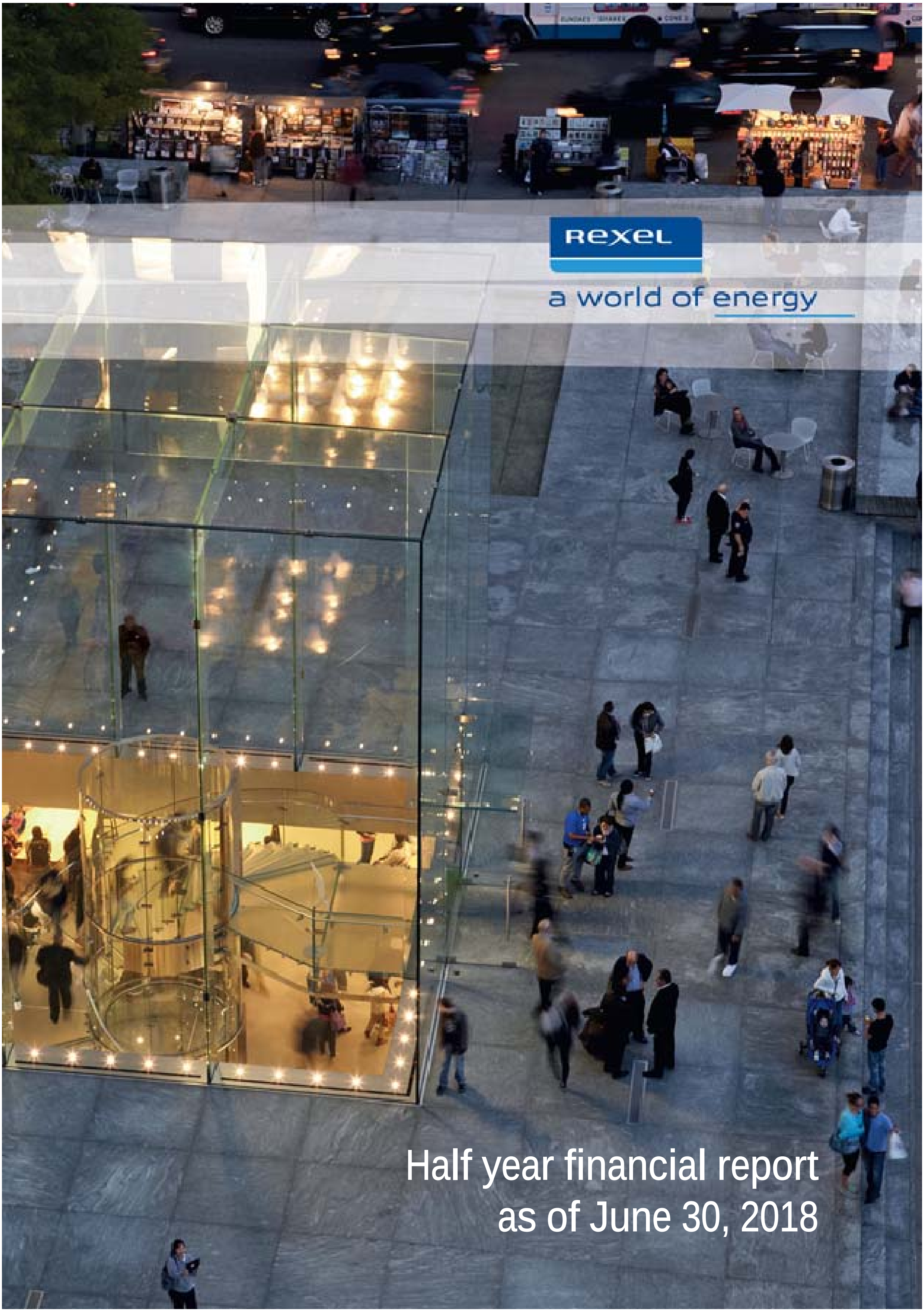

Half year financial report as of June 30, 2018

Société Anonyme (corporation)
with share capital of € 1,519,944,495
Registered office: 13 boulevard du Fort de Vaux - CS 60002
75017 PARIS - France
479 973 513 R.C.S. Paris

Half-year financial report as of June 30, 2018

This document is a free translation from French to English of Rexel's original condensed consolidated interim financial statements and activity report for the period ended June 30, 2018 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 condensed consolidated interim financial statements and activity report for the period ended June 30, 2018, the French version will prevail.

I. Activity report

(Unaudited)

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1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

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

1.1 | Financial position of the Group

1.1.1 | Group Overview

The Group is a worldwide leader in the professional distribution of low and ultra-low voltage electrical products, based on sales and number of branches. The Group principally operates in three geographic areas: Europe, North America and Asia-Pacific. This geographic segmentation is based on the Group’s financial reporting structure.

In the first half of 2018, the Group recorded consolidated sales of €6,555.8 million, of which €3,681.0 million were generated in Europe (56% of sales), €2,280.6 million in North America (35% of sales) and €594.1 million in Asia-Pacific (9% of sales).

The Group’s activities in Europe (56% of Group sales) are in France (which accounts for 37% of Group sales in this region), the United Kingdom, Germany, Sweden, Switzerland, Belgium, Austria, the Netherlands, Norway, Spain, Finland, Italy, Ireland, Slovenia, Russia, Portugal and Luxembourg.

The Group’s activities in North America (35% of Group sales) are in the United States and Canada. The United States account for 79% of Group sales in this region, and Canada for 21%.

The Group’s activities in Asia-Pacific (9% of Group sales) are in Australia, China, New Zealand, Middle East and in India. Australia accounts for 43% of Group sales in this region and China for 40%.

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

1.1.3 | Impact of changes in copper price

The Group is indirectly exposed to fluctuations in copper price in connection with its distribution of cable products. Cables represent approximately 14% of the Group’s sales and copper accounts for approximately 60% of the composition of cables. This exposure is indirect since cable prices also reflect suppliers’ commercial policies and the competitive environment of markets in which the Group operates. Changes in copper price have an estimated “recurring” and “non-recurring” effect on the Group’s performance, assessed as part of the monthly internal reporting process of the Rexel Group:

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

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

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

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

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

Excluding the effects of acquisitions and disposals

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

Excluding the effects of exchange rate fluctuations

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

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

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

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

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

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

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

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

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

Change in accounting policies

On January 1, 2018, Rexel has initially adopted the new accounting standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers" with retrospective application as of January 1, 2017.

These new standards supersede IAS 39 "Financial instruments" and IAS 18 "Revenues". Nevertheless, IFRS 9 and IFRS 15 had no significant impact on Rexel's consolidated financial statements, prior period comparative information was restated accordingly.

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

	Quarter ended June 30,		Semester ended June 30,	
(in millions of euros)	2018	2017	2018	2017
Operating income before other income and other expenses	**157.7**	**142.5**	**278.6**	**282.4**
Changes in scope of consolidation	-	1.4	-	5.3
Foreign exchange effects	-	(4.9)	-	(10.9)
Non-recurring effect related to copper	(0.5)	2.3	1.3	(6.8)
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	3.9	4.8	8.3	9.7
Adjusted EBITA on a constant basis	**161.0**	**146.1**	**288.2**	**279.7**

1.2 | Comparison of financial results as of June 30, 2018 and as of June 30, 2017

1.2.1 | Rexel Group's consolidated financial results

The following table sets out Rexel's consolidated income statement for 2018 and 2017, in millions of euros and as a percentage of sales.

REPORTED	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**3,373.6**	**3,340.6**	**1.0%**	**6,555.8**	**6,663.0**	**(1.6)%**
Gross profit	830.2	813.3	2.1%	1,626.9	1,650.2	(1.4)%
Distribution and administrative expenses (1)	(668.7)	(666.0)	0.4%	(1,339.9)	(1,358.1)	(1.3)%
EBITA	**161.5**	**147.3**	**9.7%**	**287.0**	**292.1**	**(1.8)%**
Amortization (2)	(3.9)	(4.8)	(19.1)%	(8.3)	(9.7)	(14.1)%
Operating income before other income and expenses	**157.7**	**142.5**	**10.7%**	**278.6**	**282.4**	**(1.3)%**
Other income and expenses	(53.3)	(40.1)	32.9%	(60.7)	(49.9)	21.7%
Operating income	104.3	102.4	1.9%	217.9	232.5	(6.3)%
Net financial expenses	(25.3)	(29.5)	(14.2)%	(50.2)	(63.1)	(20.4)%
Income taxes	(38.9)	(39.3)	(1.0)%	(66.9)	(72.8)	(8.0)%
Net income	**40.2**	**33.6**	**19.5%**	**100.8**	**96.7**	**4.2%**
as a % of sales	***1.2%***	***1.0%***		***1.5%***	***1.5%***	
(1) Of which depreciation and amortization	(24.5)	(24.7)	(0.8)%	(48.5)	(49.5)	(2.1)%
(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 June 30,			Semester ended June 30,		
(in millions of euros)		2018	2017	Change in %	2018	2017	Change in %
Sales		**3,373.6**	**3,192.0**	**5.7%**	**6,555.8**	**6,288.7**	**4.2%**
	Same-day basis			*5.1%*			*4.5%*
Gross profit		829.8	784.4	5.8%	1,628.2	1,561.9	4.2%
	as a % of sales	*24.6%*	*24.6%*		*24.8%*	*24.8%*	
Distribution and administrative expenses		(668.7)	(638.4)	4.8%	(1,340.0)	(1,282.2)	4.5%
	as a % of sales	*(19.8)%*	*(20.0)%*		*(20.4)%*	*(20.4)%*	
EBITA		**161.0**	**146.1**	**10.2%**	**288.2**	**279.7**	**3.1%**
	as a % of sales	***4.8%***	***4.6%***		***4.4%***	***4.4%***	

Sales

In the first half of 2018, Rexel's consolidated sales amounted to €6,555.8 million, as compared to €6,663.0 million in the first half of 2017.

On a reported basis, sales were down 1.6% year-on-year, including a negative foreign exchange currency impact of 4.8% and a negative net effect from acquisitions and divestments of 0.9%.

- The negative impact of currency amounted to €317.3 million, mainly due to the depreciation of the US dollar against the euro.

- The negative net effect from acquisitions and divestments amounted to €57.0 million, reflecting the divestment of operations in South East Asia completed in 2017.

On a constant and same-day basis, sales increased by 4.5%, including a positive impact of 0.8 percentage point due to higher copper-based cable prices. By geography, Europe increased by 3.4%, North America increased by 5.1% and Asia-Pacific increased by 9.4%.

On a constant and actual number of working days basis, sales increased by 4.2%, impacted by an unfavorable calendar impact of 0.3 percentage point.

In the second quarter of 2018, Rexel's consolidated sales amounted to €3,373.6 million, as compared to €3,340.6 million in the second quarter of 2017.

On a reported basis, sales increased by 1.0% year-on-year, including a negative currency impact of 3.6% and a negative net scope effect of 0.9%.

On a constant and same-day basis, sales increased by 5.1%, including a positive impact of 0.7 percentage point due to copper-based cable prices. By geography, Europe increased by 4.0%, North America increased by 6.5% and Asia Pacific increased by 6.3%.

On a constant and actual number of working days basis, sales increased by 5.7%, including a favorable calendar impact of 0.6 percentage point.

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

	Q1	Q2	YTD
Growth on a constant and same-days basis	3.9%	5.1%	4.5%
Number of working days effect	(1.1)%	0.6%	(0.3)%
Growth on a constant and actual-day basis	***2.8%***	***5.7%***	***4.2%***
Changes in scope effect	(0.8)%	(0.9)%	(0.9)%
Foreign exchange effect	(6.0)%	(3.6)%	(4.8)%
Total scope and currency effect	***(6.8)%***	***(4.5)%***	***(5.6)%***
Growth on a reported basis (1)	**(4.2)%**	**1.0%**	**(1.6)%**

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

Gross profit

In the first half of 2018, gross profit amounted to €1,626.9 million, down 1.4%, on a reported basis, as compared to €1,650.2 million in the first half of 2017.

On a constant basis, adjusted gross profit increased by 4.2% and adjusted gross margin remains stable at 24.8% of sales.

In the second quarter of 2018, gross profit amounted to €830.2 million, up 2.1% on a reported basis as compared to €813.3 million in the second quarter of 2017.

On a constant basis, adjusted gross profit increased by 5.8% and adjusted gross margin increased by 2 basis points to 24.6% of sales, due to Asia Pacific and North America offsetting a deterioration in Europe.

Distribution & administrative expenses

In the first half of 2018, distribution and administrative expenses amounted to €1,339.9 million, a 1.3% decreased on a reported basis, as compared to €1,358.1 million in first half of 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 4.5%, representing 20.4% of sales in the first half of 2018 as compared to 20.4% in the first half of 2017.

In the second quarter of 2018, distribution and administrative expenses amounted to €668.7 million, up 0.4%, on a reported basis, as compared to €666.0 million in the second quarter of 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 4.8%, representing 19.8% of sales in the second quarter of 2018, a 18 basis points improvement as compared to 20.0% in the second quarter of 2017.

EBITA

In the first half of 2018, as a result, EBITA stood at €287.0 million, decreasing by 1.8%, on a reported basis, as compared to €292.1 million in the first half of 2017.

On a constant basis, adjusted EBITA increased by 3.1% to €288.2 million and adjusted EBITA margin stood at 4.4% of sales, down 5 basis points year on year.

In the second quarter of 2018, EBITA stood at €161.5 million, up 9.7%, on a reported basis, as compared to €147.3 million in the second quarter of 2017.

On a constant basis, adjusted EBITA increased by 10.2% to €161.0 million and adjusted EBITA margin stood at 4.8% of sales, as compared to 4.6% in the second quarter of 2017.

Other income and expenses

<u>In the first half of 2018</u>, other income and expenses represented a net expense of €60.7 million, consisting mainly of restructuring plans in Germany and Spain for the period ended June 30, 2018. These plans include the closure of a significant number of branches, the reorganization of logistics and the downsizing of headquarters in these countries.

<u>In the first half of 2017</u>, other income and expenses represented a net expense of €49.9 million, consisting mainly of:

- €13.9 million restructuring costs including €2.2 million due to changes in corporate senior management positions. Other restructuring costs were mainly related to reduction in workforce in Asia Pacific for €4.7 million, North America for €1.8 million and Europe for €4.9 million;
- €11.3 million associated with the disposal of Lenn International Pte. Lt, an Oil & Gas cable distributor in South East Asia;
- €9.1 million associated with the wind-up of the Oil & Gas business in Thailand due to market decline;
- €12.8 million Finland goodwill impairment due to lower than expected prospects.

Net Financial expenses

Net financial expenses decreased from €63.1 million in the first half of 2017 to €50.2 million in the first half of 2018. Excluding a €6.3m one-off expense recognized in the first half of 2017, net financial expenses were down by €6.6m as a result of a 40 basis points decrease in effective interest rate, from 3.25% in the first half of 2017 to 2.85% in the first half of 2018, thanks to refinancing transactions occurred in 2017 and a lower average net debt.

Tax expense

In the first half of 2018 income tax expense decreased to €66.9 million from €72.8 million in the first half of 2017 mainly as a result of the drop in the US Federal income tax rate (from 35% to 21%).

Effective tax rate for the period ended June 30, 2018 was 39.9% (43.0% in the first half 2017).

Net income

As a result of the above items, net income was up 4.2% at €100.8 million in the first half of 2018, as compared to €96.7 million in the first half of 2017.

1.2.2 | Europe (56% of Group sales)

REPORTED	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**1,858.6**	**1,797.4**	**3.4%**	**3,681.0**	**3,623.7**	**1.6%**
Gross profit	495.5	482.4	2.7%	994.7	992.2	0.3%
Distribution and administrative expenses	(388.3)	(381.5)	1.8%	(789.8)	(779.0)	1.4%
EBITA	**107.2**	**100.9**	**6.2%**	**204.9**	**213.2**	**(3.9)%**
as a % of sales	*5.8%*	*5.6%*		*5.6%*	*5.9%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**1,858.6**	**1,775.5**	**4.7%**	**3,681.0**	**3,575.9**	**2.9%**
Same-day basis			*4.0%*			*3.4%*
Gross profit	495.0	479.4	3.2%	996.1	974.0	2.3%
as a % of sales	*26.6%*	*27.0%*	*-37 bps*	*27.1%*	*27.2%*	*-18 bps*
Distribution and administrative expenses	(388.4)	(377.0)	3.0%	(789.9)	(768.7)	2.8%
as a % of sales	*(20.9)%*	*(21.2)%*	33 bps	*(21.5)%*	*(21.5)%*	4 bps
EBITA	**106.6**	**102.4**	**4.1%**	**206.2**	**205.3**	**0.4%**
as a % of sales	***5.7%***	***5.8%***		***5.6%***	***5.7%***	

Sales

In the first half of 2018, sales in Europe amounted to €3,681.0 million, a 1.6% increase on a reported basis, as compared to €3,623.7 million in first half of 2017.

Exchange rate variations accounted for a decrease of €47.9 million, mainly due to the depreciation of the Swedish krona, the Swiss franc and the British Pound against the Euro.

On a constant and same-day basis, sales increased by 3.4% as compared to the first half of 2017, including the positive impact of 0.7 percentage point due to the higher copper-based cable prices

In the second quarter of 2018, sales stood at €1,858.6 million, up 3.4% on a reported basis, as compared to €1,797.4 million in the second quarter of 2017.

On a constant and same-day basis, sales increased by 4.0%, including the positive impact of 0.7 percentage point due to the higher copper-based cable prices compared to the second quarter of 2017.

In **France**, sales amounted to €1,363.4 million in the first half of 2018, an increase of 3.8% as compared to the first half of 2017 on a constant and same-day basis, mainly driven by dynamic residential and industrial end-markets. By product, growth was fueled by HVAC.
In the second quarter of 2018, sales amounted to €679.9 million, an increase of 3.7% as compared to the second quarter of 2017 on a constant and same-day basis.

In **the United-Kingdom**, sales amounted to €410.2 million in the first half of 2018, a decrease of 4.9% from the first half of 2017 on a constant and same-day basis, mainly due to lower activity with four large C&I accounts. Sales force reorganization continued to temporary affect activity in a declining market.
In the second quarter of 2018, sales amounted to €199.5 million, a decrease of 4.2% from the second quarter of 2017 on a constant and same-day basis.

In **Germany**, sales stood at €404.3 million in the first half of 2018, a 1.5% increase from the first half of 2017 on a constant and same-day basis, benefiting from copper price increase on cables (which accounted for 1.4 percentage points).

In the second quarter of 2018, sales stood at €200.4 million, a 1.3% increase from the second quarter of 2017 on a constant and same-day basis.

In **Scandinavia** sales amounted to €468.0 million in the first half of 2018, an increase of 4.3% from the first half of 2017 on a constant and same-day basis, with contrasted performances in the three countries: +5.6% in Sweden, -4.0% in Norway and +12.4% in Finland. Sweden performance was driven by utilities and large C&I customers. Bad weather conditions and large contract loss in the first quarter of 2018 adversely impacted Norway sales, partially offset by a gain on C&I contract in the second quarter of 2018.

In the second quarter of 2018, sales amounted to €246.1 million, an increase of 6.8% from the second quarter of 2017 on a constant and same-day basis, with Sweden at +6.7%, Norway at +4.6% and Finland at +10.1%.

In **Belgium** and in **the Netherlands**, sales amounted respectively to €200.3 million and €145.0 million in the first half of 2018, an increase from the first half of 2017 of respectively 3.9% and 13.9% on a constant and same-day basis, mainly driven by photovoltaic sales.
In the second quarter of 2018, sales amounted respectively to €102.0 million and €75.2 million. Sales in Belgium increased by 6.5% on a constant and same-day basis. Sales in the Netherlands were up 14.4% on a constant and same-day basis.

In **Switzerland** and **Austria**, sales amounted respectively to €220.0 million and €171.0 million in the first half of 2018. Sales in Switzerland increased by 9.8% from the first half of 2017, on a constant and same-day basis, driven by the gain of a large C&I contract and by building installation business. Sales in Austria increased by 3.7% from the first half of 2017, on a constant and same-day basis.
In the second quarter of 2018, sales amounted respectively to €112.4 million and €87.9 million. Sales in Switzerland increased by 10.8% from the second quarter of 2017, on a constant and same-day basis. Sales in Austria grew by 3.2% from the second quarter of 2017, on a constant and same-day basis

In **Southern Europe**, sales amounted to €195.0 million in the first half of 2018, a 5.0% increase from the first half of 2017, on a constant and same-day basis. This reflects a 2.9% growth in Spain attributable to export activities, partly offset by a decrease in domestic sales. In Italy sales increased by 7.7% and by 7.4% in Portugal from the first half of 2017, on a constant and same-day basis.
In the second quarter of 2018, sales amounted to €101.2 million, a 4.2% increase from the second quarter of 2017, on a constant and same-day basis. This reflects a 3.2% increase in Spain attributable to export activities. Sales increased by 5.5% in Italy and by 6.0% in Portugal from the second quarter of 2017, on a constant and same-day basis.

Gross profit

In the first half of 2018, Europe recorded a gross profit of €994.7 million, up 0.3%, on a reported basis, as compared to €992.2 million in the first half of 2017.

On a constant basis, adjusted gross profit increased by 2.3% and adjusted gross margin decreased by 18 basis points to 27.1% of sales due to a competitive environment in Switzerland and Nordics as well as pressure on margins in the cable business in Germany.

In the second quarter of 2018, on a constant basis, adjusted gross profit increased by 3.2%, and adjusted gross margin decreased by 37 basis points at 26.6% of sales, as compared to the second quarter of 2017.

Distribution & administrative expenses

In the first half of 2018, distribution and administrative expenses amounted to €789.8 million, up 1.4%, on a reported basis, as compared to €779.0 million in the first half of 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 2.8% in the first half of 2018, reflecting sales volume growth and in particular variable freight-out costs, as well as inflation on salaries and benefits.

In the second quarter of 2018, on a constant basis, adjusted distribution and administrative expenses increased by 3.0%, representing 20.9% of sales in the second quarter of 2018, improving by 33 basis points as compared to 21.2% in the second quarter of 2017.

EBITA

In the first half of 2018, as a result, on a reported basis, EBITA amounted to €204.9 million, down 3.9% as compared to €213.2 million in the first half of 2017.

On a constant basis, adjusted EBITA increased by 0.4% from the first half of 2017 and adjusted EBITA margin decreased by 14 basis points to 5.6% of sales.

In the second quarter of 2018, on a constant basis, adjusted EBITA increased by 4.1% from the second quarter of 2017 and the adjusted EBITA margin decreased by 3 basis points to 5.7% of sales.

1.2.3 | North America (35% of Group sales)

REPORTED	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**1,205.0**	**1,210.1**	**(0.4)%**	**2,280.6**	**2,400.7**	**(5.0)%**
Gross profit	278.5	272.5	2.2%	524.5	542.3	(3.3)%
Distribution and administrative expenses	(224.1)	(225.4)	(0.6)%	(439.1)	(459.1)	(4.4)%
EBITA	**54.5**	**47.1**	**15.6%**	**85.4**	**83.2**	**2.6%**
as a % of sales	*4.5%*	*3.9%*		*3.7%*	*3.5%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**1,205.0**	**1,127.5**	**6.9%**	**2,280.6**	**2,170.0**	**5.1%**
Same-day basis			*6.5%*			*5.1%*
Gross profit	278.6	253.3	10.0%	524.5	488.2	7.4%
as a % of sales	*23.1%*	*22.5%*	*66 bps*	*23.0%*	*22.5%*	*50 bps*
Distribution and administrative expenses	(224.1)	(210.1)	6.6%	(439.1)	(414.6)	5.9%
as a % of sales	*(18.6)%*	*(18.6)%*	4 bps	*(19.3)%*	*(19.1)%*	-15 bps
EBITA	**54.6**	**43.2**	**26.4%**	**85.4**	**73.7**	**15.9%**
as a % of sales	***4.5%***	***3.8%***		***3.7%***	***3.4%***	

Sales

In the first half of 2018, sales in North America amounted to €2,280.6 million, down 5.0%, on a reported basis, as compared to €2,400.7 million in the first half of 2017.

Exchange rate variations accounted for a decrease of €230.7 million, mainly due to the depreciation of US dollar against the euro.

On a constant and same-day basis, sales increased by 5.1% as compared to the first half of 2017.

In the second quarter of 2018, sales stood at €1,205.0 million, down 0.4% on a reported basis, as compared to €1,210.1 million in the second quarter of 2017.

On a constant and same-day basis, sales increased by 6.5% from the second quarter of 2017.

In **the United States**, sales stood at €1,791.5 million in the first half of 2018, a 5.3% increase from the first half of 2017 on a constant and same-day basis, mainly due to branch openings accounting for 1.7 percentage points as well as a good commercial impact of the regional organization and the increasing demand in the Oil & Gas industry. Nevertheless, sales continued to be affected by lower wind and power projects.
In the second quarter of 2018, sales increased by 7.3% from the second quarter of 2017, on a constant and same-day basis.

In **Canada**, sales amounted to €489.1 million in the first half of 2018, up 4.4% from the first half of 2017 on a constant and same-day basis mainly driven by commercial end-market, as well as recovery in the Oil and Gas industry.
In the second quarter of 2018, sales increased by 4.0% from the second quarter of 2017, on a constant and same-day basis.

Gross profit

In the first half of 2018, in North America, gross profit amounted to €524.5 million, decreased by 3.3%, on a reported basis, as compared to €542.3 million in the first half of 2017.

On a constant basis, adjusted gross profit increased by 7.4% and adjusted gross margin is 50 basis points higher at 23.0% of sales compared to the first half of 2017, due to the offer plan improvement in the US.

In the second quarter of 2018, on a constant basis, adjusted gross profit increased by 10.0% and adjusted gross margin is 66 basis points higher at 23.1% as compared to the second quarter of 2017.

Distribution & administrative expenses

In the first half of 2018, distribution and administrative expenses amounted to €439.1 million, decreased by 4.4%, on a reported basis, as compared to €459.1 million in the first half of 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 5.9%, representing 19.3% of sales in the first half of 2018, a 15 basis points increase as compared to 19.1% in the first half of 2017, impacted by cost inflation and investments in the branch network and in the workforce.

In the second quarter of 2018, on a constant basis, adjusted distribution and administrative expenses increased by 6.6%, representing 18.6% of sales, stable year on year.

EBITA

In the first half of 2018, as a result, EBITA amounted to €85.4 million, up 2.6%, on a reported basis, as compared to €83.2 million in the first half of 2017.

On a constant basis, adjusted EBITA increased by 15.9% from the first half of 2017.

In the second quarter of 2018, on a constant basis, adjusted EBITA increased by 26.4% and the adjusted EBITA margin increased by 70 basis points to 4.5% of sales.

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

REPORTED	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**310.0**	**333.1**	**(6.9)%**	**594.1**	**638.6**	**(7.0)%**
Gross profit	56.2	58.4	(3.8)%	107.7	115.7	(7.0)%
Distribution and administrative expenses	(49.9)	(55.5)	(10.0)%	(97.8)	(114.3)	(14.4)%
EBITA	**6.3**	**2.9**	**115.4%**	**9.9**	**1.5**	**579.7%**
as a % of sales	*2.0%*	*0.9%*		*1.7%*	*0.2%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	**310.0**	**289.0**	**7.3%**	**594.1**	**542.9**	**9.4%**
Same-day basis			*6.3%*			*9.4%*
Gross profit	56.2	51.8	8.6%	107.7	99.7	8.0%
as a % of sales	*18.1%*	*17.9%*	*22 bps*	*18.1%*	*18.4%*	*-24 bps*
Distribution and administrative expenses	(49.9)	(47.6)	4.8%	(97.8)	(93.2)	4.9%
as a % of sales	*(16.1)%*	*(16.5)%*	38 bps	*(16.5)%*	*(17.2)%*	71 bps
EBITA	**6.3**	**4.1**	**52.1%**	**9.9**	**6.5**	**52.9%**
as a % of sales	***2.0%***	***1.4%***		***1.7%***	***1.2%***	

Sales

In the first half of 2018, sales in Asia-Pacific amounted to €594.1 million, down 7.0%, on a reported basis, as compared to €638.6 million in the first half of 2017.

Exchange rate variations accounted for a decrease of €38.7 million, primarily due to the depreciation of the Australian Dollar against the euro.

The negative effect scope effect was €57.0 million and was associated to the divestment of South East Asia operations.

On a constant and same-day basis, sales increased by 9.4% as compared to the first half of 2017.

In the second quarter of 2018, sales stood at €310.0 million, a 6.9% drop on a reported basis, as compared to €333.1 million in the second quarter of 2017.

On a constant and same-day basis, sales increased by 6.3% from the second quarter of 2017, mainly driven by China (+3.4%).

In **Australia**, sales amounted to €253.2 million in the first half of 2018, a 5.1% increase from the first half of 2017, on a constant and same-day basis, driven by good momentum in residential and industrial end-markets.
In the second quarter of 2018, sales increased by 1.3% from the second quarter of 2017, on a constant and same-day basis, adversely impacted by the disposal of the Rockwell automation business, effective on April 30, 2018. Excluding this impact, sales were up 4.6%.

In **China**, sales amounted to €237.5 million in the first half of 2018, a 6.5% increase compared to the first half of 2017, on a constant and same-day basis, mainly driven by industrial automation products and solutions.
In the second quarter of 2018, sales increased by 3.4% from the second quarter of 2017, on a constant and same-day basis.

In addition, Asia-Pacific sales performance was enhanced by a large non-recurring project in the Middle East which contributed for €13.3m in the first half of 2018 and €6.3m in the second quarter.

Gross profit

In the first half of 2018, in Asia-Pacific, gross profit amounted to €107.7 million, down 7.0%, on a reported basis, as compared to €115.7 million in the first half of 2017.

On a constant basis, adjusted gross profit increased by 8.0% and adjusted gross margin was 18.1% of sales, a 24 basis-point decrease as compared to the first half of 2017, mainly impacted by a higher weight of project activity in the sales with lower than average margins and in particular in the Middle East.

In the second quarter of 2018, on a constant basis, adjusted gross profit increased by 8.6% and adjusted gross margin was 18.1% of sales, an increase of 22 basis points from the second quarter of 2017.

Distribution & administrative expenses

In the first half of 2018, on a reported basis, distribution and administrative expenses amounted to €97.8 million, decreased by 14.4% as compared to €114.3 million in the first half of 2017.

On a constant basis, adjusted distribution and administrative expenses increased by 4.9% from the first half of 2017, representing 16.5% of sales in the first half of 2018, a 71 basis-point improvement as compared to the first half of 2017, reflecting initiatives to boost sales in China and Australia.

In the second quarter of 2018, on a constant basis, adjusted distribution and administrative expenses increased by 4.8%, representing 16.1% of sales in the second quarter of 2018, an improvement of 38 basis points compared to the second quarter of 2017.

EBITA

In the first half of 2018, as a result, EBITA amounted to €9.9 million, up 579.7%, on a reported basis, as compared to €1.5 million in the first half of 2017.

On a constant basis, adjusted EBITA increased by 52.9% from the first half of 2017 and adjusted EBITA margin increased by 47 basis points to 1.7% of sales.

In the second quarter of 2018, on a constant basis, adjusted EBITA increased by 52.1% while the adjusted EBITA margin increased by 60 basis points to 2.0% of sales.

1.2.5 | Other operations

REPORTED	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	-	-	**n.a.**	-	-	**n.a.**
Gross profit	(0.0)	-	n.a.	0.0	(0.0)	n.a.
Distribution and administrative expenses	(6.3)	(3.6)		(13.2)	(5.7)	130.3%
EBITA	**(6.4)**	**(3.6)**	**75.0%**	**(13.2)**	**(5.8)**	**129.1%**
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended June 30,			Semester ended June 30,		
(in millions of euros)	2018	2017	Change in %	2018	2017	Change in %
Sales	-	-	**n.a.**	-	-	**n.a.**
Gross profit	(0.0)	-	n.a.	0.0	(0.0)	n.a.
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	
Distribution and administrative expenses	(6.3)	(3.6)	75.3%	(13.2)	(5.7)	131.2%
as a % of sales	*n.a.*	*n.a.*		*n.a.*	*n.a.*	
EBITA	**(6.4)**	**(3.6)**	75.4%	**(13.2)**	**(5.7)**	**130.0%**
as a % of sales	***n.a.***	***n.a.***		***n.a.***	***n.a.***	

This segment mostly includes unallocated corporate-hosted expenses. In the first half of 2018, EBITA was negative by €13.2 million compared to €5.7 million in the first half of 2017, due to lower corporate overhead costs allocated to countries, non-recurring impact from long-term incentives and additional depreciation related to investment on IT & digital.

1.3 | Outlook

Rexel first half is in line with its expectations. Rexel confirm its financial targets for the full year, as announced in February.

Rexel targets at comparable scope of consolidation and exchange rates**:**

- sales up in the low single digits (on a same-day basis);
- a mid to high-single-digit increase in adjusted EBITA;
- a further improvement of the indebtedness ratio (net debt-to-EBITDA).

1.4 | Risk factors and uncertainties

Group activities are facing certain macroeconomic, business, operational, market and legal risk factors. The main risk factors to which the Group is exposed are described in the section “Risk factors” of the 2017 Registration Document filed with the *Autorité des Marchés Financiers* on April 14, 2018 under the number D.18-0263. There has not been any significant change in these risk factors in the first half of 2018.

2. | LIQUIDITY AND CAPITAL RESOURCES

2.1 | Cash flow

(in millions of euros)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	*Change*	Semester ended June 30, 2018	Semester ended June 30, 2017	*Change*
Operating cash flow	169.3	148.8	20.5	299.6	296.9	*2.7*
Interest	(20.6)	(25.9)	5.3	(41.8)	(51.6)	*9.8*
Taxes	(1.5)	(39.3)	37.7	(24.0)	(63.5)	*39.5*
Change in working capital requirements	(23.3)	8.6	(31.9)	(249.6)	(320.6)	*70.9*
Net cash flow from operating activities	**123.9**	**92.3**	**31.7**	**(15.9)**	**(138.8)**	***122.9***
Net cash flow from investing activities	**(6.4)**	**(21.4)**	**14.9**	**(32.1)**	**(48.8)**	***16.6***
o.w. Operating capital expenditures [(1)]	*(9.0)*	*(27.4)*	*18.4*	*(32.1)*	*(53.0)*	*20.8*
Net cash flow from financing activities	**(50.7)**	**(304.0)**	**253.3**	**(55.7)**	**11.4**	***(67.1)***
Net cash flow	**66.8**	**(233.1)**	**299.9**	**(103.7)**	**(176.1)**	***72.5***
				June 30, 2018	**June 30, 2017**	
WCR as a % of sales [(2)] **at:**						
Constant basis				11.3%	11.4%	

(1) Net of disposals.

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

2.1.1 | Cash flow from operating activities

Rexel's net cash flow from operating activities was an outflow of €15.9 million in the first half of 2018 compared to €138.8 million in the first half of 2017.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements slightly improved from €296.9 million in the first half of 2017 to €299.6 million in the first half of 2018 in spite of adverse foreign exchange and copper price impacts.

Interest and taxes

Net interest paid decreased from €51.6 million in the first half of 2017 to €41.8 million in the first half of 2018, thanks to the refinancing in 2017 of the senior notes at lower interest rates.

Income tax paid decreased from €63.5 million in the first half of 2017 to €24.0 million in the first half of 2018, as a result of the refund in the first half of 2018 of the excess of tax installments paid in 2017 in respect of French corporate tax as well as a claim of the French tax on dividends.

Change in working capital requirements

Change in working capital requirements accounted for an outflow of €249.6million in the first half of 2018 as compared to €320.6 million in the first half of 2017, improving by €70.9 million, mainly due to lower payments to supplier in the first half of 2018 as compared to the first half of 2017.
As a percentage of sales over the last 12 months, on a constant basis, working capital requirements amounted to 11.3% of sales as of June 30, 2018 as compared to 11.4% as of June 30, 2017, a 10 basis-point improvement.

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 €32.1 million outflow in the first half of 2018, as compared to an outflow of €48.8 million in the first half of 2017.

(in millions of euros)	Quarter ended June 30, 2018	Quarter ended June 30, 2017	Semester ended June 30, 2018	Semester ended June 30, 2017
Acquisitions of operating fixed assets	*-26.2*	*-30.4*	*-50.4*	*-51.4*
Proceed from disposal of operating fixed assets	*18.7*	*1.1*	*19.6*	*1.4*
Net change in debts and receivables on fixed assets	*-1.5*	*1.8*	*-1.3*	*-3.0*
Net cash flow from capital expenditures	**-9.0**	**-27.4**	**-32.1**	**-53.0**
Acquisition of subsidiaries, net of cash acquired	*0.0*	*0.0*	*-0.2*	*0.0*
Proceeds from disposal of subsidiaries, net of cash disposed of		*3.5*		*3.5*
Net cash flow from financial investments	**0.0**	**3.5**	**-0.2**	**3.5**
Net change in long-term investments	**2.6**	**2.5**	**0.2**	**0.7**
Net cash flow from investing activities	**-6.4**	**-21.4**	**-32.1**	**-48.8**

Acquisitions and disposals of operating fixed assets

Acquisitions of operating fixed assets, net of disposals, accounted for an outflow of €32.1 million in the first half of 2018, as compared to €53.0 million in the first half of 2017.

In the first half of 2018, gross capital expenditures stood at €50.4 million (€51.4 million in the first half of 2017), i.e. 0.8% of sales for the period. Disposals of fixed assets were €19.6 million (€1.4 million in the first half of 2017), including the disposal of Rockwell automation business.

Financial investments

Financial investments were nil in the first half of 2018 as well as in the first half of 2017.

2.1.3 | Cash flow from financing activities

In the first half of 2018, cash flow from financing activities represented a net cash outflow of €55.7 million, resulting mainly from the:

- Decrease of €52.3 million in assigned receivables associated with securitization programs;
- €8.7 million outflow associated with purchase of treasury shares

partially compensated by the:

- €7.0 million increase in credit facilities and commercial papers.

In the first half of 2017, cash flow from financing activities reflected a net cash inflow of €11.4 million, resulting mainly from the:

- Redemption of the remaining outstanding 5.25% US$330 million senior notes due 2020 for €302.3 million including a redemption premium of €6.3 million;
- Decrease of €59.5 million in assigned receivables associated with securitization programs;

partially compensated by the:

- €300 million issuance of senior notes due 2024 with coupons of 2.625% for an amount net of transaction costs of €295.8 million;
- €80.0 million increase in credit facilities and commercial papers.

2.2 | Sources of financing

In addition to the cash from operations, the Group's main sources of financing are bond issuances, securitization programs and multilateral credit lines. At June 30, 2018, Rexel's consolidated net debt amounted to €2,112.4 million, consisting of the following items:

	As of June 30, 2018			As of December 31, 2017		
(in millions of Euros)	Current	Non current	Total	Current	Non current	Total
Senior notes	-	1,451.5	1,451.5	-	1,446.6	1,446.6
Securization	113.4	843.8	957.2	-	1,007.6	1,007.6
Bank loans	12.4	1.3	13.8	12.1	1.8	13.9
Commercial paper	48.0	-	48.0	41.7	-	41.7
Bank overdrafts and other credit facilities	105.6	-	105.6	100.6	-	100.6
Finance lease obligations	6.0	12.8	18.8	6.2	14.3	20.5
Accrued interest	4.7	-	4.7	6.3	-	6.3
Less transaction costs	(4.4)	(18.4)	(22.8)	(5.1)	(19.7)	(24.7)
Total financial debt and accured interest	**285.7**	**2,291.0**	**2,576.7**	**161.8**	**2,450.5**	**2,612.3**
Cash and cash equivalents			(452.7)			(563.6)
Accrued interest receivables			(1.3)			(1.0)
Debt hedge derivatives			(10.2)			(6.5)
Net financial debt			**2,112.4**			**2,041.2**

At June 30, 2018, the Group's liquidity amounted to €1,183.4 million (€1,304.7 million at December 31, 2017).

In millions of Euros	June 30, 2018	December 31, 2017 (1)
Cash and cash equivalents	452.7	563.6
Bank overdrafts	(105.6)	(100.6)
Commercial paper	(48.0)	(41.7)
Undrawn Senior credit agreement	850.0	850.0
Bilateral facilities	34.3	33.4
Liquidity	**1,183.4**	**1,304.7**

(1) Taking into consideration the amendement of the senior facility agreement extended on January 31, 2018.

Senior Credit Facility Agreement

Under the Senior Credit Facility Agreement, Rexel must maintain a leverage ratio below 3.50 times as at June 30 and December 31 of each year. The indebtedness ratio, as calculated under the terms of the senior credit agreement, stood at 2.91x as of June 30, 2018 (as compared to 2.84x as of December 31, 2017 and 3.33x as of June 30, 2017).

II. Condensed consolidated Interim financial statements as of June 30, 2018 (unaudited[1])

1. The condensed consolidated interim financial statements as of June 30, 2018 have been subjected to a limited review by Rexel's statutory auditors. The statutory auditors' review report on the 2018 half year information is presented after the condensed consolidated interim financial statements.

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Consolidated income statement (unaudited)

(in millions of euros)	***Note***	**For the quarter ended June 30, 2018**	**For the quarter ended June 30, 2017 (1)**	**For the period ended June 30, 2018**	**For the period ended June 30, 2017 (1)**
Sales	***3***	3,373.6	3,340.6	6,555.8	6,663.0
Cost of goods sold		(2,543.4)	(2,527.3)	(4,928.9)	(5,012.8)
Gross profit		**830.2**	**813.3**	**1,626.9**	**1,650.2**
Distribution and administrative expenses	***4***	(672.6)	(670.8)	(1,348.2)	(1,367.8)
Operating income before other income and expenses		**157.7**	**142.5**	**278.6**	**282.4**
Other income	***5***	3.4	3.7	4.7	4.0
Other expenses	***5***	(56.8)	(43.9)	(65.4)	(53.9)
Operating income		**104.3**	**102.3**	**217.9**	**232.5**
Financial income		0.7	0.3	1.6	0.8
Interest expense on borrowings		(20.0)	(23.8)	(38.8)	(46.6)
Non-recurring redemption costs		-	0.4	-	(6.3)
Other financial expenses		(6.0)	(6.4)	(13.0)	(10.9)
Net financial expenses	***6***	***(25.3)***	***(29.5)***	***(50.2)***	***(63.1)***
Net income before income tax		**79.1**	**72.9**	**167.7**	**169.4**
Income tax	***7***	(38.9)	(39.3)	(66.9)	(72.8)
Net income from continuing operations		**40.2**	**33.6**	**100.8**	**96.7**
Portion attributable:					
to the equity holders of the parent		*40.0*	*35.0*	*100.7*	*98.4*
to non-controlling interests		*0.1*	*(1.4)*	*0.1*	*(1.6)*
Earnings per share:					
Basic earnings per share (in euros)	***9***	*0.13*	*0.12*	*0.33*	*0.33*
Fully diluted earnings per share (in euros)	***9***	*0.13*	*0.12*	*0.33*	*0.32*

(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)

		For the quarter ended June 30,		For the period ended June 30,	
(in millions of euros)	***Note***	**2018**	**2017 [1]**	**2018**	**2017 [1]**
Net income		**40.2**	**33.6**	**100.8**	**96.7**
Items to be reclassified to profit and loss in subsequent periods					
Net gain / (loss) on net investment hedges		(10.6)	18.0	(6.1)	20.0
Income tax		3.6	(6.2)	2.1	(6.9)
Sub-total		**(7.0)**	**11.8**	**(4.0)**	**13.1**
Foreign currency translation adjustment		86.6	(136.0)	15.5	(153.1)
Income tax		(11.9)	17.6	(6.4)	21.1
Sub-total		**74.7**	**(118.4)**	**9.1**	**(132.1)**
Net gain / (loss) on cash flow hedges		1.2	0.4	3.5	0.9
Income tax		(0.4)	(0.1)	(1.2)	(0.3)
Sub-total		**0.8**	**0.2**	**2.3**	**0.6**
Items not to be reclassified to profit and loss in subsequent periods					
Remeasurements of net defined benefit liability	***11***	2.7	5.7	22.7	(16.3)
Income tax		(0.8)	(1.1)	(1.5)	0.1
Sub-total		**1.9**	**4.6**	**21.2**	**(16.2)**
Other comprehensive income / (loss) for the period, net of tax		**70.4**	**(101.7)**	**28.6**	**(134.6)**
Total comprehensive income / (loss) for the period, net of tax		**110.6**	**(68.1)**	**129.4**	**(37.9)**
Portion attributable:					
to the equity holders of the parent		*110.3*	*(66.2)*	*129.2*	*(35.8)*
to non-controlling interests		*0.2*	*(1.9)*	*0.2*	*(2.1)*

(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 Balance Sheet (unaudited)

(in millions of euros)	*Note*	As of June 30, 2018	As of December 31, 2017 [(1)]
Assets			
Goodwill		3,912.7	3,914.9
Intangible assets		1,045.9	1,049.7
Property, plant and equipment		267.7	272.0
Long-term investments		43.5	38.0
Deferred tax assets		57.3	96.6
Total non-current assets		**5,327.1**	**5,371.2**
Inventories		1,623.5	1,544.9
Trade accounts receivable		2,287.2	2,074.4
Current tax assets		22.1	48.1
Other accounts receivable		504.4	512.7
Cash and cash equivalents	***12.1***	452.7	563.6
Total current assets		**4,890.0**	**4,743.7**
Total assets		**10,217.1**	**10,114.9**
Equity			
Share capital		1,519.5	1,516.7
Share premium		1,563.4	1,559.2
Reserves and retained earnings		1,068.4	1,079.5
Total equity attributable to equity holders of the parent		**4,151.3**	**4,155.4**
Non-controlling interests		2.4	2.2
Total equity		**4,153.7**	**4,157.6**
Liabilities			
Interest bearing debt (non-current part)	***12.1***	2,291.0	2,450.5
Net employee defined benefit liabilities		283.4	319.9
Deferred tax liabilities		163.0	172.8
Provision and other non-current liabilities		96.7	56.3
Total non-current liabilities		**2,834.1**	**2,999.6**
Interest bearing debt (current part)	***12.1***	281.0	155.5
Accrued interest	***12.1***	4.7	6.3
Trade accounts payable		2,097.3	2,034.8
Income tax payable		31.6	34.8
Dividends payable	***8***	126.9	-
Other current liabilities		687.9	726.3
Total current liabilities		**3,229.3**	**2,957.7**
Total liabilities		**6,063.4**	**5,957.3**
Total equity and liabilities		**10,217.1**	**10,114.9**

(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 Cash Flows (unaudited)

(in millions of euros)	***Note***	For the quarter ended June 30, **2018**	For the quarter ended June 30, **2017 (1)**	For the period ended June 30, **2018**	For the period ended June 30, **2017 (1)**
Cash flows from operating activities					
Operating income		104.3	102.3	217.9	232.5
Depreciation, amortization and impairment of assets and assets write off	***4-5***	28.4	54.0	57.2	83.8
Employee benefits		(4.0)	(6.3)	(15.8)	(11.2)
Change in other provisions		42.2	(8.3)	41.1	(15.0)
Other non-cash operating items		(1.6)	7.0	(0.9)	6.7
Interest paid		(20.6)	(25.9)	(41.8)	(51.6)
Income tax paid		(1.5)	(39.3)	(24.0)	(63.5)
Operating cash flows before change in working capital requirements		***147.2***	***83.6***	***233.7***	***181.8***
Change in inventories		(35.1)	11.6	(73.4)	(56.7)
Change in trade receivables		(100.9)	(76.3)	(205.3)	(175.7)
Change in trade payables		125.4	74.2	58.2	(66.5)
Change in other working capital items		(12.7)	(0.9)	(29.2)	(21.7)
Change in working capital requirements		***(23.3)***	***8.6***	***(249.6)***	***(320.6)***
Net cash from operating activities		**123.9**	**92.3**	**(15.9)**	**(138.8)**
Cash flows from investing activities					
Acquisition of tangible and intangible assets		(27.7)	(28.6)	(51.7)	(54.4)
Proceeds from disposal of tangible and intangible assets		18.7	1.1	19.6	1.4
Acquisitions of subsidiaries, net of cash acquired		-	-	(0.2)	-
Proceeds from disposal of subsidiaries, net of cash disposed of		-	3.5	-	3.5
Change in long-term investments		2.6	2.5	0.2	0.7
Net cash from investing activities		**(6.4)**	**(21.4)**	**(32.1)**	**(48.8)**
Cash flows from financing activities					
Insuance of capital		-	-	-	0.5
Disposal / (Purchase) of treasury shares		(9.7)	(2.7)	(8.7)	(1.1)
Issuance of senior notes net of transaction costs	***12.2***	-	-	-	295.8
Repayment of senior notes	***12.2***	-	(302.3)	-	(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***	(74.6)	(36.9)	7.0	80.0
Net change in securitization	***12.2***	34.6	38.7	(52.3)	(59.5)
Net change in finance lease liabilities	***12.2***	(1.1)	(0.8)	(1.7)	(2.4)
Net cash from financing activities		**(50.7)**	**(304.0)**	**(55.7)**	**11.4**
Net (decrease) / increase in cash and cash equivalents		**66.8**	**(233.1)**	**(103.7)**	**(176.1)**
Cash and cash equivalents at the beginning of the period		394.3	676.1	563.6	619.3
Effect of exchange rate changes on cash and cash equivalents		(8.4)	16.0	(7.2)	15.9
Cash and cash equivalents at the end of the period		**452.7**	**459.0**	**452.7**	**459.0**

(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 Changes in Equity (unaudited)

(in millions of euros)	Note	Share capital	Share premium	Retained earnings	Foreign currency translation	Cash flow hedge reserve	Remea-surement of net defined benefit liability	**Total attributable to the equity holders of the parent**	Non-controlling interests	**TOTAL EQUITY**
							11			
For the period ended June 30, 2017										
As of January 1, 2017 (as reported)		**1,514.5**	**1,561.2**	**1,303.1**	**185.5**	**(0.7)**	**(185.6)**	**4,378.1**	**5.2**	**4,383.3**
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)**
As of January 1, 2017 [(1)]		**1,514.5**	**1,561.2**	**1,297.2**	**185.5**	**(0.7)**	**(185.6)**	**4,372.2**	**5.2**	**4,377.4**
Net income		-	-	98.4	-	-	-	**98.4**	(1.6)	96.7
Other comprehensive income		-	-	-	(118.5)	0.6	(16.2)	**(134.1)**	(0.5)	(134.6)
Total comprehensive income for the period		**-**	**-**	**98.4**	**(118.5)**	**0.6**	**(16.2)**	**(35.8)**	**(2.1)**	**(37.9)**
Cash dividends	**8**	-	-	(120.8)	-	-	-	**(120.8)**	-	(120.8)
Share capital increase		1.6	7.1	(8.1)	-	-	-	**0.6**	-	0.6
Share-based payments		-	-	(0.4)	-	-	-	**(0.4)**	-	(0.4)
Disposal / (Purchase) of treasury shares		-	-	(1.1)	-	-	-	**(1.1)**	-	(1.1)
As of June 30, 2017 [(1)]		**1,516.1**	**1,568.3**	**1,265.1**	**67.0**	**(0.1)**	**(201.9)**	**4,214.7**	**3.0**	**4,217.7**
For the period ended June 30, 2018										
As of January 1, 2018		**1,516.7**	**1,559.2**	**1,287.5**	**(20.1)**	**2.6**	**(190.5)**	**4,155.4**	**2.2**	**4,157.6**
Net income		-	-	100.7	-	-	-	**100.7**	0.1	100.8
Other comprehensive income		-	-	-	5.0	2.3	21.2	**28.5**	0.1	28.6
Total comprehensive income for the period		**-**	**-**	**100.7**	**5.0**	**2.3**	**21.2**	**129.2**	**0.2**	**129.4**
Cash dividends	**8**	-	-	(126.9)	-	-	-	**(126.9)**	-	(126.9)
Share capital increase		2.8	4.2	(7.0)	-	-	-	**-**	-	-
Share-based payments		-	-	2.2	-	-	-	**2.2**	-	2.2
Disposal / (Purchase) of treasury shares		-	-	(8.5)	-	-	-	**(8.5)**	-	(8.5)
As of June 30, 2018		**1,519.5**	**1,563.4**	**1,248.0**	**(15.1)**	**4.9**	**(169.3)**	**4,151.3**	**2.4**	**4,153.7**

(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 June 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 June 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 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).

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

2.2 | Basis of preparation

The condensed financial statements as of June 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:

(in millions of euros)	For the year ended December 31, 2017			
	As reported	**Adjustments (1)**		**IFRS 15 restated (1)**
Sales	13,310.1	(7.1)	(2)	13,303.0
Cost of goods sold	(10,045.9)	25.0	(3)	(10,020.9)
Gross profit	**3,264.2**	**17.9**		**3,282.1**
Distribution and administrative expenses	(2,688.9)	(18.1)	(4)	(2,707.0)
Operating income	**322.3**	**(0.2)**		**322.1**
Net income before income tax	**176.4**	**0.1**		**176.5**
Income tax	(71.5)	(0.4)		(71.9)
Net income	**104.9**	**(0.3)**		**104.7**

(1) IFRS 15 adjustments for the year ended December 31, 2017 have been revised as compared to those reported in the condensed consolidated interim financial statements as of March 31, 2018 following additional information available after the transition date with respect to delivery services invoiced to customers (see **(4)**).

(2) 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 **(3)**) 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 **(4)**).

(3) 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 approximatively 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.

(4) 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 March 31, 2017 and for quarter ended June 30, 2017, the impacts of IFRS 15 on the income statement were as follows:

(in millions of euros)	For the quarter ended March 31, 2017 As reported	Adjustments [(1)]	IFRS 15 restated [(1)]	For the quarter ended June 30, 2017 As reported	Adjustments	IFRS 15 restated
Sales	3,323.1	(0.6)	3,322.4	3,342.8	(2.2)	3,340.6
Cost of goods sold	(2,490.8)	5.3	(2,485.5)	(2,533.7)	6.4	(2,527.3)
Gross profit	**832.3**	**4.7**	**837.0**	**809.0**	**4.2**	**813.3**
Distribution and administrative expenses	(692.7)	(4.4)	(697.0)	(666.3)	(4.5)	(670.8)
Operating income	**129.8**	**0.4**	**130.2**	**102.6**	**(0.3)**	**102.4**
Net income before income tax	**96.1**	**0.5**	**96.6**	**73.1**	**(0.2)**	**72.9**
Income tax	(33.3)	(0.1)	(33.5)	(39.4)	0.1	(39.3)
Net income	**62.8**	**0.4**	**63.1**	**33.7**	**(0.1)**	**33.6**

(1) IFRS 15 adjustments for the quarter ended March 31, 2017 have been revised as compared to those reported in the condensed consolidated interim financial statements as of March 31, 2018 following additional information available after the transition date with respect to delivery services invoiced to customers.

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

(in millions of euros)	For the period ended June 30, 2017 As reported	Adjustments	IFRS 15 restated
Sales	6,665.9	(2.9)	6,663.0
Cost of goods sold	(5,024.6)	11.8	(5,012.8)
Gross profit	**1,641.3**	**8.9**	**1,650.2**
Distribution and administrative expenses	(1,359.0)	(8.8)	(1,367.8)
Operating income	**232.4**	**0.1**	**232.5**
Net income before income tax	**169.2**	**0.3**	**169.5**
Income tax	(72.7)	(0.0)	(72.8)
Net income	**96.4**	**0.3**	**96.7**

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.

(in millions of euros)	**Original classification and measurement under IAS 39**	**New classification and measurement under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Financial assets				
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 elligible 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
Total non-current financial assets ………………………………			**37.8**	**37.8**
Trade accounts receivable [(1)] …………………………………………	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 elligible to hedge accounting…….	FVPL	FVPL	0.1	**0.1**
Total current financial assets ……………………………………			**2,513.3**	**2,509.5**
Cash ……………………………………………………………………	Loans & Receivables	Amortized cost	563.6	563.6
Total financial assets…………………………………………………			**3,114.7**	**3,110.9**

[(1)] Trade accounts receivables adjusted for the impact of expected credit losses under IFRS 9

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

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 six months ended June 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 June 30, 2018 and 2017 and for the period ended June 30, 2018 and 2017

2018 *(in millions of euros)*	Europe	North America	Asia-Pacific	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
For the quarter ended June 30,						
Sales to external customers……………………	1,858.6	1,205.0	310.0	**3,373.6**	-	**3,373.6**
EBITA [(1)] …………………………………	107.2	54.5	6.3	**167.9**	(6.4)	**161.5**

2017 [(2)] *(in millions of euros)*	Europe	North America	Asia-Pacific	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
For the quarter ended June 30,						
Sales to external customers…………………	1,797.4	1,210.1	333.1	**3,340.6**	-	**3,340.6**
EBITA [(1)] …………………………………	100.9	47.1	2.9	**150.9**	(3.6)	**147.3**
Goodwill impairment……………………………	(12.8)	-	-	**(12.8)**	-	**(12.8)**

2018 *(in millions of euros)*	Europe	North America	Asia-Pacific	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
For the period ended June 30,						
Sales to external customers …………………..	3,681.0	2,280.6	594.1	**6,555.8**	-	**6,555.8**
EBITA [(1)] …………………………………	204.9	85.4	9.9	**300.2**	(13.2)	**287.0**
As of June 30,						
Working capital………………………………	776.5	700.6	156.3	**1,633.4**	(132.2)	**1,501.2**
Goodwill ………………………………………	2,375.1	1,395.3	142.3	**3,912.7**	-	**3,912.7**

2017 [(2)] *(in millions of euros)*	Europe	North America	Asia-Pacific	**Total Operating Segments**	Corporate Holdings and other reconciling items	**Total Group**
For the period ended June 30,						
Sales to external customers …………………..	3,623.7	2,400.7	638.6	**6,663.0**	-	**6,663.0**
EBITA [(1)] …………………………………	213.2	83.2	1.5	**297.9**	(5.8)	**292.1**
Goodwill impairment……………………………	(12.8)	-	-	**(12.8)**	-	**(12.8)**
As of December 31,						
Working capital………………………………	668.7	616.9	121.3	**1,406.9**	(36.9)	**1,369.9**
Goodwill ………………………………………	2,377.4	1,380.4	157.1	**3,914.9**	-	**3,914.9**

(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:

(in millions of euros)	For the quarter ended June 30, 2018	2017 (1)	For the period ended June 30, 2018	2017 (1)
EBITA	**161.5**	**147.3**	**287.0**	**292.1**
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities	(3.9)	(4.8)	(8.3)	(9.7)
Other income and other expenses	(53.3)	(40.1)	(60.7)	(49.9)
Net financial expenses	(25.3)	(29.5)	(50.2)	(63.1)
Net income before tax	**79.1**	**72.9**	**167.7**	**169.4**

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

(in millions of euros)	As of June 30, 2018	As of December 2017 (1)
Working capital	1,501.2	1,369.9
Goodwill	3,912.7	3,914.9
Total allocated assets & liabilities	**5,413.8**	**5,284.8**
Liabilities included in allocated working capital	2,911.9	2,759.9
Accrued interest receivable	1.3	1.0
Other non-current assets	1,357.2	1,359.7
Deferred tax assets	57.3	96.6
Current tax assets	22.1	48.1
Derivatives	0.8	1.1
Cash and cash equivalents	452.7	563.6
Group consolidated total assets	**10,217.1**	**10,114.9**

(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).

4. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

(in millions of euros)	For the period ended June 30, 2018	2017 (1)
Personnel costs (salaries & benefits)	816.4	826.0
Building and occupancy costs	136.3	139.1
Other external costs	326.0	330.4
Depreciation expense	48.5	49.5
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities	8.3	9.7
Bad debt expense	12.7	13.1
Total distribution and administrative expenses	**1,348.2**	**1,367.8**

(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).

5. | OTHER INCOME & OTHER EXPENSES

(in millions of euros)		For the period ended June 30, 2018	2017
Gains on disposal of tangible assets	(1)	3.1	0.1
Release of unused provisions		0.7	0.3
Gains on earn-out		0.3	2.0
Other operating income		0.5	1.5
Total other income		**4.7**	**4.0**
Restructuring costs	(2)	(59.5)	(13.9)
Shut-Down of Oil & Gas business in Thailand	(3)	-	(9.1)
Disposal loss of Oil & Gas business in Singapore	(4)	-	(11.3)
Losses on non-current assets disposed of		(0.4)	(2.3)
Asset write-offs		(0.4)	-
Impairment of goodwill	(5)	-	(12.8)
Acquisition related costs		-	(0.1)
Other operating expenses		(5.1)	(4.4)
Total other expenses		**(65.4)**	**(53.9)**

(1) Of which €1.8 million gain on disposal of the Rockwell Automation business in Australia for the period ended June 30, 2018.

(2) Mainly related to restructuring plans in Germany and Spain for the period ended June 30, 2018. These plans include branch closures, logistic reorganization and headquarters downsizing in these countries.

(3) Shut-down of Oil & Gas business in Thailand as a result of market decline. Wind-up costs mainly consisted 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. | NET FINANCIAL EXPENSES

(in millions of euros)	For the period ended June 30, 2018	2017 (1)	
Interest income on cash and cash equivalents	0.7	-	
Interest income on receivables and loans	0.9	0.8	
Financial income	**1.6**	**0.8**	
Interest expense on financial debt (stated at amortized cost)	(40.2)	(48.7)	
Interest gain / (expense) on interest rate derivatives	3.3	1.5	
Change in fair value of interest rate derivatives through profit and loss	(1.9)	0.6	
Financial expense on borrowings	**(38.8)**	**(46.6)**	
Non-recurring redemption costs	**-**	**(6.3)**	(2)
Foreign exchange gain (loss)	*0.6*	*(9.6)*	
Change in fair value of exchange rate derivatives through profit and loss	*0.3*	*10.8*	
Net foreign exchange gain (loss)	0.9	1.1	
Net financial expense on employee benefit obligations	(4.2)	(4.9)	
Others	(9.7)	(7.2)	
Other financial expenses	**(13.0)**	**(10.9)**	
Net financial expenses	**(50.2)**	**(63.1)**	

(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. The effective tax rate for the period ending June 30, 2018 is 39.9%, compared with 43.0% for the period ended June 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 June 30,	
	2018	**2017**
Dividends on ordinary shares …………	€ 0.42	€ 0.40
Dividends paid (in millions of euros)	**126.9**	**120.8**
of which: - dividends paid in cash …………	*126.9*	*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 June 30,	
	2018	**2017** [2]
Net income attributed to ordinary shareholders *(in millions of euros)*…………	***100.7***	***98.4***
Weighted average number of ordinary shares (*in thousands*) …………	301,883	301,645
Non-dilutive potential shares (in thousands) …………	415	832
Weighted average number of issued common shares adjusted for non - dilutive potential shares (in thousands) …………	***302,299***	***302,477***
Basic earning per share (in euros)	**0.33**	**0.33**
Dilutive potential shares (in thousands) …………	494	427
- of which share options (in thousands) …………	-	-
- of which bonus shares (in thousands) ………… **(1)**	*494*	*427*
Weighted average number of common shares adjusted for dilutive potential shares (in thousands) …………	***302,793***	***302,904***
Fully diluted earnings per share (in euros)…………	**0.33**	**0.32**

(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 so-called “3+0 Plan”.

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**
Vesting conditions	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: (i) to (iv)	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**
Maximum number of shares granted on May 24, 2018	**1,007,625**	**822,907**	**69,500**	**1,900,032**

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

For the period ended June 30, 2018, remeasurement of pension and post-retirement benefits accounted for a gain before tax of €22.7 million was recognized in other comprehensive income (versus a loss of €16.3 million for the period ended June 30, 2017). This gain resulted mainly from the increase in discount rates as of June 30, 2018 as compared to December 31, 2017 such as presented below:

Discount rate (in %)	As of June 2018	As of December 2017	As of June 2017
The United Kingdom	2.75	2.50	2.50
Canada	3.50	3.25	3.25
Switzerland	0.75	0.50	0.50

12. | FINANCIAL LIABILITIES

This note provides information on financial liabilities as of June 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 June 30, 2018, Rexel's consolidated net debt stood at €2,112.4 million, consisting of the following items:

(in millions of euros)	As of June 30, 2018			As of December 31, 2017		
	Current	Non-current	Total	Current	Non-current	Total
Senior notes	-	1,451.5	1,451.5	-	1,446.6	1,446.6
Securitization	113.4	843.8	957.2	-	1,007.6	1,007.6
Bank loans	12.4	1.3	13.8	12.1	1.8	13.9
Commercial paper	48.0	-	48.0	41.7	-	41.7
Bank overdrafts and other credit facilities	105.6	-	105.6	100.6	-	100.6
Finance lease obligations	6.0	12.8	18.8	6.2	14.3	20.5
Accrued interests [(1)]	4.7	-	4.7	6.3	-	6.3
Less transaction costs	(4.4)	(18.4)	(22.8)	(5.1)	(19.7)	(24.7)
Total financial debt and accrued interest	***285.7***	***2,291.0***	***2,576.7***	***161.8***	***2,450.5***	***2,612.3***
Cash and cash equivalents			(452.7)			(563.6)
Accrued interest receivable			(1.3)			(1.0)
Debt hedge derivatives			(10.2)			(6.5)
Net financial debt			**2,112.4**			**2,041.2**

(1) Of which accrued interests on Senior Notes for €1.8 million as of June 30, 2018 (€2.5 million as of December 31, 2017).

12.1.1| Senior notes

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

	As of June 30, 2018					As of December 31, 2017				
	Nominal amount *(in millions of currency)*		Nominal amount *(in millions of euros)*	Fair value adjust-ments [(1)]	Total	Nominal amount *(in millions of currency)*		Nominal amount *(in millions of euros)*	Fair value adjust-ments [(1)]	Total
3.500% Senior notes due 2023	EUR	650.0	650.0	0.4	**650.4**	EUR	650.0	650.0	0.1	**650.1**
2.625% Senior notes due 2024	EUR	300.0	300.0	0.7	**300.7**	EUR	300.0	300.0	(1.2)	**298.8**
2.125% Senior notes due 2025	EUR	500.0	500.0	0.4	**500.4**	EUR	500.0	500.0	(2.4)	**497.6**
TOTAL			1,450.0	1.5	**1,451.5**			1,450.0	(3.4)	**1,446.6**

(1) Adjustment to reflect interest rate fluctuations on the part of the notes hedged through fair value hedge derivatives (see Note 13).

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 June 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 June 30, 2018	Amount drawn down as of June 30, 2018	Balance as of June 30, 2018	Balance as of December 31, 2017	Repayment Date
		(in millions of currency)		*(in millions of euros)*		
Europe and Australia	EUR 375.0	EUR 428.4	EUR 330.4	330.4	376.0	12/16/2020
Europe	EUR 309.0	EUR 390.6	EUR 264.7	264.7	288.3	11/20/2019
United States	USD 515.0	USD 687.7	USD 515.0	441.7	410.1	12/20/2019
Canada	CAD 175.0	CAD 241.1	CAD 175.0	113.4	116.4	01/18/2019
TOTAL				**1,150.1**	**1,190.8**	
***Of which*:**	***- on balance sheet:***			***957.2***	***1,007.6***	
	- off balance sheet :			***193.0***	***183.3***	

These securitization programs pay interest at variable rates including a specific credit spread to each program. As of June 30, 2018, the total outstanding amount authorized for these securitization programs was €1,239.0 million, of which €1,150.1 million were used. Cash collected under the servicing agreement in relation to derecognized receivables and not yet transferred to the purchaser totaled €29.5 million and was recognized in financial liabilities (€33.2 million as of December 31, 2017).

12.1.3 | 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 June 30, 2018, Bank Acceptance Drafts were derecognized from the balance sheet for €48.2 million (€55.9 million as of December 31, 2017).

12.1.4| 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 for a maximum amount of €95 million. As a result of these arrangements, the Group transfers the credit risk, interest risk and late payment risk to the factor, and remains liable for collecting the receivable on behalf of the factor. As of June 30, 2018, Rexel derecognized trade receivables for €82.5 million (€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 €26.7 million as of June 30, 2018 (€25.6 million as of December 31, 2017).

12.1.5| 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 June 30, 2018, the company had issued €48.0 million of commercial paper (€41.7 million as of December 31, 2017).

12.2 | Change in net financial debt

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

(in millions of euros)	2018	2017
As of January 1,	**2,041.2**	**2,172.6**
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	8.4	80.0
Net change in credit facilities	**7.0**	**73.5**
Net change in securitization	(52.3)	(59.5)
Net change in finance lease liabilities	(1.7)	(2.4)
Net change in financial liabilities	***(46.9)***	***11.5***
Change in cash and cash equivalents	103.7	176.1
Effect of exchange rate changes on net financial debt	9.7	(63.9)
Amortization of transaction costs	2.2	3.0
Non recurring refinancing costs	1.1	6.3
Other changes	1.6	1.0
As of June 30,	**2,112.4**	**2,306.7**

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:

(in millions of euros)	As of June 30,	As of December 31,
Due within	**2018**	**2017**
One year	290,1	166,9
Two years	517,5	638,2
Three years	333,2	379,4
Four years	1,7	1,7
Five years	651,5	0,8
Thereafter	805,3	1 450,2
Total gross financial debt before transaction costs	**2 599,5**	**2 637,1**
Transaction costs	(22,8)	(24,7)
Gross financial debt	**2 576,7**	**2 612,3**

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 June 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 June 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 €2,097.3 million as of June 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 2017 to €1,183.4 million in excess of €893.3 million compared to €290.1 million expected to be paid within the next twelve months with respect to financial debt repayment schedule.

(in millions of euros)	As of June 30, 2018	As of December 31, 2017 [(1)]
Cash and cash equivalents	452.7	563.6
Bank overdrafts	(105.6)	(100.6)
Commercial paper	(48.0)	(41.7)
Undrawn Senior Facility Agreement	850.0	850.0
Bilateral facilities	34.3	33.4
Liquidity	**1,183.4**	**1,304.7**

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

13. | FAIR VALUE OF FINANCIAL INSTRUMENTS

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

(in millions of euros)	As of June 30, 2018		As of December 31, 2017		
	Carrying amount	*Fair value*	Carrying amount	*Fair value*	IFRS13 Hierarchy
Financial assets					
Hedging derivatives	18.3	18.3	13.3	13.3	Level 2
Other derivatives	0.3	0.3	0.3	0.3	Level 2
Financial liabilities					
Senior notes	1,451.5	1,443.9	1,446.6	1,481.4	Level 1
Hedging derivatives	0.9	0.9	1.7	1.7	Level 2
Other derivatives	0.3	0.3	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. | LITIGATION

For the period ended June 30, 2018, there was no significant change relating to the litigation 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 June 30, 2018 that would have a significant impact on Rexel's financial situation.

III. Statutory auditors report

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

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

KPMG Audit
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris la Défense Cedex

Statutory auditors' review report on the interim financial information

(Period from January 1st, 2018 to June 30, 2018)

Rexel S.A.
13, boulevard du Fort de Vaux
CS 60002
75838 Paris Cedex 17

To the Shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of Rexel S.A., for the period from January 1st to June 30, 2018;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I - Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to the Note 2.2.1 "Changes in accounting policies – amended IFRS standards" to the condensed interim consolidated financial statements, which describes the initial application on January 1st, 2018 of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments".

II - Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review.

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

Neuilly-sur-Seine and Paris la Défense, July 30, 2018
French original signed by

The statutory auditors

PricewaterhouseCoopers Audit		KPMG Audit *Department of KPMG S.A.*	
Pierre Clavié	Amélie Wattel	Valérie Besson	Jean-Marc Discours

IV. Responsibility statement

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

Paris, July 30, 2018

Patrick Bérard
Chief Executive Officer of Rexel