



**REXEL**

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**Condensed consolidated interim financial statements as of September 30, 2018**



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# Condensed consolidated Interim financial statements as of September 30, 2018 (unaudited)

This document is a free translation into English of Rexel's original condensed consolidated interim financial statements for the period ended September 30, 2018 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 condensed consolidated interim financial statements for the period ended September 30, 2018, the French version will prevail.

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## Consolidated income statement (unaudited)

<i>(in millions of euros)</i>	Note	For the quarter ended September 30,		For the period ended September 30,	
		2018	2017 <sup>(1)</sup>	2018	2017 <sup>(1)</sup>
Sales	3	3,313.0	3,236.1	9,868.8	9,899.1
Cost of goods sold		(2,516.0)	(2,446.7)	(7,444.9)	(7,459.5)
<b>Gross profit</b>		<b>797.0</b>	<b>789.4</b>	<b>2,423.9</b>	<b>2,439.7</b>
Distribution and administrative expenses	4	(659.3)	(654.4)	(2,007.5)	(2,022.2)
<b>Operating income before other income and expenses</b>		<b>137.7</b>	<b>135.0</b>	<b>416.4</b>	<b>417.4</b>
Other income	5	0.2	0.3	4.9	4.3
Other expenses	5	(3.0)	(6.8)	(68.4)	(60.7)
<b>Operating income</b>		<b>135.0</b>	<b>128.5</b>	<b>352.9</b>	<b>361.0</b>
Financial income		1.0	0.2	2.6	1.0
Interest expense on borrowings		(19.3)	(21.7)	(58.1)	(68.3)
Non-recurring redemption costs		-	-	-	(6.3)
Other financial expenses		(6.9)	(6.0)	(19.9)	(17.0)
<b>Net financial expenses</b>	6	<b>(25.2)</b>	<b>(27.5)</b>	<b>(75.4)</b>	<b>(90.5)</b>
<b>Net income before income tax</b>		<b>109.7</b>	<b>101.0</b>	<b>277.5</b>	<b>270.4</b>
Income tax	7	(32.4)	(34.0)	(99.3)	(106.7)
<b>Net income from continuing operations</b>		<b>77.3</b>	<b>67.0</b>	<b>178.1</b>	<b>163.7</b>
<b>Portion attributable:</b>					
<i>to the equity holders of the parent</i>		77.6	66.4	178.3	164.7
<i>to non-controlling interests</i>		(0.3)	0.6	(0.2)	(1.0)
<b>Earnings per share:</b>					
<i>Basic earnings per share (in euros)</i>	9	0.26	0.22	0.59	0.54
<i>Fully diluted earnings per share (in euros)</i>	9	0.26	0.22	0.59	0.54

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

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

## Consolidated Statement of Comprehensive Income (unaudited)

<i>(in millions of euros)</i>	Note	For the quarter ended September 30,		For the period ended September 30,	
		2018	2017 <sup>(1)</sup>	2018	2017 <sup>(1)</sup>
<b>Net income</b>		<b>77.3</b>	<b>67.0</b>	<b>178.1</b>	<b>163.7</b>
<b>Items to be reclassified to profit and loss in subsequent periods</b>					
Net gain / (loss) on net investment hedges		(8.6)	17.8	(14.7)	37.8
Income tax		2.9	(6.1)	5.0	(13.0)
<b>Sub-total</b>		<b>(5.6)</b>	<b>11.7</b>	<b>(9.6)</b>	<b>24.8</b>
Foreign currency translation adjustment		30.3	(56.9)	45.8	(210.0)
Income tax		(3.4)	9.3	(9.8)	30.4
<b>Sub-total</b>		<b>26.9</b>	<b>(47.6)</b>	<b>36.0</b>	<b>(179.7)</b>
Net gain / (loss) on cash flow hedges		(0.1)	2.0	3.4	2.9
Income tax		0.0	(0.7)	(1.2)	(1.0)
<b>Sub-total</b>		<b>(0.1)</b>	<b>1.3</b>	<b>2.2</b>	<b>1.9</b>
<b>Items not to be reclassified to profit and loss in subsequent periods</b>					
Remeasurements of net defined benefit liability	11	(9.6)	9.4	13.0	(7.0)
Income tax		(1.9)	(4.8)	(3.4)	(4.7)
<b>Sub-total</b>		<b>(11.6)</b>	<b>4.6</b>	<b>9.7</b>	<b>(11.6)</b>
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<b>9.7</b>	<b>(30.0)</b>	<b>38.3</b>	<b>(164.7)</b>
<b>Total comprehensive income / (loss) for the period, net of tax</b>		<b>87.0</b>	<b>37.0</b>	<b>216.4</b>	<b>(0.9)</b>
<b>Portion attributable:</b>					
<i>to the equity holders of the parent</i>		87.4	36.6	216.6	0.8
<i>to non-controlling interests</i>		(0.4)	0.4	(0.2)	(1.7)

<sup>(1)</sup> Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

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

## Consolidated Balance Sheet (unaudited)

<i>(in millions of euros)</i>	<i>Note</i>	As of September 30, 2018	As of December 31, 2017 <sup>(1)</sup>
<b>Assets</b>			
Goodwill		3,939.3	3,914.9
Intangible assets		1,045.4	1,049.7
Property, plant and equipment		271.0	272.0
Long-term investments		44.1	38.0
Deferred tax assets		48.2	96.6
<b>Total non-current assets</b>		<b>5,348.0</b>	<b>5,371.2</b>
Inventories		1,664.5	1,544.9
Trade accounts receivable		2,250.5	2,074.4
Current tax assets		24.4	48.1
Other accounts receivable		506.4	512.7
Cash and cash equivalents	<b>12.1</b>	350.9	563.6
<b>Total current assets</b>		<b>4,796.8</b>	<b>4,743.7</b>
<b>Total assets</b>		<b>10,144.8</b>	<b>10,114.9</b>
<b>Equity</b>			
Share capital		1,519.9	1,516.7
Share premium		1,563.5	1,559.2
Reserves and retained earnings		1,160.7	1,079.5
<b>Total equity attributable to equity holders of the parent</b>		<b>4,244.2</b>	<b>4,155.4</b>
Non-controlling interests		2.0	2.2
<b>Total equity</b>		<b>4,246.1</b>	<b>4,157.6</b>
<b>Liabilities</b>			
Interest bearing debt (non-current part)	<b>12.1</b>	2,282.7	2,450.5
Net employee defined benefit liabilities		296.2	319.9
Deferred tax liabilities		165.3	172.8
Provision and other non-current liabilities		84.8	56.3
<b>Total non-current liabilities</b>		<b>2,829.0</b>	<b>2,999.6</b>
Interest bearing debt (current part)	<b>12.1</b>	321.4	155.5
Accrued interest	<b>12.1</b>	15.4	6.3
Trade accounts payable		1,986.5	2,034.8
Income tax payable		36.7	34.8
Other current liabilities		709.6	726.3
<b>Total current liabilities</b>		<b>3,069.7</b>	<b>2,957.7</b>
<b>Total liabilities</b>		<b>5,898.7</b>	<b>5,957.3</b>
<b>Total equity and liabilities</b>		<b>10,144.8</b>	<b>10,114.9</b>

<sup>(1)</sup> Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

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

## Consolidated Statement of Cash Flows (unaudited)

<i>(in millions of euros)</i>	Note	For the quarter ended September 30,		For the period ended September 30,	
		2018	2017 <sup>(1)</sup>	2018	2017 <sup>(1)</sup>
<b>Cash flows from operating activities</b>					
Operating income		135.0	128.5	352.9	361.0
Depreciation, amortization and impairment of assets and assets write off	4-5	29.1	28.9	86.2	112.7
Employee benefits		(1.5)	(3.2)	(17.3)	(14.4)
Change in other provisions		(12.5)	(2.9)	28.6	(17.8)
Other non-cash operating items		4.0	2.5	3.2	9.1
Interest paid		(22.2)	(25.5)	(64.0)	(77.1)
Income tax paid		(22.2)	(27.8)	(46.2)	(91.3)
<b>Operating cash flows before change in working capital requirements</b>		<b>109.7</b>	<b>100.5</b>	<b>343.5</b>	<b>282.3</b>
Change in inventories		(34.6)	(36.5)	(108.0)	(93.3)
Change in trade receivables		39.7	4.8	(165.6)	(170.9)
Change in trade payables		(111.7)	(25.0)	(53.4)	(91.5)
Change in other working capital items		18.0	23.7	(11.2)	1.9
<b>Change in working capital requirements</b>		<b>(88.6)</b>	<b>(33.1)</b>	<b>(338.2)</b>	<b>(353.7)</b>
<b>Net cash from operating activities</b>		<b>21.1</b>	<b>67.4</b>	<b>5.2</b>	<b>(71.4)</b>
<b>Cash flows from investing activities</b>					
Acquisition of tangible and intangible assets		(25.9)	(25.7)	(77.6)	(80.0)
Proceeds from disposal of tangible and intangible assets		(0.8)	1.1	18.8	2.5
Acquisitions of subsidiaries, net of cash acquired		(2.3)	-	(2.5)	-
Proceeds from disposal of subsidiaries, net of cash disposed of		-	0.0	-	3.6
Change in long-term investments		(3.1)	(2.8)	(2.8)	(2.1)
<b>Net cash from investing activities</b>		<b>(32.1)</b>	<b>(27.4)</b>	<b>(64.2)</b>	<b>(76.1)</b>
<b>Cash flows from financing activities</b>					
Issuance of capital		-	-	-	0.5
Disposal / (Purchase) of treasury shares		2.3	2.4	(6.4)	1.4
Issuance of senior notes net of transaction costs	12.2	-	-	-	295.8
Repayment of senior notes	12.2	-	-	-	(302.3)
Settlement of interest rate swaps qualified as fair value hedge		-	-	-	0.5
Net change in credit facilities, commercial papers, other financial borrowings	12.2	48.7	29.8	55.7	109.8
Net change in securitization	12.2	(5.9)	(18.9)	(58.2)	(78.4)
Net change in finance lease liabilities	12.2	(1.2)	(1.0)	(2.9)	(3.5)
Dividends paid	8	(126.8)	(120.8)	(126.8)	(120.8)
<b>Net cash from financing activities</b>		<b>(83.0)</b>	<b>(108.5)</b>	<b>(138.6)</b>	<b>(97.0)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>					
		<b>(93.9)</b>	<b>(68.5)</b>	<b>(197.6)</b>	<b>(244.6)</b>
Cash and cash equivalents at the beginning of the period		452.7	459.0	563.6	619.3
Effect of exchange rate changes on cash and cash equivalents		(7.9)	6.0	(15.1)	21.9
<b>Cash and cash equivalents at the end of the period</b>		<b>350.9</b>	<b>396.6</b>	<b>350.9</b>	<b>396.6</b>

<sup>(1)</sup> Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

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

## Consolidated Statement of Changes in Equity (unaudited)

(in millions of euros)

	Share capital	Share premium	Retained earnings	Foreign currency translation	Cash flow hedge reserve	Remeasurement of net defined benefit liability	Total attributable to the equity holders of the parent	Non-controlling interests	TOTAL EQUITY
						11			
<i>Note</i>									
<b>For the period ended September 30, 2017</b>									
<b>As of January 1, 2017 (as reported)</b>	<b>1,514.5</b>	<b>1,561.2</b>	<b>1,303.1</b>	<b>185.5</b>	<b>(0.7)</b>	<b>(185.6)</b>	<b>4,378.1</b>	<b>5.2</b>	<b>4,383.3</b>
Effect of changes in accounting following the adoption of IFRS 15	-	-	(3.0)	-	-	-	(3.0)	-	(3.0)
Effect of changes in accounting following the adoption of IFRS 9	-	-	(2.9)	-	-	-	(2.9)	-	(2.9)
<b>As of January 1, 2017 <sup>(1)</sup></b>	<b>1,514.5</b>	<b>1,561.2</b>	<b>1,297.2</b>	<b>185.5</b>	<b>(0.7)</b>	<b>(185.6)</b>	<b>4,372.2</b>	<b>5.2</b>	<b>4,377.4</b>
Net income	-	-	164.7	-	-	-	164.7	(1.0)	163.7
Other comprehensive income	-	-	-	(154.2)	1.9	(11.6)	(163.9)	(0.7)	(164.7)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>164.7</b>	<b>(154.2)</b>	<b>1.9</b>	<b>(11.6)</b>	<b>0.8</b>	<b>(1.7)</b>	<b>(0.9)</b>
Cash dividends	-	-	(120.8)	-	-	-	(120.8)	-	(120.8)
Share capital increase	2.2	7.4	(9.0)	-	-	-	0.5	-	0.5
Share-based payments	-	-	2.2	-	-	-	2.2	-	2.2
Disposal / (Purchase) of treasury shares	-	-	1.4	-	-	-	1.4	-	1.4
<b>As of September 30, 2017 <sup>(1)</sup></b>	<b>1,516.7</b>	<b>1,568.6</b>	<b>1,335.8</b>	<b>31.3</b>	<b>1.2</b>	<b>(197.2)</b>	<b>4,256.4</b>	<b>3.4</b>	<b>4,259.8</b>
<b>For the period ended September 30, 2018</b>									
<b>As of January 1, 2018</b>	<b>1,516.7</b>	<b>1,559.2</b>	<b>1,287.5</b>	<b>(20.1)</b>	<b>2.6</b>	<b>(190.5)</b>	<b>4,155.4</b>	<b>2.2</b>	<b>4,157.6</b>
Net income	-	-	178.3	-	-	-	178.3	(0.2)	178.1
Other comprehensive income	-	-	-	26.4	2.2	9.7	38.3	-	38.3
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>178.3</b>	<b>26.4</b>	<b>2.2</b>	<b>9.7</b>	<b>216.6</b>	<b>(0.2)</b>	<b>216.4</b>
Cash dividends	-	-	(126.8)	-	-	-	(126.8)	-	(126.8)
Share capital increase	3.2	4.3	(8.4)	-	-	-	(0.9)	-	(0.9)
Share-based payments	-	-	5.4	-	-	-	5.4	-	5.4
Disposal / (Purchase) of treasury shares	-	-	(5.5)	-	-	-	(5.5)	-	(5.5)
<b>As of September 30, 2018</b>	<b>1,519.9</b>	<b>1,563.5</b>	<b>1,330.5</b>	<b>6.3</b>	<b>4.8</b>	<b>(180.8)</b>	<b>4,244.2</b>	<b>2.0</b>	<b>4,246.1</b>

(1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

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



# Accompanying Notes (unaudited)

## 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 (the United States and Canada) and Asia-Pacific (mainly in China, Australia and New Zealand).

## 2. | SIGNIFICANT ACCOUNTING POLICIES

### 2.1 | Statement of compliance

The condensed consolidated interim financial statements (hereafter referred to as “the condensed financial statements”) cover the period from January 1 to September 30, 2018 and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These condensed financial statements are also compliant with the standards of the IASB in force at September 30, 2018. In particular, the condensed financial statements have been prepared in accordance with IAS 34, relating to Interim Financial Reporting. In accordance with the aforementioned standard, only a selection of explanatory notes is included in these condensed financial statements. These notes must be read in conjunction with the Group’s consolidated financial statements prepared for the financial year closed on December 31, 2017 and included in the Registration Document filed with the Autorité des Marchés Financiers on April 4, 2018 under the number D.18-0263.

IFRS 15 and IFRS 9 have been applied for the first time in 2018. Changes to significant accounting policies are described in Note 2.2.1.

IFRS as adopted by the European Union can be consulted on the European Commission’s website ([https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/law-details\\_fr](https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/law-details_fr)).

These condensed financial statements were authorized for issue by the Board of Directors on October 30, 2018.

### 2.2 | Basis of preparation

The condensed financial statements as of September 30, 2018 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.

The accounting principles and adopted methods are identical to those used as of December 31, 2017 and described in the notes to the consolidated financial statements for the financial year ended December 31, 2017, with the exception of the new standards and interpretations disclosed in Note 2.2.1.

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

## 2.2.1 / Changes in accounting policies - amended IFRS standards

The Group has initially adopted IFRS 15 “Revenue from Contracts with Customers” (see Note 2.2.1.1) and IFRS 9 “Financial Instruments” (see Note 2.2.1.2) from January 1, 2018 onwards.

A number of other new standards are effective from January 1, 2018, among which amendments to IFRS 2 “Share-based Payment” and interpretation IFRIC 22 “Foreign Currency Transaction and Advance Consideration”, but they do not have a material effect on the Group’s financial statements.

### 2.2.1.1. / IFRS 15 “Revenue from Contracts with Customers”

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard supersedes IAS 18 “Revenues”.

The Group has adopted IFRS 15 using the full retrospective method without practical expedients, with the effect of initially applying this standard recognized at the date of initial application (*i.e.* January 1, 2017). Accordingly, the information presented for 2017 has been restated in compliance with IFRS 15 requirements.

IFRS 15 had limited impact on sales recognition. Under IAS 18, the Group recognized sales when the significant risks and rewards attached to the goods were passed on to the customers which usually occurred with the delivery or shipment of the product. Under IFRS 15, control of the goods is transferred to the customer at a point in time where delivery or shipment of the products is effective.

The impact of adopting IFRS 15 on shareholders’ equity as of January 1, 2017 was a decrease of €3.0 million.

On a full year basis, the impacts of IFRS 15 on the income statement for the year ended December 31, 2017 were as follows:

For the year ended December 31, 2017			
<i>(in millions of euros)</i>	As reported	Adjustments	IFRS 15 restated
Sales	13,310.1	(7.1) <sup>(1)</sup>	13,303.0
Cost of goods sold	(10,045.9)	25.0 <sup>(2)</sup>	(10,020.9)
<b>Gross profit</b>	<b>3,264.2</b>	<b>17.9</b>	<b>3,282.1</b>
Distribution and administrative expenses	(2,688.9)	(18.1) <sup>(3)</sup>	(2,707.0)
<b>Operating income</b>	<b>322.3</b>	<b>(0.2)</b>	<b>322.1</b>
<b>Net income before income tax</b>	<b>176.4</b>	<b>0.1</b>	<b>176.5</b>
Income tax	(71.5)	(0.4)	(71.9)
<b>Net income</b>	<b>104.9</b>	<b>(0.3)</b>	<b>104.7</b>

<sup>(1)</sup> Under IFRS 15, sales were adjusted downwards by €7.1 million of which €(24.2) million associated with direct sales transactions for which the Group is deemed to act as an agent (see <sup>(2)</sup>) and upwards by €15.7 million in relation with delivery services charged to customers that were previously presented as a reduction of distribution and administrative expenses (see <sup>(3)</sup>).

<sup>(2)</sup> Reflects mainly the adjustment of direct sales transactions. Direct sales are arrangements with customers whereby the Group engages a third-party supplier to ship the products to the customer, based on Rexel’s purchase order with the customer, without any physical transfer to and from the Group’s warehouse. Direct sales represent approximately 20% of Rexel’s total sales. Under IAS 18 guidance based on risks and rewards analysis, the Group carries, in particular, the credit risk on receivables attached to such sales and therefore was deemed to act as a principal. Accordingly, Rexel recognized the gross amount of direct sales transactions in revenue. IFRS 15 moved away from a risks and rewards approach to a transfer of control approach. For the vast majority of its direct sales transactions, the Group is ultimately responsible for fulfillment of the customer’s order and has discretion in establishing pricing. It obtains controls of the goods at the point in time they are shipped by the third-party supplier but does not transfer control of the products to the customer until they are delivered to the customer’s site. Rexel has inventory risk relating to the specified goods as it bears the risk of loss during the transit and the risk of return from the customer subsequent to the delivery. In very limited instances where these conditions are not fulfilled, the Group is deemed to act as an agent and recognizes a commission income for the excess of the amount invoiced to the customer and the amount charged by the supplier.

<sup>(3)</sup> Reflects mainly the adjustment associated with delivery services invoiced to customers that were previously matched against transportation costs in the distribution and administrative expenses under IAS 18. These services are analyzed as a performance obligation of Rexel and therefore are presented as revenues when adopting IFRS 15.

For the quarter ended September 30, 2017, the impacts of IFRS 15 on the income statement were as follows:

**For the quarter ended September 30, 2017**

<i>(in millions of euros)</i>	<b>As reported</b>	<b>Adjustments</b>	<b>IFRS 15 restated</b>
Sales	3,238.8	(2.7)	3,236.1
Cost of goods sold	(2,453.4)	6.8	(2,446.7)
<b>Gross profit</b>	<b>785.4</b>	<b>4.1</b>	<b>789.4</b>
Distribution and administrative expenses	(650.2)	(4.3)	(654.4)
<b>Operating income</b>	<b>128.6</b>	<b>(0.2)</b>	<b>128.5</b>
<b>Net income before income tax</b>	<b>101.1</b>	<b>(0.1)</b>	<b>101.0</b>
Income tax	(34.0)	0.0	(34.0)
<b>Net income</b>	<b>67.1</b>	<b>(0.1)</b>	<b>67.0</b>

For the period ended September 30, 2017, the impacts of IFRS 15 on the income statement were as follows:

**For the period ended September 30, 2017**

<i>(in millions of euros)</i>	<b>As reported</b>	<b>Adjustments</b>	<b>IFRS 15 restated</b>
Sales	9,904.7	(5.5)	9,899.1
Cost of goods sold	(7,478.0)	18.5	(7,459.5)
<b>Gross profit</b>	<b>2,426.7</b>	<b>13.0</b>	<b>2,439.7</b>
Distribution and administrative expenses	(2,009.2)	(13.1)	(2,022.2)
<b>Operating income</b>	<b>361.1</b>	<b>(0.1)</b>	<b>361.0</b>
<b>Net income before income tax</b>	<b>270.2</b>	<b>0.2</b>	<b>270.4</b>
Income tax	(106.7)	(0.0)	(106.7)
<b>Net income</b>	<b>163.6</b>	<b>0.1</b>	<b>163.7</b>

### **2.2.1.2. | IFRS 9 “Financial instruments”**

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement” and addresses both classification and measurement, impairment and hedge accounting.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income “FVOCI” or fair value through profit or loss “FVPL”. Financial assets managed by the Group consist primarily of financial derivatives including interest rate swaps and forward exchange contracts used for hedging, other interest rate derivatives, and of trade receivables and cash and cash equivalents. Trade receivables and cash and cash equivalent are classified as measured at amortized cost as they are held with the objective to collect contractual cash flows that are solely payments of principal and interests on the principal outstanding. Financial derivative assets designated as cash flow hedge instruments are classified as measured at FVOCI at initial recognition and other financial derivatives are classified as measured at FVPL.

Financial assets (except receivables without significant financing component that are initially measured at the transaction price) are initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

- Financial assets at amortized cost

These assets are measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, impairment and gains and losses on derecognition are recognized in profit or loss.

- Derivative assets at FVPL

These assets are measured at fair value. Net gains and losses including interest income are recognized in profit or loss.

- Derivative assets at FVOCI

These assets are measured at fair value. Interest income, foreign exchange gains and losses are recognized in profit or loss. Other gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified in profit or loss.

The Group has not had any impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018 and the impact of expected credit losses adjustment on trade account receivables under IFRS 9.

<i>(in millions of euros)</i>	<b>Original classification and measurement under IAS 39</b>	<b>New classification and measurement under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
<b>Financial assets</b>				
Fair value hedge interest rate swaps .....	FVPL	FVPL	8.7	8.7
Cash flow hedge interest rate swaps .....	FVOCI	FVOCI	3.6	3.6
Other derivative instruments not eligible to hedge accounting.....	FVPL	FVPL	0.2	0.2
Loans .....	Loans & Receivables	Amortized cost	0.1	0.1
Security deposits .....	Loans & Receivables	Amortized cost	25.2	25.2
<b>Total non-current financial assets .....</b>			<b>37.8</b>	<b>37.8</b>
Trade accounts receivable <sup>(1)</sup> .....	Loans & Receivables	Amortized cost	2,077.0	2,073.2
Supplier rebates receivable .....	Loans & Receivables	Amortized cost	348.6	348.6
Other accounts receivable .....	Loans & Receivables	Amortized cost	86.6	86.6
Cash-flow hedge interest rate swaps .....	FVOCI	FVOCI	1.0	1.0
Other derivative instruments not eligible to hedge accounting.....	FVPL	FVPL	0.1	0.1
<b>Total current financial assets .....</b>			<b>2,513.3</b>	<b>2,509.5</b>
<b>Cash .....</b>	Loans & Receivables	Amortized cost	563.6	563.6
<b>Total financial assets.....</b>			<b>3,114.7</b>	<b>3,110.9</b>

<sup>(1)</sup> Trade accounts receivables adjusted for the impact of expected credit losses under IFRS 9

FVPL                      Fair value through profit or loss  
FVOCI                     Fair value through other comprehensive income

As to impairment of financial assets including trade receivables, the model induced by IFRS 9 is based on expected credit loss as opposed to the incurred loss model in IAS 39. Under IAS 39, an impairment loss was recognized based on a standard ageing matrix for past-due trade receivables over 30 days. Under IFRS 9, the Group applied the simplified approach and recorded expected credit losses based on the historical ratio of credit losses to sales on non-due and less than 30 days past-due trade receivables. The impact of adopting the expected credit loss model as of January 1, 2017 on equity was negative by €3.0 million. Impact on income statements for the year ended December 31, 2017 and for the nine months ended September 30, 2017 was nil.

With regards to hedge accounting, all existing hedge relationships that were designated in effective hedging relationships under IAS 39 still qualify for hedge accounting under IFRS 9, as IFRS 9 does not change the general principles of how an entity accounts for effective hedges. As such, the adoption of IFRS 9 hedge accounting requirements had no significant impact on the Group's consolidated financial statements.

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

The following standards issued by IASB have been endorsed by the European Union but are not yet effective:

- IFRS 16 “Leases”: this new standard issued by the IASB on January 13, 2016 represents a major revision to account for leases. The standard provides a single lessee accounting model requiring to recognize assets and liabilities for all leases unless the term is twelve months or less, or the underlying asset has a low value. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). These remeasurements will be generally recognized as an adjustment to the right-of-use asset against the lease liability. IFRS 16 applies to reporting period beginning on or after January 1, 2019. Entities can choose to apply the new standard using either a full retrospective or a modified retrospective approach.

IFRS 16 should significantly impact Rexel’s financial situation and performance presentation as the Group entered into lease arrangements for most of its properties including branch network, logistic centers and administrative buildings. The Group has initiated the identification of lease agreements and measurement of lease liabilities and rights to use leased assets within Group entities. In addition, the Group selected an IT system to manage lease arrangements in compliance with IFRS 16 requirements. Rexel expects to complete the implementation of such system in early 2019. When initially applying IFRS 16, the Group has not decided yet whether to apply the full retrospective method or the modified retrospective approach with the cumulative effect recognized at the date of first application, i.e. as of January 1, 2019 with no comparative information for the year ended December 31, 2018.

- On October 12, 2017, the IASB issued an amendment to IFRS 9 “Prepayment Features with Negative Compensation” to modify the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation. This amendment is applicable for annual periods beginning on or after January 1, 2019.

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

The following standards and interpretations issued by IASB and IFRS Interpretation Committee are not yet approved by the European Union. Their potential impact is currently under review by the Group.

- On June 7, 2017, the IFRS Interpretation Committee issued IFRIC Interpretation 23 “Uncertainty over Income Tax Treatments”. This interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. The interpretation specifically addresses the following:
  - whether an entity considers uncertain tax treatments separately,
  - the assumptions an entity makes about the examination of tax treatments by taxation authorities,
  - how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates,
  - how an entity considers changes in facts and circumstances.

IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019, with early application permitted.

- On December 12, 2017, the IASB published Annual Improvements to IFRS Standards 2015–2017 Cycle, containing certain amendments to IFRSs and in particular:
  - IAS 12 “Income Taxes” — The amendments clarify that all income tax consequences of dividend payments should be recognized in profit or loss, regardless of how the tax arises.
  - IAS 23 “Borrowing Costs” — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

These amendments are applicable for annual periods beginning on or after January 1, 2019.

### 3. | SEGMENT REPORTING

In accordance with IFRS 8 “Operating segments”, operating segments are based on the Group’s financial reporting structure. The information is shown by geographic zone consistently with Group’s internal organization.

Based on this structure, the reportable segments are Europe, North America and the Asia-Pacific area.

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

#### **Information by geographic segment for the quarter ended September 30, 2018 and 2017 and for the period ended September 30, 2018 and 2017**

<b>2018</b> <i>(in millions of euros)</i>	Europe	North America	Asia-Pacific	<b>Total Operating Segments</b>	Corporate Holdings and other reconciling items	<b>Total Group</b>
<b>For the quarter ended September 30,</b>						
Sales to external customers.....	1,766.8	1,239.9	306.4	<b>3,313.0</b>	-	<b>3,313.0</b>
EBITA <sup>(1)</sup> .....	86.7	55.3	5.7	<b>147.8</b>	(6.4)	<b>141.4</b>
<b>2017 <sup>(2)</sup></b> <i>(in millions of euros)</i>						
<b>For the quarter ended September 30,</b>						
Sales to external customers.....	1,751.1	1,151.1	334.0	<b>3,236.2</b>	(0.0)	<b>3,236.1</b>
EBITA <sup>(1)</sup> .....	91.8	49.2	4.1	<b>145.1</b>	(5.5)	<b>139.6</b>
<b>2018</b> <i>(in millions of euros)</i>						
<b>For the period ended September 30,</b>						
Sales to external customers .....	5,447.8	3,520.5	900.5	<b>9,868.8</b>	-	<b>9,868.8</b>
EBITA <sup>(1)</sup> .....	291.6	140.8	15.6	<b>448.0</b>	(19.6)	<b>428.4</b>
<b>As of September 30,</b>						
Working capital.....	824.9	732.8	167.0	<b>1,724.7</b>	(3.0)	<b>1,721.7</b>
Goodwill .....	2,386.9	1,413.1	139.3	<b>3,939.3</b>	-	<b>3,939.3</b>
<b>2017 <sup>(2)</sup></b> <i>(in millions of euros)</i>						
<b>For the period ended September 30,</b>						
Sales to external customers .....	5,374.8	3,551.8	972.5	<b>9,899.2</b>	(0.0)	<b>9,899.1</b>
EBITA <sup>(1)</sup> .....	305.0	132.4	5.6	<b>443.0</b>	(11.2)	<b>431.7</b>
Goodwill impairment.....	(12.8)	-	-	<b>(12.8)</b>	-	<b>(12.8)</b>
<b>As of December 31,</b>						
Working capital.....	668.7	616.9	121.3	<b>1,406.9</b>	(36.9)	<b>1,369.9</b>
Goodwill .....	2,377.4	1,380.4	157.1	<b>3,914.9</b>	-	<b>3,914.9</b>

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

(2) Restated for changes in accounting policies following the adoption of IFRS 9 “Financial instruments” and IFRS 15 “Revenue from contracts with customers” (see Note 2.2.1).

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

<i>(in millions of euros)</i>	For the quarter ended September 30,		For the period ended September 30,	
	2018	2017 <sup>(1)</sup>	2018	2017 <sup>(1)</sup>
<b>EBITA</b> .....	<b>141.4</b>	<b>139.6</b>	<b>428.4</b>	<b>431.7</b>
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities .....	(3.7)	(4.6)	(12.0)	(14.3)
Other income and other expenses.....	(2.8)	(6.5)	(63.5)	(56.4)
Net financial expenses.....	(25.2)	(27.5)	(75.4)	(90.5)
<b>Net income before tax</b> .....	<b>109.7</b>	<b>101.0</b>	<b>277.5</b>	<b>270.4</b>

<sup>(1)</sup> Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

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

<i>(in millions of euros)</i>	As of September 30, 2018	As of December 31, 2017 <sup>(1)</sup>
Working capital.....	1,721.7	1,369.9
Goodwill .....	3,939.3	3,914.9
<b>Total allocated assets &amp; liabilities</b> .....	<b>5,661.0</b>	<b>5,284.8</b>
Liabilities included in allocated working capital.....	2,695.8	2,759.9
Accrued interest receivable.....	2.4	1.0
Other non-current assets.....	1,360.5	1,359.7
Deferred tax assets.....	48.2	96.6
Current tax assets .....	24.4	48.1
Derivatives.....	1.5	1.1
Cash and cash equivalents .....	350.9	563.6
<b>Group consolidated total assets</b> .....	<b>10,144.8</b>	<b>10,114.9</b>

<sup>(1)</sup> Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

## 4. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

<i>(in millions of euros)</i>	For the period ended September 30,	
	2018	2017 <sup>(1)</sup>
Personnel costs (salaries & benefits) .....	1,214.9	1,223.8
Building and occupancy costs .....	203.0	205.2
Delivery costs .....	182.1	175.7
Other external costs .....	302.3	310.9
Depreciation expense .....	73.9	74.0
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities .....	12.0	14.3
Bad debt expense .....	19.3	18.4
<b>Total distribution and administrative expenses</b> .....	<b>2,007.5</b>	<b>2,022.2</b>

<sup>(1)</sup> Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

## 5. | OTHER INCOME & OTHER EXPENSES

	For the period ended September 30,	
	2018	2017
<i>(in millions of euros)</i>		
Gains on disposal of fixed assets ..... (1)	3.1	0.6
Release of unused provisions .....	0.9	0.3
Gains on earn-out .....	0.3	1.9
Other operating income .....	0.5	1.5
<b>Total other income</b> .....	<b>4.9</b>	<b>4.3</b>
Restructuring costs ..... (2)	(60.0)	(20.5)
Shut-Down of Oil & Gas business in Thailand ..... (3)	-	(8.9)
Disposal loss of Oil & Gas business in Singapore ..... (4)	-	(11.3)
Losses on non-current assets disposed of .....	(1.2)	(2.3)
Asset write-offs .....	(0.4)	-
Impairment of goodwill ..... (5)	-	(12.8)
Acquisition related costs .....	(0.1)	(0.2)
Other operating expenses ..... (6)	(6.7)	(4.8)
<b>Total other expenses</b> .....	<b>(68.4)</b>	<b>(60.7)</b>

- (1) Of which €1.8 million gain on disposal of the Rockwell Automation business in Australia for the period ended September 30, 2018.
- (2) Mainly related to restructuring plans in Germany and Spain for the period ended September 30, 2018. These plans include branch closures, logistic reorganization and headquarters downsizing in these countries.
- (3) Wind-up costs of Oil and Gas business in Thailand mainly consisting of assets write-off (including goodwill).
- (4) Reflects the divestment loss of Lenn International Pte Ltd, an Oil & Gas cable distributor based in Singapore.
- (5) Finland goodwill impairment.
- (6) Including costs in connection with senior executive departures, litigations and the divestment program.

## 6. | NET FINANCIAL EXPENSES

	For the period ended September 30,	
	2018	2017 <sup>(1)</sup>
<i>(in millions of euros)</i>		
Interest income on cash and cash equivalents .....	1.1	-
Interest income on receivables and loans .....	1.5	1.0
<b>Financial income</b> .....	<b>2.6</b>	<b>1.0</b>
Interest expense on financial debt (stated at amortized cost).....	(61.2)	(71.5)
Interest gain / (expense) on interest rate derivatives.....	5.9	2.6
Change in fair value of interest rate derivatives through profit and loss .....	(2.8)	0.6
<b>Financial expense on borrowings</b> .....	<b>(58.1)</b>	<b>(68.3)</b>
<b>Non-recurring redemption costs</b> .....	<b>-</b>	<b>(6.3)</b> (2)
Foreign exchange gain (loss) .....	0.5	(24.1)
Change in fair value of exchange rate derivatives through profit and loss.....	1.2	25.8
Net foreign exchange gain (loss) .....	1.8	1.7
Net financial expense on employee benefit obligations.....	(6.3)	(7.1)
Others.....	(15.4)	(11.6)
<b>Other financial expenses</b> .....	<b>(19.9)</b>	<b>(17.0)</b>
<b>Net financial expenses</b> .....	<b>(75.4)</b>	<b>(90.5)</b>

- (1) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).
- (2) Relating to the early repayment of the 5.250% US\$330 million senior notes due 2020.



## 7. | INCOME TAX

Income tax expense for an interim period is calculated based on the average estimated tax rate for the 2018 financial year to the interim income before taxes excluding discrete items of the reporting period. The effective tax rate for the period ending September 30, 2018 is 35.8%, compared with 39.5% for the period ended September 30, 2017.

## 8. | DIVIDENDS

On May 24, 2018, the Shareholders' meeting decided a cash distribution of €0.42 per share. The effective date of dividend payment was July 6, 2018.

	For the period ended September 30,	
	2018	2017
Dividends on ordinary shares .....	€ 0.42	€ 0.40
<b>Dividends paid (in millions of euros)</b>	<b>126.8</b>	<b>120.8</b>
of which: - dividends paid in cash .....	126.8	120.8
- dividends paid in shares .....	-	-

## 9. | EARNINGS PER SHARE

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

	For the period ended September 30,	
	2018	2017 <sup>(2)</sup>
<b>Net income attributed to ordinary shareholders (in millions of euros)</b> .....	<b>178.3</b>	<b>164.7</b>
Weighted average number of ordinary shares (in thousands) .....	301,846	301,748
Non-dilutive potential shares (in thousands) .....	332	739
<b>Weighted average number of issued common shares adjusted for non - dilutive potential shares (in thousands)</b> .....	<b>302,178</b>	<b>302,488</b>
<b>Basic earning per share (in euros)</b>	<b>0.59</b>	<b>0.54</b>
Dilutive potential shares (in thousands) .....	420	427
- of which share options (in thousands) .....	-	-
- of which bonus shares (in thousands) .....	420 <sup>(1)</sup>	427
<b>Weighted average number of common shares adjusted for dilutive potential shares (in thousands)</b> .....	<b>302,598</b>	<b>302,915</b>
<b>Fully diluted earnings per share (in euros)</b> .....	<b>0.59</b>	<b>0.54</b>

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

(2) Restated for changes in accounting policies following the adoption of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers" (see Note 2.2.1).

## 10. | SHARE BASED PAYMENT

On May 24, 2018, Rexel entered into three free share plans for top executive managers amounting to a maximum of 1,900,032 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on three years after the grant date (May 25, 2021) with no subsequent restrictions.

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

Plan	3+0 Performance shares plan	3+0 Restricted and Performance shares plan	3+0 Restricted shares plan	Total
<b>Vesting conditions</b>	Three year service condition from grant date and performance conditions based on:  (i) 2017/2020 average growth of EBITA in value (ii) 2017/2020 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2018 to 2020 (iv) Rexel share market performance compared to peers	Limited to a fixed number of shares, three year service condition from grant date with no performance conditions and for the remaining shares, additional performance conditions based on:	Three year service condition from grant date without any performance conditions	
Delivery date	May 25, 2021	May 25, 2021	May 25, 2021	
Share fair value at grant date May 24, 2018	10.52	10.88	11.50	10.71
<b>Maximum number of shares granted on May 24, 2018</b>	<b>1,007,625</b>	<b>822,907</b>	<b>69,500</b>	<b>1,900,032</b>

The fair value of Rexel's shares was computed based on a Monte Carlo model which simulates the evolution of Rexel and panel shares quotations at the end of the three-year vesting period. The effect of restrictions attached to the dividend rights until the delivery date of the shares to the beneficiaries was computed in the fair value calculation.

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

As of September 30, 2018, the major Group's defined benefit plan obligations were re-measured including pension plans in the United Kingdom, in Canada and in Switzerland. The impacts of actuarial changes were estimated based on a sensitivity analysis that considered changes in discount rates and differences between actual and expected plan asset performance.

For the period ended September 30, 2018, remeasurement of pension and post-retirement benefits accounted for a gain before tax of €13.0 million recognized in other comprehensive income (versus a loss of €7.0 million for the period ended September 30, 2017). This gain resulted mainly from the increase in discount rates as of September 30, 2018 as compared to December 31, 2017 such as presented below:

Discount rate (in %)	As of September 2018	As of December 2017	As of September 2017
The United Kingdom	2.75	2.50	2.50
Canada	3.75	3.25	3.75
Switzerland	1.00	0.50	0.50

## 12. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of September 30, 2018. Financial liabilities include interest-bearing loans from financial institutions, borrowings and accrued interests less transaction costs.

### 12.1 | Net financial debt

As of September 30, 2018, Rexel's consolidated net debt stood at €2,259.1 million, consisting of the following items:

<i>(in millions of euros)</i>	As of September 30, 2018			As of December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Senior notes.....	-	1,448.3	1,448.3	-	1,446.6	1,446.6
Securitization .....	115.6	838.2	953.8	-	1,007.6	1,007.6
Bank loans .....	13.9	1.1	15.0	12.1	1.8	13.9
Commercial paper .....	83.0	-	83.0	41.7	-	41.7
Bank overdrafts and other credit facilities .....	108.1	-	108.1	100.6	-	100.6
Finance lease obligations .....	5.3	12.3	17.6	6.2	14.3	20.5
Accrued interests .....	15.4	-	15.4	6.3	-	6.3
Less transaction costs .....	(4.4)	(17.3)	(21.7)	(5.1)	(19.7)	(24.7)
<b>Total financial debt and accrued interest.....</b>	<b>336.9</b>	<b>2,282.7</b>	<b>2,619.6</b>	<b>161.8</b>	<b>2,450.5</b>	<b>2,612.3</b>
Cash and cash equivalents .....			(350.9)			(563.6)
Accrued interest receivable.....			(2.4)			(1.0)
Debt hedge derivatives.....			(7.2)			(6.5)
<b>Net financial debt</b>			<b>2,259.1</b>			<b>2,041.2</b>

<sup>(1)</sup> Of which accrued interests on Senior Notes for €12.1 million as of September 30, 2018 (€2.5 million as of December 31, 2017).

#### 12.1.1| Senior notes

As of September 30, 2018, the carrying amount of the existing senior notes is detailed as follows:

	As of September 30, 2018				As of December 31, 2017			
	Nominal amount <i>(in millions of currency)</i>	Nominal amount <i>(in millions of euros)</i>	Fair value adjustments <sup>(1)</sup>	Total	Nominal amount <i>(in millions of currency)</i>	Nominal amount <i>(in millions of euros)</i>	Fair value adjustments <sup>(1)</sup>	Total
3.500% Senior notes due 2023	EUR 650.0	650.0	0.2	<b>650.2</b>	EUR 650.0	650.0	0.1	<b>650.1</b>
2.625% Senior notes due 2024	EUR 300.0	300.0	(0.9)	<b>299.1</b>	EUR 300.0	300.0	(1.2)	<b>298.8</b>
2.125% Senior notes due 2025	EUR 500.0	500.0	(1.0)	<b>499.0</b>	EUR 500.0	500.0	(2.4)	<b>497.6</b>
<b>TOTAL</b>		1,450.0	(1.7)	<b>1,448.3</b>		1,450.0	(3.4)	<b>1,446.6</b>

<sup>(1)</sup> Adjustment to reflect interest rate fluctuations on the part of the notes hedged through fair value hedge derivatives (see Note 14).

#### 12.1.2| Securitization programs

Rexel Group runs several on-going securitization programs which enable it to obtain financing at a lower cost than issuing bonds or incurring bank loans.

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

Securitization programs are subject to certain covenants concerning the quality of the trade receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables). As of September 30, 2018, Rexel had satisfied all of these covenants. All the programs are on-going programs and therefore are not subject to seasonality other than seasonality arising in the ordinary course of business.

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

Program	Commitment	Amount of receivables assigned as of September 30, 2018	Amount drawn down as of September 30, 2018	Balance as of		Repayment Date
				September 30, 2018	December 31, 2017	
		<i>(in millions of currency)</i>		<i>(in millions of euros)</i>		
Europe and Australia	EUR 375,0	EUR 411,9	EUR 319,8	319,8	376,0	12/16/2020
Europe	EUR 309,0	EUR 402,8	EUR 268,0	268,0	288,3	11/20/2019
United States	USD 515,0	USD 715,7	USD 515,0	444,8	410,1	12/20/2019
Canada	CAD 175,0	CAD 242,5	CAD 173,9	115,6	116,4	01/18/2019
<b>TOTAL</b>				<b>1 148,2</b>	<b>1 190,8</b>	
<b>Of which :</b>						
	- on balance sheet:			<b>953,8</b>	<b>1 007,6</b>	
	- off balance sheet :			<b>194,4</b>	<b>183,3</b>	

These securitization programs pay interest at variable rates including a specific credit spread to each program.

As of September 30, 2018, the maximum outstanding amount of these securitization programs was €1,245.1 million, of which €1,148.2 million were used. Cash collected under the servicing agreement in relation to derecognized receivables and not yet transferred to the purchaser totaled €32.3 million and was recognized in financial liabilities (€33.2 million as of December 31, 2017).

#### **12.1.3| Commercial paper program**

Rexel runs a €300 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 September 30, 2018, the company had issued €83.0 million of commercial paper (€41.7 million as of December 31, 2017).

#### **12.1.4 | Promissory notes**

In order to manage its credit risk in China, the Group discounts with no recourse to various financial institutions non-matured promissory notes issued by banks ("Bank Acceptance Drafts") that are received from customers as payment of trade receivables. Rexel transfers risks and benefits associated with discounted Bank Acceptance Drafts. As of September 30, 2018, Bank Acceptance Drafts were derecognized from the balance sheet for €43.9 million (€55.9 million as of December 31, 2017).

#### **12.1.5| Factoring arrangements**

In addition to its securitization programs, Rexel entered into factoring agreements in France and Belgium. Under these arrangements, Rexel assigns trade receivables to the factor and receives cash payment. As a result of these arrangements, the Group transfers the majority of the risks attached to the assigned receivables (including credit risk and late payment risk) and remains liable for collecting the receivable on behalf of the factor.

As of September 30, 2018, the maximum outstanding amount under these factoring arrangements was €95 million, of which €63.7 million were used (€73.2 million as of December 31, 2017). Cash collected on behalf of the factor in relation with the transferred receivables was recognized in financial liabilities for €16.5 million (€25.6 million as of December 31, 2017).

## 12.2 | Change in net financial debt

As of September 30, 2018, and 2017, the change in net financial debt was as follows:

<i>(in millions of euros)</i>	For the period ended September 30,	
	2018	2017
<b>As of January 1, .....</b>	<b>2,041.2</b>	<b>2,172.6</b>
Issuance of senior notes net of transaction costs .....	-	295.8
Repayment of senior notes .....	-	(302.3)
Transaction costs and refinancing costs .....	(1.3)	-
Net change in credit facilities, commercial papers and other financial borrowings .....	57.0	109.8
<b>Net change in credit facilities.....</b>	<b>55.7</b>	<b>103.3</b>
Net change in securitization.....	(58.2)	(78.4)
Net change in finance lease liabilities.....	(2.9)	(3.5)
<b>Net change in financial liabilities.....</b>	<b>(5.4)</b>	<b>21.4</b>
Change in cash and cash equivalents .....	197.6	244.6
Effect of exchange rate changes on net financial debt .....	17.7	(97.7)
Effect of acquisition.....	1.1	-
Amortization of transaction costs.....	3.3	4.5
Non recurring refinancing costs.....	1.1	6.3
Other changes .....	2.4	1.5
<b>As of September 30, .....</b>	<b>2,259.1</b>	<b>2,353.3</b>

## 12.3 | Liquidity Risk

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

The contractual repayment schedule of financial liabilities is as follows:

<i>(in millions of euros)</i>	As of September 30,	As of December 31,
	2018	2017
<b>Due within</b>		
One year .....	341.3	166.9
Two years .....	522.7	638.2
Three years .....	322.3	379.4
Four years .....	1.4	1.7
Five years .....	651.2	0.8
Thereafter .....	802.3	1,450.2
<b>Total gross financial debt before transaction costs.....</b>	<b>2,641.3</b>	<b>2,637.1</b>
Transaction costs .....	(21.7)	(24.7)
<b>Gross financial debt .....</b>	<b>2,619.6</b>	<b>2,612.3</b>

The €650 million notes issued in May 2016 mature in June 2023, the €300 million notes issued in March 2017 mature in June 2024 and the €500 million notes issued in November 2017 mature in June 2025.

The Senior Facility Agreement maturity date was extended until January 2023 under the amendment executed on January 31, 2018 (see Note 22.1.1 of the consolidated financial statements as of December 31, 2017). The Senior Facility Agreement provides a five-year multicurrency revolving credit facility for an aggregate maximum available amount of €850 million which can also be drawn down through swingline loans for an aggregate amount of €137.8 million. As of September 30, 2018, this facility was undrawn.

On June 26, 2017, Rexel extended the maturity of its US\$40 million Credit Facility with Wells Fargo Bank International for a period of three years ending on June 26, 2020. As of September 30, 2018, this facility was undrawn.

Lastly, securitization programs mature in 2019 and 2020. The financing under these programs directly depends on the amounts and quality of transferred receivables. In the event that the relevant companies do not comply with certain obligations, these securitization programs may have to be repaid early, which could have an adverse effect on the Group's liquidity and financial situation. In addition, if the special purpose entities to which the receivables have been transferred were unable to issue short term debt (commercial paper) under

conditions that are equal to those available up to now, the Group's liquidity and financial position could be affected.

In addition, the trade accounts payable amounted to €1,986.5 million as of September 30, 2018 (€2,034.8 million as of December 31, 2017) and are due in less than one year.

The Group's liquidity decreased from €1,304.7 million as of December 31, 2017 to €1,044.3 million in excess of €703.0 million compared to €341.3 million expected to be paid within the next twelve months with respect to financial debt repayment schedule.

<i>(in millions of euros)</i>	As of September 30,	As of December 31,
	2018	2017 <sup>(1)</sup>
Cash and cash equivalents .....	350.9	563.6
Bank overdrafts .....	(108.1)	(100.6)
Commercial paper .....	(83.0)	(41.7)
Undrawn Senior Facility Agreement .....	850.0	850.0
Bilateral facilities .....	34.6	33.4
<b>Liquidity .....</b>	<b>1,044.3</b>	<b>1,304.7</b>

(1) Taking into consideration the amendment of the Senior Facility Agreement executed on January 31, 2018.

### 13. | FAIR VALUE OF FINANCIAL INSTRUMENTS

As of September 30, 2018, the Group held the following classes of financial instruments measured at fair value:

<i>(in millions of euros)</i>	As of September 30, 2018		As of December 31, 2017		
	Carrying amount	Fair value	Carrying amount	Fair value	IFRS13 Hierarchy
<b>Financial assets</b>					
Hedging derivatives .....	15.4	15.4	13.3	13.3	Level 2
Other derivatives .....	1.4	1.4	0.3	0.3	Level 2
<b>Financial liabilities</b>					
Senior notes .....	1,448.3	1,468.5	1,446.6	1,481.4	Level 1
Hedging derivatives .....	2.1	2.1	1.7	1.7	Level 2
Other derivatives .....	0.4	0.4	1.2	1.2	Level 2

#### IFRS hierarchy:

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

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

#### Valuation techniques:

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

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

### 14. | 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 EBITA and cash flows are the strongest in the fourth quarter while relatively lower in the three other quarters.

## **15. | LITIGATIONS**

On September 6, 2018, raids were performed in the offices of Rexel in relation to a judiciary investigation from the Tribunal de Grande Instance of Paris (Paris magistrate's court). This investigation, conducted with the assistance of the French Competition Authority, deals with the mechanisms of price formation on the market of distribution of electrical equipment.

At this point, Rexel is not party to the proceedings and therefore is not aware of the practices that it might be accused of. While information has been released in the press, it does not allow to determine the offences that Rexel could be accused of.

It is therefore not possible to date to evaluate the degree of probability of formal indictments being made against Rexel nor of a possible adverse judgment and thus to evaluate the financial risk which Rexel is potentially exposed to.

For the period ended September 30, 2018, there was no significant change relating to litigations such as disclosed in the financial statements as of December 31, 2017 with a material impact on Rexel's financial position or profitability.

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

At the presentation date of the consolidated financial statements, there have been no subsequent events after September 30, 2018 that would have a significant impact on Rexel's financial situation.