1,787.6	582.4	145.1	105.0	2.1	1.1	197.8	2.4	67.5	2,891.0
Cash and cash equivalents..................	282.2	(135.8)	(82.5)	(260.3)	(20.4)	(6.0)	(15.4)	(14.5)	(39.2)	(291.9)
Net financial position before hedging...................................	**2,069.8**	**446.6**	**62.6**	**(155.3)**	**(18.3)**	**(4.9)**	**182.4**	**(12.1)**	**28.4**	**2,599.2**
Impact of hedges...............................	(1,398.0)	509.4	180.2	281.4	39.2	196.6	(97.1)	246.4	41.9	(0.0)
Net financial position after hedging...................................	**671.8**	**956.0**	**242.9**	**126.1**	**20.9**	**191.7**	**85.3**	**234.3**	**70.3**	**2,599.2**
Impact of a 5% increase in exchange rates................................	*-*	*47.8*	*12.1*	*6.3*	*1.0*	*9.6*	*4.3*	*11.7*	*3.5*	*96.4*

21.3 |Liquidity Risk

The €650 million Senior Notes, issued in December 2009 and January 2010, mature in December 2016, the €500 million Senior Notes issued in May 2011 mature in December 2018, and the US$500 million Senior Noted issued in April 2012 mature in December 2019.

Facility A under the Senior Credit Agreement expired in December 2012. Facility B under the Senior Credit Agreement and the bilateral credit agreement expire in December 2014 for a total amount of €1,100 million.

Moreover, these credit lines would become payable if Rexel failed to fulfill its commitments described in note 20.1.2.

Lastly, securitization programs mature in 2013, 2015, 2016, and 2017. The financing under these programs directly depends on the amounts and quality of transferred receivables. In the event that the relevant companies do not comply with certain obligations, these securitization programs may have to be repaid early, which could have an adverse effect on the Group's liquidity and financial situation. In addition, if the special purpose entities to which the receivables have been transferred were unable to issue short term debt (commercial paper, *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 financial liabilities is as follows:

(in millions of euros) ***Due within***	**As of December 31, 2012**	**As of December 31, 2011**
One year	648.1	353.3
Two years..	198.0	363.4
Three years..	34.7	225.1
Four years...	1,065.2	7.3
Five years..	147.8	1,114.2
Thereafter..	880.1	506.4
Total financial debt...	**2,973.9**	**2,569.7**
Transaction costs..	(43.1)	(53.7)
Financial debt...	**2,930.8**	**2,516.0**

As of December 31, 2012, the remaining contractual cash-flows in relation to financial indebtedness and derivatives, including interest owed, are as follows:

(in millions of euros) ***Due within***	**Financial debt & interests**	**Derivatives**	**Total**
One year	791.9	(5.5)	786.4
Two years..	325.2	(10.5)	314.7
Three years..	158.4	(10.2)	148.1
Four years..	1,189.1	(6.7)	1,182.4
Five years..	208.6	2.5	211.1
Thereafter..	961.1	6.6	967.7
Total financial debt...	**3,634.2**	**(23.8)**	**3,610.4**

In addition, the trade accounts payable amounted to €1,937.2 million as of December 31, 2012 (€1,903.3 million as of December 31, 2011) and are due in less than one year.

21.4 | Counterparty risk

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

Credit risk with respect to trade accounts receivable is limited due to the large number of customers, the diversity of their activities (contractors, manufacturers, municipalities), and their geographical spread in France and abroad. In addition, credit insurance programs have been implemented in the majority of the significant countries in which the Group operates. The maximum risk corresponding to the total accounts receivable after guarantees and impairment amounted to €2,123.9 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 €342.1 million as of December 31, 2012 (€443.2 million as of December 31, 2011), which equals the net book value of the aforementioned items.

The maximum counterparty risk on the Group's other financial assets was €491.7 million (€469.5 million as of December 31, 2011) and mainly corresponds to supplier discounts receivable.

22. | SUMMARY OF FINANCIAL LIABILITIES

(in millions of euros)	Category IAS 39	IFRS 7 Hierarchy*	As of December 31, 2012		2011	
			Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Bonds	AC	1	1,504.3	1,590.6	1,181.4	1,149.3
Other financial debts, including accrued interest	AC		1,426.5	1,426.5	1,334.6	1,334.6
Total financial liabilities			**2,930.8**		**2,516.0**	
Hedging derivatives [1]	N/A	2	4.9	4.9	11.2	11.2
Other derivatives	TR	2	11.5	11.5	11.6	11.6
Other liabilities [2]	N/A		10.2	N/A	9.4	N/A
Total other non-current liabilities			**26.6**		**32.3**	
Trade accounts payable	AC		**1,937.2**	**1,937.2**	**1,903.3**	**1,903.3**
Vendor rebates receivable	AC		114.6	114.6	115.2	115.2
Personnel and social obligations [2]	N/A		260.5	N/A	261.4	N/A
VAT payable and other sales taxes [2]	N/A		69.8	N/A	73.9	N/A
Hedging derivatives [1]	N/A	2	0.8	0.8	0.3	0.3
Other derivatives	TR	2	7.6	7.6	9.6	9.6
Other liabilities	AC		201.1	201.1	187.4	187.4
Deferred income	N/A		6.7	N/A	5.1	N/A
Total other debts			**661.1**		**652.9**	

[1] Specific accounting measurements for hedging
[2] Not classified as a financial instrument 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

* For IFRS 7 hierarchy see note 2.10.4

23. | OPERATING LEASES

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

(in millions of euros)	Payments outstanding as of December 31, 2012	2011
Due within		
One year	201.9	189.6
Two years	148.8	142.5
Three years	106.8	104.0
Four years	69.3	71.6
Thereafter	130.4	123.7
Total	**657.2**	**631.4**

The total expense under operating lease contracts was €226.2 million for the year ended December 31, 2012 (€210.1 million as of December 31, 2011).

24. | 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,	
	2012	2011
Salaries and other short-term benefits …………………………………………	16.0	12.4
Post-employment benefits (service costs) …………………………………….	1.0	0.9
Indemnities at termination of contract ……………………………………………	3.2	-
Free shares and stocks options [(1)]……………………………………………….	8.3	3.8

[(1)] Share-based payment expense is detailed in Note 16.1 – 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 €14.2 million.

Dividends received from associates

In 2012, DPI Incorporated, an entity consolidated as an associate, paid a dividend of €3.8 million to the Group (€0.6 million in 2011).

25. | LITIGATION

25.1 |Litigation

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

The principal proceeding is set out below.

Asbestos litigation

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

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

25.2 |Tax litigation

The principal tax proceedings involving Group companies as of December 31, 2012 are described below:

Manudax Belgium

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

The statute of limitations has expired for claims against Manudax's shareholder. Accordingly, the recoverable amount is limited by the Manudax assets under liquidation, a value estimated at €14 million. Since the Group's shareholding in Manudax has been entirely written down, Rexel considers that the outcome of this litigation should not impact its financial condition.

Rexel Développement

In 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. Rexel Développement filed an application with the Administrative Court in December 2010 and a judgment was passed in June 2012, according to which all tax reassessments were rejected. As this judgment became final (no appeal), the provisions set aside in previous years were fully released in the fourth quarter of 2012.

Rexel Distribution (absorbed by Rexel Développement in 2011)

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

Rexel

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

25.3 |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 as of the balance sheet date, except where stated otherwise.

Warranties given in connection with the sale of Hagemeyer Brands Australia Pty Limited

Effective on July 28, 2011, the Group sold to Shriro Australia Pty Ltd its subsidiary, Hagemeyer Brands Australia Pty Ltd, a company involved in the distribution of kitchen appliances in Australia for an amount of AUD54 million. The Group provided to the purchaser certain warranties limited to a maximum amount of AUD21.6 million for business liabilities and AUD43.2 million for tax liabilities, and in any case a total amount not exceeding the sale price of AUD54 million. Warranty of business liabilities expires over a 18-month period and warranty for tax claim over a 5-year period after completion of the sale transaction.

Tax warranties

In connection with previous divestment transactions, the Group is committed to indemnify the purchasers for tax liabilities of the companies sold relating to events occurred prior to their sale.
As of December 31, 2012, only Techpac Holdings Ltd has notified to Hagemeyer N.V. various claims under the warranty provisions of the Share Sale Agreement dated June 12, 2003 between several Hagemeyer group companies as “Vendors” and Techpac Holdings Ltd as “Purchaser” (“the SSA”). The claims relate mainly to tax litigations between Tech Pacific India Ltd and the Indian tax authorities. The SSA provides for full indemnification by the Vendor to the Purchaser as long as claims by tax authorities are not barred. Hagemeyer N.V. has recorded a provision amounting to €1.8 million to cover those risks.

Environmental warranty

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

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

Effective June 30, 2001, the Group sold the non-electrical portion of its business, namely Plumbing and Waterworks, Refrigeration & HVAC and Industrial Products, operated by various wholly-owned subsidiaries in Canada for CAD$550 million. As part of the purchase and sale agreement, the 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.

26. | EVENTS AFTER THE REPORTING PERIOD

At the presentation date of the consolidated financial statements there have been no subsequent events after December 31st,2012 that would have a significant impact on Rexel’s financial situation.

27. | CONSOLIDATED ENTITIES AS OF DECEMBER 31, 2012

All subsidiaries are fully integrated.

	Head office	*% Interest*
FRANCE		
Holding companies and Group services companies		
Rexel S.A.	Paris	Parent company
Rexel Développement S.A.S.	Paris	100.00
Rexel Financement S.N.C.	Paris	100.00
Rexel Amérique Latine S.A.S.	Paris	100.00
Operating companies		
Rexel France S.A.S.	Paris	100.00
Société Coaxel Toulousaine	Paris	100.00
Dismo France S.A.S.	St-Ouen l'Aumône	100.00
Espace Elec S.A.S.	Bastia	100.00
SCI Adour Bastillac	Paris	70.00
Société Immobilière d'Investissement Parisienne S.N.C.	Paris	100.00
Bizline S.A.S.	Paris	100.00
Citadel S.A.S.	Paris	100.00
Conectis S.A.S.	Paris	100.00
Francofa S.A.S	Rosny sous Bois	100.00
R-Scan	Pacé	100.00
Distodiag	Pacé	100.00
Enerlogy	Pacé	100.00
SBEM	Pacé	100.00
Eurobat	Croissy-Beaubourg	100.00
Eurodis Sécurité	Croissy-Beaubourg	100.00

EUROPE		
Germany		
Rexel GmbH	Munich	100.00
Simple System GmbH & Co KG	Munich	20.00
Hagemeyer Deutschland GmbH & Co KG	Munich	100.00
Hagemeyer Deutschland Verwaltungs GmbH	Munich	100.00
Hagemeyer Beteiligungs GmbH	Munich	100.00
Silstar Deuthschland GmbH	Emmerich	100.00
Hagemeyer Holding Deutschland GmbH	Munich	100.00
United Kingdom		
Rexel Senate Ltd	Potters Bar	100.00
Denmans Electrical Wholesalers Ltd	Potters Bar	100.00
Rexel Senate Pension Trustees Ltd.	Potters Bar	100.00
Senate Group Ltd	Potters Bar	100.00
Rexel (UK) Holdings Ltd.	Birmingham	100.00
Rexel (UK) Ltd	Birmingham	100.00
Newey & Eyre Ltd.	Birmingham	100.00
Parker Merchanting Limited	Birmingham	100.00
WF Electrical Plc	Dagenham	100.00
Newey & Eyre (C.I.) Ltd.	Birmingham	100.00
Neilco Ltd.	Birmingham	100.00
Warrior Ltd.	Birmingham	100.00
Newey & Eyre International Ltd.	Birmingham	100.00
N. & E. (Overseas) Ltd.	Guernsey	100.00
Dunlop & Hamilton Ltd.	Belfast	100.00
H.A. Wills (Southampton) Ltd.	Birmingham	100.00
Rexel Pension Trustees Ltd.	Birmingham	100.00
Pollard Ray & Sampson Ltd.	Birmingham	100.00
A&A Security Technologies Limited	Birmingham	100.00
Defiance Contractor Tools Limited	Birmingham	100.00
J&N Wade Limited	Dagenham	100.00
OLC Limited	Dagenham	100.00

	Head office	% Interest
Sweden		
Rexel Sverige AB	Alvsjô	100.00
Moel AB	Bredaryd	100.00
Austria		
Rexel Central Europe Holding GmbH	Vienna	100.00
Rexel Austria GmbH	Vienna	100.00
Schäcke GmbH	Vienna	100.00
Regro Elektro-Grosshandel GmbH	Vienna	100.00
The Netherlands		
BV Elektrotechnische Groothandel JK Busbroek	Zwolle	100.00
Rexel Nederland B.V.	Capelle A/D Ijssel	100.00
Cosa Liebermann B.V.	Hoofddorp	100.00
Hagemeyer NV	Hoofddorp	100.00
Rexel NCE Supply Solutions B.V.	Hoofddorp	100.00
Hagemeyer Finance B.V.	Hoofddorp	100.00
Borsu International B.V.	Hoofddorp	100.00
Rexel NCE B.V.	Hoofddorp	100.00
Italy		
Rexel Italia SpA	Agrate Brianza	100.00
Spain		
ABM-Rexel SL	Madrid	100.00
Erka Bizkaia, S.L.	Loiu	100.00
Erka Materiales Eléctricos, S.L.	Renteria	100.00
Suministros Eléctricos Erka, S.L.	Renteria	100.00
Belgium		
Rexel Belgium S.A.	Brussels	100.00
Portugal		
Rexel Distribuição de Material Elecrico S.A.	Alfragide	100.00
Ireland		
Rexel Electrical Supply & Services Holding Ltd.	Dublin	100.00
M Kelliher 1998 Ltd.	Dublin	100.00
Gen-Weld safety EquipementCy Ltd	Limerick	100.00
Hagemeyer Industrial Ireland Ltd.	Limerick	100.00
Switzerland		
Rexel Holding Switzerland S.A.	Sion	100.00
Elektro Material AG	Zurich	100.00
Luxembourg		
Rexel Luxembourg S.A.	Luxembourg	100.00
REXEL RE S.A.	Luxembourg	100.00
Czech Republic		
Rexel CZ s.r.o.	Prostejov	100.00
Slovakia		
Hagard Hal AS	Nitra	100.00
Hungary		
Rexel Hungary General Supply & Services LLC	Budapest	100.00
Slovenia		
Elektronabava d.o.o.	Ljubljana	100.00
Poland		
Elektroskandia Polska S.A.	Poznan	100.00
Russia		
OOO Elektroskandia Rus	St. Petersburg	100.00
Estonia		
OÜ Elektroskandia Baltics	Tallinn	100.00
Finland		
Elektroskandia Suomi Oy	Hyvinkää	100.00
Norway		
Elektroskandia Norge AS	Oslo	100.00
Elektroskandia Norway Holding AS	Oslo	100.00

	Head office	*% Interest*
SOUTH AMERICA		
Peru		
REXEL PERU S.A.C.	Lima	100.00
V y F Tecnología Comercial S.A.C.	Lima	100.00
Distribuidora Romero SRL	Trujillo	100.00
Chile		
Rexel Chile SA	Santiago	100.00
Flores y Kersting SA	Santiago	100.00
Brazil		
Delamano Montagens e Instalações Industriais.	Santo Andre	100.00
Nortel Suprimentos Industrias S.A.	Campinas	100.00
MRO IMPORTACOES LTDA.	Curitiba	100.00
Etil Comércio de Material Elétrico Ltda.	Sao Paulo	100.00
NORTH AMERICA		
United States		
Rexel Holdings USA Corp.	Wilmington	100.00
Rexel Inc.	Dallas	100.00
SKRLA LLC	Dallas	100.00
SPT Holdings Inc.	Dallas	100.00
Summers Group Inc.	Dallas	100.00
Rexel of America LLC	Dallas	100.00
Rexel Patriot Acquisition, LLC	Dallas	100.00
Branch Group Inc.	Dallas	100.00
Southern Electric Supply Company Inc.	Dallas	100.00
Consolidated Electrical Supply Limited	Freeport	99.80
General Supply & Services Inc.	Shelton	100.00
Gesco General Supply & Services Puerto Rico LLC	Puerto Rico	100.00
General Supply & Services Malaysia LLC	Shelton	100.00
General Supply & Services Macau LLC	Shelton	100.00
General Supply & Services Indonesia LLC	Shelton	100.00
General Supply & Services SA Holding LLC	Shelton	100.00
Platt Electric Supply, Inc.	Dallas	100.00
Munro Distributing Co., Inc.	Dallas	100.00
Energy Source, LLC	Fall River	50.01
Canada		
Rexel North America Inc.	St Laurent	100.00
Rexel Canada Electrical Inc.	St Laurent	100.00
Liteco Inc.	Fredericton	100.00
Mexico		
Gexpro Mexico S de RL de CV	Nuevo Leon	100.00
Supply Priority Services, S. de R.L. de C.V.	Nuevo Leon	100.00
Bermuda		
HCL Limited	Hamilton	100.00
ASIA OCEANIA		
Hong Kong SAR		
Rexel Hong Kong Ltd	Hong Kong	100.00
Huazhang Electric Automation Holding Co Ltd	Hong Kong	70.00
LuckyWell Int'l Investment LTD	Hong Kong	100.00
China		
Rexel Hailongxing Electrical Equipment Co Ltd	Beijing	65.00
Rexel Hualian Electric Equipment Commercial Co Ltd	Shanghai	65.00
Zhejiang Huazhang Automation Equipment Co., Ltd.	Huanzhou	70.00
GE Supply (Shanghai) Co. Ltd.	Shanghai	100.00
Rexel China Management Co Ltd	Shanghai	100.00
Suzhou Xidian Co Ltd	Suzhou	100.00
Shanghai Suhua Industrial Control Equipment Co. Ltd	Shanghai	100.00
Beijing LuckyWell-ZN Electrical Co., Ltd	Beijing	100.00
Beijing ZhongHeng Hengxin Automation Co., Ltd	Beijing	65.00
Henan Qixin Automation Equipment Co., Ltd.	Zhengzhou	65.00
LinElec Business Consulting (Shanghai) Limited	Shanghai	100.00

	Head office	% Interest
India		
Yantra Automotion Private Limited	Pune	100.00
Rexel India Private Limited	Mumbai	100.00
A.D. Electronics Private Limited	Mumbai	100.00
Macau SAR		
Gexpro Supply (Macau) Company Limited	Macau	100.00
Korea		
Gexpro korea Co. Ltd	Seoul	100.00
Indonesia		
P.T. Sutra Hacelindo	Jakarta	100.00
P.T. Hagemeyer Cosa Liebermann	Jakarta	100.00
Pt General Supply & Services Indonesia	Jakarta	100.00
Malaysia		
General Supply & Services (M) SND BHD	Kuala Lumpur	100.00
Singapore		
Gexpro Asia Pte Ltd	Singapore	100.00
Rexel South East Asia Pte. Ltd.	Singapore	100.00
Thailand		
Rexel General Supply and Services Co Ltd	Bangkok	49.00
Australia		
Rexel Holdings Australia Pty Ltd	Sydney	100.00
Rexel Electrical Supplies Pty Ltd	Sydney	100.00
Australian Regional Wholesalers Pty Ltd	Milton	100.00
EIW Holding Pty Ltd	Perth	100.00
Hagemeyer Holdings (Australia) Pty Ltd	Kingsgrove	100.00
New Zealand		
Rexel New Zealand Limited	Auckland	100.00
Redeal Pensions Ltd	Auckland	100.00
United Arab Emirats		
Redco FZE	Dubaï	100.00

III. Statutory auditors' report

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

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

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

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

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Rexel

Year ended December 31, 2012

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings, we hereby report to you, for the year ended December 31, 2012, on:

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

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

I. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the group as at December 31, 2012 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.

Without qualifying our opinion, we draw your attention to note 2.2.1 to the consolidated financial statements which sets out the change in accounting policy related to the early adoption of the amendment to IAS 19 "Employee Benefits".

II. Justification of our assessments

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

- goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, according to the accounting policies and principles described in notes 2.8 and 10.1 to the consolidated financial statements. We have examined the terms and conditions for implementing these tests, as well as the data and assumptions used. We have also verified that the information disclosed in notes 7.2 and 10.1 to the consolidated financial statements is appropriate, especially regarding the sensitivity analysis;

- the Group has booked provisions relating to post-employment and other long-term benefits according to the accounting policies and terms and conditions described in note 2.14 to the consolidated financial statements. The related obligations were assessed with the assistance of external actuaries. Our work consisted in examining the data used, assessing the chosen assumptions and verifying that the information disclosed in notes 2.2.1 and 19 to the consolidated financial statements is appropriate;

- the Group also makes estimates in respect of the measurement of financial instruments (notes 2.10.4 and 21), share-based payments (notes 2.15 and 16), provisions and contingent liabilities (notes 2.16, 18 and 25) and deferred taxes (notes 2.20 and 9). Our work consisted in examining the data and assumptions used as well as the procedure implemented by management to approve these estimates. We have also reviewed, using sampling techniques, the calculations made by the group and verified that the information disclosed in the notes to the consolidated financial statements is appropriate.

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

III. Specific verification

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

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

Neuilly-sur-Seine and Paris-La Défense, February 11, 2013

The statutory auditors
French original signed by

PricewaterhouseCoopers Audit	ERNST & YOUNG Audit
Christian Perrier	Pierre Bourgeois