Annual financial report

2020

un monde d'énergie

Société Anonyme (corporation)
with share capital of € 1,522,125,530
Registered office: 13 boulevard du Fort de Vaux - CS 60002
75017 PARIS - France
479 973 513 R.C.S. Paris

Financial information for the year ended December 31, 2020

This document is a free translation from French to English of Rexel's original financial information for the year ended December 31, 2020 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 financial information for the year ended December 31, 2020, the French version will prevail.

I. Activity report

TABLE OF CONTENTS

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 2020, the Group recorded consolidated sales of €12,592.5 million, of which €7,083.3 million were generated in Europe (56% of sales), €4,342.0 million in North America (35% of sales) and €1,167.2 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, Finland, Spain, Ireland, Italy, Slovenia, Portugal, Russia 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 78% of Group sales in this region, and Canada for 22%.

The Group’s activities in Asia - Pacific (9% of Group sales) are in Australia, China, New Zealand, India and Middle East. China accounts for 43% of Group sales in this region and Australia for 42%.

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 Significant events

Covid-19 has significantly impacted the world economy in 2020. Many countries have imposed travel bans, lockdown and quarantine measures to refrain the outbreak. Businesses dealt with lost revenues and temporarily disrupted supply chains. While some countries had eased the lockdown after the first wave of the pandemic, the release had been gradual in summertime, and sanitary measures were resumed in the fourth quarter of 2020, although to a lesser extent, due to the appearance of a second wave of the Covid-19. As a response to this unprecedented crisis, numerous governments have taken measures to provide both financial and non-financial assistance to the affected entities. As electrical products availability was deemed essential in most of the countries where lockdown measures were implemented, Rexel’s business was not interrupted although adversely impacted by demand decrease, especially in the second quarter of 2020.

The Group reacted to sudden decline of electrical equipment demand, starting in March 2020 in most of the countries, by adapting its operations running with most of its logistic centers and branches remaining open and expanding its offering of digital solutions. The Group implemented action plans that included sanitary measures, cash protection and temporary cost saving measures including part time employment.

In this context, sales were down 17.7% organically in the second quarter of 2020 and shown a good sequential recovery in the third quarter (-4.2%) and in the fourth quarter (-0.7%) as compared to the same periods in 2019. As a result of sales volume decrease, operating income before other income and expenses went down to €526.5 million in 2020 from €663.2 million in 2019. As a percentage of sales, EBITA margin deteriorated only by 67 bps (from 4.9% to 4.3%) other income thanks to active opex management on workforce reduction and leveraging on partial unemployment.

As part of these measures taken by most of the governments to assist entities in the Covid-19 crisis, Rexel benefited from direct subsidies to compensate partial unemployment of its employees that were recognized in profit or loss, as personnel expenses, for €37.6 million.

Expected credit losses were reviewed upwards resulting in a €17.8 million increase of net allowance for account receivables as compared to 2019 reflecting mainly the effect of the Covid-19 crisis.

Moreover, the Group identified, in the first half of 2020, some indicators requiring performing impairment testing of its cash generating units with goodwill. As a result, a €486.0 million impairment loss was recognized in the first semester ended June 30, 2020, mainly allocated to the following cash-generating units: The United Kingdom, the United States, Canada and Germany.

Consistently with the recognition of goodwill impairment losses, net deferred tax assets were written down by €28.4 million as of December 31, 2020 reflecting remote future taxable gains in some tax jurisdictions (the UK, Germany and New Zealand).

To secure its cash position due to the uncertainty surrounding the effects of the Covid-19 health crisis, the Group partly drew down €550 million of its revolving credit facilities out of €850 million on March 25, 2020.

The cumulative effects of strong Free Cash Flow generation as well as the €153.5 million of cash proceeds on Gexpro Services and export Spanish businesses divestment and the decision by the Board of Directors to cancel its proposal to distribute a dividend allowed the Group:

– to pay off these credit facilities on June 24, 2020 and

– to early repay on December 15, 2020, its 2.65 % €300 million senior notes due 2024, resulting in derecognition profit of €4.2 million.

As of December 31, 2020, Rexel's liquidity stood at €1,459 million and was deemed appropriate by the Management to face any amount falling due within the next twelve months and beyond.

1.1.3 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.

1.1.4 Impact of changes in copper price

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

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

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

1.1.5 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 1.1.4 Impact of changes in copper price 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 and actual number of working days 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.

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.

	YEAR ENDED DECEMBER 31	
(in millions of euros)	2020	2019
Operating income before other income and other expenses	**526.5**	**663.2**
Changes in scope of consolidation	—	(16.1)
Foreign exchange effects	—	(4.5)
Non-recurring effect related to copper	(10.6)	7.6
Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions	10.5	14.3
Adjusted EBITA on a constant basis	**526.4**	**664.4**

1.2 COMPARISON OF FINANCIAL RESULTS AS OF DECEMBER 31, 2020 AND AS OF DECEMBER 31, 2019

1.2.1 Rexel Group's consolidated financial results

The following table sets out Rexel's consolidated income statement for 2020 and 2019, in millions of euros and as a percentage of sales.

In addition, the table below sets out the net effect of acquisitions and disposals and the effect of exchange rate fluctuation on prior year comparative figures. This table also presents comparable data adjusted for copper price fluctuation according to paragraph 1.1.4.

	YEAR ENDED DECEMBER 31, 2020		YEAR ENDED DECEMBER 31, 2019		Δ %	
	Reported	Adjusted	Reported	On a constant basis, adjusted	Reported	On a constant basis, adjusted
Sales	**12,592.5**	**12,592.5**	**13,742.3**	**13,391.6**	**(8.4)%**	**(6.0)%**
Same-day basis						*(6.5)%*
Gross profit	3,103.4	3,092.7	3,432.0	3,350.9	(9.6)%	(7.7)%
as a % of sales	*24.6 %*	*24.6 %*	*25.0 %*	*25.0 %*		
Operating expenses	(2,282.5)	(2,282.4)	(2,472.9)	(2,409.2)	(7.7)%	(5.3)%
Depreciation	(283.9)	(283.9)	(281.6)	(277.3)	0.8 %	2.4 %
Distribution and administrative expenses before amortization of intangible assets	(2,566.4)	(2,566.3)	(2,754.6)	(2,686.5)	(6.8)%	(4.5)%
as a % of sales	*(20.4)%*	*(20.4)%*	*(20.0)%*	*(20.1)%*		
EBITA	**537.0**	**526.4**	**677.5**	**664.4**	**(20.7)%**	**(20.8)%**
as a % of sales	***4.3 %***	***4.2 %***	***4.9 %***	***5.0 %***		
Amortization of intangible assets (1)	(10.5)	—	(14.3)	—	(26.4)%	—
Operating income before other income and expenses	**526.5**	**—**	**663.2**	**—**	**(20.6)%**	**—**
Other income and expenses	(529.9)	—	(176.8)	—	199.7 %	—
Operating income/(loss)	**(3.4)**	**—**	**486.4**	**—**	**n.a.**	**—**
Net financial expenses	(117.2)	—	(165.3)	—	(29.1)%	—
Pre tax income/(loss)	**(120.6)**	**—**	**321.1**	**—**	**n.a.**	
Income taxes	(140.7)	—	(117.3)	—	20.0 %	—
Net income/(loss)	**(261.3)**	**—**	**203.8**	**—**	**n.a.**	**—**
Effective tax rate	*n.a.*	—	*36.5 %*	—	—	—

(1) Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions

Sales

In 2020, Rexel's consolidated sales amounted to €12,592.5 million, as compared to €13,742.3 million in 2019.

On a reported basis, sales were down 8.4% year-on-year, including a negative foreign exchange currency impact of 1.1% and a negative net effect from divestments of 1.5%.

- The negative impact of currency amounted to €150.7 million, mainly due to the depreciation of the US dollar, the Canadian dollar and the Norwegian krone against the euro.
- The negative net effect from the change in structure amounted to €200.0 million, resulting from the divestment of Gexpro Services business (distribution of C-parts products to OEM industries) in the USA and the Spanish export business.

On a constant and same-day basis, sales decreased by 6.5%, including a positive impact of 0.2 percentage point due to change in copper-based cable prices. By geography, North America decreased by 12.3%, Europe decreased by 3.9% while Asia - Pacific increased by 1.6%.

On a constant and actual number of working days basis, sales decreased by 6.0%.

After a strong start to 2020 with solid sales growth, Rexel changed abruptly in mid-March with the spread of the Covid-19 pandemic to virtually all the markets in which it operates, resulting in government-imposed lockdowns. In this context sales were down 10.6% in the first half of 2020 compared to first half of 2019 on a constant and same-day basis. In the second half of 2020, Rexel demonstrated its ability to adapt and respond to a challenging business environment globally posted a strong recovery as compared to the first half of 2020, with a better than expected business activity during this second wave of the Covid-19 outbreak which represented a limited decrease of 2.4% on a constant and same-day basis as compared to the second half of 2019.

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

	Q1	Q2	Q3	Q4	YEAR ENDED DECEMBER 31, 2020
Growth on a constant and same-days basis	(3.3)%	(17.7)%	(4.2)%	(0.7)%	(6.5)%
Number of working days effect	0.3 %	— %	0.4 %	1.6 %	0.5 %
Growth on a constant and actual-day basis	***(3.0)%***	***(17.7)%***	***(3.8)%***	***0.9 %***	***(6.0)%***
Changes in scope effect	(0.6)%	(1.9)%	(1.7)%	(1.6)%	(1.5)%
Foreign exchange effect	0.9 %	0.2 %	(2.3)%	(3.0)%	(1.1)%
Total scope and currency effect	***0.3 %***	***(1.7)%***	***(4.1)%***	***(4.6)%***	***(2.6)%***
Growth on a reported basis (1)	**(2.7)%**	**(19.1)%**	**(7.7)%**	**(3.7)%**	**(8.4)%**

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

Gross profit

In 2020, gross profit amounted to €3,103.4 million, down 9.6%, on a reported basis, as compared to €3,432.0 million in 2019 .

On a constant basis, adjusted gross profit decreased by 7.7% and adjusted gross margin temporarily decreased by 46 basis points to 24.6% of sales mainly due to unfavorable country mix and lower supplier rebates.

Distribution & administrative expenses before amortization of intangible assets

In 2020, distribution and administrative expenses before amortization of intangible assets amounted to €2,566.4 million, down 6.8% on a reported basis, as compared to €2,754.6 million in 2019.

On a constant basis, adjusted distribution and administrative expenses decreased by 4.5%, representing 20.4% of sales in 2020 as compared to 20.1% of sales in 2019, mainly reflecting structural cost structure adaptation to mitigate Covid-19 sales drop related impact and government supports.

EBITA

In 2020, as a result, EBITA stood at €537.0 million, down 20.7%, on a reported basis, as compared to €677.5 million in 2019, including a negative foreign exchange currency impact of €4.5 million and a negative net effect from divestment of €16.1 million.

On a constant basis, adjusted EBITA decreased by 20.8% to €526.4 million and adjusted EBITA margin stood at 4.2% of sales, down 78 basis points year on year.

Other income and expenses

In 2020, other income and expenses represented a net expense of €529.9 million, consisting mainly of:

- €486.0 million goodwill impairment, of which €162.4 million on the UK, €108.2 million on the USA, €75.2 million on Canada, €74.6 million on Germany, €40.5 million on Australia, €17.5 million on Norway, due to economic environment downturn as a result of the Covid-19 health crisis;
- €26.1 million restructuring plans mostly incurred in China, Germany, US, Sweden, and the UK;
- €32.5 million fair value adjustments of assets held for sale in connection with the expected divestment of Rexel Arabia Electrical Supplies and an electrical distribution to DIY customers business in France.

Partly offset by

- €5.7 million disposal gains of Gexpro Services business in USA and a Spanish export business;
- €13.7 million gain mainly related to real estate properties divestments.

In 2019, other income and expenses represented a net expense of €176.8 million, consisting mainly of:

- €118.0 million goodwill and other intangible assets with indefinite life impairment, of which €58.9 million allocated to Norway, €22.0 million to New Zealand, €21.3 million to the UK, €9.3 million to Finland and €6.6 million to Middle East;
- €32.6 million restructuring plans mostly incurred in connection with the:
  - Turn-around of the UK operations including footprint reduction, closing of the national distribution center, optimization of the product offering plan and change in management team;
  - Transformation plan in Germany;
  - Reduction in work force in some region in the USA.
- €24.0 million other non-recurring expenses including: (i) professional fees relating to business transformation and development projects, acquisition and divestment projects, forensic & legal investigations, (ii) senior executives employment contract termination costs and (iii) a settlement loss in connection with the wind-up of a multi-employee defined pension scheme in the USA.
- €17.2 million fair value adjustments of assets held for sale in connection with the expected divestments from the US non-core Gexpro Services business and a Spanish export business.

Partly offset by €19.5 million disposal gains consisting mainly in a €6.5 million gain as a result of the divestment in a joint-venture in China (Rexel Hailongxing), €7.0 million building disposal gains and €5.6 million exchange gain related to the liquidation of a dormant affiliate in Czech Republic.

Net Financial expenses

Net financial expenses were €117.2 million in 2020 compared to €165.3 million in 2019, of which €42.7 million of lease interest expenses in 2020 compared to €45.5 million in 2019).

Excluding lease interest expenses, net financial expenses decreased from €119.8 million in 2019 to €74.5 million in 2020.

In 2019, net financial expenses included a €20.8m one-off loss related to the early repayment of the €650 million senior notes due 2023. In 2020, the early repayment of the €300 million senior notes due 2024 resulted in a €4.2 m gain.

Excluding the above impacts, net financial expenses were down €20.3 million in 2020 compared to 2019 mainly due to the combined effect of lower effective interest rate and reduced average gross debt. Effective interest rate of the gross financial debt stood at 2.45% down 17 basis points, year-on-year.

Tax expense

Tax expense were €140.7 million compared to €117.3 million in 2019.

In 2020 tax expense included a €28.4 million deferred tax asset write-down (€5.5 million in 2019) mainly in the UK, Germany and New Zealand. In 2019, tax expense comprised a €29.5 million gain in connection with the release of a reserve on disputed interest expenses tax deductibility following the decision of the Appeal Court in favor of Rexel.

Excluding these non recurring items, tax expense decreased from €141.3 million in 2019 to €112.3 million in 2020 as a result of the combined effects of lower profit before tax excluding non tax-deductible goodwill impairment loss which stood at €365.4 million in 2020 as compared to €419.1 million in 2019 and the decrease in legal tax rate in France (from 34.43% to 32.02%) and in Belgium (from 29.6% to 25.0%).

Net income/(loss)

As a result of the above items, net loss stood at €261.3 million in 2020, as compared to a net income of €203.8 million in 2019.

1.2.2 Europe (56% of Group sales)

	YEAR ENDED DECEMBER 31, 2020		YEAR ENDED DECEMBER 31, 2019			
	Reported	**Adjusted**	**Reported**	**On a constant basis, adjusted**	**Reported**	**On a constant basis, adjusted**
Sales	**7,083.3**	**7,083.3**	**7,331.5**	**7,312.7**	**(3.4)%**	**(3.1)%**
Same-day basis						*(3.9)%*
Gross profit	1,899.8	1,896.0	1,999.7	2,000.0	(5.0)%	(5.2)%
as a % of sales	*26.8 %*	*26.8 %*	*27.3 %*	*27.3 %*		
Operating expenses	(1,361.4)	(1,361.3)	(1,397.2)	(1,393.7)	(2.6)%	(2.3)%
Depreciation	(158.6)	(158.6)	(156.8)	(156.6)	1.2 %	1.3 %
Distribution and administrative expenses before amortization of intangible assets	(1,520.1)	(1,520.0)	(1,554.0)	(1,550.2)	(2.2)%	(2.0)%
as a % of sales	*(21.5)%*	*(21.5)%*	*(21.2)%*	*(21.2)%*		
EBITA	**379.8**	**376.0**	**445.7**	**449.8**	**(14.8)%**	**(16.4)%**
as a % of sales	*5.4 %*	*5.3 %*	*6.1 %*	*6.2 %*		

Sales

In 2020, sales in Europe amounted to €7,083.3 million, down 3.4% on a reported basis, as compared to €7,331.5 million in 2019.

Exchange rate variations accounted for a decrease of €6.9 million, mainly due to the depreciation of the Norvegian krone and British pound against euro partly offset by the appreciation on the Swiss franc against the euro.

The negative net effect of change in structure of €11.9 million was associated to the divestment of the Spanish export business.

On a constant and same-day basis, sales decreased by 3.9% as compared to 2019, including the negative impact of 0.1 percentage point due to the lower copper-based cable prices.

On a constant and actual number of working days basis, sales decreased by 3.1%, impacted by a favorable calendar impact of 0.8 percentage point.

In **France**, sales amounted to €2,637.4 million in 2020, a decrease of 6.5% as compared to 2019 on a constant and same-day basis, reflecting a strong rebound in the second half of 2020 up 2.6% as compared to the second half of 2019, thanks to the residential market (proximity business) and the specialty business HVAC (Heating, Ventilation and Air Conditioning) who showed resilience throughout the year.

In **Scandinavia** sales amounted to €981.2 million in 2020, an increase of 3.5% from 2019 on a constant and same-day basis, with Sweden flat compared to 2019 with a good demand from small & medium electrical contractors and Utility business. In Norway, sales amounted to +8.2% on a constant and same-day basis benefiting from significant price increase offsetting the impact on imported products of the Norwegian Krone's depreciation. This good momentum throughout the year was mainly fueled by Utility business and C&I, partially offset by industry slowdown (difficult market environment). Finland sales were up 7.4% on a constant and same-day basis sustained by a good momentum in all segments except industry.

In **the Netherlands**, sales amounted to €330.7 million in 2020, an increase by 1.3% from 2019 on a constant and same-day basis, widely driven by good developments for most customer segments and products (notably residential market). In **Belgium**, sales amounted to €442.1 million in 2020, up 1.3% on a constant and same-day basis, with a strong performance in the second half of 2020, up 9.4% notably driven by residential and photovoltaic equipment in the Flemish part of the country as Government subsidies ended in December 2020.

In **Germany**, sales stood at €693.3 million in 2020, a 6.4% increase compared to 2019 on a constant and same-day basis, reflecting strong performance in residential market (proximity business) and commercial segment benefiting from the reorganization measures.

In the **United-Kingdom**, sales amounted to €604.3 million in 2020, a decrease of 17.5% from 2019 on a constant and same-day basis, in a deteriorating market environment notably due to uncertainty around Brexit. Slow recovery started in August with a 8.2% decrease in the fourth quarter reflecting the first benefits of the reorganization focusing on proximity and digitalization.

In **Switzerland** and **Austria**, sales amounted respectively to €497.9 million and €383.2 million in 2020. Sales in Switzerland decreased by 1.5% from 2019, on a constant and same-day basis. In the fourth quarter of 2020, sales were up 3.1% as compared to the fourth quarter of 2019 reflecting a solid rebound driven by building installation equipment. Sales in Austria increased by 2.4% from 2019, on a constant and same-day basis sustained by a strong recovery in the second half of 2020, up 6.6% as compared to the second half of 2019 driven by a good performance in the residential end-market.

Gross profit

In 2020, on a constant basis, adjusted gross profit decreased by 5.2% and adjusted gross margin decreased by 58 basis points to 26.8% of sales due to unfavorable country mix with decreasing sales in France (accretive in gross margin) and sales growth in Germany (at a lower gross margin rate in the region). Moreover, adjusted gross margin was negatively impacted by supplier rebates, as a consequence of lower purchases volume in 2020.

Distribution & administrative expenses before amortization of intangible assets

On a constant basis, adjusted distribution and administrative expenses before amortization of intangible assets decreased by 2.0% in 2020, representing 21.5% of sales in 2020, a 26 basis points deterioration as compared to 2019, reflecting lower volume partly offset by temporary opex reduction including governmental supports and by more structural measures to adjust to lower sales. As of December 31, 2020, workforce was reduced by 3.7% as compared to last year.

EBITA

In 2020, as a result, on a reported basis, EBITA amounted to €379.8 million, down 14.8% as compared to €445.7 million in 2019, including a positive foreign exchange currency impact of €1.1 million.

On a constant basis, adjusted EBITA decreased by 16.4% as compared to 2019 and adjusted EBITA margin decreased by 84 basis points to 5.3% of sales.

1.2.3 North America (35% of Group sales)

	YEAR ENDED DECEMBER 31, 2020		YEAR ENDED DECEMBER 31, 2019		Δ %	
	Reported	**Adjusted**	**Reported**	**On a constant basis, adjusted**	**Reported**	**On a constant basis, adjusted**
Sales	**4,342.0**	**4,342.0**	**5,233.0**	**4,931.0**	(17.0)%	11.9 %
Same-day basis						*12.3 %*
Gross profit	1,002.2	995.3	1,218.2	1,142.4	(17.7)%	12.9 %
as a % of sales	*23.1 %*	*22.9 %*	*23.3 %*	*23.2 %*		
Operating expenses	(752.2)	(752.2)	(908.6)	(852.4)	(17.2)%	11.7 %
Depreciation	(81.4)	(81.4)	(83.0)	(79.7)	(2.0)%	2.1 %
Distribution and administrative expenses before amortization of intangible assets	(833.6)	(833.6)	(991.6)	(932.1)	(15.9)%	10.6 %
as a % of sales	*(19.2)%*	*(19.2)%*	*(18.9)%*	*(18.9)%*		
EBITA	**168.6**	**161.7**	**226.6**	**210.3**	**(25.6)%**	**23.1 %**
as a % of sales	*3.9 %*	*3.7 %*	*4.3 %*	*4.3 %*		

Sales

In 2020, sales in North America amounted to €4,342.0 million, down 17.0%, on a reported basis, as compared to €5,233.0 million in 2019.

Exchange rate variations accounted for a decrease of €113.8 million, mainly due to the depreciation of the US dollar against the euro.

The negative net effect of change in structure of €188.1 million was associated to the divestment, end of February 2020, of Gexpro Services business (distribution of C-parts products to OEM industries) in the USA.

On a constant and same-day basis, sales decreased by 12.3% as compared to 2019, including the positive impact of 0.5 percentage point due to higher copper-based cable prices.

In **the United States**, sales stood at €3,390.0 million in 2020, a 12.6% decrease from 2019 on a constant and same-day basis. The country was hardly hit by the pandemic resulting in a 22.8% drop in the second quarter of 2020, followed by a slight sequential improvement in the third quarter of 2020 with a 12.9% decrease. In the fourth quarter of 2020, sales were down 7.7% with a better resilience in Northwest, Mountain plains and Florida sustained by market share gains and proximity business. However, the other regions faced a more challenging situation due to commercial projects cancellation, lower demand in heavy industry and in Oil ans Gas business.

In **Canada**, sales amounted to €952.1 million in 2020, a 11.0% decrease from 2019 on a constant and same-day basis. The country followed the same pattern as the United States with a large drop of 23.6% in the second quarter of 2020, preceding a slow improvement in the third and fourth quarters of 2020 respectively down 12.3% and 8.2%. In the fourth quarter of 2020, the slight improvement came from better automation business in OEM and auto, petrochemicals and large industrial contractors.

Gross profit

On a constant basis, adjusted gross profit decreased by 12.9% and adjusted gross margin decreased by 25 basis points to 22.9% of sales mainly driven by lower rebates level in the US as a consequence of lower purchases level and stock obsolescence issues in both countries partly offset by pricing initiatives in both countries.

Distribution & administrative expenses before amortization of intangible assets

On a constant basis, adjusted distribution and administrative expenses before amortization of intangible assets decreased by 10.6%, representing 19.2% of sales in 2020, a 30 basis points deterioration as compared to the 18.9% in 2019, mainly due to lower volume in the United States offsetting temporary costs reduction initiatives, especially on workforce and permanent measures to adjust to lower activity. As of December 31, 2020, workforce was reduced by 10.4% as compared to last year.

EBITA

In 2020, as a result, EBITA amounted to €168.6 million, down 25.6%, on a reported basis, as compared to €226.6 million in 2019, including a negative foreign exchange currency impact of €4.9 million.

On a constant basis, adjusted EBITA decreased by 23.1% from 2019 and adjusted EBITA margin decreased by 54 basis points to 3.7% of sales.

1.2.4 Asia - Pacific (9% of Group sales)

	YEAR ENDED DECEMBER 31, 2020		YEAR ENDED DECEMBER 31, 2019		Δ %	
	Reported	**Adjusted**	**Reported**	**On a constant basis, adjusted**	**Reported**	**On a constant basis, adjusted**
Sales	**1,167.2**	**1,167.2**	**1,177.9**	**1,147.9**	**(0.9)%**	**1.7 %**
Same-day basis						*1.6 %*
Gross profit	200.8	200.8	214.2	208.5	(6.3)%	(3.7)%
as a % of sales	*17.2 %*	*17.2 %*	*18.2 %*	*18.2 %*		
Operating expenses	(153.1)	(153.1)	(159.8)	(155.8)	(4.2)%	(1.7)%
Depreciation	(25.8)	(25.8)	(26.8)	(26.1)	(4.0)%	(1.2)%
Distribution and administrative expenses before amortization of intangible assets	(178.9)	(178.9)	(186.7)	(181.9)	(4.2)%	(1.6)%
as a % of sales	*(15.3)%*	*(15.3)%*	*(15.8)%*	*(15.8)%*		*0.5 %*
EBITA	**21.9**	**21.9**	**27.5**	**26.6**	**(20.5)%**	**(17.8)%**
as a % of sales	*1.9 %*	*1.9 %*	*2.3 %*	*2.3 %*		

Sales

In 2020, sales in Asia - Pacific amounted to €1,167.2 million, down 0.9%, on a reported basis, as compared to €1,177.9 million in 2019.

Exchange rate variations accounted for a decrease of €30.0 million, mainly due to the depreciation of Australian dollar against the euro.

On a constant and same-day basis, sales increased by 1.6% as compared to 2019, including the positive impact of 0.3 percentage point due to the higher copper-based cable prices.

In **Australia**, sales amounted to €484.5 million in 2020, stable year on year, on a constant and same-day basis. In the fourth quarter sales were up 1.2% as compared to the fourth quarter of 2019 back to organic growth after a 1.2% drop in sales in the third quarter of 2020, driven by a good momentum on proximity business offsetting the loss of two industrial contracts which contributed for -3.5% in the fourth quarter of 2020.

In **China**, sales amounted to €504.8 million in 2020, a 6.9% increase compared to 2019, on a constant and same-day basis. Sales in China were impacted earlier than others by the Covid-19 crisis with significant drop in sales in the first quarter. In the second quarter sales were up 13.9% and 17.0% in the second semester as compared to last year, on a constant and same-day basis driven by growing automation demand, government spending in infrastructure and a large aerospace contract.

In addition, Asia – Pacific performance was impacted by a complete lockdown of New Zealand, India and Middle East especially in first half of 2020, these countries are now in a recovery path but at a slower pace for New Zealand.

Gross profit

In 2020, on a constant basis, adjusted gross profit decreased by 3.7% and adjusted gross margin decreased by 96 basis-point to 17.2% of sales, mainly impacted by a lower commercial margin in China due to the customer mix and lower supplier rebates due to lower activity in Pacific countries.

Distribution & administrative expenses before amortization of intangible assets

On a constant basis, adjusted distribution and administrative expenses before amortization of intangible assets decreased by 1.6% as compared to 2019, representing 15.3% of sales in 2020, a 52 basis-point improvement as compared to 2019, reflecting structural measures to reduce opex combined with temporary government subsidies. As of December 31, 2020, workforce was reduced by 3.0% as compared to last year.

EBITA

In 2020, as a result, EBITA amounted to €21.9 million, down 20.5%, on a reported basis, as compared to €27.5 million in 2019.

On a constant basis, adjusted EBITA decreased by 17.8% from 2019 and adjusted EBITA margin decreased by 45 basis points to 1.9% of sales.

1.2.5 Other operations

	YEAR ENDED DECEMBER 31, 2020	YEAR ENDED DECEMBER 31, 2019	Δ %
	Reported	**Reported**	**Reported**
Sales	—	—	—
Gross profit	0.6	—	—
Operating expenses	(15.7)	(7.3)	114.5 %
Depreciation	(18.1)	(15.0)	20.7 %
Distribution and administrative expenses	(33.8)	(22.3)	51.6 %
EBITA	**(33.2)**	**(22.3)**	**(48.8)%**

This segment mostly includes unallocated corporate-hosted expenses. In 2020, EBITA was negative by €33.2 million compared to €22.3 million in 2019, back to a normalized level of overhead costs in 2020 where 2019 was particularly at a low point.

2. LIQUIDITY AND CAPITAL RESOURCES

2.1 CASH FLOW

The following table sets out Rexel's cash flow statement for 2020 and 2019 together with a reconciliation of free cash flow before and after interest and income tax paid.

(in millions of euros)	YEAR ENDED DECEMBER 31, 2020	YEAR ENDED DECEMBER 31, 2019	Change
Operating cash flow before interest and taxes	739.5	823.3	*(83.8)*
Financial interest on borrowings paid (1)	(66.5)	(82.3)	*15.9*
Income tax paid	(88.5)	(118.2)	*29.7*
Operating cash flow before change in working capital	**584.4**	**622.7**	***(38.3)***
Change in working capital requirements	122.5	(70.0)	*192.5*
Net cash flow from operating activities	**706.9**	**552.7**	***154.2***
Net cash flow from investing activities	**67.6**	**(118.2)**	***185.9***
o.w. Operating capital expenditures (2)	*(76.6)*	*(116.5)*	39.9
Net cash flow from financing activities (3)	**(580.2)**	**(456.3)**	***(123.8)***
Net cash flow	**194.4**	**(21.9)**	***216.2***
Operating cash flow	739.5	823.3	*(83.8)*
Repayment of lease liabilities	(172.3)	(175.2)	*2.8*
Change in working capital requirements	122.5	(70.0)	*192.5*
Operating capital expenditures	(76.6)	(116.5)	*39.9*
Free cash flow before interest and taxes	**613.0**	**461.6**	***151.4***
Financial interest on borrowings paid	(66.5)	(82.3)	*15.9*
Income tax paid	(88.5)	(118.2)	*29.7*
Free cash flow after interest and taxes	**458.0**	**261.0**	***196.9***
Total Free cash flow after interest and taxes	**458.0**	**261.0**	***196.9***

	As of DECEMBER 31	
	2020	**2019**
Working capital requirement as a % of sales [(4)] at:		
Constant basis	10.7 %	11.3 %

(1) Excluding interest on lease liabilities

(2) Net of disposals

(3) Including lease liabilities repayment

(4) 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 inflow of €706.9 million in 2020 compared to €552.7 million in 2019.

Operating cash flow

Operating cash flow before interest, income tax and changes decreased from €823.3 million in 2019 to €739.5 million in 2020 mainly due to sales drop in 2020 as compared to 2019, and EBITA declined as a result of the adverse impact of the Covid-19 health crisis in 2020.

Interest and taxes

Net interest paid decreased from €82.3 million in 2019 to €66.5 million in 2020 reflecting both a lower effective interest rate in 2020 as compared to 2019 and the reduction of the average indebtedness.

Income tax paid decreased by €29.7 million from €118.2 million in 2019 to €88.5 million in 2020 as a result of lower taxable income in 2020 due to sales decrease.

Change in working capital requirements

Change in working capital requirements accounted for an inflow of €122.5 million in 2020 as compared to a €70.0 million outflow in 2019. In 2020, net inventories and net trade receivables contributed respectively for a €113.7 million and €87.4 million to change in working capital requirements (respectively a €62.7 million outflow and a €18.7 million inflow in 2019) driven by lower activity along with initiatives to reduce inventory. Also, supplier rebates receivables contributed for a €59.9 million inflow in 2020 (€22.1 million outflow in 2019) as a result of sales decrease.

Working capital requirements as of December 31, 2020

As a percentage of sales over the last 12 months, on a constant basis, working capital requirements amounted for 10.7% of sales as of December 31, 2020, as compared to 11.3% as of December 31, 2019. This 51 basis-point improvement on working capital requirements was primarily associated with inventory management reflecting an improvement by 5 days of inventories, better collection of trade receivables resulting in a decrease of 5 days of sales outstanding partly offset by a 5 days decrease in days of payables outstanding (on a constant basis) as of December 31, 2020 as compared to December 31, 2019. Moreover, lower level of activity contributed to the reduction of working capital requirements associated with taxes and supplier rebates receivables.

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 €67.6 million inflow in 2020, as compared to €118.2 million outflow in 2019.

	YEAR ENDED DECEMBER 31	
	2020	**2019**
(in millions of euros)		
Acquisitions of operating fixed assets	*(112.0)*	*(125.5)*
Proceed from disposal of operating fixed assets	*33.0*	*7.9*
Net change in debts and receivables on fixed assets	*2.4*	*1.2*
Net cash flow from capital expenditures	**(76.6)**	**(116.5)**
Acquisition of subsidiaries, net of cash acquired	*(5.0)*	*(4.2)*
Proceeds from disposal of subsidiaries, net of cash disposed of	*153.5*	*6.5*
Net cash flow from financial investments	**148.5**	**2.3**
Net change in long-term investments	**(4.3)**	**(4.0)**
Net cash flow from investing activities	**67.6**	**(118.2)**

Acquisitions and disposals of operating fixed assets

Acquisitions of operating fixed assets, net of disposals, accounted for an outflow of €76.6 million in 2020, as compared to €116.5 million in 2019.

In 2020, gross capital expenditures stood at €112.0 million (€125.5 million in 2019), mainly in information technology and digital transformation projects. IT and Digital projects represented 57% of the total gross capex in 2020 (62% in 2019). Disposals of fixed assets were €33.0 million (€7.9 million in 2019) mainly driven by real estate properties disposals.

Acquisitions and disposals of subsidiaries

Net cash flow from financial investments accounted for an inflow of €148.5 million in 2020 in connection with the net proceeds from disposal of Gexpro Services business in the USA .

2.1.3 Cash flow from financing activities

In 2020, net cash flow from financing activities represented a net cash outflow of €580.2 million, mainly resulting from the:

- Repayment of the €300 million senior notes due 2024 for a total amount of €303.9 million including a redemption premium of €3.9 million;
- €172.3 million lease liabilities repayment and;
- €93,0 million decrease in assigned receivables associated with securitization programs.

In 2019, net cash flow from financing activities represented a net cash outflow of €456.3 million, mainly resulting from the:

- Repayment of the €650 million senior notes due 2023 for a total amount of €666.9 million including a redemption premium of €16.9 million;
- €175.2 million lease liabilities repayment.
- Dividend distribution of €133.0 million.
- €71.6 million decrease in assigned receivables associated with securitization programs.
- Partly offset by the:
- €600 million issuance of senior notes due 2026 with coupons of 2.75% for an amount net of transaction costs of €594 million.

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 December 31, 2020, Rexel's consolidated net debt amounted to €1,334.9 million, consisting of the following items :

	As of DECEMBER 31					
	2020			2019		
(in millions of Euros)	CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Senior notes	—	1,105.5	1,105.5	—	1,413.4	1,413.4
Securitization	0.4	818.0	818.4	620.0	332.9	952.9
Bank loans	8.1	0.3	8.5	13.0	0.9	13.9
Commercial paper	50.0	—	50.0	50.0	—	50.0
Bank overdrafts and other credit facilities	58.6	—	58.6	65.5	—	65.5
Accrued interests	3.6	—	3.6	4.6	—	4.6
Less transaction costs	(3.7)	(8.6)	(12.3)	(4.2)	(14.1)	(18.4)
Total financial debt and accrued interest	***117.0***	***1,915.2***	***2,032.2***	***748.8***	***1,733.1***	***2,481.8***
Cash and cash equivalents			(685.4)			(514.3)
Accrued interest receivable			(0.8)			(2.0)
Debt hedge derivatives			(11.1)			(19.6)
Net financial debt			**1,334.9**			**1,945.9**

At December 31, 2020, the Group's liquidity amounted to €1,459.5 million (€1,284.5 million at December 31, 2019).

	DECEMBER 31	
In millions of Euros	2020	2019
Cash and cash equivalents	685.4	514.3
Bank overdrafts	(58.6)	(65.5)
Commercial paper	(50.0)	(50.0)
Undrawn Senior credit agreement	850.0	850.0
Bilateral facilities	32.6	35.6
Liquidity	**1,459.5**	**1,284.5**

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 2.14x as of December 31, 2020 (as compared to 2.47x as December 31, 2019).

3. OUTLOOK

The objectives and forecast presented in this section have been determined on the basis of data, assumptions and estimates that are considered reasonable by the Rexel Group's management. These data, assumptions and estimates may change as a result of uncertainties relating to, among other things, the economic, financial, accounting, competitive and regulatory environment, or other factors that are currently unknown to the Rexel Group as of the date of this document. In addition, the occurrence of certain of the risks described in chapter 2 "Risk Factors and Internal Control" of this Registration document could have an impact on the business, the financial condition, and the results of operations of the Rexel Group and hence its ability to achieve these objectives and forecasts. The Rexel Group can give no assurances and provide no guarantee that the following objectives and forecast will be met.

3.1 COMPARISON BETWEEN THE REXEL GROUP 2020 FORECASTS AND ACHIEVEMENTS

For 2020, Rexel had expressed the following forecast, on the basis of the assumptions set forth in the Universal Registration Document filed with the Autorité des marchés financiers on March 9, 2020 under number D.20-0111. Rexel targeted, at comparable scope of consolidation and exchange rates:

- Adjusted EBITA growth of between 2% and 5%;
- Free Cash Flow conversion of circa 65%;
- Further improvement of the indebtedness ratio (Net Debt/EBITDA after Leases).

On March 25, 2020, Rexel suspended its 2020 guidance which was no longer relevant in the current unprecedented Covid-19 environment.

On December 3, 2020, Rexel provided a trading update on its outlook for full-year 2020:

- Limited actual day sales drop in full-year to circa 7%;
- Adjusted EBITA margin at c. 4.1%;
- Free Cash Flow before Interest and Tax of at least €500 million in 2020, implying a minimum Free Cash Flow conversion of 90% and a Net debt/EBITDA after Leases ratio of c. 2.5x in December 2020, as calculated under the Senior Credit Agreement terms.

On February 11, 2021, Rexel released its 2020 full year results, above its objectives:

- Actual day sales decreased by 6.0% in full-year 2020;
- Adjusted EBITA margin stood at c. 4.2%;
- Free Cash Flow before Interest and Tax amounted to €613 million in 2020, implying a Free Cash Flow conversion of 101.2% and a Net debt/EBITDA after Leases ratio of 2.14x in December 2020, as calculated under the Senior Credit Agreement terms.

3.2 REXEL 2021 FORECASTS

Leveraging on its continuous efforts, Rexel targets for 2021, at comparable scope of consolidation and exchange rates, assuming an improvement in the sanitary situation as vaccines become available:

- Same day sales growth of between 5% and 7%;
- An adjusted EBITA margin of circa 5%;
- Free cash flow conversion above 60%.

The above forecasts were prepared on the basis of the accounting principles adopted by the Group to prepare its consolidated financial statements for the financial year ended December 31, 2020. Furthermore, these forecasts, and the underlying assumptions, were also established in application of the provisions of Delegated Regulation (EU) No 2019/980 and the ESMA recommendations relating to forecasts.The foregoing forecasts are based on data, assumptions and estimates deemed reasonable by the management of the Group. These data, assumptions and estimates may change due to uncertainties related, among other things, to the economic, financial, accounting, competitive and regulatory environment, or to other factors currently unknown to the Group on the date of recording of this Universal registration document, and in particular, the uncertainty surrounding the potential effects of the coronavirus epidemic on the business. In addition, the occurrence of some of the risks described in Chapter 2 “Risk factors” could have an impact on the Group’s ability to achieve these objectives. The Group can give no assurance and provides no guarantee that the forecasts mentioned above will be achieved.

3.3 REXEL MID-TERM AMBITION

Rexel proved its agility and adaptability to address short terms headwinds, as illustrated by the strong reduction in operating expenses carried out over the past year, and robust and resilient free cash flow generation across the cycle.

After leading Rexel's transformation, the company's strengthened and experienced management team is fully focused on driving execution to deliver the following targets in the 2021-2023 period:

- Growth in revenue: Outperform the market by 50 bps to 100 bps;
- Improvement in profitability: Adjusted EBITA margin from around 5% in 2021 to above 6.0% in 2023 at constant scope and circa 6.5% including potential portfolio management;
- Enhanced cash generation: Free Cash Flow before Interest and Tax conversion rate above 60%;
- Balanced capital allocation:

– A dividend policy of at least 40% of recurring net income;

– Normalized capital expenditures to sales level of circa 0.9%;

- Balance sheet optimization: Net Debt/EBITDA after Leases ratio of around 2.5x, as calculated under the Senior Credit Agreement terms, to create value by seizing market opportunities or increasing return to shareholders.

ESG targets for 2030 are also embedded in Rexel's ambition: a 35% reduction in CO2 emissions of its operations (scope 1&2) and a 45% reduction in CO2 emissions from the use of products sold (scope 3).

4. DIVIDEND POLICY

The Board of Directors may propose a dividend distribution to the Shareholders' Meeting. Dividends that have not been claimed within five years after their payment date are transferred to the French State.

Rexel's medium-term objective is to generate a solid available cash flow before interest and taxes, thanks to a low capital intensity and a tight management of the working capital requirement, allowing for, inter alia, the funding of an attractive dividend representing at least 40% of the recurring net result.

In respect of the financial year ended on December 31, 2020, the Board of Directors will submit a proposal to the Shareholders' Meeting to be held on April 22, 2021, to distribute an amount of €0.46 per share, deducted from premium, payable in cash in early may 2021, in order to enable Rexel to comply with its commitments as regards the distribution of dividends to the shareholders.

Rexel has distributed the following amounts in respect of the last three financial years:

YEAR	TOTAL AMOUNTS DISTRIBUTED	AMOUNT DISTRIBUTED PER SHARE
2020	€139,507,247	€0.46 (*)
2019	—	—
2018	€132,965,266	€0.44

(*) Amount subject to the approval of the shareholders upon the Shareholders' Meeting.

5. SIGNIFICANT CHANGES IN THE ISSUER'S FINANCIAL OR COMMERCIAL POSITION

On February 2, 2021 Rexel Canada has acquired the Canadian Utility business of WESCO International (“WESCO Canada Utility”). The acquisition of WESCO Canada Utility will provide Rexel Canada with enhanced development opportunities in an attractive and resilient business. It also allows Rexel Canada to offer a complementary range of products to its existing utility contractor customer base and to further expand its footprint in the country. WESCO Canada Utility’s sales stood over CAD70 million in 2020. Due to local market dynamics, the Group does not want to disclose the purchase price at this stage .

This acquisition will be consolidated in 2021.

6. INFORMATION ON PAYMENTS TERMS GRANTED TO SUPPLIERS AND CUSTOMERS OF REXEL

Invoices received or issued, unpaid or overdue as at December 31, 2020 (article D.441-4 I of the French Commercial Code)

	ARTICLE D.441-4 I. 1°: INVOICES RECEIVED, UNPAID AS OF DECEMBER 31, 2020	ARTICLE D.441-4 I. 2°: INVOICES ISSUED, UNPAID AS OF DECEMBER 31, 2020
(A) Overdue invoices		
Number of invoices concerned	5	—
Total amount of invoices concerned (including taxes) (in thousands of euros)	3	
Percentage of total purchases for the year (excluding taxes)	0,02%	
Percentage of sales for the year (excluding taxes)P		
(B) Invoices excluded from (A) relating to payables and receivables in dispute or not recognized		
Number of excluded invoices	2	
Total amount of excluded invoices (including taxes) (in thousands of euros)	7	
(C) Benchmark payment terms used (contractual or statutory terms – article L.441-6 or article L.443-1 of the Commercial Code)		
Payment terms used to calculate overdue payments	Contractual terms: 30 days average Statutory terms: NA	Contractual terms: 30 days average Statutory terms: NA

II. Consolidated financial statements

TABLE OF CONTENTS

Consolidated Statement of Profit or Loss

(in millions of euros)	Note	FOR THE YEAR ENDED DECEMBER 31 2020	2019
Sales	5	12,592.5	13,742.3
Cost of goods sold		(9,489.0)	(10,310.3)
Gross profit		**3,103.4**	**3,432.0**
Distribution and administrative expenses	6	(2,576.9)	(2,768.8)
Operating income before other income and expenses		**526.5**	**663.2**
Other income	8	25.0	26.9
Other expenses	8	(554.9)	(203.7)
Operating income		**(3.4)**	**486.4**
Financial income		3.8	2.7
Interest expense on borrowings		(65.7)	(71.8)
Non-recurring redemption gain (loss)		4.2	(20.8)
Other financial expenses		(59.5)	(75.4)
Net financial expenses	9	**(117.2)**	**(165.3)**
Net income before income tax		**(120.6)**	**321.1**
Income tax	10	(140.7)	(117.3)
Net income		**(261.3)**	**203.8**
Portion attributable:			
to the equity holders of the parent		*(261.2)*	*204.4*
to non-controlling interests		*(0.1)*	*(0.6)*
Earnings per share:			
Basic earnings per share (in euros)	19	*(0.86)*	*0.68*
Fully diluted earnings per share (in euros)	19	*(0.86)*	*0.68*

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

Consolidated Statement of Comprehensive Income

(in millions of euros)	Note	FOR THE YEAR ENDED DECEMBER 31 2020	2019
Net income		**(261.3)**	**203.8**
Items to be reclassified to profit or loss in subsequent periods			
Net gain / (loss) on net investment hedges		5.2	(15.2)
Income tax		(1.7)	5.2
Sub-total		**3.5**	**(10.0)**
Foreign currency translation adjustment		(148.8)	87.6
Income tax		4.3	(5.6)
Sub-total		**(144.5)**	**82.0**
Net gain / (loss) on cash flow hedges		(5.7)	(9.6)
Income tax		1.3	3.1
Sub-total		**(4.4)**	**(6.5)**
Items not to be reclassified to profit or loss in subsequent periods			
Net gain/ (loss) on remeasurements of net defined benefit liability	21.3	(44.7)	(50.3)
Income tax		5.8	4.1
Sub-total		**(38.9)**	**(46.2)**
Other comprehensive income / (loss) for the period, net of tax		**(184.3)**	**19.3**
Total comprehensive income / (loss) for the period, net of tax		**(445.6)**	**223.1**
Portion attributable:			
to the equity holders of the parent		*(445.5)*	*223.7*
to non-controlling interests		*—*	*(0.5)*

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

Consolidated Balance Sheet

(in millions of euros)	Note	AS OF DECEMBER 31 2020	2019
ASSETS			
Goodwill	11.1	3,192.2	3,785.5
Intangible assets	11.1	997.5	1,027.5
Property, plant and equipment	11.2	253.3	273.3
Right-of-use assets	11.3	895.5	898.2
Long-term investments	11.4	41.3	49.2
Deferred tax assets	10.2	29.7	60.1
Total non-current assets		**5,409.5**	**6,093.8**
Inventories	12.1	1,511.1	1,696.9
Trade accounts receivable	12.2	1,899.7	2,059.3
Current tax assets		4.8	7.9
Other accounts receivable	12.3	448.9	533.1
Assets held for sale	13	3.7	169.4
Cash and cash equivalents	14	685.4	514.3
Total current assets		**4,553.7**	**4,980.9**
Total assets		**9,963.2**	**11,074.8**
EQUITY			
Share capital	16	1,522.1	1,520.5
Share premium	16	1,450.5	1,451.2
Reserves and retained earnings		822.5	1,258.4
Total equity attributable to equity holders of the parent		**3,795.1**	**4,230.1**
Non-controlling interests		(0.4)	5.2
Total equity		**3,794.8**	**4,235.3**
LIABILITIES			
Interest bearing debt (non-current part)	22.1	1,915.2	1,733.1
Lease liabilities (non-current part)	11.3	837.0	846.5
Net employee defined benefit liabilities	21.2	320.9	312.1
Deferred tax liabilities	10.2	184.1	184.6
Provisions and other non-current liabilities	20	46.7	40.8
Total non-current liabilities		**3,303.9**	**3,117.1**
Interest bearing debt (current part)	22.1	113.3	744.2
Accrued interest	22.1	3.6	4.6
Lease liabilities (current part)	11.3	168.7	163.5
Trade accounts payable		1,807.3	2,021.7
Income tax payable		17.1	14.1
Other current liabilities	24	741.0	738.9
Liabilities directly associated with the assets held for sale	13	13.6	35.3
Total current liabilities		**2,864.5**	**3,722.4**
Total liabilities		**6,168.4**	**6,839.4**
Total equity and liabilities		**9,963.2**	**11,074.8**

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

Consolidated Statement of Cash Flows

(in millions of euros)	Note	FOR THE YEAR ENDED DECEMBER 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income		(3.4)	486.3
Depreciation, amortization and impairment of assets and assets write off	6-8	812.8	433.1
Employee benefits		(29.6)	(24.5)
Change in other provisions		13.0	(15.4)
Other non-cash operating items		(10.7)	(10.6)
Interest on lease liabilities	11.3	(42.7)	(45.5)
Financial interest paid on borrowings		(66.5)	(82.3)
Income tax paid		(88.5)	(118.2)
Operating cash flows before change in working capital requirements		**584.4**	**622.7**
Change in inventories		113.6	(62.7)
Change in trade receivables		87.4	18.7
Change in trade payables		(150.1)	(3.8)
Change in other working capital items		71.6	(22.3)
Change in working capital requirements		***122.5***	***(70.0)***
Net cash from operating activities		**706.9**	**552.7**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tangible and intangible assets		(109.6)	(124.3)
Proceeds from disposal of tangible and intangible assets		33.0	7.9
Acquisitions of subsidiaries, net of cash acquired		(5.0)	(4.2)
Proceeds from disposal of subsidiaries, net of cash disposed of		153.5	6.5
Change in long-term investments		(4.3)	(4.0)
Net cash from investing activities		**67.6**	**(118.2)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Disposal / (Purchase) of treasury shares		4.0	2.2
Acquisition of non-controlling interests		(14.7)	—
Issuance of senior notes net of transaction costs	22.2	—	594.4
Early repayment of senior notes	22.2	(303.9)	(666.9)
Net change in credit facilities, commercial papers, other financial borrowings	22.2	(0.2)	(6.4)
Net change in securitization	22.2	(93.0)	(71.6)
Repayment of lease liabilities	11.3	(172.3)	(175.2)
Dividends paid	17	—	(133.0)
Net cash from financing activities		**(580.2)**	**(456.3)**
Net (decrease) / increase in cash and cash equivalents		**194.4**	**(21.9)**
Cash and cash equivalents at the beginning of the period		514.3	544.9
Effect of exchange rate changes on cash and cash equivalents		(22.0)	(3.0)
Cash and cash equivalent reclassified to assets held for sale	13	(1.3)	(5.7)
Cash and cash equivalents at the end of the period		**685.4**	**514.3**

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

Consolidated Statement of Changes in Equity

(in millions of euros)	NOTE	Share capital	Share premium	Retained earnings	Foreign currency translation	Cash flow hedge reserve	Remeasurement of net defined benefit liability	**Total attributable to the equity holders of the parent**	Non-controlling interests	**TOTAL EQUITY**
FOR THE YEAR ENDED DECEMBER 31, 2019										
Balance at January 1, 2019		**1,519.9**	**1,554.0**	**1,226.4**	**(7.4)**	**1.8**	**(152.4)**	**4,142.5**	**3.9**	**4,146.4**
Net income		—	—	204.4	—	—	—	**204.4**	(0.6)	203.8
Other comprehensive income		—	—	—	71.9	(6.5)	(46.2)	**19.2**	0.1	19.3
Total comprehensive income for the period		**—**	**—**	**204.4**	**71.9**	**(6.5)**	**(46.2)**	**223.7**	**(0.5)**	**223.1**
Cash dividends	17	—	(104.9)	(28.0)	—	—	—	**(133.0)**	—	(133.0)
Allocation of free shares and free shares cancelled		0.6	2.1	(2.7)	—	—	—	**0.0**	—	—
Share-based payments	7	—	—	7.3	—	—	—	**7.3**	—	7.3
Acquisition of non controlling interests		—	—	(5.0)	—	—	—	**(5.0)**	2.7	(2.3)
Disposal of subsidiaries		—	—	—	(7.4)	—	—	**(7.4)**	(0.9)	(8.3)
Disposal / (Purchase) of treasury shares		—	—	2.1	—	—	—	**2.1**	—	2.1
Balance at December 31, 2019		**1,520.5**	**1,451.2**	**1,404.4**	**57.1**	**(4.7)**	**(198.6)**	**4,230.1**	**5.2**	**4,235.3**
FOR THE YEAR ENDED DECEMBER 31, 2020										
Balance at January 1, 2020		**1,520.5**	**1,451.2**	**1,404.4**	**57.1**	**(4.7)**	**(198.6)**	**4,230.1**	**5.2**	**4,235.3**
Net income		—	—	(261.2)	—	—	—	**(261.2)**	(0.1)	(261.3)
Other comprehensive income		—	—	—	(141.0)	(4.4)	(38.9)	**(184.3)**	—	(184.3)
Total comprehensive income for the period		**—**	**—**	**(261.2)**	**(141.0)**	**(4.4)**	**(38.9)**	**(445.5)**	**—**	**(445.6)**
Cash dividends	17	—	—	—	—	—	—	**—**	—	—
Allocation of free shares and free shares cancelled		1.6	(0.7)	(0.9)	—	—	—	**—**	—	(0.0)
Share-based payments	7	—	—	11.3	—	—	—	**11.3**	—	11.3
Acquisition of non controlling interests		—	—	(8.7)	(0.4)	—	—	**(9.1)**	(5.6)	(14.7)
Disposal of subsidiaries		—	—	—	4.5	—	—	**4.5**	—	4.5
Disposal / (Purchase) of treasury shares		—	—	3.8	—	—	—	**3.8**	—	3.8
Balance at December 31, 2020		**1,522.1**	**1,450.5**	**1,148.7**	**(79.7)**	**(9.1)**	**(237.5)**	**3,795.2**	**(0.4)**	**3,794.8**

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

Accompanying Notes

1. General information

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

The Group, headquartered in Paris, France, 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).

These consolidated financial statements cover the period from January 1 to December 31, 2020 and were authorized for issue by the Board of Directors on February 10, 2021.

2. Significant events

For the year ended December 31, 2020

Covid-19 has significantly impacted the world economy in 2020. Many countries have imposed travel bans, lockdown and quarantine measures to refrain the outbreak. Businesses dealt with lost revenues and temporarily disrupted supply chains. While some countries had eased the lockdown after the first wave of the pandemic, the release had been gradual in summertime, and sanitary measures were resumed in the fourth quarter of 2020, although to a lesser extent, due to the appearance of a second wave of the Covid-19. As a response to this unprecedented crisis, numerous governments have taken measures to provide both financial and non-financial assistance to the affected entities. As electrical products availability was deemed essential in most of the countries where lockdown measures were implemented, Rexel’s business was not interrupted although adversely impacted by demand decrease, especially in the second quarter of 2020.

The Group reacted to sudden decline of electrical equipment demand, starting in March 2020 in most of the countries, by adapting its operations running with most of its logistic centers and branches remaining open and expanding its offering of digital solutions. The Group implemented action plans that included sanitary measures, cash protection and temporary cost saving measures including part time employment.

In this context, sales were down 17.7% organically in the second quarter of 2020 and shown a good sequential recovery in the third quarter (-4.2%) and in the fourth quarter (-0.7%) as compared to the same periods in 2019. As a result of sales volume decrease, operating income before other income and expenses went down to €526.5 million in 2020 from €663.2 million in 2019. As a percentage of sales, EBITA margin deteriorated only by 67 bps (from 4.9% to 4.3%) thanks to active opex management on workforce reduction and leveraging on partial unemployment.

As part of these measures taken by most of the governments to assist entities in the Covid-19 crisis, Rexel benefited from direct subsidies to compensate partial unemployment of its employees that were recognized in profit or loss, as personnel expenses, for €37.6 million (see note 6. Distribution & administrative expenses).

Expected credit losses were reviewed upwards resulting in a €17.8 million increase of net allowance for account receivables as compared to 2019 reflecting mainly the effect of the Covid-19 crisis.

Moreover, the Group identified, in the first half of 2020, some indicators requiring performing impairment testing of its cash generating units with goodwill. As a result, a €486.0 million impairment loss was recognized in the first semester ended June 30, 2020, mainly allocated to the following cash-generating units: The United Kingdom, the United States, Canada and Germany (see note 11.1 Goodwill and intangible assets).

Consistently with the recognition of goodwill impairment losses, net deferred tax assets were written down by €28.4 million as of December 31, 2020 reflecting remote future taxable gains in some tax jurisdictions (the UK, Germany, New Zealand) (see note 10.3 Effective tax rate).

To secure its cash position due to the uncertainty surrounding the effects of the Covid-19 health crisis, the Group drew down €550 million of its revolving credit facilities out of €850 million on March 25, 2020.

The cumulative effects of strong Free Cash Flow generation as well as the €153.5 million of cash proceeds on Gexpro Services business and export Spanish business divestments and the decision by the Board of Directors to cancel its proposal to distribute a dividend allowed the Group:

– to pay off these credit facilities on June 24, 2020 and
– to early repay on December 15, 2020, its 2.625 % €300 million senior notes due 2024. A gain of 4.2 million has been recognized in the net financial expenses including a €3.9 million redemption premium. (see note 22.1.2 Senior notes).

As of December 31, 2020, Rexel's liquidity stood at €1,459 million and was deemed appropriate by the Management to face any amount falling due within the next twelve months and beyond (see note 23.3 Liquidity Risk).

For the year ended December 31, 2019

In March 2019, Rexel issued a 2.75% €600 million senior notes due 2026. Proceeds received from these issuances were used to early repay the 3.50% €650 million senior notes due 2023. A loss of €20.8 million had been recognized in the net financial expenses (see note 22.1.2 Senior notes).

3. Significant accounting policies

3.1 Statement of compliance

The consolidated financial statements (hereafter referred to as "the financial statements") for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, as well as the standards of the International Accounting Standards Board (IASB) which are in force at December 31, 2020.

IFRS as adopted by the European Union can be consulted on the European Commission's website (https://www.efrag.org).

3.2 Basis of preparation

The financial statements 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 effect.

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

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

- Business combinations (notes 3.5 and 4);
- Impairment of intangible assets and goodwill (notes 3.5 and 11.1);
- Employee benefits (notes 3.15 and 21);
- Provisions and contingent liabilities (notes 3.17, 20, and 27);
- Supplier rebates (see note 3.19 and 12.3);
- Lease contracts (see note 3.7 and 11.3);
- Recognition of deferred tax assets (notes 3.22 and 10);
- Measurement of share-based payments (notes 3.16 and 18.

3.2.1 Changes in accounting policies - amended IFRS standards

Effective as of January 1, 2020, the following new amendments previously endorsed by the European Union are applicable to Rexel. These changes had no material effect on the Group's financial statements:

- Amendments to IFRS 16 "Covid-19-Related Rent concessions"

  On May 28, 2020, the IASB issued an amendment that allows a lessee, as a practical expedient, not to assess whether rent concessions that are a direct consequence of the Covid-19 pandemic, are lease modifications. It applies only to payments originally due on or before June 30, 2021. When electing for this practical expedient, changes in lease payments that arise from rent concessions are recognized in profit or loss for the reporting period. This amendment applies retrospectively for annual reporting periods beginning on or after June 1, 2020 with earlier application permitted. Rexel elected to apply this practical expedient that does not materially impacts the Group's financial statements

- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material"

  In October 2018, the IASB issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

- Amendments to IFRS 3 "Business Combinations": Definition of a Business

  Amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"

  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 to address issues in relation to the IBOR reform and its potential impacts on hedge accounting requirements in the period before the replacement of an interest rate benchmark with an alternative interest rate. The amendments:

  – allow entities to assume that the interest rate benchmark will not be materially altered as a result of the reform, when applying hedge accounting requirements;

  – are mandatory for all hedging relationships that are directly affected by the interest rate benchmark reform;

  – are not intended to provide relief from any other consequences arising from interest rate benchmark reform (if a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amendments, discontinuation of hedge accounting is required); and

  – require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments.

  Floating rates, nominal amounts and maturities of financial instruments used by the Group are detailed Note 23.

  These amendments had no impact on the consolidated financial statements of the Group.

3.2.2 New and amended accounting standards and interpretations endorsed by the European Union with effect in future periods

The following standards, amendments and interpretations issued by IASB and IFRS Interpretation Committee have been endorsed by the European Union but are not yet effective at the reporting date:

- Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures" and IFRS 16 Leases - Phase 2

  On 27 August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2. With publication of the phase two amendments, the IASB has completed its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments:

- include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss.
- permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 and IAS 39 to measure and recognise hedge ineffectiveness. Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR. The cash flow hedge reserve is released to profit or loss in the same period or periods in which the hedged cash flows based on the RFR affect profit or loss.
- provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.
- include disclosures on how the entity is managing the transition to RFRs and its risk management strategy.

The amendments are mandatory, with earlier application permitted. They apply retrospectively for annual reporting periods beginning on or after January 1, 2021.

3.2.3 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.

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”

  On January 23, 2020, the IASB issued amendments to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. These amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023.

- Amendments to IAS 16 “Property, Plant & Equipment – Proceeds before Intended Use”

  On May 14, 2020, the IASB issued amendments to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. These amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2022.

- Amendments to IAS 37 “Onerous Contract – Cost of fulfilling a Contract”

  On May 14, 2020, the IASB issued amendments to specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). These amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2022.

- Annual improvements to IFRS Standards 2018-2020

  On May 14, 2020, the IASB published amendments Annual improvements to IFRS Standards 2018-2020 Cycle including among others the following amendments:

– IFRS 1 –The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.

– IFRS 9 – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
– The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

3.3 Basis of Consolidation

The consolidated financial statements include the financial statements for Rexel S.A., parent company of the Group, and its direct and indirect subsidiaries as of December 31, 2020. The subsidiaries (including Special Purpose Entities) are controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In assessing control, present and potential voting rights are taken into account.

The subsidiaries are fully consolidated from the date on which control is obtained to the date when control ceases. All assets and liabilities, unrealized gains and losses, income and expenses, dividends, and other transactions arising from intragroup transactions are eliminated when preparing the consolidated financial statements.

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

3.4 Foreign currency translation

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

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

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate prevailing at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Non-monetary assets and liabilities that are measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

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

Net investment in foreign operations

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

3.5 Intangible assets

Goodwill

The cost of an acquisition is measured at acquisition date. Any contingent considerations are recognized at their fair value estimated as of the acquisition date. Subsequent changes in the fair value of contingent considerations are recognized in the income statement. For each business combination, the Group measures the non-controlling interests either at fair value or at the proportionate share of the acquiree's identifiable net assets. The costs of acquisition are recognized as expenses.

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

Goodwill is then measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (CGUs).

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

A goodwill impairment loss is recognized whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement (in “Other expenses”).

Impairment losses in respect of goodwill may not be reversed.

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

Other intangible assets

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

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

Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each annual balance sheet date, at least. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment of indefinite useful life for this asset continues to be justified. If not, a change in the useful life assessment from indefinite to finite is made on a prospective basis. Other intangible assets are amortized from the date that they are available for use. Estimated useful lives of capitalized software development costs range from 3 to 10 years.

3.6 Property, plant and equipment

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

Depreciation

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

Land is not depreciated.

The estimated useful lives are as follows:

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

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

3.7 Lease contracts

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It applies a single recognition and measurement model for all leases except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (*i.e*. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment (see note 3.8)

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees if any. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date as the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (a change in the lease term, in the in-substance fixed lease payments or in the assessment to purchase the underlying asset).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (*i.e*. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of office equipment (including copiers, printers, lap-tops) that are individually considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as part of the distribution and administrative expenses on a straight-line basis over the lease term.

Lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its lease agreements, to extend the lease term of properties part of its branch network. The Group considers all relevant factors that create an economic incentive for it to exercise the renewal on a site by site basis among which: the cost of relocation including the effect of potential business disruptions on operations resulting from a lease termination, the attractiveness of the location, and the investments in leasehold improvements. Typically, the Group considers renewal options in determining the lease term at inception of the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (*i.e.* adverse changes in the attractiveness of the location or business strategy change).

Following the decision reached by the IFRS IC on the lease term of a cancellable or renewable lease and issued on December 16, 2019, the Group concluded that the term of its leases reflects a reasonable expectation of the period during which the underlying asset will be used, consistent with the broader economics of the contract and with the useful life of non-removable leasehold improvements.

Discount rate

The Group uses the IBR to measure the lease liability as the implicit interest rate of lease agreements is not readily available. The incremental borrowing rate is determined by reference to the 7-year currency swap applicable to each of the Group's entities in their own functional currencies after adding back the Group's credit spread. The Group credit spread is derived from the cost of issuing senior notes which is the primary source of funding of the Group.

Income tax

The Group elected for the recognition of deferred tax calculated on the right-of-use assets and the lease liabilities.

3.8 Impairment of non-financial assets

Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. Fair value less costs to sell is based on available data derived from sale transactions on an arm's length basis for similar assets on observable market prices less incremental costs of disposing of the asset. Value-in-use is calculated based on a discounted cashflow model. These cash flows are derived from the budget for the next three years and then extrapolated for two additional years. Value-in-use calculation is most relevant to goodwill and other intangible assets with indefinite useful life recognized by the Group such as distribution network and strategic supplier relationships. It may also apply to right-of-use assets and other fixed assets once goodwill and other intangibles have been fully impaired.

3.9 Inventories

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

3.10 Financial assets

Classification of financial assets and measurement

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 trade receivables and cash and cash equivalents as well as financial derivatives including interest rate swaps and forward exchange contracts used for hedging and other interest rate derivatives that are not designated as hedging instruments in hedge relationships.

With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables do not contain a significant financing component and are initially measured at the transaction cost.

Trade receivables 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 assets at amortized cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial derivative assets designated as cash flow hedge instruments are classified as measured at FVOCI at initial recognition. Fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss (see note 3.12).

Cash and cash equivalent and financial derivatives which the Group had not designated as hedge instruments are classified at FVPL. Cash and cash equivalents comprise cash balances and demand deposits with banks and other short-term highly liquid investments subject to an insignificant risk of changes in value. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition of trade receivables

Rexel runs several on-going securitization and factoring programs which allow the Group to assign eligible trade receivables and receive cash payments in exchange. Trade receivables are derecognized from the balance sheet when the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows to a third party under a ‘pass-through’ arrangement and the Group has transferred substantially all the risks and rewards attached to the receivables.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has not transferred all the risks and rewards of the asset, the Group continues to recognize the transferred receivables. In that case, the Group also recognizes an associated liability for the cash received in exchange of the assigned receivables.

Impairment

The Group recognizes an allowance for expected credit losses (ECLs) for all trade receivables. The Group applies a simplified approach in calculating ECLs and recognizes a loss allowance based on a standard ageing matrix for defaulted receivables. The Group considers a trade receivable in default when contractual payments are 30 days past due. For non-defaulted receivables (non-due and less than 30 days past-due), the Group recognizes expected credit losses based on the historical ratio of credit losses to sales. However, in certain cases, the Group may also consider a trade receivable to be in default when there is objective evidence that the Group is unlikely to receive the outstanding contractual amounts in full.

3.11 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments. Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. These costs include fees and commissions paid to agents and advisers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums, or allocations of internal administrative or overhead expenses.

Trade accounts payable include exclusively payables due to suppliers of goods held for resale. Invoices payable to general and administrative suppliers are presented as other payables in other current liabilities. Transaction cost is deemed to be the fair value as payables do not contain significant financing component (due date less than one year).

“Loans and borrowings” category is the most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method (EIR). Transaction costs are included in the calculation of amortized cost using the effective interest rate method and, in effect, amortized through the income statement over the life of the instrument. Gains and losses are recognized in profit or loss when the liabilities are derecognized.

Financial liabilities at fair value through profit or loss include solely derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined. Fair value changes subsequent to initial recognition are recognized in the statement of profit or loss.

Financial derivative liabilities designated as cash flow hedge instruments are classified as measured at FVOCI at initial recognition. Fair value changes are recognized in other comprehensive income “OCI”. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss (see note 3.12).

3.12 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Fair value hedges

Fair value hedge accounting is used when a derivative financial instrument is designated as a hedge of the variability of the fair value of a recognized liability, including fixed rate indebtedness such as bonds.

The hedging instrument is measured at fair value with changes in fair value recognized in the income statement. The change in the fair value of the hedged item attributable to the hedged risk is recorded as part of the carrying amount of the hedged item and is also recognized in the income statement.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining life of the hedging instrument using the effective interest rate method. When the hedged item is derecognized, the unamortized fair value is recorded immediately in profit or loss.

Cash flow hedges

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized in the cash-flow hedge reserve as other comprehensive income.

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

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

If the hedged transaction is no longer expected to take place, then the cumulative unrealized gain (loss) recognized as other comprehensive income is immediately reclassified to profit or loss.

Hedge of net investment in foreign operations

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

3.13 Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the following fair value hierarchy:

Level 1

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price. This valuation method is referred to as Level 1 in the hierarchy established by IFRS 13.

Level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation models incorporating various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward interest rate curves. The assumptions used are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This valuation method is referred to as Level 2 in the hierarchy established by IFRS 13.

Whether a financial instrument is valued using one or the other of these methods is indicated in the summary of financial assets (note 15) and the summary of financial liabilities (note 24).

3.14 Share capital

Repurchase of equity instruments

When the company purchases its own equity instruments, the amount of the consideration paid, including directly attributable costs, is recognized as a reduction in equity.

Dividends

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

3.15 Employee benefits

3.15.1 Short-term employee benefits

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

3.15.2 Post-employment and other long-term benefits

Post-employment and other long-term benefits include:

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

These benefits are classified as either:

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

Post-employment benefits

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

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

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

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

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

Other long-term benefits

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

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

3.16 Share-based payments

Bonus share programs, qualified as equity-settled, allow Group employees to receive shares of the parent company of the Group. The fair value of bonus shares allocated is recognized as a personnel expense with a corresponding increase in other reserves in equity over the period during which the employees become unconditionally entitled to the options (the vesting period). The expense is based on fair value estimate of the equity instruments in accordance with conditions of granting.

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

3.17 Provisions

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

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

Provision for restructuring

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

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Restructuring expenses are presented in "Other expenses" (see note 3.20). Restructuring costs principally include personnel costs (severance payments, early retirement costs, notice period not worked), branch closure costs and indemnities for the breach of non-cancellable agreements.

Onerous contracts

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

Provisions for disputes and litigations

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

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

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

3.18 Revenues from contracts with customers

Rexel's performance obligations consist mainly of delivery of electrical products and associated transportation services to ship the products to the customer's site. Due to the nature of its business, contracts with customers are generally entered into for a period of less than one year.

Revenues arising from the sale of goods and delivery services invoiced to customers are presented in sales in the income statement. Sales are recognized at the point in time when the control of the goods is transferred to the customer generally on delivery or shipment of the products.

Rexel's performance obligations are fulfilled through warehouse sales or direct sales:

- Warehouse sales consist in goods shipped directly from Rexel's inventory locations to customers
- 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. For the vast majority of its direct sales transactions, the Group acts as a principal as:
  - it 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,
  - also, 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.

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts and recognizes a refund liability for the expected future rebates.

Certain arrangements provide a customer with a right to return the goods within a specified period. For goods that are expected to be returned, instead of sales, the Group recognizes a refund liability. To estimate the variable consideration for the expected goods returned, the Group applies the most likely amount method. A right of return asset (and corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

3.19 Supplier rebates

In line with industry practice, Rexel enters into annual agreements with a number of suppliers whereby volume-based rebates, marketing support and other discounts are received in connection with the purchase of goods for resale from these suppliers.

Rebates relating to the purchase of goods for resale are accrued and recognized as a deduction of cost of goods sold or a deduction of inventory for the goods in stock at the balance sheet date.

Part of volume-based rebates are determined by reference to guaranteed rates of rebate (unconditional rebates). These are calculated through a mechanical process with minimal judgement. Another part of volume-based rebates is subject to stepped targets, the rebate percentage increasing as volumes purchased reach agreed targets within a set period of time (conditional rebates). The majority of suppliers’ rebate agreements apply to annual purchases eligible to rebates. Determination of the rebate amount recorded in the income statement at the balance sheet date is based on the most likely amount method which relies on estimate of purchases subject to rebates by category of products.

Marketing support, which represents a smaller part of the Group’s supplier rebates is recognized in the cost of goods sold once all relevant performance criteria have been met.

3.20 Other income and other expenses

Other operating income and expenses include, irrespective of their amount, gains and losses on asset disposals, asset impairment and write-offs, expenses arising from the restructuring or integration of acquired companies, separation costs, acquisition related costs from business combinations and gains or losses on earn out as well as other significant items such as disputes. These items are presented separately in the income statement in order to allow the Chief Executive Officer and the Deputy Chief Executive Officer acting as Chief operating decision maker within the meaning of IFRS 8 "Operating Segments", to assess the trading performance of the business segments.

3.21 Financial expenses (net)

Financial expenses (net) comprise interest payable on borrowings calculated using the effective interest rate method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in profit or loss (see note 3.12).

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

3.22 Income tax

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

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available to recover this asset. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Practically, this is achieved through a valuation allowance recognized against deferred tax assets.

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

Information as to the calculation of income tax on the profit for the periods presented is included in note 10.

3.23 Segment reporting

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

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

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

3.24 Earnings per share

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

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

4. Business combinations

In 2019 and 2020, the Group did not proceed to any significant business combination.

5. Segment report

The reportable segments are Europe, North America and Asia-Pacific.

Information by geographic segment for the year ended December 31, 2020 and 2019

	2020					
(in millions of euros)	EUROPE	NORTH AMERICA	ASIA-PACIFIC	**TOTAL OPERATING SEGMENTS**	CORPORATE HOLDINGS AND OTHER RECONCILING ITEMS	**TOTAL GROUP**
FOR THE YEAR ENDED DECEMBER 31						
Warehouse sales	6,731.1	2,759.1	1,038.0	**10,528.3**	—	**10,528.3**
Direct sales	562.9	1,612.6	130.2	**2,305.7**	—	**2,305.7**
Rebates, discount and services	(210.8)	(29.7)	(1.1)	**(241.6)**	—	**(241.6)**
Sales to external customers	**7,083.3**	**4,342.0**	**1,167.2**	**12,592.5**	**—**	**12,592.5**
EBITA (1)	379.8	168.6	21.9	**570.2**	(33.2)	**537.0**
Goodwill impairment	(257.1)	(183.4)	(45.5)	**(486.0)**	—	**(486.0)**
AS OF DECEMBER 31				**—**		
Working capital	651.3	558.7	122.7	**1,332.8**	(18.3)	**1,314.5**
Goodwill	2,005.3	1,113.4	73.4	**3,192.2**	—	**3,192.2**

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

	2019					
(in millions of euros)	EUROPE	NORTH AMERICA	ASIA-PACIFIC	**TOTAL OPERATING SEGMENTS**	CORPORATE HOLDINGS AND OTHER RECONCILING ITEMS	**TOTAL GROUP**
FOR THE YEAR ENDED DECEMBER 31						
Warehouse sales	6,904.1	3,380.7	1,048.6	**11,333.4**	—	**11,333.4**
Direct sales	641.9	1,888.5	130.5	**2,660.9**	—	**2,660.9**
Rebates, discount and services	(214.5)	(36.2)	(1.3)	**(252.0)**	—	**(252.0)**
Sales to external customers	**7,331.5**	**5,233.0**	**1,177.9**	**13,742.3**	**—**	**13,742.3**
EBITA (1)	445.7	226.6	27.5	**699.8**	(22.3)	**677.5**
Goodwill impairment	(80.2)	—	(17.8)	**(98.0)**	—	**(98.0)**
AS OF DECEMBER 31						
Working capital	694.9	709.5	138.3	**1,542.7**	(16.4)	**1,526.4**
Goodwill	2,263.6	1,402.2	119.7	**3,785.5**	—	**3,785.5**

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

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

	FOR THE YEAR ENDED DECEMBER 31	
(in millions of euros)	2020	2019
EBITA	**537.0**	**677.5**
Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities	(10.5)	(14.3)
Other income and other expenses	(529.9)	(176.8)
Net financial expenses	(117.2)	(165.3)
Net income before tax	**(120.6)**	**321.1**

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)	FOR THE YEAR ENDED DECEMBER 31 2020	2019
Working capital	1,314.5	1,526.4
Goodwill	3,192.2	3,785.5
Total allocated assets & liabilities	**4,506.6**	**5,311.9**
Liabilities included in allocated working capital	2,542.5	2,757.7
Accrued interest receivable	0.8	2.0
Other non-current assets	2,187.6	2,248.1
Deferred tax assets	29.7	60.1
Current tax assets	4.8	7.9
Assets classified as held for sale	3.7	169.4
Derivatives	2.0	3.3
Cash and cash equivalents	685.4	514.3
Group consolidated total assets	**9,963.2**	**11,074.8**

6. Distribution & administrative expenses

(in millions of euros)		FOR THE YEAR ENDED DECEMBER 31 2020	2019
Personnel costs (salaries & benefits)	(1)	1,526.4	1,690.2
Delivery costs		241.3	247.8
Other external costs		359.1	402.2
Depreciation expense	(2)	283.9	281.6
Building and occupancy costs		107.2	106.7
Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities		10.5	14.3
Bad debt expense	(3)	48.5	26.1
Total distribution and administrative expenses		**2,576.9**	**2,768.8**

(1) Including Government grants recognized in Personnel costs for €37.6 million for the year ended December 31, 2020. These subsidies were recognized in profit or loss over the periods in which the related personnel costs for which the subsidies are intended to compensate for were incurred.

(2) Including depreciation expense of right-of-use assets for €178.5 million (€178.3 million for the year ended December 31, 2019) (see note 11.3).

(3) Including (i) a provision for expected credit losses and losses on receivables written-off of €39.8 million for the year ended December 31, 2020 versus €22.0 million for the year ended December 31, 2019, mainly reflecting higher expected credit losses as a result of the Covid-19 crisis and (ii) customer credit insurance premiums net of recoveries.

7. Salaries & benefits

(in millions of euros)		FOR THE YEAR ENDED DECEMBER 31 2020	2019
Salaries and social security charges		1,503.0	1,622.2
Share-based payments		11.3	7.3
Pension and other post-retirement benefits-defined benefit plans		15.6	12.7
Other employee expenses	(1)	(3.5)	48.1
Total employee benefits		**1,526.4**	**1,690.2**

(1) Including Government grants recognized in Personnel costs for €37.6 million for the year ended December 31, 2020.

The table below sets forth average number of employees by geographic segment:

	FOR THE YEAR ENDED DECEMBER 31	
	2020	2019
Europe	13,571	15,254
North America	7,291	8,692
Asia-Pacific	2,465	2,525
Total operating segments	**23,327**	**26,471**
Corporate Holdings	164	160
Group average number of employees	**23,491**	**26,631**

The average number of employees for the year ended December 31, 2020 includes the effect of temporary workforce reduction as part of partial unemployment measures implemented as a response to the Covid-19 crisis.

8. Other income & other expenses

		FOR THE YEAR ENDED DECEMBER 31	
(in millions of euros)		2020	2019
Gains on disposal of fixed assets	(1)	13.7	7.0
Gain on disposal of investments in consolidated companies	(2)	5.7	12.5
Gain on lease terminations		4.0	5.5
Release of unused provisions		0.7	0.2
Gains on earn-out		0.4	—
Other operating income		0.5	1.6
Total other income		**25.0**	**26.9**
Restructuring costs	(3)	(26.1)	(32.6)
Impairment of intangible assets with indefinite useful life	(4)	(486.0)	(118.0)
Fair value adjustments of assets held for sale	(5)	(32.5)	(17.2)
Loss on lease terminations		—	(0.6)
Losses on non-current assets disposed of		(1.8)	(6.5)
Impairment of other assets		(0.8)	(2.0)
Litigations		(0.4)	(2.7)
Other operating expenses	(6)	(7.3)	(24.0)
Total other expenses		**(554.9)**	**(203.7)**

(1) Mainly including gains on real estate properties divestments.

(2) Including a €4.2 million gain on Gexpro Services disposal and €1.4 million relating to the Spanish export business divestment for the year ended December 31, 2020. For the year ended December 31, 2019, disposal gains were mainly related to (i) the sale of the 65% interest in Rexel Hailongxing, a joint-venture based in Beijing for €6.5 m and (ii) to a €5.6 million exchange gain as a result of the accumulated foreign currency transaction adjustment recycled into profit and loss following the completion of the liquidation and deregistration process of Rexel CZ, a dormant affiliate incorporated.

(3) Including the effect of restructuring plans mostly incurred in China, Germany, US, Sweden, and the UK. In 2019, including the effect of the turn-around of the UK operations, the transformation plan in Germany and reduction in work-force in some regions in the USA.

(4) Consisting in goodwill impairment losses mainly allocated to the United Kingdom (€162.4 million), United States of America (€108.2 million), Canada (€75.2 million), Germany (€74.6 million), Australia (€40.5 million), Norway (€17.5 million) (see note 11.1). In 2019, impairment losses were allocated to: Norway (€58.9 million), New Zealand (€21.8 million), the United-Kingdom (€21.4 million) Finland (€9.3 million) and Middle East (€6.6 million).

(5) Of which fair value adjustments of assets held for sale of (i) €21.5 million related to the expected sale of an electrical distributor to DIY customers in France and (ii) €11.1 million related to Rexel Arabia (see note 13). In 2019, fair value adjustments of assets held for sale of €10.9 million related to the expected sale of Gexpro Services in the US and €6.3 million to Spanish export business.

(6) Of which acquisition and divestment projects and severance costs in 2020. In 2019, including non-recurring professional fees relating to business transformation and development projects, legal investigations fees, senior executive employment contract termination expenses and a settlement loss of defined benefit pension scheme in the USA.

9. Net financial expenses

(in millions of euros)		FOR THE YEAR ENDED DECEMBER 31 2020	2019
Interest income on cash and cash equivalents		1.5	1.5
Interest income on receivables and loans		2.2	1.3
Financial income		**3.8**	**2.7**
Interest expense on financial debt (stated at amortized cost)		(61.0)	(77.6)
Interest gain / (expense) on interest rate derivatives		(0.8)	7.8
Change in fair value of interest rate derivatives through profit and loss		(3.9)	(2.0)
Interest expense on borrowings		**(65.7)**	**(71.8)**
Non-recurring redemption gain (loss)	(1)	**4.2**	**(20.8)**
Foreign exchange gain (loss)		*2.1*	*(1.2)*
Change in fair value of exchange rate derivatives through profit and loss		*1.5*	*0.8*
Net foreign exchange gain (loss)		3.6	(0.4)
Net financial expense on employee benefit obligations		(8.0)	(9.6)
Interest on lease liabilities		(42.7)	(45.5)
Others	(2)	(12.4)	(19.9)
Other financial expenses		**(59.5)**	**(75.4)**
Net financial expenses		**(117.2)**	**(165.3)**

(1) Non-recurring gain of €4.2 million in 2020 (of which a €3.9 million loss related to the redemption premium, €2.1 million unamortized transaction costs and 10.3 million gain associated to fair value hedge adjustments) related to the early redemption of the 2.625% €300 million senior notes due 2024.

Non-recurring loss of €20.8 million in 2019 (of which a €16.9 million loss related to the redemption premium, €(4.7) million unamortized transaction costs and 0.7 million gain associated to fair value hedge adjustments) related to the early redemption of the 3.50% €650 million senior notes due 2023 in 2019 (see note 22.1.2).

(2) Mainly interests on derecognized receivables.

10. Income tax

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

10.1 Income tax expense

(in millions of euros)		FOR THE YEAR ENDED DECEMBER 31 2020	2019
Current tax		(101.9)	(109.0)
Deferred tax	(1)	(40.0)	(7.4)
Prior year adjustments on current tax or deferred tax		1.2	(0.9)
Total income tax expense		**(140.7)**	**(117.3)**

(1) Including €28.4 million non-recurring deferred tax asset write-down (€5.5 million in 2019) - see note 10.2.

10.2 Deferred tax assets and liabilities

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

(in millions of euros)	2020	2019
Net deferred tax at the beginning of the year	**(124.5)**	**(120.6)**
Deferred tax income (expense)	(45.5)	(6.0)
Other comprenhensive income	9.7	6.8
Change in consolidation scope	1.0	—
Currency translation adjustment	6.4	(0.9)
Other changes	(1.5)	(4.0)
Net deferred tax at the end of the year	**(154.3)**	**(124.5)**

Analysis of deferred tax assets and liabilities by nature is as follows:

	AS OF DECEMBER 31	
(in millions of euros)	2020	2019
Intangible assets	(290.6)	(316.7)
Property, plant and equipment	(6.3)	(8.3)
Right-of-use assets	28.3	29.4
Financial assets	10.5	11.3
Trade accounts receivable	13.1	10.4
Inventories	18.3	22.5
Employee benefits	88.1	86.4
Provisions	10.5	8.5
Financing fees	1.2	(0.1)
Other items	(9.2)	(8.8)
Tax losses carried forward	191.0	206.9
Deferred tax assets / (liabilities), net	**54.9**	**41.5**
Valuation allowance on deferred tax assets	(209.3)	(166.1)
Net deferred tax assets / (liabilities)	**(154.4)**	**(124.6)**
of which deferred tax assets	29.7	60.1
of which deferred tax liabilities	(184.1)	(184.6)

A valuation allowance on deferred tax assets of €209.3 million was recognized as of December 31, 2020 (€166.1 million as of December 31, 2019), as a result of the recoverability assessment of the net deferred tax assets by each tax entity. The recoverable amount is based on the expected taxable profits over the next 5 years.

Consistently with goodwill impairment test as of December 31, 2020, the recoverability of net deferred tax assets has been revised leading to a write-off of €28.4 million in the following fiscal jurisdictions: the United Kingdom (€14.2 million), Germany (€10.5 million) and New-Zealand (€3.2 million).

As of December 31, 2020, deferred tax assets arising on tax losses carried forward that are not expected to be used within five years were subject to a valuation allowance mostly in Spain, the United Kingdom, Germany, Italy, China and New Zealand. The expiry date of such tax losses carried forward is as follows:

	AS OF DECEMBER 31	
(in millions of euros)	**2020**	**2019**
One year	3.0	0.7
Two years	3.6	0.5
Three years	2.9	0.1
Four years	0.9	2.2
Five years	—	2.0
Thereafter	783.6	675.3
Total tax losses carried forward (tax basis) subject to a valuation allowance	**794.0**	**680.8**

10.3 Effective tax rate

		FOR THE YEAR ENDED DECEMBER 31			
(in millions of euros)		**2020**		**2019**	
Income before tax and before share of profit in associates		(120.6)		321.1	
French legal tax rate			*32.02 %*		*34.43 %*
Income tax calculated at the legal tax rate		38.6		(110.6)	
Differences of tax rates between French and foreign jurisdictions		(7.6)		14.9	*(4.7)%*
Changes in tax rates		10.2		—	*— %*
(Current year losses unrecognized), prior year losses recognized	(1)	(41.7)		(14.8)	*4.6 %*
(Non-deductible expenses), tax exempt revenues	(2)	(133.5)		(29.3)	*9.1 %*
Others	(3)	(6.6)		22.5	*(7.0)%*
Actual income tax expense		**(140.7)**	**n.a**	**(117.3)**	**36.5 %**

(1) Including deferred tax assets write-down of €28.4 million in 2020 mainly allocated to Germany, the United Kingdom and New Zealand (€5.5 million in 2019).

(2) Including tax impact of non-deductible goodwill impairment expense of €124.9 million (€21.5 million in 2019).

(3) Including in 2019 the release of a €29.5 million reserve on disputed interest expenses tax deductibility following the decision of the Appeal Court in favor of Rexel.

11. Long-term assets

11.1 Goodwill and intangible assets

(in millions of euros)	STRATEGIC PARTNERSHIPS	DISTRIBUTION NETWORKS	DISTRIBUTION NETWORKS SOFTWARE AND OTHER INTANGIBLE ASSETS	**TOTAL INTANGIBLE ASSETS**	**GOODWILL**
Gross carrying amount as of January 1, 2019	**185.6**	**650.4**	**732.2**	**1,568.3**	**4,478.4**
Change in consolidation scope	—	—	(13.5)	**(13.5)**	**(31.7)**
Additions	—	—	57.1	**57.1**	**—**
Disposals	—	—	(13.5)	**(13.5)**	**—**
Currency translation adjustment	—	12.1	9.6	**21.7**	**71.1**
Other changes	—	—	(14.8)	**(14.8)**	**(54.5)**
Gross carrying amount as of December 31, 2019	**185.6**	**662.5**	**757.1**	**1,605.2**	**4,463.3**
Change in consolidation scope	—	—	(0.2)	**(0.2)**	**(4.0)**
Additions	—	—	55.5	**55.5**	**—**
Disposals	—	—	(23.0)	**(23.0)**	**—**
Currency translation adjustment	—	(20.6)	(21.5)	**(42.1)**	**(123.7)**
Other changes	—	—	(0.9)	**(0.9)**	**(11.8)**
Gross carrying amount as of December 31, 2020	**185.6**	**641.9**	**766.9**	**1,594.5**	**4,323.8**
Accumulated amortization and depreciation as of January 1, 2019	**—**	**(11.4)**	**(519.0)**	**(530.4)**	**(607.4)**
Change in consolidation scope	—	—	11.5	**11.5**	**31.3**
Amortization expense	—	—	(62.4)	**(62.4)**	**—**
Impairment losses	—	(17.5)	(2.5)	**(20.0)**	**(98.0)**
Release	—	—	10.6	**10.6**	**—**
Currency translation adjustment	—	(0.2)	(5.6)	**(5.8)**	**(3.7)**
Other changes	—	—	18.9	**18.9**	**—**
Accumulated amortization and depreciation as of December 31, 2019	**—**	**(29.1)**	**(548.6)**	**(577.7)**	**(677.8)**
Change in consolidation scope	—	—	0.6	**0.6**	**—**
Amortization expense	—	—	(60.0)	**(60.0)**	**—**
Impairment losses	—	—	—	**—**	**(486.0)**
Release	—	—	22.0	**22.0**	**—**
Currency translation adjustment	—	0.2	17.0	**17.2**	**25.6**
Other changes	—	—	0.9	**0.9**	**6.6**
Accumulated amortization and depreciation as of December 31, 2020	**—**	**(28.9)**	**(568.0)**	**(596.9)**	**(1,131.6)**
Carrying amount as of January 1, 2019	**185.6**	**639.0**	**213.2**	**1,037.9**	**3,871.0**
Carrying amount as of December 31, 2019	**185.6**	**633.4**	**208.5**	**1,027.5**	**3,785.5**
Carrying amount as of December 31, 2020	**185.6**	**613.1**	**198.9**	**997.5**	**3,192.2**

Strategic partnerships

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

Distribution networks

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

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

Software and other intangible assets

This caption mainly includes the net book value of software for €128.6 million as of December 31, 2020 (€135.0 million as of December 31, 2019) and customer relationships for €10.2 million as of December 31, 2020 (€21.0 million as of December 31, 2019).

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

Goodwill

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

The table below sets forth the allocation of goodwill and intangible assets with indefinite useful life by cash generating unit.

		AS OF DECEMBER 31					
(in millions of euros)		2020			2019		
CGU	GEOGRAPHIC SEGMENT	GOODWILL	INTANGIBLE ASSETS	TOTAL	GOODWILL	INTANGIBLE ASSETS	TOTAL
France	Europe	1,066.8	169.4	1,236.2	1,066.8	169.4	1,236.2
United States	North America	749.5	139.7	889.2	936.5	152.6	1,089.1
Canada	North America	363.9	64.8	428.7	465.7	69.4	535.1
Switzerland	Europe	277.5	39.0	316.5	276.2	38.8	315.0
United Kingdom	Europe	13.7	56.9	70.6	181.3	60.1	241.4
Sweden	Europe	184.5	18.7	203.2	177.2	18.0	195.2
Germany	Europe	23.6	51.7	75.3	98.2	51.7	149.9
Australia	Asia-Pacific	61.3	24.4	85.7	102.8	24.3	127.1
Austria	Europe	89.8	13.0	102.8	89.8	13.0	102.8
Belgium	Europe	79.4	—	79.4	79.4	—	79.4
Norway	Europe	48.3	11.8	60.1	70.3	12.6	82.9
Other		234.1	209.2	443.2	241.4	209.2	450.6
	Total	**3,192.2**	**798.7**	**3,990.8**	**3,785.6**	**819.0**	**4,604.6**

Impairment test

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. At June 30, 2020, the Group considered, among other factors, the unexpected decreasing demand in electrical products as a result of the Covid-19 related lockdown measures associated with global economic environment downturn when reviewing for indicators of impairment. In addition, in the first semester of 2020, the market capitalization of Rexel declined significantly below the book value of its equity, indicating a potential impairment of goodwill and other intangible assets with indefinite useful life. As a result, management performed an impairment test as of June 30, 2020 for all its cash generating units (CGUs) carrying goodwill and other intangible assets with indefinite useful life.

Value-in-use key assumptions

The Group's impairment test for goodwill was based on value-in-use calculations that use a discounted cash flow model. In this unprecedented situation of ongoing economic uncertainty surrounding the Covid-19 health crisis, the Group suspended its 2020 annual guidance. In the absence of available operational business plans, expected cash flows were adjusted to reflect post-Covid-19 sales trends and profitability. Updated sales trends and profitability were based both on inside and outside available information, including a benchmark of financial analysts forecasts. Different sets of assumptions were used and the most likely scenario was retained. This scenario, whose pattern is a 2019 sales level recovery expected between 2022 and 2023, was built for goodwill impairment testing purposes only and doesn't constitute a medium-term guidance from a group's management perspective due to high uncertainty around the evolution of Covid-19 health crisis.

The value-in-use calculation is mostly sensitive to EBITA margins factored in the terminal value, discount rates and long-term growth rates.

- EBITA Margin

EBITA margin factored in the terminal value cash-flow is set on a country by country basis based on both historical and expected performance, Rexel's market share and characteristics of the local market and by reference to other cash generating units within the Group with similar profile.

- Discount rate and long term growth rate

The following after tax discount rates and long term growth rate were used to estimate the value-in-use of the CGUs:

	As of December 31, 2020			As of December 31, 2019		
CGU	DISCOUNT RATE (WACC)	LONG TERM GROWTH RATE (g)	WACC - (g)	DISCOUNT RATE (WACC)	LONG TERM GROWTH RATE (g)	WACC - (g)
France	8.0 %	1.6 %	6.4 %	7.9 %	1.8 %	6.2 %
United States	8.3 %	2.2 %	6.1 %	8.4 %	2.3 %	6.2 %
Canada	8.3 %	2.0 %	6.3 %	8.3 %	2.0 %	6.3 %
Switzerland	7.6 %	1.0 %	6.6 %	7.5 %	1.8 %	5.8 %
United Kingdom	7.9 %	2.0 %	5.9 %	8.1 %	1.8 %	6.4 %
Sweden	8.0 %	1.8 %	6.3 %	7.6 %	1.8 %	5.9 %
Germany	7.1 %	2.0 %	5.1 %	7.0 %	1.8 %	5.3 %
Australia	9.8 %	2.4 %	7.4 %	8.9 %	2.5 %	6.4 %
Austria	8.1 %	2.0 %	6.1 %	7.5 %	1.8 %	5.8 %
Belgium	7.4 %	1.7 %	5.7 %	7.4 %	1.8 %	5.7 %
Norway	7.5 %	2.0 %	5.5 %	7.8 %	1.8 %	6.1 %
Other	7.8% to 15.6%	1.4% to 4.0%	6.4% to 11.6%	7.4% to 16.6%	1.8% to 3.0%	5.6% to 13.6%

<u>Impairment losses</u>

As a result of the test, the Group recognized a goodwill impairment loss of €486.0 million for the period ended June 30, 2020 that was allocated to the following cash-generating units:

(in millions of euros)		2020
CGU	GEOGRAPHIC SEGMENT	GOODWILL IMPAIRMENT
United Kingdom	Europe	162.4
United States	North America	108.2
Canada	North America	75.2
Germany	Europe	74.6
Australia	Asia-Pacific	40.5
Norway	Europe	17.5
Other		7.6
	Total	**486.0**

In addition, as required by IAS 36 "Impairment of Assets", the Group also performed an annual impairment test as of December 31, 2020 to assess the recoverable amount of goodwill and intangible assets with indefinite useful life. Financial prospects, wacc and long-term growth rate assumptions have been updated to reflect economic conditions prevailing at the reporting date using the same methodology as for first semester of 2020 impairment calculation. No additional impairment was recognized at year-end.

In 2019, following lower than expected performance in Norway, Finland, New Zealand, Middle East and in the United Kingdom, the Group adjusted downwards its prospects, including, the normative EBITA margin factored in the terminal value where appropriate, resulting in the following impacts:

(in millions of euros)		2019		
CGU	GEOGRAPHIC SEGMENT	GOODWILL IMPAIRMENT	DISTRIBUTION NETWORK IMPAIRMENT	TOTAL
Norway	Europe	58.9	—	58.9
New-Zealand	Asia-Pacific	11.1	10.7	21.8
United Kingdom	Europe	21.4	—	21.4
Finland	Europe	—	9.3	9.3
Middle-East	Asia-Pacific	6.6	—	6.6
	Total	**98.0**	**20.0**	**118.0**

Sensitivity analysis

The table below summarizes the impact by cash generating units of a change of 50 bps in EBITA margin, discount rate and long term growth rate on the impairment expense:

CGU	GOODWILL AND INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE	EBITA MARGIN (-50 bps)	DISCOUNT RATE (+50 bps)	LONG TERM GROWTH RATE (-50 bps)
France	1,236.2	—	—	—
United States	889.2	—	—	—
Canada	428.7	(47.6)	(40.4)	(30.7)
Switzerland	316.5	—	—	—
United Kingdom	70.6	—	—	—
Sweden	203.2	—	—	—
Germany	75.3	(34.1)	(7.1)	(2.1)
Australia	85.7	(1.8)	—	—
Austria	102.8	—	—	—
Belgium	79.4	—	—	—
Norway	60.1	(13.2)	(6.1)	(4.8)
Other	443.2	(2.5)	—	—
Total	**3,990.8**	**(99.2)**	**(53.6)**	**(37.6)**

11.2 Property, plant & equipment

(in millions of euros)	LAND & BUILDINGS	PLANT & EQUIPMENT	OTHER TANGIBLE ASSETS	**TOTAL PROPERTY, PLANT AND EQUIPMENT**
Gross carrying amount as of January 1, 2019	**186.3**	**643.5**	**38.2**	**868.0**
Change in consolidation scope	(3.2)	(8.1)	—	**(11.4)**
Additions	2.4	56.8	9.2	**68.4**
Disposals	(7.3)	(35.4)	(1.6)	**(44.3)**
Currency translation adjustment	3.7	7.2	0.3	**11.2**
Other changes	0.2	4.6	(10.0)	**(5.3)**
Gross carrying amount as of December 31, 2019	**181.9**	**668.7**	**36.0**	**886.6**
Change in consolidation scope	0.3	0.1	0.2	**0.6**
Additions	2.1	47.7	6.8	**56.6**
Disposals	(13.9)	(39.1)	(1.5)	**(54.6)**
Currency translation adjustment	(3.3)	(13.1)	(0.4)	**(16.7)**
Other changes	(2.3)	(0.6)	(2.9)	**(5.8)**
Gross carrying amount as of December 31, 2020	**164.8**	**663.7**	**38.2**	**866.7**
Accumulated amortization and depreciation as of January 1, 2019	**(105.4)**	**(472.9)**	**(23.1)**	**(601.4)**
Change in consolidation scope	2.7	6.7	—	**9.4**
Depreciation expense	(5.4)	(47.4)	(2.4)	**(55.2)**
Impairment losses	—	(0.1)	—	**(0.2)**
Release	3.6	35.1	1.1	**39.8**
Currency translation adjustment	(2.1)	(4.8)	—	**(6.9)**
Other changes	—	1.1	—	**1.1**
Accumulated amortization and depreciation as of December 31, 2019	**(106.5)**	**(482.3)**	**(24.5)**	**(613.4)**
Change in consolidation scope	—	—	—	**—**
Depreciation expense	(5.0)	(48.7)	(2.1)	**(55.9)**
Impairment losses	—	—	—	**—**
Release	4.5	36.5	0.4	**41.3**
Currency translation adjustment	1.7	8.4	—	**10.2**
Other changes	2.3	2.0	—	**4.3**
Accumulated amortization and depreciation as of December 31, 2020	**(103.1)**	**(484.1)**	**(26.2)**	**(613.4)**
Carrying amount as of January 1, 2019	**80.9**	**170.6**	**15.1**	**266.6**
Carrying amount as of December 31, 2019	**75.4**	**186.3**	**11.6**	**273.3**
Carrying amount as of December 31, 2020	**61.7**	**179.6**	**12.0**	**253.3**

11.3 Leases

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period.

(in millions of euros)	PROPERTIES	OTHER EQUIPMENTS	TOTAL RIGHT-OF-USE
As of January 1, 2019	**767.2**	**66.2**	**833.4**
Additions	200.0	38.3	**238.2**
Depreciation expenses and impairment	(145.1)	(35.0)	**(180.1)**
Currency translation adjustment	10.8	0.9	**11.7**
Change in consolidation scope	**(4.9)**	—	**(5.0)**
As of December 31, 2019	**827.9**	**70.3**	**898.2**
Additions	166.3	41.8	**208.1**
Depreciation expenses and impairment	(144.5)	(34.5)	**(179.0)**
Currency translation adjustment	(28.2)	(2.9)	**(31.1)**
Change in consolidation scope	(0.1)	(0.6)	**(0.8)**
As of December 31, 2020	**821.4**	**74.1**	**895.5**

Set out below are the carrying amounts of lease liabilities recognized and the movements during the period.

	AS OF DECEMBER 31, 2020			**AS OF DECEMBER 31, 2019**		
(in millions of euros)	CURRENT	NON-CURRENT	**TOTAL**	CURRENT	NON-CURRENT	**TOTAL**
Properties	137.6	789.2	**926.8**	133.9	802.4	**936.3**
Others equipments	31.1	47.9	**78.9**	29.7	44.1	**73.7**
Total lease liabilities	**168.7**	**837.0**	**1,005.7**	**163.5**	**846.5**	**1,010.0**

(in millions of euros)	**TOTAL LEASE LIABITIES**
As of January 1, 2019	**944.5**
Additions	233.1
Interest expenses	45.5
Payments	(220.7)
Currency translation adjustment	13.5
Change in scope	(5.9)
As of December 31, 2019	**1,010.0**
Additions	203.8
Interest expenses	42.7
Payments	(215.0)
Currency translation adjustment	(35.3)
Change in scope	(0.5)
As of December 31, 2020	**1,005.7**

The lease debt maturity breaks down was as follow:

(in millions of euros)	AS OF DECEMBER 31	
DUE WITHIN	**2020**	**2019**
One year	168.7	163.5
Two years	152.9	146.8
Three years	133.7	125.1
Four years	115.4	107.7
Five years	99.0	92.1
Thereafter	336.0	374.8
Total lease liabilities	**1,005.7**	**1,010.0**

Set out below, are the amounts recognized in profit or loss for the year ended December 31, 2020 and for the year ended December 31, 2019:

	FOR THE YEAR ENDED DECEMBER 31	
(in millions of euros)	**2020**	**2019**
Depreciation of right-of-use assets	(178.5)	(178.3)
Interest on lease liabilities	(42.7)	(45.5)
Rent on short term and low-value assets leases	(16.2)	(15.5)
Impairment of assets	(0.4)	(1.8)
Net gain on lease termination	4.0	4.9
Total amount recognized in P&L	**(233.8)**	**(236.2)**

11.4 Long-term investments

	AS OF DECEMBER 31	
(in millions of euros)	**2020**	**2019**
Deposits	31.9	29.0
Derivatives	9.1	19.9
Loans	—	0.1
Other long-term investments	0.2	0.2
Long-term investments	**41.3**	**49.2**

12. Current assets

12.1 Inventories

	AS OF DECEMBER 31	
(in millions of euros)	**2020**	**2019**
Cost	1,591.7	1,772.7
Allowance	(80.6)	(75.8)
Inventories	**1,511.1**	**1,696.9**

Changes in impairment losses :

	AS OF DECEMBER 31	
(in millions of euros)	**2020**	**2019**
Allowance for inventories as of January 1,	**(75.8)**	**(79.0)**
Change in consolidation scope	0.1	5.1
Net change in allowance	(16.4)	(5.1)
Currency translation adjustment	3.1	(1.4)
Other changes	8.5	4.5
Allowance for inventories as of December 31,	**(80.6)**	**(75.8)**

12.2 Trade accounts receivable

	AS OF DECEMBER 31	
(in millions of euros)	2020	2019
Nominal value	2,001.5	2,157.3
Impairment losses	(101.8)	(98.0)
Trade accounts receivable	**1,899.7**	**2,059.3**

Trade accounts receivable includes sales taxes collected on behalf of tax authorities that, in certain circumstances, may be recovered when the client defaults. Recoverable taxes amounted to €234.3 million as of December 31, 2020 (€250.0 million as of December 31, 2019).

The Group has implemented credit insurance programs in certain significant countries. Trade accounts receivable covered by these programs amounted to €808.8 million as of December 31, 2020 (€832.4 million as of December 31, 2019).

Also, in some countries, the Group benefits from additional guarantees according to the specificities of local jurisdictions, notably in the United States and in Canada. Trade accounts receivable covered by these guarantees represented €174.9 million as of December 31, 2020 (€213.4 million as of December 31, 2019).

Changes in impairment losses:

(in millions of euros)		2020	2019
Impairment losses on trade accounts receivable as of January 1,		**(98.0)**	**(113.8)**
Change in consolidation scope		(0.1)	0.7
Net allowance	(1)	(39.8)	(22.0)
Write off		34.7	25.2
Foreign exchange movement		2.1	(0.8)
Other changes		(0.6)	12.6
Impairment losses on trade accounts receivable as of December 31,		**(101.8)**	**(98.0)**

(1) see note 6. Distribution & administrative expenses

As of December 31, 2020, trade receivables were subject to impairment losses estimated on an individual basis following the assessment of the customer default risk for €66.9 million (€89.1 million as of December 31, 2019).

In accordance with the accounting principle stated in note 3.10, all receivables are subject to an impairment loss estimated on ageing-based matrix for €30.8 million as of December 31, 2020 (€23.9 million as of December 31, 2019).

Ageing of receivables is detailed as follows:

	AS OF DECEMBER 31	
(in millions of euros)	2020	2019
Non due	1,669.3	1,727.0
From 1 to 30 days	207.9	255.5
From 31 to 60 days	55.7	72.0
From 61 to 90 days	21.4	30.0
From 91 to 180 days	20.9	34.9
Above 180 days	26.4	37.7
Total	**2,001.5**	**2,157.3**

12.3 Other accounts receivable

(in millions of euros)		AS OF DECEMBER 31 2020	2019
Suppliers' rebates and services	(1)	255.8	316.1
VAT receivable and other sales taxes		20.3	23.6
Prepaid expenses		33.3	36.9
Derivatives		2.0	3.3
Other receivables		137.4	153.3
Total other accounts receivable		**448.9**	**533.1**

(1) Suppliers' rebates and services income recognized for the year ended December 31, 2020 were €786.0 million (€883.5 million for the year ended December 31, 2019).

13. Assets held for sale

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

Assets and liabilities associated with activities classified as held for sale are as follows:

	AS OF DECEMBER 31					
	2020			2019		
(in millions of euros)	ELECTRICAL SUPPLIES TO DIY CUSTOMERS (FRANCE)	REXEL ARABIA ELECTRICAL SUPPLIES	TOTAL	GEXPRO SERVICES	SPANISH EXPORT BUSINESS	TOTAL
Assets						
Non-current assets	—	—	—	52.2	—	52.2
Current assets	—	2.5	2.5	103.2	8.5	111.6
Cash and cash equivalents	0.3	0.9	1.2	0.9	4.7	5.6
Total assets	**0.3**	**3.4**	**3.7**	**156.2**	**13.2**	**169.4**
Liabilities						
Non current liabilities	0.3	—	0.3	6.0	0.3	6.3
Current liabilities	7.8	5.5	13.3	26.9	2.1	29.0
Total liabilities	**8.1**	**5.5**	**13.6**	**32.9**	**2.4**	**35.3**
Net assets held for sale	**(7.8)**	**(2.1)**	**(9.9)**	**123.3**	**10.8**	**134.1**

13.1 Assets held for sale as of December 31, 2020

Electrical equipment distributor to DIY customers in France

On January 15, 2021, following on-going negotiations with a third party initiated in 2020, the Group entered into a put option to divest from an electrical equipment distributor to DIY customers in France operated by an affiliate of Rexel France, subject to prior notice and advise of the work council of the entity. In this respect, as of December 31, 2020, assets and liabilities have been remeasured at their fair-value less cost to sell and reclassified as Assets Held For Sale and an impairment charge of €21.5 million was recognized (see note 8).

Rexel Arabia Electrical Supplies

On December 10, 2020, the Group entered into a sale share agreement to divest from its investments in Rexel Arabia Electrical Supplies (65% shareholding interest). The sale share agreement provides for certain conditions precedent to closing of the said transaction, which is expected to take place in the first quarter of 2021. As of December 31, 2020, the sale transaction being highly probable, the group of assets to be disposed of has been reclassified as Assets Held for Sale on the balance sheet. Net assets were remeasured at fair value less costs to sell before reclassification and an impairment charge of €11.1 million was recognized (see note 8). The sale agreements do not provide the purchaser for any specific guarantee for damages and liabilities other than customary.

13.2 Assets held for sale as of December 31, 2019

In 2019, the Group entered into:

– a stock and asset purchase agreement to dispose its non-core Gexpro Services business;

– a share sale agreement to divest from its 100% shareholding interest in Suministros Electricos Erka S.L.U., a non-core affiliate incorporated in Spain.

As of December 31, 2019, the group of assets to be disposed of had been reclassified as Assets held for sale on the balance sheet. Net assets were remeasured at fair value less costs to sell before reclassification. These transactions were closed down in the first semester of 2020 and a €5.7 million gain were recognized in other income, of which €4.2 million on Gexpro Services business sale transaction and €1.4 million on Suministros Electricos Erka S.L.U. sale.

14. Cash and cash equivalents

	AS OF DECEMBER 31	
	2020	**2019**
(in millions of euros)		
Cash at bank	684.5	513.3
Cash in hand	0.9	1.0
Cash and cash equivalents	**685.4**	**514.3**

15. Summary of financial assets

(in millions of euros)	NOTE	CATEGORY IFRS 9	FAIR VALUE HIERARCHY*	AS OF DECEMBER 31 2020 CARRYING AMOUNT	2020 FAIR VALUE	2019 CARRYING AMOUNT	2019 FAIR VALUE
Hedging derivatives [1]		FV P&L	2	9.1	9.1	19.4	19.4
Hedging derivatives [1]		FV OCI	2	—	—	0.5	0.5
Other derivative instruments not elligible to hedge accounting		FV P&L	2	—	—	—	—
Deposits		AC		31.9	31.9	29.0	29.0
Loans		AC		—	—	0.1	0.1
Others [2]		N/A		0.2	N/A	0.2	N/A
Total long-term investments	11.4			**41.3**	**—**	**49.2**	**—**
Trade accounts receivable	12.2	AC		**1,899.7**	**1,899.7**	**2,059.3**	**2,059.3**
Supplier rebates receivable		AC		255.8	255.8	316.1	316.1
VAT and other receivable [2]		N/A		20.3	N/A	23.6	N/A
Other accounts receivable		AC		137.4	137.4	153.3	153.3
Other derivative instruments eligible to hedge accounting		FV OCI	2	—	—	0.2	0.2
Other derivative instruments not eligible to hedge accounting		FV P&L	2	2.0	2.0	3.1	3.1
Prepaid expenses [2]		N/A		33.3	N/A	36.9	N/A
Total other current assets	12.3			**448.9**	**—**	**533.1**	**—**
Cash		FV P&L		685.4	685.4	514.3	514.3
Cash and cash equivalents	14			**685.4**	**—**	**514.3**	**—**

Amortized cost	AC
Fair value through profit or loss	FV P&L
Fair value through other comprehensive income	FV OCI

* For fair value hierarchy see note 3.13

(1) Specific accounting treatment for hedging.

(2) Not a financial instrument under IFRS 9.

16. Share capital and premium

16.1 Changes in share capital and issuance premium

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

		NUMBER OF SHARES	SHARE CAPITAL *(in millions of euros)*	SHARE PREMIUM *(in millions of euros)*
As of January 1, 2019		**303,988,899**	**1,519.9**	**1,554.0**
Issuance of shares in connection with free shares plans	(1)	113,114	0.6	—
Allocation of free shares		—	—	(10.4)
Free shares cancelled		—	—	12.6
Cash dividends		—	—	(104.9)
As of December 31, 2019		**304,102,013**	**1,520.5**	**1,451.2**
Issuance of shares in connection with free shares plans[2]	(2)	323,093	1.6	—
Allocation of free shares		—	—	(5.9)
Free shares cancelled		—	—	5.3
As of December 31, 2020		**304,425,106**	**1,522.1**	**1,450.6**

(1) Issuance of 113,114 shares in connection with the 2015 bonus shares plan ("4+0 Plan").

(2) Issuance of 323,093 shares in connection with the 2016 bonus shares plan ("4+0 Plan").

16.2 Capital Management and treasury shares

The Shareholders' Meeting of June 25, 2020 authorized the Board of Directors, with the option of sub-delegation, to have Rexel buy up to a maximum number of shares representing up to 10% of the company's share capital for a maximum price of €30 per share. This program is capped at €250 million with a term of 18 months from the date of the Shareholders' Meeting (ending December 25, 2021).

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

- Ensuring liquidity and activity in the market for the shares through an investment services provider;
- Setting up any stock option plan of the Company;
- Retaining and delivering shares further to an exchange or as a consideration in the context of external growth transactions within the limit of 5% of the share capital of Rexel;
- Granting shares in connection with the exercise of rights attached to securities conferring access to Rexel shares;
- Cancelling all or part of any shares so repurchased;
- Any other actions that comply with applicable regulations in force.

In connection with this share buy-back program, Rexel entered into an agreement with a financial institution to promote the liquidity of Rexel shares on the market, in compliance with the Autorité des Marchés Financiers (AMF) requirements, for an amount of €18.3 million as of December 31, 2020 (€14.9 million as of December 31, 2019).

Rexel also repurchased in previous years treasury shares to serve its free share plans (727,903 shares held as of December 31, 2020).

As of December 31, 2020, Rexel held in aggregate 1,148,482 treasury shares (1,748,91 as of December 31, 2019) valued at an average price of €12.64 per share (€12.35 per share as of December 31, 2019) that were recognized as a reduction in shareholders' equity, for a total of €14.5 million (€21.6 million as of December 31, 2019).

Net capital gains realized on the sale of treasury shares in 2020 amounted to €1.2 million net of tax and were recognized as increase in shareholders' equity (net capital gains of €0.8 million in 2019).

17. Dividends

	FOR THE YEAR ENDED DECEMBER 31	
	2020	**2019**
Dividends per share	€—	€0.44
Dividends paid in cash (in millions of euros)	**0.0**	**133.0**

18. Share based payments

18.1 Bonus share plans

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

Plans issued in 2020

On September 28, 2020, Rexel entered into three free share plans for top executive managers amounting to a maximum of 1,566,140 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on three years after the grant date (September 29, 2023) with no subsequent restrictions.

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

Plan	3+0 Performance shares plan	3+0 Restricted and Performance shares plan	3+0 Restricted shares plan	**TOTAL**
Vesting conditions	Three year service condition from grant date and performance conditions based on: (i) 2019/2022 average growth of EBITA in value (ii) 2019/2022 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2020 to 2022 (iv) Rexel share market performance compared to peers	Limited to a fixed number of shares, three year service condition from grant date with no performance conditions and for the remaining shares, additional performance conditions based on:	Three year service condition from grant date without any performance conditions	
Delivery date	September 29, 2023	September 29, 2023	September 29, 2023	
Share fair value at grant date September 28, 2020[(1)]	*8.41*	*8.54*	*8.74*	***8.48***
Maximum number of shares granted on September 28, 2020	**890,920**	**544,020**	**131,200**	**1,566,140**
Number of shares cancelled	(720)	(2,640)	(400)	**(3,760)**
Total maximum number of shares granted as of December 31, 2020	**890,200**	**541,380**	**130,800**	**1,562,380**

(1) 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 or four-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.

Plans issued in 2019

On May 23, 2019, Rexel entered into three free share plans for top executive managers amounting to a maximum of 2,082,522 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on three years after the grant date (May 24, 2022) with no subsequent restrictions.

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

Plan	3+0 Performance shares plan	3+0 Restricted and Performance shares plan	3+0 Restricted shares plan	TOTAL
Vesting conditions	Three year service condition from grant date and performance conditions based on:	Limited to a fixed number of shares, three year service condition from grant date with no performance conditions and for the remaining shares, additional performance conditions based on:	Three year service condition from grant date without any performance conditions	
	(i) 2018/2021 average growth of EBITA in value (ii) 2018/2021 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2019 to 2021 (iv) Rexel share market performance compared to peers			
Delivery date	May 24, 2022	May 24, 2022	May 24, 2022	
Share fair value at grant date May 23, 2019[(1)]	*8.59*	*8.83*	*9.23*	***8.74***
Maximum number of shares granted on May 23, 2019	**1,016,875**	**932,147**	**133,500**	**2,082,522**
2019 adjustment[(2)]	34,040	32,081	4,698	**70,819**
Number of shares cancelled	(29,000)	(24,250)	(3,000)	**(56,250)**
Total maximum number of shares granted as of December 31, 2019	**1,021,915**	**939,978**	**135,198**	**2,097,091**
Number of shares cancelled	(49,292)	(53,132)	(5,180)	**(107,604)**
Total maximum number of shares granted as of December 31, 2020	**972,623**	**886,846**	**130,018**	**1,989,487**

(1) 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 or four-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.

(2) Following the distribution of dividends by deduction of share premium on July 5, 2019 and in accordance with provisions contained in free share plans issued by Rexel, rights granted under such alive plans were adjusted to allow holders to invest the same amount of money as planned at the grant date.

Plans issued in 2018

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:	Limited to a fixed number of shares, three year service condition from grant date with no performance conditions and for the remaining shares, additional performance conditions based on:	Three year service condition from grant date without any performance conditions	
	(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			
Delivery date	May 25, 2021	May 25, 2021	May 25, 2021	
Share fair value at grant date May 24, 2018[(1)]	*10.52*	*10.88*	*11.5*	***10.71***
Maximum number of shares granted on May 24, 2018	**1,007,625**	**822,907**	**69,500**	**1,900,032**
2019 adjustment[(2)]	30,124	25,116	2,376	**57,616**
Number of shares cancelled	(133,475)	(111,790)	(3,500)	**(248,765)**
Total maximum number of shares granted as of December 31, 2019	**904,274**	**736,233**	**68,376**	**1,708,883**
Number of shares cancelled	(89,997)	(48,717)	(3,626)	**(142,340)**
Total maximum number of shares granted as of December 31, 2020	**814,277**	**687,516**	**64,750**	**1,566,543**

(1) 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 or four-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.

(2) Following the distribution of dividends by deduction of share premium on July 5, 2019 and in accordance with provisions contained in free share plans issued by Rexel, rights granted under such alive plans were adjusted to allow holders to invest the same amount of money as planned at the grant date.

Plans issued in 2017

On May 23, 2017, Rexel entered into free share plans for top executive managers amounting to a maximum of 1,873,975 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on their country of residence:

- either three years after the grant date (May 24, 2020), these being restricted for an additional two-year period (until May 24, 2022), the so-called “3+2 Plan”,
- or four years after the grant date (May 24, 2021) with no subsequent restrictions, the so-called “4+0 Plan”.

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

Vesting conditions	Three year service condition from grant date and performance conditions based on:	Four year service condition from grant date and performance conditions based on:	**TOTAL**
	(i) 2016/2019 average growth of EBITA in value (ii) 2016/2019 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2017 to 2019 (iv) Rexel share market performance compared to peers		
Plan	3+2	4+0	
Delivery date	May 24, 2020	May 24, 2021	
Share fair value at grant date May 23, 2017[(1)]	*12.75*	*12.34*	*12.48*
Maximum number of shares granted on May 23, 2017	**643,200**	**1,230,775**	**1,873,975**
2019 adjustment[(2)]	18,245	30,698	**48,943**
Number of shares cancelled	(114,900)	(342,700)	**(457,600)**
Total maximum number of shares granted as of December 31, 2019	**546,545**	**918,773**	**1,465,318**
Number of shares cancelled	(154,445)	(319,930)	**(474,375)**
Number of shares delivered	(392,100)	—	**(392,100)**
Total maximum number of shares granted as of December 31, 2020	**—**	**598,843**	**598,843**

(1) 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 or four-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.

(2) Following the distribution of dividends by deduction of share premium on July 5, 2019 and in accordance with provisions contained in free share plans issued by Rexel, rights granted under such alive plans were adjusted to allow holders to invest the same amount of money as planned at the grant date.

Plans issued in 2016

On June 23, 2016, Rexel entered into free share plans for top executive managers amounting to a maximum of 1,820,625 shares. According to these plans, the beneficiaries will be eligible to receive Rexel shares depending on their country of residence:

- either three years after the grant date (June 24, 2019), these being restricted for an additional two-year period (until June 24, 2021), the so-called “3+2 Plan”,
- or four years after the grant date (June 24, 2020) with no subsequent restrictions, the so-called “4+0 Plan”.

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

Vesting conditions	Three year service condition from grant date and performance conditions based on:	Four year service condition from grant date and performance conditions based on:	**TOTAL**
	(i) 2015/2018 average growth of EBITA in value (ii) 2015/2018 average Organic Sales Growth (iii) average free cash flow before interest and tax to EBITDA between 2016 to 2018 (iv) Rexel share market performance compared to peers		
Plan	3+2	4+0	
Delivery date	June 24, 2019	June 24, 2020	
Share fair value at grant date June 23, 2016[1]	*10.91*	*10.50*	***10.64***
Maximum number of shares granted on June 23, 2016	**741,500**	**1,079,125**	**1,820,625**
2016 and 2019 adjustment[2]	25,142	48,070	**73,212**
Number of shares cancelled	(579,464)	(791,888)	**(1,371,352)**
Number of shares delivered	(187,178)	—	**(187,178)**
Total maximum number of shares granted as of December 31, 2019	**—**	**335,307**	**335,307**
Number of shares cancelled	—	(12,214)	**(12,214)**
Number of shares delivered	—	(323,093)	**(323,093)**
Total maximum number of shares granted as of December 31, 2020	**—**	**—**	**—**

(1) 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 over three years. The impact of restrictions attached to the dividends until the delivery date of the shares to the beneficiaries was excluded from the fair value.

(2) Following the distribution of dividends by deduction of share premium on July 5, 2016 and on July 5, 2019 and in accordance with provisions contained in free share plans issued by Rexel, rights granted under such alive plans were adjusted to allow holders to invest the same amount of money as planned at the grant date.

18.2 Share-based payment expenses

Expenses related to free share plans accounted for in “Distribution and administrative expenses” are summarized as follows:

	FOR THE YEAR ENDED DECEMBER 31	
(in millions of euros)	**2020**	**2019**
Plans issued in 2015	—	0.1
Plans issued in 2016	0.5	—
Plans issued in 2017	2.7	3.6
Plans issued in 2018	2.8	1.2
Plans issued in 2019	4.1	2.0
Plans issued in 2020	0.9	—
Expense related to employee share purchase plan	0.4	0.4
Total free share plans expense	**11.3**	**7.3**

19. Earnings per share

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

		FOR THE YEAR ENDED DECEMBER 31,	
		2020	**2019**
Net income attributed to ordinary shareholders (in millions of euros)		**(261.2)**	**204.4**
Weighted average number of ordinary shares (in thousands)		302,293	302,049
Non-dilutive potential shares (in thousands)		—	—
Weighted average number of issued common shares adjusted for non-dilutive potential shares (in thousands)		**302,293**	**302,049**
Basic earning per share (in euros)		(0.86)	0.68
Dilutive potential shares (in thousands)	**(1)**	1,192	728
- of which bonus shares (in thousands)		1,192	728
Weighted average number of common shares adjusted for dilutive potential shares (in thousands)		**303,485**	**302,777**
Fully diluted earnings per share (in euros)		**(0.86)**	**0.68**

(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.

20. Provisions and other non-current liabilities

(in millions of euros)		FOR THE YEAR ENDED DECEMBER 31 **2020**	**2019**
Provisions		32.8	26.2
Derivatives		6.5	7.3
Other non-current liabilities	**(1)**	7.3	7.3
Provisions and other non-current liabilities		**46.7**	**40.8**

(1) Including employee profit sharing related payables in France in the amount of €7.3 million (€7.3 million at December 31, 2019).

The variation in provisions is detailed in the table below:

(in millions of euros)	RESTRUCTURING (1)	OTHER LITIGATION & CLAIMS (2)	LEASE ASSETS RESTORATION (3)	**TOTAL PROVISIONS**
As of January 1, 2019	**26.0**	**15.1**	**3.4**	**44.5**
Increase	8.3	6.2	—	**14.5**
Use	(24.5)	(3.1)	(1.8)	**(29.5)**
Release	(0.1)	(1.1)	—	**(1.1)**
Currency translation adjustment	0.1	—	0.1	**0.3**
Other changes	(0.8)	(2.5)	0.7	**(2.5)**
As of December 31, 2019	**9.1**	**14.6**	**2.4**	**26.2**
Increase	21.4	9.5	0.9	**31.8**
Use	(10.8)	(3.1)	(1.1)	**(14.9)**
Release	(0.4)	(0.2)	—	**(0.6)**
Currency translation adjustment	—	(0.1)	(0.1)	**(0.1)**
Other changes	(7.3)	(2.2)	—	**(9.5)**
As of December 31, 2020	**12.1**	**18.6**	**2.1**	**32.8**

(1) Provisions for reorganization and business transformation programs to adapt the Group's structure to current trading conditions. These restructuring plans resulted in the closure of branches, optimization of distribution centers and back office reorganization. Provisions for restructuring activities undertaken at December 31, 2020, mainly concerned Europe for €9.6 million (€6.8 million in 2019), Asia-Pacific for €1.5 million (€2.1 million in 2019) and North America for €1.0 million (€0.3 million in 2019).

(2) Other litigation and claims amounted to €18.6 million (€14.6 million in 2019), of which €2.7 million relating to litigation with French social security authorities (€2.7 million in 2019), €3.6 million to employee claims (€2.8 million in 2019) and €2.2 million to trade disputes (€1.7 million in 2019).

(3) Provisions for lease assets restoration incurred mainly in the United-Kingdom for €0.9 million (€2.0 million in 2019) and in Switzerland for €0.8 million.

21. Post-employment and long-term benefits

21.1 Defined benefit plans description

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

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

In the United Kingdom, Rexel operates deferred final salary defined benefits through the *Rexel UK Pension Scheme* fund. All sections under this plan are closed to new entrants with effect of April 5, 2002. Accrued benefits and pensions are subject to indexation. Statutory funding objectives are agreed between the Trustee board and the company. In that respect, the Trustee board carries out a full valuation of the Scheme at least every three years, after which a recovery plan of contributions is agreed with the company to restore any funding deficit. The most recent full valuation was performed on April 5, 2020. The Trustee board is also responsible for determining the investment strategy of the plan.

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

In Canada, defined benefit pension plans mainly include:

- The Employees' Plan which is a registered plan and has both defined benefit and defined contribution provisions. The defined benefit provision of the plan has a career average type formula. This plan was closed to new entrants on January 1, 2000.
- The Executives' Pension Plan and the Supplementary Executives' Retirement Plan ("SERP") which provide retirees with a pension based on a percentage of their prior earnings. The Executives' Plan is a final average earnings defined benefit registered plan. The SERP has two provisions: the first provides benefit in excess of the limits of the Executives' Plan and the second portion provides a term annuity upon retirement based on a notional account.

A full actuarial valuation of Canadian plans is performed every three years. The most recent valuations were performed in December 2020.

21.2 Employee Benefit Plan information

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

	DEFINED BENEFIT OBLIGATIONS				
(in millions of euros)	UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
As of January 1, 2019	**461.5**	**221.1**	**228.1**	**193.7**	**1,104.4**
Service cost	—	2.1	6.1	5.6	13.7
Interest cost	13.9	8.8	2.3	3.9	28.9
Benefit payments	(16.6)	(13.4)	(12.3)	(9.7)	(51.9)
Employee contributions	—	0.4	4.1	0.4	4.9
Currency translation adjustment	25.6	15.6	9.0	0.5	50.7
Remeasurements					
Effect of change in demographic assumptions	—	—	2.0	(0.3)	1.7
Effect of change in financial assumptions	62.4	24.2	5.9	19.5	112.0
Effect of experience adjustments	(0.4)	(0.2)	4.9	(3.4)	0.9
As of December 31, 2019	**546.3**	**258.7**	**250.2**	**210.1**	**1,265.3**
Service cost	—	2.2	7.2	6.0	15.4
Interest cost	10.3	7.5	0.6	2.6	21.0
Benefit payments	(15.6)	(12.4)	(7.6)	(9.3)	(44.9)
Employee contributions	—	0.4	4.3	0.4	5.1
Change in consolidation scope	—	—	—	(0.6)	(0.6)
Currency translation adjustment	(29.7)	(17.5)	1.1	(2.3)	(48.4)
Past service cost / settlement and other	0.2	—	—	—	0.2
Remeasurements					
Effect of change in demographic assumptions	—	—	—	(1.2)	(1.2)
Effect of change in financial assumptions	57.5	21.5	(1.1)	8.4	86.4
Effect of experience adjustments	(10.5)	(1.4)	2.6	1.6	(7.6)
As of December 31, 2020	**558.6**	**258.9**	**257.4**	**215.7**	**1,290.6**

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

	PLAN ASSETS				
(in millions of euros)	UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
As of January 1, 2019	**354.1**	**168.3**	**224.6**	**91.1**	**838.0**
Employer contributions	13.9	6.8	8.0	8.4	37.1
Employee contributions	—	0.4	4.1	0.4	4.9
Interest income	8.4	6.8	2.5	1.7	19.4
Benefit payments	(16.6)	(13.4)	(12.3)	(9.7)	(52.0)
Currency translation adjustment	19.4	11.8	8.9	0.2	40.2
Return on plan assets excluding interest income (OCI) (1)	32.2	12.3	11.7	9.0	65.3
As of December 31, 2019	**411.4**	**193.2**	**247.5**	**101.0**	**953.1**
Employer contributions	18.9	6.6	8.5	11.2	45.3
Employee contributions	—	0.4	4.3	0.4	5.1
Interest income	5.6	5.7	0.7	1.2	13.1
Benefit payments	(15.6)	(12.4)	(7.6)	(9.3)	(44.9)
Currency translation adjustment	(22.4)	(13.0)	1.1	(0.4)	(34.6)
Return on plan assets excluding interest income (OCI) (1)	23.8	7.2	0.3	1.5	32.7
As of December 31, 2020	**421.8**	**187.6**	**254.9**	**105.5**	**969.7**

(1) of which €(12.0) million of asset ceiling on the Switzerland plan (€3.6 million in 2019).

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

(in millions of euros)	NET LIABILITY / (ASSET) UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
As of January 1, 2019	**107.4**	**52.7**	**3.5**	**102.6**	**266.2**
Service cost	—	2.1	6.1	5.6	13.7
Interest cost	5.4	2.0	(0.2)	2.2	9.4
Employer contributions	(13.9)	(6.8)	(8.0)	(8.4)	(37.1)
Currency translation adjustment	6.2	3.8	0.1	0.3	10.4
Remeasurements	29.8	11.7	1.2	6.8	49.4
As of December 31, 2019	**134.9**	**65.5**	**2.7**	**109.1**	**312.1**
Service cost	—	2.2	7.2	6.0	15.4
Interest cost	4.7	1.8	—	1.5	7.9
Past service cost/settlement and other	0.2	—	—	—	0.2
Employer contributions	(18.9)	(6.6)	(8.5)	(11.2)	(45.3)
Change in consolidation scope	—	—	—	(0.6)	(0.6)
Currency translation adjustment	(7.3)	(4.6)	—	(1.9)	(13.7)
Remeasurements	23.3	12.9	1.2	7.4	44.9
As of December 31, 2020	**136.8**	**71.4**	**2.5**	**110.2**	**320.9**

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

(in millions of euros)	LIABILITY RECONCILIATION UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
For the year ended December 31, 2019					
Defined benefit obligations	**546.3**	**258.7**	**250.2**	**210.1**	**1,265.3**
of which Funded schemes	*545.9*	*236.6*	*247.5*	*125.1*	*1,155.2*
of which Unfunded schemes	*0.4*	*22.1*	*2.6*	*85.0*	*110.1*
Fair value of plan assets	(411.4)	(193.2)	(247.5)	(101.0)	(953.1)
Recognized net liability for defined benefit obligations	**134.9**	**65.5**	**2.7**	**109.0**	**312.1**
For the year ended December 31, 2020					
Defined benefit obligations	**558.6**	**258.9**	**257.4**	**215.7**	**1,290.6**
of which Funded schemes	*558.1*	*236.8*	*254.9*	*126.4*	*1,176.2*
of which Unfunded schemes	*0.4*	*22.1*	*2.5*	*89.3*	*114.4*
Fair value of plan assets	(421.8)	(187.6)	(254.9)	(105.5)	(969.7)
Recognized net liability for defined benefit obligations	**136.8**	**71.4**	**2.5**	**110.2**	**320.9**

21.3 Re-measurements of the net defined benefit liability

	OTHER COMPREHENSIVE INCOME				
(in millions of euros)	UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
Return on plan assets excluding interest income and asset ceiling	(32.2)	(12.3)	(11.9)	(9.0)	(65.4)
Effect of change in demographic assumptions	—	—	2.1	(0.3)	1.8
Effect of change in financial assumptions	62.4	24.2	5.8	19.1	111.5
Effect of experience adjustments	(0.4)	(0.2)	5.9	(2.9)	2.4
OCI recognized for the year ended December 31, 2019	**29.8**	**11.6**	**2.0**	**6.9**	**50.3**
Return on plan assets excluding interest income and asset ceiling	(23.7)	(7.2)	(0.3)	(1.4)	(32.7)
Effect of change in demographic assumptions	—	—	—	(1.2)	(1.2)
Effect of change in financial assumptions	57.5	21.5	(1.1)	8.3	86.2
Effect of experience adjustments	(10.5)	(1.4)	2.5	1.8	(7.6)
OCI recognized for the year ended December 31, 2020	**23.3**	**12.9**	**1.1**	**7.4**	**44.7**

21.4 Employee Benefit expense

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

		EXPENSE				
(in millions of euros)		UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
Service costs	(1)	—	2.1	6.1	5.6	13.7
Past service costs	(1)	—	—	—	(0.1)	—
Net Interest expense	(2)	5.4	2.0	—	2.2	9.6
Other	(1)	—	0.1	(1.0)	(0.2)	(1.0)
Expense recognized for the year ended December 31, 2019		**5.5**	**4.2**	**5.1**	**7.6**	**22.3**
Service costs	(1)	—	2.2	7.2	6.0	15.4
Past service costs	(3)	0.2	—	—	—	0.2
Net Interest expense	(2)	4.7	1.8	—	1.5	8.0
Other	(1)	0.0	0.1	0.1	—	0.2
Expense recognized for the year ended December 31, 2020		**4.9**	**4.1**	**7.3**	**7.5**	**23.7**

(1) Recognized as personnel costs (see note 7).

(2) Recognized as net financial expenses (see note 9).

(3) Recognized as other expenses.

There have been no significant plan amendments or settlements for the years ended December 31, 2020 and December 31, 2019.

21.5 Plan asset allocation

	PLAN ASSETS CLASS		
(in millions of euros)	UNITED KINGDOM	CANADA	SWITZERLAND
Cash and cash equivalents	5.0	0.9	11.9
Equity instruments (quoted in an active market)	12.3	84.2	91.6
Debt instruments (quoted in an active market)	73.8	105.0	96.5
Real estate	—	—	57.2
Investment funds	315.9	—	—
Asset held by insurance company	4.1	3.1	3.1
Other	0.4	—	5.1
As of December 31, 2019	**411.4**	**193.2**	**265.4**
Cash and cash equivalents	5.0	0.9	14.4
Equity instruments (quoted in an active market)	12.6	81.8	104.7
Debt instruments (quoted in an active market)	71.5	102.0	99.5
Real estate	—	—	62.7
Investment funds	328.0	—	—
Asset held by insurance company	4.2	2.9	1.3
Other	0.3	—	2.2
As of December 31, 2020	**421.8**	**187.6**	**284.8**

21.6 Actuarial assumptions

The main actuarial assumptions are as follows:

	UNITED KINGDOM		CANADA		SWITZERLAND	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Average plan duration (in years)	17	17	13	12	15	15
Discount rate (in%)	1.50	2.00	2.40	3.10	0.25	0.25
Future salary increases (in %)	N/A	N/A	3.00	3.00	0.50	0.75

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

21.7 Post-employment plan risks

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

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

- Volatility in discount rates and inflation

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

- Volatility in asset values

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

Sensitivity analysis

	SENSITIVITY TO A 50 BASIS POINTS DECREASE IN DISCOUNT RATE				
(in millions of euros)	UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
Service cost	—	0.1	0.5	0.4	1.1
Defined Benefit Obligation	51.5	16.4	21.1	14.8	103.9

	SENSITIVITY TO A 10% DOWNTURN IN FINANCIAL MARKET				
(in millions of euros)	UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
Plan assets	(1.3)	(8.2)	(10.5)	(0.4)	(20.4)

Risk Management

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

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

21.8 Expected cash flows

	EXPECTED CASH FLOW				
(in millions of euros)	UNITED KINGDOM	CANADA	SWITZERLAND	OTHER	GROUP
Expected benefit payments for 2021	16.3	12.4	7.5	7.7	43.9
Expected benefit payments for 2022	16.3	12.7	8.0	8.4	45.5
Expected benefit payments for 2023	16.7	12.9	8.7	15.5	53.8
Expected benefit payments for 2024	17.1	13.2	9.9	10.2	50.5
Expected benefit payments for 2025 and after	116.6	82.8	52.2	68.8	320.4
Expected benefit contributions for 2021	14.0	6.4	6.5	5.8	32.7

22. Financial liabilities

This note provides information on financial liabilities as of December 31, 2020. Financial liabilities include interest-bearing loans from financial institutions, borrowings and accrued interests less transaction costs.

22.1 Net financial debt

As of December 31, 2020, Rexel's consolidated net debt stood at €1,334.9 million, consisting of the following items:

		AS OF DECEMBER 31					
		2020			2019		
(in millions of euros)		CURRENT	NON CURRENT	TOTAL	CURRENT	NON CURRENT	TOTAL
Senior notes		—	1,105.5	1,105.5	—	1,413.4	1,413.4
Securitization		0.4	818.0	818.4	620.0	332.9	952.9
Bank loans		8.1	0.3	8.5	13.0	0.9	13.9
Commercial paper		50.0	—	50.0	50.0	—	50.0
Bank overdrafts and other credit facilities		58.6	—	58.6	65.5	—	65.5
Accrued interests	(1)	3.6	—	3.6	4.6	—	4.6
Less transaction costs		(3.7)	(8.6)	(12.3)	(4.2)	(14.1)	(18.4)
Total financial debt and accrued interest		***117.0***	***1,915.2***	***2,032.2***	***748.8***	***1,733.1***	***2,481.8***
Cash and cash equivalents				(685.4)			(514.3)
Accrued interest receivable				(0.8)			(2.0)
Debt hedge derivatives	(2)			(11.1)			(19.6)
Net financial debt				**1,334.9**			**1,945.9**

(1) Of which accrued interests on Senior Notes for €1.2 million as of December 31, 2020 (€1.6 million as of December 31, 2019).

(2) Debt hedge derivatives include fair value hedge interest rate derivatives and foreign exchange derivatives designated as hedge of financial debt.

22.1.1 Senior Facility Agreement

The Senior Facility Agreement initially executed on March 15, 2013 subsequently amended - the latest amendment being dated January 31, 2018 - provides multicurrency revolving credit facility for an aggregate maximum initial amount of €850 million with BNP Paribas, Crédit Agricole Corporate and Investment Bank, Crédit Industriel et Commercial, HSBC France, ING Bank France, Natixis and Société Générale as Mandated Lead Arrangers and Bookrunners. Facilities can also be drawn down through swingline loans for an aggregate amount of €137.8 million.

On January 16, 2020, Rexel exercised its option to extend the final maturity date by one additional year, from January 31, 2024 to January 31, 2025.

On March 25, 2020, the Group drew down €550 million out of €850 million of its available credit facilities in order to secure its cash position due to the second quarter sales decrease as a result of Covid-19 related lock down measures. On June 24, 2020, these facilities were paid-off and €850 million of these facilities remained available as of December 31, 2020.

Interest and margin

Amounts drawn bear interest at a rate determined in reference to (i) the EURIBOR rate when funds are made available in Euro or the LIBOR rate when funds are made available in currencies other than Euro, (ii) the applicable margin, (iii) certain *premia* for loans in currencies other than euro and (iv) mandatory costs (representing the costs to be borne by the lenders for the financing of the banking control system imposed by the banking regulatory authorities of their respective countries), if any.

Swingline drawings bear interest at a rate determined in reference to (i) the EONIA rate, (ii) the applicable margin and (iii) mandatory costs, if any.

The initial applicable margin is 1.25% per annum and varies in accordance with the ratio (defined as the ratio of consolidated adjusted total net debt to consolidated adjusted EBITDA, in each case as such terms are defined under the Senior Facility Agreement) calculated as of December 31 and June 30 of every year. The margin ranges from 0.60% to 2.25%.

In addition, the applicable margin shall be increased by a utilization fee that varies depending on the percentage of the total commitment drawn under the Senior Facility Agreement at any given time.

Rexel shall also pay a commitment fee in the base currency on that lender's available commitment the amount of which varies based on the leverage ratio.

The Leverage Ratio corresponds to adjusted total net debt relative to adjusted EBITDA. According to the Senior Facility agreement provisions, adjusted EBITDA and adjusted total net debt are calculated as if there has been no change in accounting policies. Following the adoption of IFRS 16 as of January 1, 2019, the following terms are determined on a pre IFRS 16 basis:

"Adjusted EBITDA" means, in relation to a measurement period, consolidated operating income without double counting before other income (or expenses) as defined in the relevant consolidated accounts of the Group:

- Including the last 12 months of Adjusted EBITDA of any Subsidiary acquired in that measurement period *pro rata* the participation of the Group;
- Including proceeds related to commodity price derivatives entered into to hedge exposure to the price fluctuation of certain commodities which do not qualify for cash flow hedge accounting as per applicable IFRS;
- After adding back EBITDA of assets held for sale and not taking into account EBITDA of assets sold during the measurement period;
- After adding back net operational depreciation/amortization;
- Taking no account of any expense referable to equity settled share based compensation of employees or management, to the extent the balance of it is taken in account into financial indebtedness;
- After adding back non-cash employee share, incentive or remuneration scheme costs entered into as part of equity-based remuneration of employees of the Group, as well as legal profit sharing, to the extent the balance of it is taken into account in financial indebtedness;
- Excluding the non-recurring impact of the evolution of the copper prices as disclosed in the press release published in connection with the consolidated financial statements for such measurement period;
- After adding back any other restructuring and/or acquisition costs relating to any permitted acquisition.

"Adjusted total net debt" means:

- Any indebtedness for or in respect of interest bearing debt (whether or not in cash or in kind, both current and non-current) but which shall:
  - Exclude any upfront, legal, advisory costs related to the implementation of such debt as well as the financial charges accounted for as a result of the repayment of any outstanding debt of the borrower;
  - Exclude intragroup loans between members of the Group;
  - Include any indebtedness for or in respect of any amount payable in respect of securities issued by any member of the Group which are not mandatorily redeemable in shares; and
  - Include any other amount raised under any other transaction accounted for as borrowing under the accounting standards;
- Any indebtedness for or in respect of accrued interest (including capitalized interest and any payment in kind) other than in respect of intragroup loans between members of the Group; less
- Cash and cash equivalents.

This ratio may exceed 3.50 on three accounting dates during the life of the Senior Facility Agreement, being specified that only two of such three accounting dates may be consecutive, and provided that (i) such ratio does not exceed 3.75 times on two accounting dates during the life of the Senior Facility Agreement and (ii) such ratio does not exceed 3.90 times on one accounting date during the life of the Senior Facility Agreement.

In addition to the Senior Facility Agreement, Rexel entered into one bilateral term loan agreement of €35.6 million (US$ 40.0 million) which matures in June 2021.

As of December 31, 2020, all these credit facilities were undrawn.

22.1.2 Senior notes

As of December 31, 2020, the carrying amount of the existing senior notes is detailed as follows:

	AS OF DECEMBER 31					
	2020			2019		
(in millions of euros)	NOMINAL AMOUNT	FAIR VALUE ADJUSTMENTS (1)	TOTAL	NOMINAL AMOUNT	FAIR VALUE ADJUSTMENTS (1)	TOTAL
2.625% Senior notes due 2024	—	—	**—**	300.0	8.0	**308.0**
2.125% Senior notes due 2025	500.0	4.9	**504.9**	500.0	5.0	**505.0**
2.750% Senior notes due 2026	600.0	0.7	**600.7**	600.0	0.4	**600.4**
TOTAL	1,100.0	5.5	**1,105.5**	1,400.0	13.4	**1,413.4**

(1) Adjustment to reflect interest rate fluctuations on the part of the notes hedged through fair value hedge derivatives (see note 23.1).

€300 million notes due 2024 (early redeemed in December 2020)

On March 13, 2017, Rexel issued €300 million of senior unsecured notes due 2024 which bear interests at 2.625% annually.

The notes rank pari passu with Rexel's senior credit facility and other senior unsecured notes. Rexel pays interest on the notes semi-annually on June 15 and December 15, starting from June 15, 2017. The notes mature on June 15, 2024 and are listed on the Luxembourg Stock Exchange.

On December 15, 2020, the Group early redeemed these notes. The redemption price was 101.310% of the principal amount of the redeemed notes and amounted €303.9 million. A gain of €4.2 million has been recognized in the net financial expenses including the early redemption premium of €3.9 million plus unamortized transaction costs of €2.1 million and a €10.3 million gain associated to fair value hedge adjustments. As part of the early repayment of these senior notes, interest rate derivatives were settled and Rexel received €8.8 million representing the settlement price of such interest rate derivatives.

€500 million notes due 2025

On November 20, 2017, Rexel issued €500 million of senior unsecured notes due 2025 which bear interests at 2.125% annually.

The notes *rank pari* passu with Rexel's senior credit facility and other senior unsecured notes. Rexel pays interest on the notes semi-annually on June 15 and December 15, starting from June 15, 2018. The notes mature on June 15, 2025 and are listed on the Luxembourg Stock Exchange.

On or after December 15, 2020, the notes are redeemable in whole or in part by paying the redemption price set forth below:

REDEMPTION PERIOD BEGINNING ON:	REDEMPTION PRICE (AS A % OF PRINCIPAL AMOUNT)
December 15, 2020	101.063 %
December 15, 2021	100.531 %
December 15, 2022 and after	100.000 %

€600 million notes due 2026

On March 12, 2019, Rexel issued €600 million of senior unsecured notes due 2026 which bear interests at 2.75% annually.

The notes rank pari passu with Rexel's senior credit facility and other senior unsecured notes. Rexel pays interest on the notes semi-annually on June 15 and December 15, starting from June 15, 2019. The notes mature on June 15, 2026 and are listed on the Luxembourg Stock Exchange.

These notes are redeemable in whole or in part at any time prior to March 15, 2022 at a redemption price equal to 100% of their principal amount, plus a “make-whole” premium and accrued and unpaid interest. On or after March 15, 2022, the notes are redeemable in whole or in part by paying the redemption price set forth below:

REDEMPTION PERIOD BEGINNING ON:	REDEMPTION PRICE (AS A % OF PRINCIPAL AMOUNT)
March 15,2022	101.375 %
March 15,2023	100.688 %
March 15, 2024 and after	100.000 %

22.1.3 Securitization programs

Rexel 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.

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

In view of their characteristics, notably the fact that the Group retains a significant part of the late payment and credit risks, these receivables assignment programs, with the exception of an off-balance sheet US program described in the following paragraphs, do not qualify for derecognition under IFRS 9 requirements. Therefore, assigned receivables remain classified as assets on the Group’s balance sheet on the line “Trade accounts receivable” whereas the financing received is shown as financial debt.

In addition to these on-balance sheet programs, in 2009, the Group entered into an agreement with Ester Finance Titrisation (the purchaser), a French subsidiary of CALYON, to sell a participating interest in eligible trade receivables of Rexel’s US subsidiaries under a *Receivables Participation Agreement* (“RPA”). This agreement was amended in 2016 and allows the Group to assign eligible receivables and receive cash consideration up to a maximum amount of US$225 million. The maturity of this program was extended to September 2022.

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

As a result of this agreement, credit risk, interest risk and late payments risk attached to the receivables assigned in relation to the Ester program are transferred to the purchaser through the credit and funding discounts. The dilution risk is not considered for risks and rewards analysis as this risk is not attached to the receivables but is analyzed as a risk of misuse of the securitization program as disputed receivables are not eligible to the program or as a risk attached to the servicing of the receivables that is guaranteed by a collateral. Therefore, receivables sold under this agreement are derecognized from the balance-sheet at the transfer date.

The difference between the sale price and the carrying value of these receivables is recorded in the income statement as a financial expense.

As of December 31, 2020, derecognized receivables totaled €138.2 million (€199.3 million as of December 31, 2019) and the discounting loss was recorded as a financial expense for €5.7 million (€11.5 million in 2019). Cash collected under the servicing agreement in relation to derecognized receivables and not yet transferred to the purchaser totaled €23,6 million and was recognized in financial liabilities (€37.6 million as of December 31, 2019).

The Group did not retain any interests in the receivables sold under this program.

Securitization programs are subject to certain covenants concerning the quality of the trade receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables). As of December 31, 2020, 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:

MAIN PROGRAMS	COMMITMENT AS OF DECEMBER 31, 2020 (in millions of currency)		AMOUNT OF RECEIVABLES ASSIGNED AS OF DECEMBER 31, 2020 (in millions of currency)		AMOUNT DRAWN DOWN AS OF DECEMBER 31, 2020 (in millions of currency)		BALANCE AS OF DECEMBER 31 2020 (in millions of euros)	BALANCE AS OF DECEMBER 31 2019 (in millions of euros)	MATURITY
Europe and Australia (1)	EUR	300.0	EUR	411.1	EUR	300.0	300.0	376.0	12/16/2023
Europe	EUR	219.0	EUR	295.1	EUR	185.1	185.1	206.2	8/16/2022
United States - on balance sheet	USD	290.0	USD	437.9	USD	276.2	225.1	243.8	9/20/2022
United States - off balance sheet	USD	225.0	USD	169.6	USD	169.6	138.2	199.3	9/20/2022
Canada	CAD	185.0	CAD	225.1	CAD	168.6	107.8	126.7	9/19/2022
TOTAL							**956.3**	**1,152.1**	
Of which:	–	on balance sheet :					818.4	952.9	
	–	off balance sheet :					138.2	199.3	

(1) In December 2020, Rexel amended its European and Australian securitization program to extend the maturity date to December 2023 and to remove Australian trade receivables . As a result, the maximum commitment was reduced from €375 million to €300.0 million.

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

As of December 31, 2020, the total outstanding amount authorized for these securitization programs was €1,057.0 million, of which €956.3 million were used.

22.1.4 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 December 31, 2020, Rexel derecognized the trade receivables sold to the factor for €74.2 million (€68.4 million as of December 31, 2019). Cash collected on behalf of the factor in relation with the transferred receivables was recognized in financial liabilities for €25.8 million as of December 31, 2020 (€16.7 million as of December 31, 2019).

22.1.5 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 December 31, 2020, the company had issued €50.0 million of commercial paper (€50.0 million as of December 31, 2019).

22.1.6 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 December 31, 2020, Bank Acceptance Drafts were derecognized from the balance sheet for €74.5 million (€35.9 million as of December 31, 2019).

22.2 Change in net financial debt

As of December 31, 2020, and December 31, 2019, the change in net financial debt was as follows:

(in millions of euros)	2020	2019
As of January 1,	**1,945.9**	**2,014.7**
Issuance of senior notes net of transaction costs	—	594.4
Repayment of senior notes	(303.9)	(666.9)
Transaction costs and refinancing costs	(0.4)	(1.4)
Net change in credit facilities, commercial papers and other financial borrowings	0.2	(4.9)
Net change in credit facilities	***(304.1)***	***(78.8)***
Net change in securitization	(93.0)	(71.6)
Net change in financial liabilities	**(397.1)**	**(150.4)**
Change in cash and cash equivalents	(194.4)	22.0
Effect of exchange rate changes on net financial debt	(24.7)	26.4
Effect of acquisition	—	0.3
Amortization of transaction costs	4.3	4.6
Non recurring redemption costs/ (gain)	(4.2)	20.8
Effect of assets held for sale classification	1.3	5.4
Other changes	3.9	2.0
As of December 31,	**1,334.9**	**1,945.9**

23. Market risks and financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

23.1 Interest rate risk

Rexel is exposed to interest rate risk through its indebtedness and cash management. Hedged items include borrowings, cash and cash equivalents and highly probable forecasted transactions derived from the 3-year Group business plan. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing debt, including senior notes, securitization and factoring arrangements, credit facilities and commercial paper. The risk component is limited to the risk-free interest rate, excluding credit spread and other financing components.

In order to hedge its exposure to changing interest rates, the Group has adopted an interest rate hedging strategy aimed at maintaining a 80% hedging ratio on a one-year rolling basis, 50% on a two-year rolling basis, 25% on a three-year rolling basis of its net financial debt at fixed or capped rates with the remainder at variable interest rates with a flexibility of +/- 20%. To manage this, the Group mainly enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

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

(in millions of euros)	AS OF DECEMBER 31 2020	2019
Senior Notes and other fixed rate debt	1,086.9	1,382.2
Floating to fixed rate swaps	812.7	1,137.2
Fixed to floating rate swaps	550.0	(850.0)
Sub total fixed or capped rate instruments	***2,449.6***	***1,669.3***
Floating rate debt before hedging	933.4	1,078.1
Floating to fixed rate swaps	(812.7)	(1,137.2)
Fixed to floating rate swaps	(550.0)	850.0
Cash and cash equivalents	(685.4)	(514.3)
Sub total floating rate debt instruments	***(1,114.7)***	***276.6***
Total net financial debt	**1,334.9**	**1,945.9**

Fair value hedge derivatives

As of December 31, 2020, the portfolio of interest rate swaps used as hedge for exposure of changes in fair value of its senior notes disclosed in note 22.1.2 is as follows:

	TOTAL NOTIONAL AMOUNT *(in millions of currency)*	TOTAL NOTIONAL AMOUNT *(in millions of currency)*	MATURITY	WEIGHTED AVERAGE FIXED RATE RECEIVED	FLOATING RATE PAID	FAIR VALUE [(1)] *(in millions of euros)*
Swaps paying variable rate						
Euro	500.0	500.0	June 2022	0.57 %	Euribor 3M	8.1
	50.0	50.0	June 2023	0.31 %	Euribor 3M	1.1
Total		**550.0**				**9.1**

(1) Derivative instruments are presented at fair value, including accrued interest receivable for €0.3 million.

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

Any adjustment to carrying value of items carried at amortized cost is amortized through profit or loss over the remaining term.

Fair value change of the hedging swaps for the year ended December 31, 2020 represented a loss of €2.9 million, offset by a gain of €0.2 million resulting from the change in the fair value of the senior notes.

Cash-flow hedge derivatives

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

Cash-flow hedge swaps mature until June 2023. The Group intends to renew a significant portion of these swaps in order to hedge the variability of future interest expense related to its floating interest debt mainly associated with securitization programs, in accordance with the strategy described above. The allocation of hedging instruments among currencies hinges upon the Group’s expectations concerning trends of the interest rates linked to those currencies.

As of December 31, 2020, derivative instruments classified as cash flow hedges are as follows:

	TOTAL NOTIONAL AMOUNT *(in millions of currency)*	TOTAL NOTIONAL AMOUNT *(in millions of euros)*	MATURITY	FLOATING RATE RECEIVED	WEIGHTED AVERAGE FIXED RATE PAID (RECEIVED)	FAIR VALUE[1] *(in milllions of euros)*
Swaps paying fixed rate						
American dollar	250.0	203.7	December 2021	Libor 3M	2.88%	(5.2)
	100.0	81.5	January 2022	Libor 3M	2.54%	(2.0)
	125.0	101.9	April 2023	Libor 3M	1.47%	(3.0)
Canadian dollar	50.0	32.0	August 2021	CDOR 3M	2.34%	(0.3)
	90.0	57.6	March 2022	CDOR 3M	1.70%	(0.9)
Australian dollar	75.0	47.2	June 2023	BBSW AUD 3M	0.65%	(0.6)
Swiss franc	100.0	92.6	March 2022	Libor 3M	(0.75%)	—
	50.0	46.3	October 2021	Libor 3M	(0.43%)	(0.1)
Euro	150.0	150.0	March 2023	Euribor 3M	(0.53)%	—
Total		**812.7**				**(12.2)**

(1) Derivative instruments are presented at fair value, including accrued interest receivable for €1.4 million.

The change in fair value of the cash flow hedging instruments for the year ended December 31, 2020 was recorded as a €5.4million decrease in cash-flow hedge reserve (before tax). The ineffectiveness recognized in profit and loss in 2020 was immaterial.

Sensitivity to interest rate variation

As of December 31, 2020, a 1% increase in interest rates on variable debt after effective interest rate hedging would lead to an increase in the current annual interest expense estimated to €5.7 million and a €9.9 million gain related to the change in fair value of the hedging instruments of which a €1.1 million in the income statement and €8.8 million in other comprehensive income.

23.2 Foreign exchange risk

The Group's financing policy is to centralize external borrowings and to provide financing to its foreign subsidiaries in their own functional currencies. The foreign currency risk arises principally from intercompany financings denominated in currencies other than euro and is managed at corporate level. In order to neutralize foreign exchange risk exposure, the Group's parent company incurs external indebtedness in foreign currencies other than euro or enters into foreign exchange derivatives (forward contracts or exchange rate swaps). For the year ended December 31, 2020, unrealized exchange gain in other comprehensive income related to external borrowings qualified as net investment hedges account for €5.2 million before tax.

As of December 31, 2020, the notional value of foreign exchange derivatives was €384.5 million (€392.8 million of forward sales and €8.3 million of forward purchases). Forward contracts are recognized at their fair value for a net positive amount of €2.0 million. The change in fair value of forward contracts for the year ended December 31, 2020 was recorded as a financial gain of €1.6 million.

Sensitivity to changes in foreign exchange rates

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

The results of these operations are included in the Group's consolidated income statement after conversion at the average rate applicable to the period. On an annual basis, a 5% increase (or decrease) of the euro against the main currencies (US dollar, Canadian dollar, Australian dollar and British Pound) would lead to a decrease (increase) in sales of €273.0 million and a decrease (increase) in operating income before other income and other expenses of €9.2 million.

The Group's financial liabilities and shareholders' equity are likewise included on its consolidated balance sheet after conversion at the financial year-end exchange rate. Thus, a 5% appreciation (depreciation) of the euro against the other currencies as compared to the closing exchange rates as of December 31, 2020 would result in a corresponding decrease (increase) in financial debt and shareholders' equity of €21.4 million and €114.1 million respectively.

Financial debt per repayment currency

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

(in millions of euros)	EURO	US DOLLAR	CANADIAN DOLLAR	AUSTRALIAN DOLLAR	NORWEGIAN KRONE	SWEDISH KRONA	BRITISH POUND	SWISS FRANC	CHINESE RENMINBI	OTHER CURRENCIES	**TOTAL**
Financial liabilities	1,539.6	260.8	108.2	0.2	—	—	92.0	0.3	13.6	6.5	2,021.1
Cash and cash equivalents	(248.5)	(142.0)	(76.7)	44.0	(11.3)	(7.5)	(194.0)	(31.6)	(6.1)	(12.4)	(686.2)
Net financial position before hedging	**1,291.0**	**118.8**	**31.5**	**44.2**	**(11.3)**	**(7.5)**	**(102.0)**	**(31.4)**	**7.5**	**(5.9)**	**1,334.9**
Impact of hedges	(384.4)	77.2	—	(0.9)	—	1.1	—	308.4	(1.5)	0.1	—
Net financial position after hedging	**906.6**	**196.0**	**31.5**	**43.3**	**(11.3)**	**(6.4)**	**(102.0)**	**277.0**	**6.0**	**(5.8)**	**1,334.9**
Impact of a 5% increase in exchange rates	—	*9.8*	*1.6*	*2.2*	*(0.6)*	*(0.3)*	*(5.1)*	*13.8*	*0.3*	*(0.3)*	*21.4*

23.3 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:

	AS OF DECEMBER 31	
(in millions of euros)	**2020**	**2019**
Due within		
One year	120.7	753.0
Two years	518.3	0.8
Three years	300.0	333.0
Four years	—	—
Five years	504.9	308.0
Thereafter	600.7	1,105.4
Total gross financial debt before transaction costs	**2,044.6**	**2,500.2**
Transaction costs	(12.3)	(18.4)
Gross financial debt	**2,032.3**	**2,481.8**

As of December 31, 2020, the remaining contractual cash-flows in relation to financial indebtedness and derivatives, including interest owed, are as follows:

(in millions of euros)	FINANCIAL DEBT & INTERESTS	DERIVATIVES	TOTAL
Due within			
One year	157.0	4.0	161.0
Two years	552.4	(1.2)	551.2
Three years	330.3	0.2	330.5
Four years	29.1	—	29.1
Five years	526.4	—	526.4
Thereafter	608.2	—	608.2
Total	**2,203.4**	**3.0**	**2,206.4**

The €500 million notes issued in November 2017 mature in June 2025 and the €600 million notes issued in March 2019 mature in June 2026.

The Senior Facility Agreement matures in January 2025 following the extension option exercised on January 2020 and 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 December 31, 2020, this facility was undrawn.

The US$ 40.0 million) (€35.6 million) Credit Facility with Wells Fargo Bank International had been renewed for one year in 2020 and matures in June 2021. As of December 31, 2020, this facility was undrawn.

Lastly, as a result of amendments executed in 2019 and 2020 (see note 22.1.3), securitization programs mature in 2022 and 2023. 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.

The trade accounts payable amounted to €1,807.3 million as of December 31, 2020 (€2,021.7 million as of December 31, 2019) and are due in less than one year.

The Group's liquidity increased from €1,284.5 million as of December 2019 to €1,459.5 million as of December 2020. The Group's liquidity is in excess of €1,338.7 million compared to €120.7 million expected to be paid within the next twelve months with respect to financial debt repayment schedule.

	AS OF DECEMBER 31	
(in millions of euros)	**2020**	**2019**
Cash and cash equivalents	685.4	514.3
Bank overdrafts	(58.6)	(65.5)
Commercial paper	(50.0)	(50.0)
Undrawn Senior Facility Agreement	850.0	850.0
Bilateral facility	32.6	35.6
Liquidity	**1,459.5**	**1,284.5**

23.4 Counterparty risk

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

Credit risk with respect to trade accounts receivable is limited due to the large number of customers, the diversity of their activities (contractors, manufacturers, municipalities), and their geographical spread in France and abroad. In addition, credit insurance programs have been implemented within the Group. As of December 31, 2020, the maximum risk corresponding to the total accounts receivable amounted to €1,899.7 million (€2,059.3 million as of December 31, 2019) and is detailed in note 12.2 Trade accounts receivable.

The counterparty risk concerning cash, cash equivalents and hedging instruments is likewise limited by the quality of the relevant counterparties, which are the Group's traditional banking partners for its financing and are almost exclusively based in Europe. The outstanding amount was €696.6 million as of December 31, 2020 (€537.5 million as of December 31, 2019), which equals the net book value of the aforementioned items.

The maximum counterparty risk on the Group's other financial assets was €479.0 million (€559.1 million as of December 31, 2019) and mainly corresponds to supplier discounts receivable.

24. Summary of financial liabilities

(in millions of euros)		CATEGORY IFRS 9	FAIR VALUE HIERARCHY*	AS OF DECEMBER 31 2020 CARRYING AMOUNT	2020 FAIR VALUE	2019 CARRYING AMOUNT	2019 FAIR VALUE
Bonds		AC	1	1,105.5	1,113.9	1,413.4	1,447.6
Other financial debts, including accrued interest		AC		926.7	926.7	1,068.5	1,068.5
Total financial liabilities				**2,032.2**	**—**	**2,481.8**	**—**
Hedging derivatives	(1)	FV P&L	2	—	—	0.1	0.1
Hedging derivatives	(1)	FV OCI	2	6.5	6.5	7.2	7.2
Other liabilities	(2)	N/A	2	7.3	N/A	7.3	N/A
Total other non-current liabilities				**13.8**	**—**	**14.6**	**—**
Trade accounts payable		AC		**1,807.3**	**1,807.3**	**2,021.7**	**2,021.7**
Customer rebates payable		AC		161.7	161.7	162.7	162.7
Personal and social obligations	(2)	N/A		235.8	N/A	265.0	N/A
VAT payable and other sales tax	(2)	N/A		68.3	N/A	56.2	N/A
Hedging derivatives	(1)	FV OCI	2	5.9	5.9	0.2	0.2
Other derivative instruments not elligible to hedge accounting		FV P&L	2	—	—	2.8	2.8
Other liabilities		AC		263.5	0.2	248.6	248.6
Deferred income	(2)	N/A		5.7	N/A	3.5	N/A
Total other debts				**741.0**	**—**	**738.9**	**—**
Financial liabilities - stated at amortized cost		AC					
Fair value through profit or loss		FV P&L					
Fair value through other comprehensive income		FV OCI					

* For fair values hierarchy see note 3.13

(1) Specific accounting treatment for hedging.

(2) Not classified as a financial instrument under IFRS 9.

25. Related party transactions

Executive compensation

Expenses relating to compensation of the Executive Committee members of the Group are as follows:

(in millions of euros)		FOR THE YEAR ENDED DECEMBER 31 2020	2019
Salaries and other short-term benefits		6.1	6.9
Post-employment benefits (service costs)		0.3	0.5
Indemnities at termination of contract		1.3	1.4
Free shares and stocks options	(1)	1.8	0.6

(1) Share-based payment expense is detailed in note 18.

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

In the event of a breach of employment contract, the Group could have to compensate the Executive Committee members a total amount of €8.3 million.

26. Statutory auditors fees

The table below is provided in accordance with regulation n° 2016-09 of the French Accounting Standard Authority (ANC) and sets forth the fees paid to statutory auditors in connection with their engagement in the parent company and the French subsidiaries. Amounts are exclusive of VAT and out-of pocket expense.

	PWC Audit		KPMG Audit		Total	
(in millions of euros)	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Audit services	0.9	0.9	1.0	0.9	1.9	1.8
Non audit services	0.2	0.2	—	0.2	0.2	0.4
Total	**1.1**	**1.1**	**1.0**	**1.1**	**2.1**	**2.2**

Other related services include the fees related to mandatory services performed in accordance with French regulation, as well as comfort letters and CSR report.

27. Litigation & other contingencies

27.1 Litigations

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

The principal proceedings are set out below:

Asbestos litigation

The Group is party to several proceedings relating to exposure to asbestos-containing materials in the United States. The Group believes that the risk of it being ordered to pay significant amounts in connection with these proceedings is limited, and that these lawsuits will not therefore have, individually or as a whole, a material adverse effect on its financial condition or results of operations, since the claims may be rejected or settled for amounts partially or fully covered by Rexel's insurance policies. Considering the wide range of these claims, the different stages in the proceedings, the number of defendants and the absence of any individual claim, the Group cannot precisely assess the financial consequences that may result from these proceedings.

Antitrust investigation

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

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

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

27.2 Other contingent liabilities

The Group has granted the following warranties to purchasers in connection with the disposal of certain assets.

Latin America

With respect to the divestment of Latin America operations, the Group committed to indemnify for any damage incurred by the purchaser up to US$9 million. No claim is pending as of the balance sheet date.

Slovakia, Poland and Baltics

The agreements entered into with Würth group in connection with the disposal of operations in Slovakia, Poland and the Baltics provide for indemnification of any damage and liability incurred by the purchaser. The aggregate liability for indemnification shall not exceed €8 million. This warranty had not been called as of the balance sheet date.

28. Events after the reporting period

On February 2, 2021 Rexel Canada has acquired the Canadian Utility business of WESCO International ("WESCO Canada Utility"). The acquisition of WESCO Canada Utility will provide Rexel Canada with enhanced development opportunities in an attractive and resilient business. It also allows Rexel Canada to offer a complementary range of products to its existing utility contractor customer base and to further expand its footprint in the country. WESCO Canada Utility's sales stood at over CAD70 million in 2020. Due to local market dynamics, the Group does not want to disclose the purchase price at this stage.

This acquisition will be consolidated in 2021.

29. Consolidated entities as of December 31, 2020

	HEAD OFFICE	% INTEREST
FRANCE		
Holding companies and Group services companies		
Rexel	Paris	Parent company
Rexel Développement S.A.S.	Paris	100.00
Rexel Amérique Latine S.A.S.	Paris	100.00
Operating companies		100.00
Rexel France S.A.S.	Paris	100.00
Dismo France S.A.S.	St-Ouen l'Aumône	100.00
Espace Elec S.A.S.	Ajaccio	100.00
Bizline S.A.S.	Paris	100.00
BCCT	Paris	100.00
Conectis S.A.S.	Paris	100.00
Francofa Eurodis S.A.S.	Neuilly-Plaisance	100.00
La Boîte Electrique	Paris	100.00
Esabora Digital Services	Paris	100.00
Sofinther	Bouguenais	100.00
Cordia	Mitry-Mory	100.00
EUROPE		
Germany		
Rexel GmbH	Munich	100.00
Rexel Germany GmbH & Co KG	Munich	100.00
Rexel Germany Verwaltungs GmbH	Munich	100.00
Rexel Germany Beteiligungs GmbH	Munich	100.00
Silstar Deutschland GmbH	Emmerich am Rhein	100.00
Rexel Industrial Solutions GmbH	Munich	100.00
United Kingdom		
Rexel Senate Ltd	Birmingham	100.00
Denmans Electrical Wholesalers Ltd	Birmingham	100.00
Senate Group Ltd	Birmingham	100.00
Rexel (UK) Holdings Ltd.	Birmingham	100.00
Rexel (UK) Ltd	Birmingham	100.00
Newey & Eyre Ltd.	Birmingham	100.00
Parker Merchanting Limited	Birmingham	100.00
WF Electrical Plc	Birmingham	100.00
Warrior (1979) Ltd.	Birmingham	100.00
Rexel UK Pension Trustees Ltd.	Birmingham	100.00
J&N Wade Limited	Birmingham	100.00
Clearlight Electrical Company	Birmingham	100.00
Sweden		
Rexel Sverige AB	Älvsjö	100.00
Moel AB	Bredaryd	100.00
Austria		
Rexel Central Europe Holding GmbH	Vienna	100.00
Rexel Austria GmbH	Vienna	100.00
Comtech IT Solutions GmbH	Annaberg	100.00
The Netherlands		
Rexel Nederland B.V.	Zoetermeer	100.00
Rexel Holding Netherlands B.V.	Hoofddorp	100.00

	HEAD OFFICE	% INTEREST
Rexel Holding Benelux BV	Hoofddorp	100.00
Italy		100.00
Rexel Italia SpA	Milano	100.00
Spain		100.00
ABM Rexel SL	Madrid	100.00
Belgium		100.00
Rexel Belgium S.A.	Zellik	100.00
Portugal		100.00
Rexel Distribuição de Material Electrico S.A.	Lisboa	100.00
Ireland		100.00
M Kelliher 1998 Ltd.	Tralee	100.00
Switzerland		100.00
Elektro Material AG	Zurich	100.00
Digitalfeld AG	Zurich	88.66
Luxembourg		100.00
Rexel Luxembourg S.A.	Luxembourg	100.00
REXEL RE S.A.	Luxembourg	100.00
Slovenia		100.00
Elektronabava d.o.o.	Ljubljana	100.00
Russia		100.00
OOO Elektroskandia Rus	St. Petersburg	100.00
Finland		100.00
Rexel Finland Oy	Hyvinkää	100.00
Norway		100.00
Elektroskandia Norge AS	Langhus	100.00
Elektroskandia Norway Holding AS	Langhus	100.00
NORTH AMERICA		
United States		
Rexel USA, Inc	Dallas	100.00
SKRLA LLC	Dallas	100.00
SPT Holdings Inc.	Dallas	100.00
Rexel of America LLC	Dallas	100.00
Rexel Patriot Acquisition, LLC	Dallas	100.00
Canada		100.00
Rexel North America Inc.	St Laurent	100.00
Rexel Canada Electrical Inc.	Mississauga	100.00
Rogers Electrical Wholesale Limited	North Bedeque	100.00
ASIA PACIFIC		
Hong Kong SAR		
Huazhang Electric Automation Holding Co. Ltd	Hong Kong	100.00
China		
Rexel Ouneng (Beijing) Technology Co. Ltd	Beijing	100.00
Rexel Electric Co. Ltd	Shanghai	100.00
Zhejiang Huazhang Automation Equipment Co. Ltd	Huanzhou	100.00
Rexel Integrated Solutions (Shanghai) Co. Ltd	Shanghai	100.00
Rexel China Management Co. Ltd	Shanghai	100.00
Suzhou Xidian Co. Ltd	Suzhou	100.00
Beijing Zhongheng Hengxin Automation Equipment Co. Ltd	Beijing	100.00
Henan Qixin Automation Equipment Co. Ltd	Zhengzhou	100.00
Shanghai Suhua Industrial Control Equipment Co. Ltd	Shanghai	100.00

	HEAD OFFICE	% INTEREST
LinElec Business Consulting (Shanghai) Limited	Shanghai	100.00
Zhonghao (Shanghai) Technology Co. Ltd.	Shanghai	100.00
Jinan Rexel Enterprise Management Service Co., Ltd.	Jinan	100.00
India		
Rexel India Private Limited	Pune	100.00
Korea		
Gexpro Korea Co. Ltd	Seoul	100.00
Australia		
Rexel Holdings Australia Pty Ltd	Sydney	100.00
Rexel Electrical Supplies Pty Ltd	Sydney	100.00
Australian Regional Wholesalers Pty Ltd	Sydney	100.00
New Zealand		
Rexel New Zealand Limited	Auckland	100.00
Redeal Pensions Ltd	Auckland	100.00
Kingdom Saudi Arabia		
Rexel Services KSA LLC	Riyadh	100.00
Rexel Arabia Electrical Supplies LLC	Riyadh	65.00
United Arab Emirates		
Redco FZE	Jebel Ali	100.00
Rexel Emirates LLC	Abu Dhabi	90.00

III. Statutory auditors' report

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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

KPMG Audit
Tour EQHO
2, avenue Gambetta
CS60055
92066 Paris La Défense

Statutory auditors' report on the consolidated financial statements

For the year ended December 31, 2020

Rexel S.A.

13 Boulevard du Fort de Vaux
CS 60002
75838 Paris Cedex 17

To the Annual General Meeting of Rexel S.A.,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Rexel S.A. ("the Group") for the year ended December 31, 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Justification of Assessments - Key Audit Matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Measurement of the recoverable amount of goodwill and other intangible assets with indefinite useful lives

Notes 3.5, 3.8, 11.1 to the consolidated financial statements

Description of risk

As of December 31, 2020, goodwill and other intangible assets with indefinite useful lives were recorded in the balance sheet for a net carrying amount of €3,192.2 million and €798.6 million, respectively, representing 40% of the Group's total assets. An impairment test for these assets is performed at least once a year at the level of the cash-generating units (CGU) to which they have been allocated. As described in Notes 3.5 and 3.8 to the consolidated financial statements, an impairment loss is recorded when the recoverable amount of the CGU falls below its carrying amount.

The recoverable amount of a CGU (country) is measured based on discounted future cash flows and requires a significant degree of judgment from management, especially for the determination of revenue and EBITA margin forecasts as well as the selection of discount rates and long term growth rates.

As described in Note 11.1 to the consolidated financial statements, in the first half of 2020, in the unprecedented situation surrounding the Covid-19 health crisis, an impairment test of all CGU carrying goodwill and other intangible assets with indefinite useful life. Cash flows were adjusted to reflect post Covid-19 sales trends and profitability. In this ongoing economic uncertainty and in the absence of available operational business plans, the 2020 impairment test was based both on inside and outside available information, including a benchmark of financial analysts forecasts. As a result, the Group recognized a €486 million impairment charge as of June 30, 2020. No additional impairment was recognized after the annual impairment test as of December 31, 2020.

Accordingly, we deemed the measurement of the recoverable amount of goodwill and other intangible assets with indefinite useful lives to be a key audit matter, due to: the weighting of these assets in the consolidated balance sheet the inherent uncertainty of specific inputs, in particular the likelihood of achieving forecast results included in such measurement the impact of sensitivity analyses described in Note 11.1.

How our audit addressed this risk

We gained an understanding of the Group's process to prepare the forecasted cash-flows, based both on internal and external information, including financial analysts forecasts.

For CGUs for which the recoverable amount is close to the carrying amount, we performed the following:

- Assessed the components of the carrying value of a CGU to which the Group has allocated goodwill.

- Assessed the consistency of cash-flow projections with the economic environments in which the Group's subsidiaries operate as well as the reliability of the estimate process in particular by examining any differences between past cash-flow projections and actual cash flows.
- Assessed, with the assistance of our valuation experts, the reasonableness of the long term growth rates as well as discount rates applied to the forecasted cash flows of the various CGUs.
- Corroborated, including through interviews with management, the reasonableness of the main data and assumptions underlying cash-flow projections (sales growth, EBITA margin).
- Tested the mathematical accuracy of the discounted cash-flow model used and the sensitivity analyses.
- Verified that Note 11.1 to the consolidated financial statements included the appropriate disclosures.

Suppliers rebates

Notes 3.9, 3.19 and 12.3 to the consolidated financial statements

Description of risk

The Group enters into contract with its suppliers, through which it benefits from rebates, generally on an annual basis, based on the volumes of goods purchased and the performance of certain specific commercial actions. These rebates may be conditional or not on the achievement of pre-defined purchasing targets (unconditional or conditional rebates).

These rebates are recorded as reduction of the cost of goods sold.

We deemed the recognition of suppliers rebates to be a key audit matter, due to:

- The significance of suppliers rebates
- The variety of contracts
- The estimates required in terms of determining the purchasing data to which contract clauses apply to calculate receivables at the closing date
- And their impact on the valuation of inventories

The Covid-19 outbreak, as mentioned in the note 2 of the consolidated financial statements, has adversely impacted the activity in some countries. The decrease in purchases impacting suppliers rebates, certain suppliers agreements have been renegotiated in the course of 2020.

How our audit addressed this risk

We analyzed the internal control procedures relating to the follow-up of rebates on contracts signed with suppliers and to estimate rebates in order to determine the cost of goods sold.

We also performed the following procedures:

- Analyzed, on a sample basis, the contracts signed with suppliers as well as the proper application of the terms and conditions of those contracts where used to determine rebates recognized during the year, particularly in terms of the volumes purchased and including the estimation of suppliers rebates receivables at year-end.
- Ensure that renegotiations with suppliers related to the context of the pandemic have been properly taken into account.
- Reconciled, on a sample basis, the amount of purchases made with the calculation bases for determining rebate receivables at year-end, as well as with any purchasing confirmations received from suppliers, and assessed the fulfillment of any conditional targets in terms of volumes purchased.
- Assessed the recoverability of supplier rebate receivables and verified that there are no aged uncollected receivables
- Compared the rebates collected after year-end with the rebate receivable recorded at year-end to assess the reliability of management estimates.
- Verified, on a sample basis, the appropriate allocation of suppliers rebates to the valuation of inventories.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verification required by laws and regulations of the Group's information given in the management report of the Board of Directors.

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

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (code de commerce) is included in the Group's information given in the management report, it being specified that, in accordance with Article L.823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information should be reported on by an independent third party.

Report on Other Legal and Regulatory Requirements

Format of the presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in Article L. 451-1-2, I of the French Monetary and Financial Code (code monétaire et financier).

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Rexel S.A. by the Annual General Meeting held on May 16, 2012 for PricewaterhouseCoopers Audit and May 25, 2016 for KPMG Audit.

As at December 31, 2020, PricewaterhouseCoopers Audit and KPMG Audit were in the ninth year and fifth year of total uninterrupted engagement, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine and Paris La Défense, February 11, 2021

The Statutory Auditors

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