Systemax™

2017 Annual Report

TO RECEIVE ADDITIONAL INFORMATION ON SYSTEMAX PLEASE SEND A WRITTEN REQUEST TO:

CORPORATE HEADQUARTERS:
Systemax Inc.
11 Harbor Park Drive
Port Washington, NY 11050
516-608-7000 ext. 7181
Email: investinfo@systemax.com
Web Site: http://www.systemax.com

INVESTOR RELATIONS:
The Plunkett Group
106 West 32nd Street
2nd Floor - Suite 169
New York, NY 10001
Attention: Mike Smargiassi
(212) 739-6740
Email: syx@theplunkettgroup.com
Website: www.theplunkettgroup.com

TRANSFER AGENT:
American Stock Transfer & Trust Company LLC
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449
Email: info@astfinancial.com
Website: www.astfinancial.com

SEND CERTIFICATES FOR TRANSFER AND ADDRESS CHANGES TO:
American Stock Transfer & Trust Company LLC
6201 15th Avenue
Brooklyn, NY 11219

STOCK EXCHANGE:
The Company's shares are traded on the New York Stock Exchange under the symbol SYX.

CORPORATE GOVERNANCE
Copies of the Company's 2017 Annual Report on Form 10-K, Proxy Statement for the 2018 Annual Meeting, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed with the Securities and Exchange Commission are available online at www.systemax.com or to stockholders without charge upon written request to the Company's address listed above, Attention: Investor Relations. In addition, on the Corporate Governance page of the Company's website, www.systemax.com, stockholders can view the Company's Corporate Ethics Policy, Audit Committee Charter, Compensation Committee Charter, Nominating/ Corporate Governance Committee Charter and Corporate Governance Guidelines and Principles.

Systemax Inc. (www.systemax.com) sells industrial and technology products through a system of branded e-Commerce websites and relationship marketers in North America and France. The primary brands are Global Industrial and Inmac Wstore.

Dear Fellow Stockholders,

2017 was an exceptional year at Systemax as we further streamlined our operations, executed on our growth and optimization initiatives, and produced strong financial performance. During the year, we substantially completed the strategic transformation of the company with the March 2017 sale of our non-French European businesses. Our continuing North American Industrial Products Group ("IPG") and France Technology Value Added Reseller ("France") businesses both delivered double digit organic increases in their top and bottom line results and we had strong cash flow generation. With this exceptional performance and our solid balance sheet we continued to return cash to shareholders, including a recurring quarterly dividend that we recently increased as well as a special one-time dividend of $1.50 per share.

IPG had a home run year with almost $800 million in revenue, an increase of 11% on a constant currency average daily sales basis. Sales gains were driven by strong performance in our core product offering and growth in both new customer generation and the expansion of existing customer relationships. IPG also delivered a significant gain in operating income, which more than doubled to $71 million. Leverage improved across the business as we benefited from a number of projects to enhance the customer experience and drive long term cost efficiencies. This included the implementation of a new warehouse management system and additional IT data tools for our sales team to better target, profile and service customers. IPG is well positioned for further success and we are implementing additional initiatives to drive top line sales, efficiently support increased volumes, and enhance future profitability.

France had another outstanding year, with 2017 revenue of $474 million, an increase of 12% on a local currency average daily sales basis. It extended its record of organic annual double digit top line growth to four consecutive years and was recently ranked as the fifth largest IT reseller in the country. France continues to show strong profitability as it delivered more than $25 million in operating income, an increase of 28%. It remains well positioned to benefit from its excellent customer and vendor relationships and has an expanding offering of valued-added products and services, which are strengthening its reputation as a one stop solutions partner.

Our IPG and France businesses are highly successful, well-managed, and positioned among the leaders in their respective markets. Their performance is a direct reflection of the dedication and efforts of each of our associates the past several years and the completion of a number of projects designed to enhance our competitive position and drive long-term profitability. We are executing on additional growth and productivity initiatives at both of these businesses, which we believe will position them for continued success. With growing cash flows and a strong cash position we have significant flexibility to execute our business plan and return capital to shareholders in the year ahead

We would like to thank our employees, customers, vendors and stockholders for their support and look forward to keeping you updated on our progress.

Sincerely,

Larry Reinhold
President and Chief Executive Officer

11 Harbor Park Drive, Port Washington, NY 11050 • 516.608.7000 • investinfo@systemax.com

Notice of Annual Meeting of Stockholders

Date and time:	Monday, June 4, 2018, at 12:00 p.m., local time
Location:	Systemax Inc., 11 Harbor Park Drive, Port Washington, NY 11050
Purpose:	(1) To elect the 7 director nominees named in the proxy statement; (2) To ratify the appointment of Ernst & Young LLP as our independent auditor for fiscal year 2018; and (3) To transact such other business as may properly come before the meeting or any adjournment or postponement.
Who may vote:	Stockholders of record at the close of business on April 16, 2018 are entitled to notice of, and to vote at, the meeting or any adjournment or postponement.

By order of the Board of Directors,

Eric Lerner
Senior Vice President and General Counsel
April 20, 2018

Important notice regarding the availability of proxy materials for the Annual Meeting of Stockholders to be held on June 4, 2018:

This Notice of Annual Meeting of Stockholders, the accompanying proxy statement and our 2017 Annual Report to Stockholders all are available at www.proxyvote.com.

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General Information

These proxy materials are being furnished to solicit proxies on behalf of the Board of Directors of Systemax Inc. for use at our Annual Meeting of Stockholders to be held on Monday, June 4, 2018, and at any adjournment or postponement. Our Annual Meeting will take place at our headquarters located at 11 Harbor Park Drive, Port Washington, NY, at 12:00 p.m., local time.

These proxy materials include our Notice of Annual Meeting and Proxy Statement and our 2017 Annual Report to Stockholders, which includes our Fiscal 2017 Form 10-K. In addition, these proxy materials may include a proxy card for our Annual Meeting. These proxy materials are first being sent or made available to our stockholders commencing on April 20, 2018.

Notice of Internet Availability of Proxy Materials

We have implemented the Securities and Exchange Commission, or SEC, "Notice Only" rule that allows us to furnish our proxy materials over the Internet to our stockholders instead of mailing paper copies. As a result, beginning on or about April 20, 2018, we mailed to most of our stockholders of record on April 16, 2018 a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials over the Internet and vote online.

This notice is not a proxy card and cannot be used to vote your shares. If you received a notice this year, you will not receive paper copies of the proxy materials unless you request the materials by following the instructions on the notice or on the website referred to in the notice.

If you own shares of common stock in more than one account—for example, in a joint account with your spouse and in your individual brokerage account—you may have received more than one notice. To vote all of your shares by proxy, please follow each of the separate proxy voting instructions that you received for your shares of common stock held in each of your different accounts.

Record Date

We have fixed the close of business on April 16, 2018 as the record date for determining our stockholders entitled to notice of and to vote at our Annual Meeting.

On that date, we had 37,174,265 shares of common stock outstanding. Stockholders as of the record date will have one vote per share on each voting matter.

Quorum

The presence of the holders of a majority of the outstanding shares of common stock entitled to vote at our Annual Meeting, present in person or represented by proxy, is necessary to constitute a quorum.

Abstentions and "broker non-votes" (discussed below) will be counted as present for purposes of establishing a quorum.

How to Vote

Stockholders of record. If you are a "stockholder of record" (meaning your shares are registered in your name with our transfer agent, American Stock Transfer & Trust Company, LLC) you may vote either in person at our Annual Meeting or by proxy.

If you decide to vote by proxy, you may do so in any one of the following three ways:

You may vote your shares 24 hours a day by logging on to a secure website, www.proxyvote.com, and following the instructions provided. You will need to enter identifying information that appears on your proxy card or the Notice. The internet voting system allows you to confirm that your votes were properly recorded.

You may vote your shares 24 hours a day by calling the toll free number (800) 690-6903, and following instructions provided by the recorded message. You will need to enter identifying information that appears on your proxy card or the Notice. As with the internet voting system, you will be able to confirm that your votes were properly recorded.

If you received a proxy card, you may mark, sign and date your proxy card and return it by mail in the enclosed postage-paid envelope.

Internet and telephone voting is available through 11:59 PM Eastern Time on Sunday, June 3, 2018.

If you vote by mail, your proxy card must be received before our Annual Meeting to assure that your vote is counted. We encourage you to vote promptly.

Beneficial owners. If, like most stockholders, you are a beneficial owner of shares held in "street name" (meaning a broker, trustee, bank or other nominee holds shares on your behalf), you may vote in person at our Annual Meeting only if you obtain a legal proxy from the nominee that holds your shares. Alternatively, you may vote by completing, signing and returning the voting instruction form that the nominee provides to you or by following any telephone or Internet voting instructions described on the voting instruction form, the Notice or other materials that the nominee provides to you.

No matter in what form you own your shares – We encourage you to vote promptly.

Votes Required to Adopt the Proposals

- **Proposal 1** – The affirmative vote of a **plurality of the outstanding shares** of common stock entitled to vote and present, in person or by proxy, at a meeting at which a quorum is present will be required to elect the nominated directors to the Board.

- **Proposal 2** – The affirmative vote of a **majority of the outstanding shares** of common stock entitled to vote and present, in person or by proxy, at a meeting at which a quorum is present will be required to ratify the appointment of Ernst & Young LLP as our independent auditors.

How Shares Will Be Voted

Proxies will be voted as specified by the stockholders. Where specific choices are not indicated, proxies will be voted, per the Board's recommendations, FOR Proposals 1 and 2. If any other matters properly come before our Annual Meeting, the persons named in the proxy will vote at their discretion.

List of Stockholders

A list of our stockholders satisfying the requirements of Section 219 of the Delaware General Corporation Law will be available for inspection for any purpose germane to our Annual Meeting during normal business hours at our headquarters at least ten days prior to our Annual Meeting.

Changing or Revoking Your Proxy

Your attendance at our Annual Meeting will not automatically revoke your proxy.

Stockholders of record. If you are a stockholder of record, you may change or revoke your proxy at any time before a vote is taken at our Annual Meeting by giving notice to us in writing or at our Annual Meeting, by executing and forwarding to us a later-dated proxy or by voting a later proxy over the telephone or the Internet.

Beneficial owners. If you are a beneficial owner of shares, you should check with the broker, trustee, bank or other nominee that holds your shares to determine how to change or revoke your vote.

Abstentions

- **Proposal 1** – Abstentions will have no effect on the election of directors.
- **Proposal 2** – Abstentions will have the same effect as a negative vote regarding the ratification of Ernst & Young LLP as our independent auditors.

Broker Non-Votes

A "broker non-vote" occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because they do not have discretionary voting power for that proposal and have not received instructions from the beneficial owner.

If you are a beneficial owner whose shares are held by a broker, as stated above you must instruct the broker how to vote your shares. If you do not provide voting instructions, your broker is not permitted to vote your shares on the election of directors.

In the absence of voting instructions, the broker can only register your shares as being present at our Annual Meeting for purposes of determining a quorum and may vote your shares on ratification of the appointment of our auditor.

Frequently Asked Questions

How can I access the proxy materials over the Internet?

Your Notice of the Internet Availability of the proxy materials, proxy card or voting instruction card will contain instructions on how to view our proxy materials for our Annual Meeting on the Internet. Our proxy materials and Annual Report on Form 10-K for fiscal 2017, as well as the means to vote by Internet, are available at www.proxyvote.com.

How may I obtain a paper copy of the proxy materials?

The Notice of the Internet Availability of the proxy materials, provides instructions about how to obtain a paper copy of the proxy materials. If you did not receive the notice, you will receive a paper copy of the proxy materials by mail.

What is "householding"?

SEC rules allow us to send a single copy of the proxy materials or the Notice of Internet Availability of Proxy Materials to multiple stockholders sharing the same address and last name, or who we reasonably believe are members of the same family in a manner provided by such rules. This practice is referred to as "householding" and we use this process to achieve savings of paper and mailing costs.

How can I find voting results of our Annual Meeting?

We will announce preliminary voting results at our Annual Meeting and we will publicly disclose the results on a Form 8-K within four business days of our Annual Meeting, as required by SEC rules.

Proposal No. 1 – Election Of Directors

At our Annual Meeting, seven directors are to be elected to hold office until the 2019 annual meeting and until their successors have been elected and qualified. All nominees are current Systemax Board members who were elected by stockholders at the 2017 annual meeting, except for Messrs. Litwin and Lindbloom, who were appointed to the Board in July and December 2017 to fill vacancies resulting from the departure of two previous directors.

There are no family relationships among any of our directors or executive officers or nominees for director or executive officer, except that Messrs. Richard, Bruce and Robert Leeds are brothers. Except as disclosed herein, regarding Messrs. Richard, Bruce and Robert Leeds, there were no arrangements or understandings between any director or nominee for director and any other person pursuant to which such person was selected as a director or nominee for director.

The accompanying proxy will be voted FOR the election of the Board's nominees unless contrary instructions are given. If any Board nominee is unable to serve, which is not anticipated, the persons named as proxies intend to vote, unless the Board reduces the number of nominees, for such other person or persons as the Board may designate.

When voting by proxy with respect to the election of directors, stockholders may vote in favor of all nominees, withhold their votes as to all nominees or withhold their votes for specific nominees.

Richard Leeds

Executive Chairman

Director Since: 1995 Age: 58

Richard Leeds joined Systemax in 1982 and served as our Chairman and CEO from April 1995 until becoming our Executive Chairman in March 2016. He also served as President of our Industrial Products Group until 2011. Mr. Leeds was selected to serve as Executive Chairman of our Board due to his experience and depth of knowledge of Systemax and the direct marketing, computer and industrial products industries, his role in developing and managing our business strategies and operations, as well as his exceptional business judgment and leadership qualities.

Bruce Leeds

Vice Chairman

Director Since: 1995 Age: 62

Bruce Leeds joined Systemax in 1977 and has served as our Vice Chairman since April 1995. He also served as President of our International Operations until 2005. Mr. Leeds was selected to serve as a director on our Board due to his experience and depth of knowledge of Systemax and the direct marketing, computer and industrial products industries, his role in developing and managing our business strategies and operations, his experience in international business as well as his exceptional business judgment.

Robert Leeds

Vice Chairman

Director Since: 1995 Age: 62

Robert Leeds joined Systemax in 1977 and has served as our Vice Chairman since April 1995. He also served as President of our Domestic Operations until 2005 and as Chief Executive of the North American Technology Products Group from 2013 to 2015. Mr. Leeds has served as a director since April 1995. Mr. Leeds was selected to serve as a director on our Board because of his experience and depth of knowledge of Systemax and the direct marketing, computer and industrial products industries, his role in developing and managing our business strategies and operations, his significant computer and technology industry experience as well as his exceptional business judgment.

Lawrence Reinhold

President and Chief Executive Officer

Director Since: 2009 Age: 58

Lawrence Reinhold joined Systemax in January 2007 and served as Executive Vice President and CFO from that date until becoming our President and CEO in March 2016. In this expanded role, he assumed overall responsibility for our operations, including all lines of business and functional groups. Additionally, prior to joining Systemax, Mr. Reinhold was the Chief Financial Officer of a publicly traded developer and manufacturer of medical devices; the Chief Financial Officer of a publicly traded communications software company; and a regional Managing Partner of a Big 4 International Public Accounting Firm. Mr. Reinhold is a Certified Public Accountant. From 2011 through 2013, he also served on the board of directors and audit committee of Pulse Electronics, a publicly traded electronics manufacturer. Mr. Reinhold was selected to serve as a director on our Board due to his contributions since joining Systemax and his extensive experience and expertise in business, strategy, finance, accounting, SEC reporting, public company management, mergers and acquisitions and financial systems as well as his serving as a CFO of other public technology companies and a partner with an international accounting firm.

Robert D. Rosenthal

Independent Director

Director Since: 1995 Age: 69

Robert D. Rosenthal has been the lead independent director since October 2006. Mr. Rosenthal is Chairman and Chief Executive Officer of First Long Island Investors LLC, which he co-founded in 1983. Mr. Rosenthal is the Chairman and CEO of a wealth management company that invests in numerous public companies and is also an attorney and member of the bar of the State of New York. Mr. Rosenthal was selected to serve as a director on our Board due to his financial, investment and legal experience and acumen.

Barry Litwin

Independent Director

Director Since: 2017 Age: 51

Mr. Litwin is the Chief Executive Officer of Adorama, Inc., a leading multi-channel retailer of professional camera, audio, and video equipment, a position he has held since 2015. Previous executive roles included overseeing e-commerce and marketing for Sears Holdings, Inc, Office Depot, and Newark Electronics, Inc, in addition to serving as an advisor to several early stage digital and technology companies. Mr. Litwin graduated from Indiana University with a BS degree, and an MBA in Operations from Loyola University, Quinlan School of Business in 1992. Mr. Litwin was selected to serve as a director on our Board due to his e-commerce and direct marketing expertise.

Chad Lindbloom

Independent Director

Director Since: 2017 Age: 53

Mr. Lindbloom was employed by C.H. Robinson Worldwide, Inc. – one of the world's largest third-party logistics providers – from June 1990 through March 2018 in various roles, including Chief Information Officer, Chief Financial Officer and Controller. Mr. Lindbloom holds BS and MBA degrees from the Carlson School of Management at the University of Minnesota. Mr. Lindbloom was selected to serve as a director on our Board due to his supply chain and logistics expertise

The Board Recommends That You Vote for the Election of All the Director Nominees (Proposal No. 1)

Corporate Governance

Board of Directors

Our Board currently consists of seven members, three of whom are independent under SEC and NYSE rules. Our Board is led by Executive Chairman Mr. Richard Leeds and Vice Chairmen, Messrs. Bruce Leeds and Robert Leeds. Our independent directors have designated Mr. Rosenthal to be the Lead Independent Director.

Mr. Stacy Dick resigned from the Board in July 2017 and Ms. Marie Adler-Kravecas resigned from the Board in December 2017. Neither Mr. Stacy Dick nor Ms. Marie Adler-Kravecas has advised Systemax of any disagreement on any matter relating to the operations, policies, or practices of Systemax. Mr. Barry Litwin was appointed to the Board in July 2017 and Mr. Chad Lindbloom was appointed to the Board in December 2017. Concurrently with tendering their respective resignations, upon resigning, each of Mr. Dick and Ms. Adler-Kravecas agreed to consult with Systemax on a limited basis for a period of twelve months in order to ensure a smooth transition of duties.

Our Board held ten meetings in fiscal 2017. During fiscal 2017, Mr. Litwin did not attend 75% or more of the meetings of the Board during his tenure as a member of the Board, in that there were only two meetings in that period of his tenure, one of which he was unable to attend. Each of the current (and former) directors attended at least 75% of the meetings of the Board committees on which he (or she) served.

At last year's annual meeting of stockholders held on June 5, 2017, two directors attended the meeting. We do not have a policy with regards to directors' attendance at our annual meeting of stockholders.

Board Leadership Structure

We believe that the current mix of employee directors and non-employee independent directors that make up our Board, along with the independent oversight of our Lead Independent Director, benefits Systemax and our stockholders.

Although the Board does not have an express policy on whether or not the roles of CEO and Executive Chairman of the Board should be separate and if they are to be separate, whether the Executive Chairman of the Board should be selected from the non-management directors or be an employee, the Board believes that it should have the flexibility to make a determination from time to time in a manner that is in the best interests of Systemax and our stockholders at the time of such determination.

Our Board conducts an annual evaluation in order to determine whether it and its committees are functioning effectively. As part of this annual self-evaluation, the Board evaluates whether the current leadership structure continues to be optimal for Systemax and our stockholders.

Our Board believes that the most effective Board leadership structure for Systemax at the present time, is for the roles of CEO and Executive Chairman of the Board to be separate. Further, the Board believes that our Executive Chairman and two Vice Chairmen should also have management roles, so that our Executive Chairman and Vice Chairmen remain in closer touch with the operations of our business and so that, together with our CEO, they can focus their attention on different aspects of the strategic and operating challenges and opportunities ahead for the Industrial Products Group and the France Technology Value Added Reseller businesses.

The Board believes that the independent directors provide effective oversight of management. Moreover, in addition to feedback provided during the course of Board meetings, the independent directors have regular executive sessions. Following an executive session of independent directors, the Lead Independent Director acts as a liaison between the independent directors and the Executive Chairman regarding any specific feedback or issues, provides the Executive Chairman with input regarding agenda items for Board and Committee meetings, and coordinates with the Executive Chairman regarding information to be provided to the independent directors in performing their duties.

Our Corporate Governance Guidelines provide the flexibility for our Board to modify or continue our leadership structure in the future, as it deems appropriate.

Director Independence

In connection with its annual review of director independence, the Board has determined that each of Robert D. Rosenthal, Barry Litwin and Chad Lindbloom has no material relationship with Systemax (directly or as a partner, stockholder, or officer of an organization that has a relationship with Systemax) and meets the standards for independence required by the New York Stock Exchange and Securities and Exchange Commission rules. The Board has not adopted any other categorical standards of materiality for independence purposes.

The Board made this determination based on

- ✓ the absence of any of the express disqualifying criteria relating to director independence set forth in Section 303A of the Corporate Governance Rules of the New York Stock Exchange, and
- ✓ the criteria for independence required of audit committee directors by Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and
- ✓ information provided by the directors to Systemax, which did not indicate any relationships (e.g., commercial, industrial, banking, consulting, legal, accounting, charitable, or familial) which would impair the independence of any of the non-management directors.

The Board has determined that there is no material relationship between Systemax and each of Messrs. Rosenthal, Litwin and Lindbloom (directly or as a partner, stockholder, or officer of an organization that has a relationship with Systemax) and that each of them is independent pursuant to the NYSE listing standards.

In making its determination, the Board took into consideration that certain Systemax directors and executive officers have each invested funds with or through a private investment firm, of which Mr. Rosenthal is Chairman and CEO (and which firm receives fees in respect of such investments), and may continue to do so in the future. The Board (in each case with Mr. Rosenthal and the investing directors being recused) determined that such relationship was not material to Mr. Rosenthal and does not affect his independence.

As a "controlled company," Systemax is exempt from the New York Stock Exchange requirement that listed companies have a majority of independent directors. A "controlled company" is defined by the New York Stock Exchange as a company of which more than 50% of the voting power for the election of directors is held by an individual, group or other company. Systemax is a "controlled company" in that more than 50% of the voting stock for the election of directors of Systemax, in the aggregate, is owned by certain members of the Leeds family (including Messrs. Richard, Bruce and Robert Leeds, each of whom is an officer and director of Systemax) and certain Leeds' family trusts and other entities controlled by them (collectively, the "Leeds Group"). The members of the Leeds Group have entered into a Stockholders Agreement with respect to certain shares they each own. *See Transactions with Related Persons / page 20 of this proxy statement.*

Lead Independent Director

The independent directors have designated Mr. Rosenthal to serve as our Lead Independent Director.

In addition to presiding at executive sessions of non-management directors, the Lead Independent Director has the responsibility to coordinate the activities of the independent directors, and to perform the following functions:

- advise the Executive Chairman of the Board as to an appropriate schedule of Board meetings, seeking to ensure that the independent directors can perform their duties responsibly while not interfering with the flow of Systemax's operations;

- provide the Executive Chairman with input as to the preparation of agendas for the Board and committee meetings;

- advise the Executive Chairman as to the quality, quantity, and timeliness of the flow of information from our management that is necessary for the independent directors to effectively and responsibly perform their duties, and although our management is responsible for the preparation of materials for the Board, the Lead Independent Director may specifically request the inclusion of certain material;

- recommend to the Executive Chairman the retention of consultants who report directly to the Board;

- assist the Board and our officers in assuring compliance with and implementation of the corporate governance policies; and be principally responsible for recommending revisions to the corporate governance policies;

- coordinate and develop the agenda for, and moderate executive sessions of, the independent directors of the Board, and act as principal liaison between the independent directors and the Executive Chairman on sensitive issues; and

- recommend to the Executive Chairman the membership of the various Board committees.

Meetings of Non-Management Directors

The New York Stock Exchange requires the "non-management directors" or independent directors of a NYSE-listed company meet at regularly scheduled executive sessions without management and to disclose in their annual proxy statements:

- the name of the non-management director who is chosen to preside at all regularly-scheduled executive sessions of the non-management members of the board of directors, and

- a method for all interested parties to communicate directly with the presiding director or with the non-management directors as a group (this method is described below under "Communications with the Board").

The Board's non-management or independent directors meet separately in executive sessions, chaired by the Lead Independent Director (currently Mr. Rosenthal), at least quarterly.

Communicating with the Board

Stockholders and other interested parties may communicate with the Board, any committee of the Board, any individual director (including the Lead Independent Director) or the independent directors as a group, by directing communication to:

investinfo@systemax.com.

Office of the Corporate Secretary
Systemax Inc.
11 Harbor Park Drive
Port Washington, NY 11050

Communications from stockholders will be distributed to the entire Board unless addressed to a particular committee, director or group of directors. The Corporate Secretary will not distribute communications that are unrelated to the duties of the Board, such as spam, junk mail, mass mailings, business solicitations and advertisements.

Committees of the Board

The Board has a standing Audit Committee, Nominating/Corporate Governance Committee, and Compensation Committee. In addition, the Board has an Executive Committee empowered to act for the Board in certain circumstances, but the Executive Committee did not exercise its power in 2017. *See Executive Committee / page 13 of this proxy statement*.

Committee Composition

		Audit Committee	Nominating/Corporate Governance Committee	Compensation Committee
Robert D. Rosenthal	***I***	👤	👤	👤
Barry Litwin	***I***	👥	👥	👥
Chad Lindbloom	***I***	👥	👥	👥

I = Independent Director 👤 ***= Chairperson*** 👥 ***= Member***

Mr. Dick was a member of the Audit, Nominating/Corporate Governance Committee and Compensation Committee until his resignation from the Board in July 2017. Ms. Adler-Kravecas was a member of the Audit, Nominating/Corporate Governance Committee and Compensation Committee until her resignation from the Board in December 2017.

Audit Committee

Number of Meetings Held in Fiscal 2017: Seven

The Audit Committee is appointed by the Board to assist the Board with oversight of:

- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- the independence and qualifications of our external auditors; and
- the performance of our internal audit function and external auditors.

It is the Audit Committee's responsibility to retain or terminate our independent registered public accountants, who audit our financial statements, and to prepare the Audit Committee report that the SEC requires to be included in our annual proxy statement. *See Report of the Audit Committee / page 16 of this proxy statement*.

As part of its activities, the Audit Committee meets with our auditors at least annually to review the scope and results of the annual audit and quarterly to discuss the review of the quarterly financial results.

In addition, the Audit Committee receives and considers the independent registered public accountants' comments and recommendations as to internal controls, accounting staff, management performance and auditing procedures.

The Audit Committee is also responsible for establishing procedures for:

- the receipt, retention and treatment of complaints received by Systemax regarding accounting, internal accounting controls and auditing matters, and

- the confidential, anonymous submission by employees of Systemax of concerns regarding questionable accounting or auditing matters.

In addition, the Audit Committee is responsible for reviewing, and discussing with management and reporting to the Board regularly, our risk assessment and risk management processes, although it is senior management's responsibility to assess and manage our exposure to risk under the oversight of the Board.

In addition, the Audit Committee works together with the Compensation Committee to ensure that our compensation policies address and promote our risk management goals and objectives. The Audit Committee also discusses with management our major financial risk exposures and the steps management has taken to monitor and control such exposures.

The Board has determined that Messrs. Rosenthal, Litwin and Lindbloom are "audit committee financial experts" as defined under SEC regulations.

Systemax does not have a standing policy on the maximum number of audit committees of other publicly owned companies on which the members of the Audit Committee may serve. However, if a member of the Audit Committee simultaneously serves on the audit committee of more than two other publicly-owned companies, the Board must determine whether such simultaneous service would impair the ability of such member to effectively serve on the Audit Committee. Any such determination will be disclosed in our annual proxy statement.

Nominating/Corporate Governance Committee

Number of Meetings Held in Fiscal 2017: Five

The Nominating/Corporate Governance Committee's responsibilities include, among other things:

- identifying individuals qualified to become Board members and recommending to the Board nominees to stand for election at any meeting of stockholders,

- identifying and recommending nominees to fill any vacancy, however created, in the Board, and

- developing and recommending to the Board a code of business conduct and ethics and a set of corporate governance principles (including director qualification standards, responsibilities and compensation) and periodically reviewing the code and principles.

In nominating candidates to become Board members, the Nominating/Corporate Governance Committee takes into consideration such factors as it deems appropriate, including the experience, skill, integrity and background of the candidates. The Nominating/Corporate Governance Committee may consider candidates proposed by management or stockholders but is not required to do so. The Nominating/Corporate Governance Committee does not have any formal policy with regard to the consideration of any director candidates recommended by stockholders or any minimum qualifications or specific procedure for identifying and evaluating nominees for director as the Board does not believe that such a formalistic approach is necessary or appropriate at this time. In addition, the Nominating/Corporate Governance Committee and the Board may engage an independent search firm to assist in identifying qualified board candidates, and in 2017 we engaged an independent search firm to assist in finding candidates for board vacancies.

The Nominating/Corporate Governance Committee, in seeking qualified Board members, does not have a policy regarding utilizing diversity, however defined, in its selection process. The Nominating/Corporate Governance Committee looks for individuals who have very high integrity, significant business experience and a deep genuine interest in Systemax. We believe that each of the director nominees bring these qualifications to our Board. Moreover, they provide our Board with a diverse complement of specific business skills, experience and perspectives.

Compensation Committee

Number of Meetings Held in Fiscal 2017: Five

The Compensation Committee's responsibility is to review and approve corporate goals relevant to the compensation of the CEO and, after an evaluation of the CEO's performance in light of such goals, to set the compensation of the CEO.

The Compensation Committee also approves:

- the annual compensation of the other executive officers of Systemax,
- the annual compensation of certain subsidiary managers, and
- all individual stock-based incentive grants.

The Compensation Committee is also responsible for reviewing and making periodic recommendations to the Board with respect to the general compensation, benefits and perquisite policies and practices of Systemax including our incentive-based and equity-based compensation plans. The Compensation Committee also prepares an annual report on executive compensation for inclusion in our annual proxy statement. *See Compensation Committee Report / page 35 of this proxy statement.* The Compensation Committee also reviews and approves the performance and compensation of our Executive Chairman and Vice Chairmen.

In addition, it is the Compensation Committee's responsibility to consider, and work together with the Audit Committee to ensure our compensation policies address and promote our risk management goals and objectives.

Executive Committee

Number of Meetings Held in Fiscal 2017: None

Among other duties as may be assigned by the Board from time to time, the Executive Committee is:

- authorized to oversee our operations,
- supervise our executive officers,
- review and make recommendations to the Board regarding our strategic direction, and
- review and make recommendations to the Board regarding all possible acquisitions or other significant business transactions.

The Executive Committee is also authorized to manage the affairs of Systemax between meetings of the Board; the Executive Committee has all of the powers of the Board not inconsistent with any provisions of the Delaware General Corporation Law, our Certificate of Incorporation or By-Laws or other resolutions adopted by the Board, but the Executive Committee did not exercise its power in 2017.

Risk Oversight

Board's Role in Risk Oversight

Our Board as a whole is responsible for overseeing our risk management process. The Board focuses on our general risk management strategy, the most significant risks facing Systemax, and seeks to ensure that appropriate risk mitigation strategies are implemented by management.

Risk management is a recurring Board quarterly agenda item, and is considered part of business and operations planning.

The Board is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and at least quarterly receives information relating to material risk from management and from our Legal & Risk Management and Internal Audit Departments.

Delegation to Board Committees

The Board has delegated to each of its Committees oversight of certain aspects of our risk management process.

Among its duties, the Audit Committee reviews with management (a) processes with respect to risk assessment and management of risks that may be material to Systemax, (b) our system of disclosure controls and system of internal controls over financial reporting, and (c) our compliance with legal and regulatory requirements.

The Compensation Committee is responsible for considering and working together with the Audit Committee regarding the compensation policies for all our employees in the context of how such policies affect and promote our risk management goals and objectives.

The Nominating/Corporate Governance Committee is responsible for developing and recommending to the Board a set of risk management policies and procedures, including our compensation policies for all our employees as they relate to risk management, and to review these policies and procedures annually. All committees report to the full Board as appropriate, including when a matter rises to the level of a material or enterprise level risk.

Day-to-Day Risk Management

Our senior management is responsible for day-to-day risk management.

Our Internal Audit Department serves as the primary monitoring and testing function for company-wide policies and procedures, and manages the day-to-day oversight of the risk management strategy for the ongoing business of Systemax. This oversight includes identifying, evaluating, and addressing potential risks that may exist at the enterprise, strategic, financial, operational, compliance and reporting levels. The Internal Auditor reports directly to our Audit Committee quarterly, and works closely with our CEO on matters that may impact our exposure to risk.

We believe the division of risk management responsibilities described above is an effective approach for addressing the risks facing Systemax and that our Board leadership structure supports this approach.

Proposal No. 2 – Ratification of Ernst & Young LLP as our Independent Auditor

The Audit Committee of the Board is directly responsible for the appointment, compensation, retention and oversight of our independent auditor and approves the audit engagement letter with Ernst & Young LLP and its audit fees. The Audit Committee has appointed Ernst & Young LLP as our independent auditor for fiscal 2018 and believes that the continued retention of Ernst & Young LLP as our independent auditor is in the best interest of Systemax and our stockholders.

While not required by law, we are asking our stockholders to ratify the appointment of Ernst & Young LLP as our independent auditor for fiscal 2018 at the Annual Meeting as a matter of good corporate governance. If stockholders do not ratify this appointment, the Audit Committee will consider whether it is appropriate to appoint another audit firm. Even if the appointment is ratified, the Audit Committee in its discretion may appoint a different audit firm at any time during the fiscal year if it determines that such a change would be in the best interest of Systemax and our stockholders.

We expect representatives of Ernst & Young LLP to be present at the Annual Meeting. They will have an opportunity to make a statement if they desire to do so and to respond to appropriate questions from stockholders.

Fees Paid to our Independent Auditor

The following table sets forth the fees billed to us by Ernst & Young LLP for services in fiscal 2017 and 2016, all of which were pre-approved by the Audit Committee:

Fee Category	2017 ($)	2016 ($)
Audit fees (1)	1,490,000	1,577,700
Audit-related fees (2)	44,800	181,500
Tax fees (3)	0	0
All other fees (3)	1,400	2,200
Total	**1,536,200**	**1,761,400**

(1) In accordance with the SEC's definitions and rules, "audit fees" are fees that were billed to Systemax by Ernst & Young LLP for the audit of our annual financial statements, to be included in the Form 10-K, and review of financial statements included in the Form 10-Qs; for the audit of our internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects; for the attestation of management's report on the effectiveness of internal control over financial reporting; and for services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements.

(2) "Audit-related fees" are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and internal control over financial reporting, including services in connection with assisting Systemax in our compliance with our obligations under Section 404 of the Sarbanes-Oxley Act and related regulations.

(3) Ernst & Young LLP did not provide any professional services for tax compliance, planning or advice in 2017 or 2016.

(4) Consists of fees billed for other professional services rendered to Systemax.

Audit Committee Pre-Approval Policy

The Audit Committee is responsible for approving every engagement of Systemax's independent auditor to perform audit or non-audit services on behalf of Systemax or any of its subsidiaries before such auditors can be engaged to provide those services. The Audit Committee does not delegate its pre-approval authority. The Audit Committee is not permitted to engage the independent auditor to perform any non-audit services proscribed by law or regulation. The Audit Committee has reviewed the services provided to Systemax by Ernst & Young LLP and believes that the non-audit/review services it has provided are compatible with maintaining the auditor's independence.

The Board recommends that you vote for the proposal to ratify the appointment of Ernst & Young LLP as our independent auditor for fiscal year 2018 (Proposal No. 2)

Report of the Audit Committee

The Audit Committee of the Board operates under its Charter, which was originally adopted by the Board in 2000 and was most recently revised in March 2017. As set forth in its Charter, the Audit Committee's job is one of oversight. Management is responsible for Systemax's financial statements, internal accounting and financial controls, the financial reporting process, the internal audit function and compliance with our policies and legal requirements. Our independent auditors are responsible for performing an independent audit of our consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board (United States) and for issuance of a report thereon, and for monitoring the effectiveness of our internal controls; they also perform limited reviews of our unaudited quarterly financial statements.

The Audit Committee's responsibility is to engage the independent registered public accountants, monitor and oversee these accounting, financial and audit processes and report its findings to the full Board. It also investigates matters related to our financial statements and controls as it deems appropriate. In the performance of these oversight functions, the members of the Audit Committee rely upon the information, opinions, reports and statements presented to them by Systemax management and by the independent registered public accountants, as well as by other experts that the Audit Committee hires.

The Audit Committee met with our independent auditors to review and discuss the overall scope and plans for the audit of our consolidated financial statements for the year ended December 31, 2017. The Audit Committee has considered and discussed with management and the independent auditors (both alone and with management present) the audited financial statements as well as the independent auditors' evaluation of our internal controls and the overall quality of our financial reporting.

Management represented to the Audit Committee that our consolidated financial statements for fiscal 2017 were prepared in accordance with U.S. generally accepted accounting principles. In connection with these responsibilities, the Audit Committee met with management and Ernst & Young LLP to review and discuss the December 31, 2017 audited consolidated financial statements. The Audit Committee also discussed with Ernst & Young LLP the matters required to be discussed by Statement on Auditing Standards No. 61 Communication with Audit Committees, as amended and as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee also received written disclosures and the letter from Ernst & Young LLP required by Rule 3526 of the Public Company Accounting Oversight Board (Communications with Audit Committees Concerning Independence), and the Audit Committee discussed with Ernst & Young LLP the firm's independence.

Based on the review of the representations of management, the discussions with management and the independent registered public accountants and the review of the Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, to the Committee, the Audit Committee recommended to the Board that the financial statements of Systemax for fiscal 2017 as audited by Ernst & Young LLP be included in Systemax's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Submitted by the Audit Committee of the Board,
Robert D. Rosenthal (Chairman)
Barry Litwin
Chad Lindbloom

Security Ownership Information

The following tables provides certain information regarding the beneficial ownership of Systemax common stock as of April 16, 2018 by:

- our directors;
- our executive officers named in the *Summary Compensation Table / page 36 of this proxy statement;*
- all executive officers and directors as a group; and
- each person known by us to own beneficially more than 5% of our outstanding common stock

A person has beneficial ownership of shares if the person has voting or investment power over the shares or the right to acquire such power in 60 days. Investment power means the power to direct the sale or other disposition of the shares. Except as otherwise described in the notes below, information on the number of shares beneficially owned is as of April 16, 2018, and the listed beneficial owners have sole voting and investment power. A total of 37,174,265 shares of our common stock were outstanding as of April 16, 2018.

The address for each beneficial owner, unless otherwise noted is c/o Systemax Inc., 11 Harbor Park Drive, Port Washington, NY 11050.

Security Ownership of Management

Name of Beneficial Owner	Shares of Common Stock (a)	Restricted Stock Units vesting within 60 days(1)	Stock Options currently exercisable or becoming exercisable within 60 days (1)	Percent of Common Stock
Richard Leeds (2)	13,373,120	-	-	36%
Bruce Leeds (3)	12,171,998	-	-	33%
Robert Leeds (4)	11,940,124	-	-	32%
Lawrence Reinhold	73,566	17,500	200,000	*
Thomas Clark	10,201	-	27,500	*
Robert Dooley	66,428	-	87,500	*
Robert D. Rosenthal	62,531	4,400	3,334	*
Barry Litwin	-	-	-	*
Chad Lindbloom	-	-	-	*
All of our current directors and executive officers (13 persons)	25,061,921	21,900	488,384	69%

(a) Amounts listed in this column may include shares held in partnerships or trusts that are counted in more than one individual's total.

* less than 1%

(1) In computing the percentage of shares owned by each person and by the group, these restricted stock units and stock options, as applicable, were added to the total number of outstanding shares of common stock for the percentage calculation.

(2) Includes 2,069,932 shares owned by Mr. Richard Leeds directly, 2,000,000 shares owned by the Richard Leeds 2017 GRAT, 898,137 shares owned by the Richard Leeds 2016 GRAT and 159,048 shares owned by the Richard Leeds 2015 GRAT. Also, includes 1,838,583 shares owned by a limited partnership of which Mr. Richard Leeds is a general partner, 235,850 shares owned by a limited partnership of which a limited liability company controlled by Mr. Richard Leeds is the general partner, 5,651,770 shares owned by trusts for the benefit of his brothers' children for which Mr. Richard Leeds acts as co-trustee and 519,800 shares owned by a limited partnership in which Mr. Richard Leeds has an indirect pecuniary interest.

(3) Includes 2,549,500 shares owned by Mr. Bruce Leeds directly, 847,654 shares owned by the Bruce Leeds 2017 GRAT, 1,173,354 shares owned by the Bruce Leeds 2016 GRAT, and 74,223 shares owned by the Bruce Leeds 2015 GRAT. Also, includes 1,838,583 shares owned by a limited partnership of which Mr. Bruce Leeds is a general partner, 5,168,884 shares owned by trusts for the benefit of his brothers' children for which Mr. Bruce Leeds acts as co-trustee and 519,800 shares owned by a limited partnership in which Mr. Bruce Leeds has an indirect pecuniary interest.

(4) Includes 118,370 shares owned by Mr. Robert Leeds directly, 3,100,000 shares owned by the Robert Leeds 2017 GRAT, 1,087,757 shares owned by the Robert Leeds 2016 GRAT, and 222,668 shares owned by the Robert Leeds 2015 GRAT. Also, includes 1,838,583 shares owned by a limited partnership of which Mr. Robert Leeds is a general partner, 5,052,946 shares owned by trusts for the benefit of his brothers' children for which Mr. Robert Leeds acts as co-trustee and 519,800 shares owned by a limited partnership in which Mr. Robert Leeds has an indirect pecuniary interest.

Security Ownership of Certain Beneficial Owners

Name and Address of Beneficial Owner	Shares of Common Stock	Percent of Common Stock
Prescott General Partners LLC (1) 2200 Butts Road, Suite 320 Boca Raton, FL 33431	2,228,192	6%

(1) Based on information supplied by Prescott General Partners LLC ("PGP"), Prescott Associates L.P. ("Prescott Associates"), Prescott Investors Profit Sharing Trust ("PIPS") and Thomas W. Smith in a Schedule 13G/A filed with the SEC on February 14, 2017. The Schedule 13G/A modifies the Schedule 13G to reflect, among other things, (i) the addition of PIPS as a Reporting Person and (ii) the removal of Scott J. Vassalluzzo as a Reporting Person.

PGP, as the general partner of three private investment limited partnerships (including Prescott Associates) (collectively, the "Partnerships") may be deemed to share the power to vote or to direct the vote and to dispose or to direct the disposition of 2,118,192 shares held by the Partnerships. Prescott Associates has the shared power to vote or to direct the vote and to dispose or to direct the disposition of 2,044,691 shares. PIPS has the sole power to vote or to direct the vote of and to dispose or to direct the disposition of 92,018 shares. Mr. Smith has the sole power to vote or to direct the vote of and to dispose or to direct the disposition of 600,000 shares held by Ridgeview Smith Investments LLC, a limited liability company established by Mr. Smith and of which he is the sole member. In his capacity as investment manager for certain managed accounts, Mr. Smith may be deemed to have the shared power to vote or to direct the vote of 76,500 shares and to dispose or to direct the disposition of 76,500 shares. Voting and investment authority over investment accounts established for the benefit of certain family members and friends of Mr. Smith is subject to each beneficiary's right, if so provided, to terminate or otherwise direct the disposition of the investment account.

The 13G/A is Amendment No. 7 to the joint filing on Schedule 13G by Thomas W. Smith, Scott J. Vassalluzzo and Steven M. Fischer originally filed with the SEC on July 13, 2009, as amended by Amendment No. 1 filed with the SEC on February 16, 2010, Amendment No. 2 filed with the SEC on February 14, 2011, Amendment No. 3 filed by PGP, Thomas W. Smith and Scott J. Vassalluzzo with the SEC on January 5, 2012, Amendment No. 4 filed by PGP, Thomas W. Smith and Scott J. Vassalluzzo with the SEC on February 14, 2013, Amendment No. 5 filed by PGP, Prescott Associates, Thomas W. Smith and Scott J. Vassalluzzo with the SEC on February 14, 2014, and Amendment No. 6 filed by PGP, Prescott Associates, Thomas W. Smith and Scott J. Vassalluzzo with the SEC on February 13, 2015.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3, 4 and 5 furnished to us and written representations from our officers and directors, we believe that all of our officers and directors and all beneficial owners of 10% or more of any class of our registered equity securities timely filed all reports required under Section 16(a) of the Exchange Act during fiscal 2017.

Equity Compensation Plans

Information for our equity compensation plans in effect as of the end of fiscal 2017 is as follows:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (1) (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	1,001,300	11.58	6,070,549
Equity compensation plans not approved by stockholders	-	-	-
Total	**1,001,300**	**11.58**	**6,070,549**

(1) The weighted-average exercise price does not take into account the shares issuable upon outstanding restricted stock units vesting, which have no exercise price.

Certain Relationships and Related Transactions

Related Person Transaction Policy

Our written corporate approval policy requires transactions with related persons, to be reviewed and approved or ratified by the following persons on an escalating basis:

- ✓ our General Counsel,
- ✓ our CFO,
- ✓ our CEO, and
- ✓ our Nominating/Corporate Governance Committee.

In this regard, all such transactions are first discussed with the CFO and are submitted to the General Counsel's office, including for an initial determination of whether such further related person transaction review is required.

We utilize the definition of related persons under applicable SEC rules, defined as any executive officer, director or nominee for director of Systemax, any beneficial owner of more than 5% of the outstanding shares of our common stock, or any immediate family member of any such person.

In reviewing these transactions, we strive to assure that the terms of any agreement between Systemax and a related party is at arm's length, fair and at least as beneficial to Systemax as could be obtained from third parties.

The Nominating/Corporate Governance Committee, in its discretion, may consult with third party appraisers, valuation advisors or brokers to make such determination.

Transactions With Related Persons

Lease. On December 14, 2016, Global Equipment Company Inc., a wholly owned indirect subsidiary of Systemax entered into an amended and restated lease (the "Lease") for its Port Washington, NY headquarters (the "Headquarters"). Systemax has leased the Headquarters since 1988 from an entity owned by Messrs. Richard, Bruce and Robert Leeds, directors and officers of, and together with their respective affiliated entities majority stockholders of, Systemax (the "Landlord"). The Lease provides that it is intended to be a "triple net" lease with Global Equipment Company Inc. to pay, or reimburse Landlord for paying, all costs and operating expenses, including taxes, insurance and maintenance expenses, associated with the Lease and the Headquarters. The Lease was reviewed and approved in accordance with the corporate approval policy noted above for related party transactions. Lease payments totaled $936,457 for fiscal 2017.

Stockholders Agreement. Certain members of the Leeds family (including Messrs. Richard, Bruce and Robert Leeds) and family trusts of Messrs. Richard, Bruce and Robert Leeds entered into a stockholders agreement pursuant to which the parties agreed to vote in favor of the nominees for the Board designated by the holders of a majority of the shares held by such stockholders at the time of our initial public offering of the shares. In addition, the agreement prohibits the sale of the shares without the consent of the holders of a majority of the shares held by all parties to the agreement, subject to certain exceptions, including sales pursuant to an effective registration statement and sales made in accordance with Rule 144. The agreement also grants certain drag-along rights in the event of the sale of all or a portion of the shares held by holders of a majority of the shares. As of the end of fiscal 2017, the parties bound to the stockholders agreement beneficially owned 25,236,700 shares subject to such agreement (constituting approximately 68% of the shares outstanding).

Pursuant to the stockholders agreement, Systemax granted to the parties demand and incidental, or "piggy-back," registration rights with respect to the shares. The demand registration rights generally provide that the holders of a majority of the shares may require, subject to certain restrictions regarding timing and number of shares that Systemax register under the Securities Act all or part of the shares held by such stockholders. Pursuant to the incidental registration rights, Systemax is required to notify such stockholders of any proposed registration of any shares under the Securities Act and if requested by any such stockholder to include in such registration any number of shares of shares held by it subject to certain restrictions. Systemax has agreed to pay all expenses and indemnify any selling stockholders against certain liabilities, including under the Securities Act, in connection with the registration of shares pursuant to such agreement.

Executive Officers

There are no arrangements or understandings between any officer and any other person pursuant to which such person was selected as an officer.

Messrs. Richard Leeds, Bruce Leeds, Robert Leeds and Lawrence Reinhold biographical information is on pages 5-6 of this proxy statement.

Thomas Clark

Vice President and Chief Financial Officer
Age; 36
Thomas Clark was appointed Vice President and CFO of Systemax in October 2016. Mr. Clark originally joined Systemax in 2007. During the past ten years Mr. Clark, has served in a number of senior financial positions at Systemax, most recently as Controller of the Industrial Products Group. Previously he held the positions of Director of Finance, and Manager of Financial Planning & Analysis at Systemax.

Robert Dooley

President, Industrial Products Group
Age: 64
Robert Dooley was appointed President of our Industrial Products Group in January 2012. Mr. Dooley originally joined Systemax in 1982 and served in numerous roles until March 2004, including Senior Vice President, Worldwide Computer Sales and Marketing. He also was a director of Systemax from June 1995 through March 2004.

Dave Kipe

Senior Vice President and Chief Operations Officer
Age: 45
Dave Kipe was appointed Senior Vice President and Chief Operations Officer in October 2017. Prior to joining Systemax, Dave worked in various senior leadership roles from private equity start-ups to Fortune 500 organizations, including Scholastic, MSC Industrial, Gap Inc., & IKON Office Solutions. He brings with him a strong background and years of experience in global supply chain management and operations.

Eric Lerner

Senior Vice President and General Counsel
Age: 60
Eric Lerner was appointed Senior Vice President and General Counsel in May 2012. He was previously a senior corporate partner at Kramer Levin Naftalis & Frankel, a corporate partner, Co-Chair of the National Corporate Department and member of the Board of Directors of Katten Muchin Zavis Rosenman, and a corporate partner and Chair of the Corporate Department of Rosenman & Colin.

Manoj Shetty

Senior Vice President and Chief Information Officer
Age: 57
Manoj Shetty was appointed Senior Vice President and Chief Information Officer of Systemax in August 2014. Mr. Shetty originally joined Systemax in 2000 and has served in several Information Technology roles since that time. Prior to joining Systemax, Mr. Shetty was employed at Mercator (ultimately acquired by IBM) and in the manufacturing sector.

Thomas Axmacher

Vice President and Controller
Age: 59
Thomas Axmacher was appointed Vice President and Controller of Systemax in October 2006. He was previously Chief Financial Officer of Curative Health Services, Inc., a publicly traded health care company, and Vice President and Controller of Tempo Instrument Group, an electronics manufacturer.

Compensation Discussion and Analysis

Executive Summary

In this section, we discuss the objectives of our compensation programs and policies, and the reasons why we pay each material element of our executives' compensation. Following this discussion, you will find a series of tables containing more specific details about the compensation of our Named Executive Officers, (referred to as "NEOs"), listed below. The following discussion relates to the NEOs and their titles as of the end of 2017.

Our NEOs* in 2017 were as follows:

Name	Title
Richard Leeds	Executive Chairman
Bruce Leeds	Vice Chairman
Robert Leeds	Vice Chairman
Lawrence Reinhold	President & Chief Executive Officer
Thomas Clark	Vice President & Chief Financial Officer
Robert Dooley	President, Industrial Products Group

*We define our NEOs for 2017 as each person who served as chief executive officer or chief financial officer at any time during 2017, and the three other most highly compensated persons serving as executive officers at year end, and one additional executive officer.

Central Objectives and Philosophy of Our Executive Compensation Programs

The Compensation Committee designs competitive compensation packages having the proper amount and mix of short term, annual and long-term incentive programs to serve several important objectives:

- attracting and retaining individuals of superior ability and managerial talent;
- rewarding outstanding individual and team contributions to the achievement of our short and long-term financial and business objectives;
- promoting integrity and good corporate governance;
- motivating our executive officers to manage for sustained growth and financial performance, and enhanced stockholder value, for the long-term benefit of our stockholders, customers and employees; and
- mitigating risk and reducing risk taking behavior that might affect financial results, without diminishing the incentive nature of the compensation (as described below).

Risk Management

We believe our programs encourage and reward prudent business judgment and appropriate risk-taking over the long-term. We believe the following factors are effective in mitigating risk relating to our compensation programs including the risk that an executive will take action that is detrimental to our long-term interests in order to increase the executive's short-term performance-based compensation:

- ***Management Processes.*** Our Board is responsible for overseeing, and together with our Audit Committee, monitors the risk management processes associated with our operations, and together with our Audit Committee focuses on the most significant risks facing Systemax, and seeking to ensure that appropriate general and specific risk mitigation considerations are implemented by management and considered in our business and operations planning. Our Compensation Committee is responsible for considering risk mitigation issues and for including strategies to mitigate risk in our compensation programs.

- ***Regular Oversight.*** Risk management is regularly overseen by the Board and Audit Committee on a quarterly basis, covering particular risk management matters in connection with general oversight and approval of corporate matters, and through discussions relating to material risks affecting Systemax presented by management and by our Legal, Risk Management/Insurance and Internal Audit departments. The Compensation Committee members also receive these presentations and take risk mitigation into account in designing our compensation programs.

- ***Multiple Performance Factors.*** We use multiple performance factors that encourage executives to focus on the overall health of the business rather than a single financial measure.

- ***Award Cap.*** Our NEO Non-Equity Incentive Plans ("NEO Plans") cap the maximum award payable to any individual.

- ***Clawback Provision.*** Our NEO Plans provide Systemax the ability to recapture cash awards from our executive officers:

  - to the extent a NEO Plan payment resulted from reported financial results that upon restatement of such results (other than as a result of changes in accounting principles) would not have generated the payment or would have generated a lower payment; or

  - if misconduct by the executive officer contributed to Systemax having to restate all or a portion of our financial statements; or

  - if the Board determines that the executive engaged in serious ethical misconduct.

- ***Long-Term Equity Compensation.*** From time to time a limited number of key managers are eligible to receive stock options and/or restricted stock units in varying amounts, in the discretion of the Compensation Committee. However, all awards are subject to years long vesting periods. We believe the long-term vesting period for stock options and restricted stock unit grants causes our executives to focus on long-term achievements and on building stockholder value.

Elements of Our Executive Compensation Programs

To promote the objectives described above, our executive compensation programs consist of the following principal elements:

- Base salary;
- Non-Equity Incentive Compensation;
- Special Bonus;
- Equity–Based Incentives; and
- Benefits, Perquisites and Other Compensation.

The Compensation Committee does not maintain formal policies or any specific allocation percentage or formula for allocating compensation among current and long-term compensation, or among cash and non-cash compensation elements, in relation to each other. The Compensation Committee from time to time adjusts different elements of compensation based upon its evaluation of our key business objectives and related compensation goals set forth above. We do not have a formal policy regarding internal pay equity. In addition, we provide our stockholders, pursuant to SEC regulation, with a non-binding "say on pay" advisory vote on our executive compensation every three years. While the Compensation Committee considers the results of the stockholder "say on pay" vote, the voting results are only one among many factors considered by the Compensation Committee in evaluating our compensation principles. design and practices.

***Base Salary*.** Salary levels are subjectively determined based on individual and Systemax performance as well as an objective assessment of the average prevailing salary levels for comparable companies in our geographic regions (based on industry, revenues, number of employees, and similar factors), derived from widely available published reports. Such reports do not identify the component companies.

***Non-Equity Incentive Compensation*.** Incentive cash compensation of our NEOs under the 2015, 2016 and 2017 NEO Plans (which operate under our stockholder approved 2010 Long-Term Incentive Plan ("2010 LTIP"), described below) is based primarily upon an evaluation of Systemax performance as it relates to three general business areas:

- Operational and Financial Performance, such as net sales, operating income, consolidated net income, earnings before interest and taxes ("EBIT"), gross margin, operating margin, earnings per share, working capital, return on invested capital, stockholder equity and peer group comparisons);
- Strategic Accomplishments, such as growth in the business (top line sales and margins), implementation of systems enhancements, process and technology improvements, cost management, turnaround or divestment of unprofitable business units, and growth in the value of our assets, including through strategic acquisition transactions; and
- Corporate Governance and Oversight, encompassing legal and regulatory compliance and adherence to Systemax policies including the timely filing of periodic reports with the SEC, compliance with the Sarbanes-Oxley Act, maintaining robust internal controls, OSHA compliance, environmental, employment and safety laws and regulations compliance and enforcement of our corporate ethics policy.

The non-financial Strategic Accomplishments and Corporate Governance and Oversight goals are subjectively determined by the Compensation Committee annually, based on Systemax's changing needs from time to time, and are intended to encourage cross functional efforts by our management team to support projects that benefit Systemax. Detailed discussion of these goals can be found below in the discussion of the 2017 NEO Plan.

Our performance goals may be expressed i) with respect to Systemax as a whole or with respect to one or more divisions or business units, ii) on a pre-tax or after-tax basis, and iii) on an absolute and/or relative basis. The performance goals may i) employ comparisons with past performance of Systemax (including one or more divisions) and/or ii) employ comparisons with the current or past performance of other companies, and in the case of earnings-based measures, may employ comparisons to capital, stockholders' equity and shares outstanding.

To the extent applicable, the measures used in performance goals set under the 2010 LTIP are determined in a manner consistent with the methods used in our Forms 10-K and 10-Q, except that adjustments will be made for certain items, including special, unusual or non-recurring items, acquisitions and dispositions and changes in accounting principles.

Pursuant to SEC rules, and except for disclosure of our actual performance relative to any actually achieved 2017 and future financial targets, Systemax is not disclosing the specific performance targets and actual performance measures for the financial goals used in our NEO Plans because they represent confidential financial information that Systemax does not disclose to the public, and Systemax believes that disclosure of this information would cause us competitive harm. In addition, we do not disclose the specific subjective non-financial goals, since they may directly relate to strategic initiatives, plans and tactics being undertaken by our business and may indicate where we intend to devote our resources. We believe that our competitors having detailed knowledge of where we are devoting our strategic resources and management emphasis could give our competitors an advantage and be harmful to our competitive position. Financial targets are set such that only exceptional performance will result in payouts above the target incentive and poor performance will result in diminished or no incentive payment. We set the financial target performance goals at a level for which there is a reasonably challenged chance of achievement based upon the range of assumptions used to build our annual budget and forecasted performance. We did not perform specific analysis on the probability of the achievement of the financial target performance goals, given that the market is difficult to predict. Rather, we relied upon our experience in setting the goals guided by our objective of setting a reasonably attainable and motivationally meaningful goal. We set the non-financial goals (which are subjectively established by the Compensation Committee (and subjectively measured by the Compensation Committee in four incremental levels of achievement, as discussed below) to reflect a reasonable degree of difficulty to achieve substantial performance.

***Special Bonuses*.** From time to time, the Compensation Committee may make special awards to our executives, in order to reward special achievement in the year that was not covered by the NEO Plan for that year. These awards may take the form of cash bonuses or equity awards and are granted pursuant to the 2010 LTIP.

***Equity-Based Incentives*.** Equity based compensation provides an incentive for executives to manage Systemax with a view to achieving results which would increase our stock price over the long-term and, therefore, the return to our stockholders.

Outstanding equity-based incentives consist of:

- non-qualified stock options granted at 100% of the stock's fair market value on the grant date (based on the NYSE closing price of our common stock on that date); and

- restricted stock units granted subject to vesting conditions, constitute the long-term incentive portion of our executive compensation package.

The Compensation Committee is cognizant of the timing of the grant of stock based compensation in relation to the publication of Systemax earnings releases and other public announcements, and accordingly such grants generally will not be made effective until after Systemax has disclosed, and the market has had an opportunity to react to, such material announcements.

***Benefits, Perquisites and Other Compensation*.** Systemax provides various employee benefit programs to our employees, including NEOs such as:

- medical, dental, life and disability insurance benefits;

- our 401(k) plan, which includes Systemax contributions;

- automobile allowances and related reimbursements to certain NEOs and certain other Systemax managers which are not provided to all employees; and

- severance payments, and/or change of control payments pursuant to negotiated employment agreements they have with Systemax (described below).

Systemax does not provide any pension benefits or deferred compensation under any defined contribution or other plan on a basis that is not tax-qualified.

***Tax Deductibility Considerations*.** Section 162(m) of the Internal Revenue Code (the "Code") limits to $1,000,000 the U.S. federal income tax deductibility of compensation paid in one year to a company's executive officers. Prior to January 1, 2018, certain types of compensation were deductible if the requirements of Section 162(m) of the Code with respect to performance-based compensation were satisfied. Our long-term incentive plans (the 1999 Long-Term Stock Incentive Plan, as amended; the, the 2006 Stock Incentive Plan for Non-Employee Directors; and the 2010 Long-Term Incentive Plan, as amended) were structured to permit awards under such plans to qualify as performance-based compensation and to maximize the tax deductibility of such awards. While the Code limits the deductibility of compensation paid to our named executive officers, our Compensation Committee will—consistent with its past practice—continue to retain flexibility to design compensation programs that are in the best long-term interests of Systemax and our stockholders, with deductibility of compensation being one of a variety of considerations taken into account.

Role of the Compensation Committee and CEO in Compensation Decisions

The Compensation Committee's role and responsibility, and that of our CEO, covers several distinct aspects of setting compensation:

- review and approve corporate goals relevant to the compensation of the Executive Chairman, Vice Chairmen and CEO and, after evaluation of their performance, to set their compensation.
- approve, upon the recommendation of the CEO (following consultation with the Executive Chairman and Vice Chairmen), (a) the annual compensation of the other executive officers of Systemax, (b) the annual compensation of certain subsidiary managers, and (c) all individual stock incentive grants.
- reviewing and making periodic recommendations to the Board with respect to our general compensation, benefits and perquisite policies and practices, including our stock-incentive based compensation plans.

The Compensation Committee is empowered to retain third party compensation consultants to provide assistance with respect to compensation strategies, market practices, market research data and our compensation goals. The Compensation Committee did not retain any such consultant in 2015, 2016 or 2017.

2010 Long-Term Incentive Plan

Basic Features and Types of Awards

In 2010, the Board of and our stockholders approved the 2010 LTIP in order to promote the interests of Systemax and our stockholders by (i) attracting and retaining exceptional executive personnel and other key employees, including consultants and advisors, to Systemax and our affiliates; (ii) motivating such employees, consultants and advisors by means of performance-related incentives to achieve longer-range performance goals; and (iii) enabling such employees, consultants and advisors to participate in our long-term growth and financial success.

The 2010 LTIP sets the basic parameters of our compensation policies and approach to executive compensation, and the annual NEO Plans adopted by the Compensation Committee under the 2010 LTIP implement that approach by linking compensation to achievement of Systemax's goals as the needs of our business change over time. We believe having consistent compensation policies that permit our compensation programs to adjust to address constantly evolving market conditions allows us to readily address the business challenges we face and motivate our employees to overcome them.

As explained below, certain basic features of the 2015, 2016 and 2017 NEO Plans historically are the same from year to year; however, in 2017 we implemented a compensation program that measured quarterly achievement and provided for quarterly non-equity incentive compensation Awards for certain NEOs. Systemax believes this quarterly program has had a beneficial effect in motivating our employees to achieve our and their goals, and we intend to retain this quarterly feature in our 2018 NEO Plan for certain NEOs.

The 2010 LTIP provides for the granting of various equity or cash based awards ("Award"), subject to certain limits including a maximum of 1,500,000 shares (or $10,000,000 in the case of cash performance awards) per individual per year. An aggregate of 7,500,000 shares of common stock are authorized for stock based Awards, of which as of April 16, 2018 Awards covering 1,013,531 shares are outstanding and 6,080,549 shares remain available for future issuance.

These awards may be:

- incentive stock options;
- non-qualified stock options;
- stock appreciation rights;
- restricted stock;
- restricted stock units;
- cash performance awards (which may take the form of non-equity incentive compensation under the NEO Plans or may be in the form of special cash "bonuses"); or
- other stock-based awards.

In the Summary Compensation Table, cash awards granted as NEO non-equity incentive compensation under the NEO Plan for that year are reported as such in that column, and special cash bonuses awarded other than pursuant to the parameters of the NEO Plan are reported as such in the "Bonus" column.

Administration

The Compensation Committee has the authority to administer, interpret and construe any provision of the 2010 LTIP Plan (and the annual NEO Plans adopted under it) and to adopt such rules and regulations for administering the 2010 LTIP Plan and the NEO Plans as it deems necessary or appropriate. All decisions and determinations of the Compensation Committee are final, binding and conclusive on all parties.

Further, the Compensation Committee has sole discretion over the terms and conditions of any Award, including:

- the persons who will receive Awards;
- the type of Awards granted;
- the number of shares subject to each Award;
- exercise price of and Award;
- expiration dates;
- vesting schedules;
- forfeiture provisions;
- conditions on the achievement of specified performance goals for the granting or vesting of options, restricted stock, restricted stock units or cash Awards; and
- other material features of Awards.

The Compensation Committee or the Board may delegate to our officers or managers the authority to designate Award recipients, but the Compensation Committee must grant all Awards to those individuals reasonably considered to be subject to the insider trading provisions of federal securities law, including our officers and directors.

Individual Achievement and Systemax Performance

In determining the compensation of a particular executive, the Compensation Committee takes into account the ways in which our executives most directly impact our business, and seeks to correlate their compensation objectives to the ways they can be effectively motivated and their contribution objectively measured. Accordingly, the NEO Plans adopted under the 2010 LTIP give consideration to the executive's specific corporate responsibilities as they relate to our business and goals, and therefore the performance metrics, and the amount and mix of compensation elements, may vary from year to year.

For instance, as discussed below, Mr. Reinhold's non-equity incentive compensation is 100% tied to achievement of the consolidated goals and results of Systemax, while a portion of Mr. Clark's non-equity incentive compensation is tied to specific personal objectives. Also, prior to 2017 Mr. Dooley had a portion of his non-equity incentive compensation tied to the achievement of certain financial and non-financial consolidated results of Systemax, and a larger portion tied to the achievement of certain financial and non-financials goals of the Industrial Products Group, but beginning in fiscal 2017 Mr. Dooley's entire non-equity incentive compensation is tied to such achievements of the Industrial Products Group. As described below, Messrs. Reinhold and Clark also received stock options and restricted stock units in 2016, and Mr. Dooley received stock options, reflecting the Compensation Committee's belief that their annual performance merited special recognition.

Through 2017, the non-equity incentive compensation of Messrs. Richard, Bruce and Robert Leeds under the applicable NEO Plan has been 100% tied to achievement of consolidated goals of Systemax, but each of Richard Leeds, Bruce Leeds and Robert Leeds voluntarily waived a portion ($1,389,800, $1,162,900, and $1,162,900, respectively) of their earned non-equity incentive compensation for 2017. Beginning in 2018 Messrs. Richard, Bruce and Robert Leeds will not be participating in the NEO Plan and will not be eligible for incentive compensation. In addition, Messrs. Richard, Bruce and Robert Leeds have never received, since our initial public offering, stock options or other stock-based incentives as part of their compensation.

Common Elements of the 2015, 2016 and 2017 NEO Plans

Certain features of the 2015 2016 and 2017 NEO Plans, such as performance categories, annual caps and partial achievement adjustment mechanisms, are the same under each Plan, and are discussed here for ease of reference.

As explained below, in determining non-equity incentive compensation the financial goals are accorded a more significant weighting factor than the non-financial goals, reflecting the Compensation Committee's belief that the financial goals are the most critical to enhancing stockholder value, maintaining long term growth, and remaining competitive, and furthermore provide the funding for implementing the strategic accomplishments and corporate governance goals. Achievement and over-achievement of the financial goals results in incremental increases to the available incentive compensation pool in which the participating executives share.

Systemax Consolidated Financial Goals for 2015, 2016 and 2017.

- *Adjusted Operating Income Performance*. The Compensation Committee believes this is the most important individual component and aligns the interests of our executives with those of our stockholders, in addition to building long-term value. Adjusted Operating Income is defined as operating income adjusted for unusual or nonrecurring items as determined by our Compensation Committee.

- *Sales Performance*. The Compensation Committee believes sales performance is key to Systemax achieving the scale necessary to remain competitive with larger companies. Sales are defined as sales revenue net of returns on a constant currency basis. Sales are further adjusted for the impact of any acquisition or disposition which is completed during the plan year.

Systemax Consolidated Non-Financial Goals for 2015, 2016 and 2017.

- *Strategic Accomplishments*. Strategic goals are established surrounding accomplishments within our Industrial Products Group, European Technology Products Group, and the Corporate and Other function (and in 2015, around accomplishments in our North American Technology Products Group, since discontinued), as explained in the footnotes to the 2017 NEO Plan Compensation Chart below.

- *Corporate Governance Goals.* These goals relate to continuing improvements in our internal control processes, ethics compliance procedures and safety protocols that the Compensation Committee believes will generally benefit stockholders (as explained in the footnotes to the 2017 NEO Plan Compensation Chart below), as evidenced by the absence of material weaknesses in internal controls and financial reporting, prompt investigation and disposition of any ethical or governance issues that may arise, and the absence of any serious OSHA matters.

Business Unit or Individual Financial and Non-Financial Goal for 2015, 2016 and 2017. Business Unit and Individual Goals were set in each period for Mr. Dooley and Mr. Clark and are established tied to the Business Unit Financial Performance of the Industrial Products Group. These objectives are comprised of a variety of measurable strategic, financial and operational targets and initiatives including sales growth and margin improvement, cost management, process improvement, corporate development, and others as deemed appropriate by the CEO in consultation with the Compensation Committee. In each case, the selected objectives are considered relevant to the scope of each executive's functional areas of operation and are designed to incentivize management to accomplish the businesses' strategic plan. In each of 2015 and 2016 these objectives were administered on an annual basis, but in 2017 these goals were administered on both a quarterly and full year basis as described below.

Targets, Caps and Adjustment Mechanisms. Achievement of each of the target financial goals generates a variable non-equity incentive payment target (base case); reduced amounts are payable on a pro rata basis for each financial goal component and on a partial basis on the non-financial goal components. The 2015, 2016 and 2017 NEO Plans impose a cap on the total non-equity incentive compensation that could be payable to each executive based upon the relative weights of each component.

Systemax Consolidated Sales Target Financial Component.

- Sales target amount is payable starting at achievement of in excess of 80% of the sales target financial goal component amount.
- Sales target amount is capped at 140% of the sales target financial goal component amount.
- Each 1% variance in actual achievement below the 100% level will generate a 5% negative variance in the target non-equity incentive amount.
- Each 1% variance in actual achievement above the 100% level generates a 5% positive variance in the target non-equity incentive amount.
- No non-equity incentive compensation is payable in respect of the sales target if achievement is 80% or less of the sales target while increased payments (up to 300% of the target non-equity incentive compensation amount for this financial component) are payable on a pro rata basis for over achievement of the sales target component.

Systemax Consolidated Adjusted Operating Income Financial Component.

- The adjusted operating income goal is payable at a level of 100% if the target is achieved.
- Each $1,000,000 variance in actual achievement below the 100% level will generate a 5% negative variance in the target non-equity incentive compensation amount.
- Each $1,000,000 variance in actual achievement above the 100% level will generate a 5% positive variance in the target non-equity incentive compensation amount up to 300% of the target non-equity incentive compensation amount for this financial component.

Systemax Consolidated Non-Financial Goals. The non-financial goals are measured based on whether or not the goal is either accomplished or not accomplished during the fiscal year. Accomplishment can be measured at 0%, 25%, 50%, 75%, or 100% levels (as subjectively determined by the Compensation Committee) with target non-equity incentive compensation paid out accordingly.

Business Unit or Individual Goals. Generally, the accomplishment can be measured at 0%, 25%, 50%, 75%, or 100% levels (as subjectively determined by the Compensation Committee) with target non-equity incentive compensation paid out accordingly. Adjusted Operating Income Performance of each business unit above or below plan, would result in either higher potential or lower potential target non-equity incentive levels.

Compensation Committee Discretion. The Compensation Committee has the discretion to adjust financial targets based on such events as acquisitions or other one-time charges or gains, or other unforeseen circumstances that can skew normal operating results; exercises of such discretion are noted below. Targets and non-equity incentive compensation are also subject to adjustment to prevent unreasonable results in the strict application of these formulas. Executives must generally be employed with Systemax at the time the incentive compensation is paid out to receive the payment, though the Compensation Committee has discretion to waive this requirement.

2017 NEO Plan

In 2017, pursuant to the 2010 LTIP, our Compensation Committee, with input from our CEO, established our 2017 NEO Non-Equity Incentive Plan ("2017 Plan"). The 2017 Plan pertains specifically to the payment of non-equity incentive compensation to NEOs for 2017; however, in 2017 in a change from prior years arrangements, the Compensation Committee revised Mr. Dooley's and Mr. Clark's plans by implementing, a new quarterly measurement and payment feature to a portion of the Business Unit and Individual Objectives.

These objectives are comprised of a variety of measurable strategic, financial and operational initiatives including, sales growth and margin improvement, cost management, process improvement, corporate development, and others as deemed appropriate by the CEO in consultation with the Compensation Committee.

Measuring Quarterly Performance.

Bonus achievement of these personal objectives (i.e. – those not tied to NEO Plan performance) is measured as follows:

- Achievement of each quarterly personal objective and of the shared annual objectives, entitles the employee to receive a portion of the applicable target non-equity incentive compensation that may be earned for that period, and is funded based upon achievement of the relative operating income achievement within that period.
- Goals are set in up to five equally weighted discrete tranches, one for each quarter, as well as one on an annual basis.
- Within each measurement period, each individual initiative is weighted as a proportion of the total available target non-equity incentive compensation for that period, and is earned based upon an achievement range of 0%, 25%, 50%, 75%, or 100%.
- A 5% negative variance to target adjusted operating income equates to a 10% reduction in available non-equity incentive compensation, as applied discretely to each measurement period.
- A 5% positive variance to target adjusted operating income equates to a 5% increase to available non-equity incentive compensation, as applied discretely to each measurement period and capped at 150% of target available compensation.

Under the 2017 Plan, the Compensation Committee set the following non-equity incentive target amounts, cap percentages and relative percentages weights for each plan component for each of our NEOs in 2017.

Name	Target ($)	Cap (%)	Net Sales (%)	Adjusted Operating Income (%)	Strategic Objectives (%)	Corporate Governance (%)	Business Unit/ Individual Objectives (%)
Richard Leeds	1,050,000	260	20	60	16	4	0
Robert Leeds	877,500	260	20	60	16	4	0
Bruce Leeds	877,500	260	20	60	16	4	0
Lawrence Reinhold	1,410,000	260	20	60	16	4	0
Thomas Clark	175,000	205	10	30	8	2	50
Robert Dooley	505,000	150	0	0	0	0	100

The Compensation Committee believes these non-equity incentive compensation levels are appropriate for each of our named executive officers and are reasonably achievable.

2017 Performance against Objectives.

The following table sets out the achievement level (presented as a percentage of target) for each plan component as well the relative payout ratio earned based on the mechanics of each plan component. The aggregate payouts, expressed in dollars, appear in the Summary Compensation Table.

Name	Net Sales (%)		Adjusted Operating Income (%)		Strategic Objectives (%)		Corporate Governance (%)		Business Unit/ Individual Objectives (%)		Weighted Average Eligible Non-Equity Incentive Compensation (%)
	Actual	Payout Ratio	Actual	Payout Ratio	Actual	Payout Ratio	Actual	Payout Ratio	Actual	Payout Ratio	
Richard Leeds	106	125	179	245	84	84	100	100	N/A	N/A	190
Robert Leeds	106	125	179	245	84	84	100	100	N/A	N/A	190
Bruce Leeds	106	125	179	245	84	84	100	100	N/A	N/A	190
Lawrence Reinhold	106	125	179	245	84	84	100	100	N/A	N/A	190
Thomas Clark	106	125	179	245	84	84	100	100	93	134	162
Robert Dooley	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85	118	118

In determining the compensation of our CEO for fiscal 2017 and approving the compensation of our other NEOs, the Compensation Committee considered, among the other factors discussed above, that Systemax and management had performed exceedingly well, and had substantially overachieved the 2017 financial targets, completed a major restructuring initiative in selling our former European Technology Products Group, and had driven significant increases in stockholder value. It was the view of the Compensation Committee that management had executed these initiatives and had positioned Systemax for further growth while managing risk. Based on Systemax and individual performance, the Compensation Committee believes that compensation levels for fiscal 2017 were consistent with the philosophy and objectives of our compensation programs. As part of the evaluation, Messrs. Richard, Robert, and Bruce Leeds recommended to the Compensation Committee that their non-equity incentive compensation be reduced to 57% of target from the 190% of target non-equity incentive compensation they each were eligible for. The Compensation Committee accepted this recommendation.

Systemax Consolidated Net Sales in 2017 was set based upon Systemax's continuing operation within our Industrial Products Group and our France Value Added Reseller business. Consolidated Sales achieved 106% of target. The payout ratio based upon 6% overachievement to plan was 125%.

Systemax Consolidated Adjusted Operating Income target in 2017 was set based upon Systemax's continuing operations within our Industrial Products Group, France Technology Value Added Reseller business, as well as within our Corporate and Other Segment. Each segment surpassed plan in each of its continuing operations segments. As a matter of clarity, any costs incurred associated with the divestiture of certain of our European subsidiaries in March 2017 as well as any costs associated with our GAAP and NON GAAP discontinued operations were neither a component of the target or the actual earnings when evaluating performance of this plan component. Performance within our Industrial Products Group surpassed our adjusted operating plan primarily due to significant improvements to gross selling margin, better freight results associated with enhanced utilization of our nationwide distribution network, realization of improved return on investment and marketing efficiency, and cost savings from certain headcount reduction actions taken early in 2017. Within our France business, Adjusted Operating Income performance outperformed our adjusted operating plan primarily from savings realized from the internalization of certain functions previously provided by Systemax's European Shared Service Center (divested in March 2017) as well as leverage improvements on spend based upon increased sales volume. Within Systemax's Corporate and Other segment, the Board exercised its discretion to eliminate the income recorded in relation to Messrs. Richard, Robert, and Bruce Leeds waiving a portion of their previously accrued non-equity incentive compensation. The payout ratio based upon 79% over-achievement to plan was 245%.

Systemax Consolidated Strategic Objectives were assigned 37.5% relative weighting related to the Industrial Products Group Segment, and achievement of its Financial, Customer, Operations, and Learning and Development Balanced Score Card objectives. The Compensation Committee subjectively determined that 75% of these strategic objectives were accomplished in 2017. In addition, 37.5% relative weighting was accorded to strategic objectives related to the European Technology Products Group Segment and those related to specific objectives surrounding market share gains and operating leverage efficiency within our France operations as well as completing a project to turn around or exit other unprofitable businesses within Europe. The Compensation Committee subjectively determined that 100% of these strategic objectives were accomplished. Finally, the strategic objectives related to rationalizing internal information management platforms, as well as completion of certain cost reduction efforts within our Corporate and Other Segment received a relative weighting of 30%. The Compensation Committee subjectively determined that 75% of these objectives were accomplished in 2017. Based upon each relative weight, the payout ratio was 84.4%. The weightings of each goal are subjectively determined by the Compensation Committee based on its view of the relative importance to the Company for that year of the strategic goal being accomplished.

Systemax Consolidated Corporate Governance goals relate to continuing improvements in our internal control processes, ethics compliance procedures, and safety protocols that the Compensation Committee believes will generally benefit stockholders as evidenced by the absence of material weaknesses in internal controls and financial reporting, prompt investigation and disposition of any ethical or governance issues that may arise, and the absence of any serious OSHA Matters. The Compensation Committed determined that the Corporate Governance objectives were achieved 100%.

Business Unit and individual objectives for Mr. Dooley and Mr. Clark related to either discrete quarters or the full year. Our CEO subjectively determined and the Compensation Committee agreed that Mr. Clark and Mr. Dooley achieved 93.1% and 84.5% on a weighted average basis of their objectives, respectively. Mr. Clark's objectives primarily were associated with Cost Control, technology and process enhancements, staff development, and the execution of certain disposition activities associated with the business European Technology segment. Mr. Dooley's objectives were typically associated with the financial performance of the Industrial Products Group including Net Sales, Gross Margin, and Operating Income performance. Key sales force and operational productivity enhancements as well as other technology and process enhancement objectives within this segment were assigned. Based upon business unit and individual performance, the Compensation Committee subjectively confirmed that Mr. Clark and Mr. Dooley earned 134% and 118% of these plan components respectively.

The 2017 threshold, target and maximum non-equity incentive amounts for each of our Named Executive Officers are found in the *Grants of Plan-Based Awards table / page 38 of this proxy statement*.

2018 NEO Plan

In 2018, pursuant to the 2010 LTIP, our Compensation Committee, with input from our CEO, established our 2018 NEO Non-Equity Incentive Plan ("2018 Plan"). The 2018 Plan pertains specifically to the payment of non-equity incentive compensation to NEOs for 2018, and utilizes similar performance metrics, caps and weightings as the NEO Plans discussed above.

Under the 2018 Plan, the Compensation Committee set the following non-equity incentive target amounts, non-equity incentive compensation cap percentages and relative percentages weights for each plan component for each of our NEOs in 2018.

Name	Target ($)	Cap (%)	Net Sales (%)	Adjusted Operating Income (%)	Strategic Objectives (%)	Corporate Governance (%)	Business Unit / Individual Objectives (%)
Richard Leeds	*No Longer Participating in Program in 2018*						
Robert Leeds							
Bruce Leeds							
Lawrence Reinhold	*1,410,000*	260	20	60	16	4	0
Thomas Clark	*187,500*	205	10	30	8	2	50
Robert Dooley	*600,000*	150	0	0	0	0	100

Compensation Committee Report

The Compensation Committee has reviewed and discussed the above Compensation Discussion and Analysis with management. Based on its review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the proxy statement and incorporated by reference into our Annual Report on Form 10-K for the year ended December 31, 2017.

Submitted by the Compensation Committee of the Board,
Robert D. Rosenthal (Chairman)
Barry Litwin
Chad Lindbloom

Compensation Committee Interlocks and Insider Participation

At the end of fiscal 2017, the members of Systemax's Compensation Committee were Messrs. Rosenthal, Litwin and Lindbloom.

Mr. Dick resigned from the Committee on July 31, 2017 and Ms. Adler-Kravecas resigned from the Committee on December 5, 2017.

Systemax does not employ any current (or former) member of the Compensation Committee and no current (or former) member of the Compensation Committee has ever served as an officer of Systemax.

In addition, none of our current (or former) directors serving on the Compensation Committee has any relationship that requires disclosure under SEC regulations.

Executive Compensation

Summary Compensation Table

The following table sets forth the compensation earned by the Named Executive Officers for fiscal years 2015, 2016 and 2017:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)(2)	Non-Equity Incentive Plan Compensation ($)(3)	All Other Compensation ($)(4)	Total ($)
Richard Leeds Executive Chairman	2017	725,600				600,000	30,000	1,355,600
	2016	734,400				435,000	30,000	1,199,400
	2015	731,000				560,000	29,200	1,320,200
Bruce Leeds Vice Chairman	2017	600,600				500,000	30,000	1,130,600
	2016	600,000				362,000	30,000	992,000
	2015	599,000				351,000	29,200	979,200
Robert Leeds Vice Chairman	2017	603,000				500,000	30,000	1,133,000
	2016	604,000				362,000	30,000	996,000
	2015	607,000				351,000	29,200	987,200
Lawrence Reinhold President & Chief Executive Officer	2017	714,100				2,672,000	85,200	3,471,300
	2016	717,000		415,500	666,500	582,000	51,700	2,432,700
	2015	694,000				816,000	33,100	1,543,100
Thomas Clark(5) Vice President & Chief Financial Officer	2017	361,700				285,000	24,800	671,500
	2016	231,600		207,800	218,200	75,000	16,600	749,200
	2015	-	-	-	-	-	-	-
Robert Dooley President, Industrial Products Group	2017	519,400	404,400			595,600	32,800	1,552,200
	2016	514,000			463,000	150,000	25,000	1,152,000
	2015	484,000	82,000			318,000	21,900	905,900

(1) This column represents the fair value of the stock award on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 7 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2017.

(2) This column represents the fair value of the stock option on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. These amounts were calculated using the Black-Scholes option-pricing model. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 7 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2017.

(3) The 2015 figures in this column represent the amount earned in fiscal 2015 (although paid in fiscal 2016) pursuant to the 2015 NEO Plan; the 2016 figures in this column represent the amount earned in fiscal 2016 (although paid in fiscal 2017) pursuant to the 2016 NEO Plan; and the 2017 figures in this column represent the amount earned in fiscal 2017 (although paid in fiscal 2018) pursuant to the 2017 NEO Plan. For more information, see the *Grants of Plan-Based Awards table / page 38 of this proxy statement*. Because these payments were based on predetermined performance metrics, these amounts are reported in the Non-Equity Incentive Plan column.

(4) The elements of compensation included in the "All Other Compensation" column for fiscal 2017 are set forth in the table below.

(5) Mr. Clark was not a Named Executive Officer prior to October 2016, and therefore no amounts are reported for fiscal 2015 in the Summary Compensation Table.

The amounts shown for "All Other Compensation" for fiscal 2017 include: (a) auto-related expenses, (b) Systemax 401(k) contributions, (c) dividend equivalent payments on unvested restricted stock, in the following amounts and (d) service awards which are given to every employee when they have been at Systemax at certain yearly milestones:

Name	Auto Related Expenses ($)	Systemax 401(k) contributions ($)	Dividend Equivalent Payments on Unvested Restricted Stock ($)	Service Award ($)	Total ($)
Richard Leeds	30,000	-	-		30,000
Bruce Leeds	30,000	-	-		30,000
Robert Leeds	30,000	-	-		30,000
Lawrence Reinhold	30,000	4,100	50,700	500	85,200
Thomas Clark	14,400	4,100	5,800	500	24,800
Robert Dooley	18,000	4,100	9,000	1,750	32,800

Grants of Plan-Based Awards

The following table sets forth the estimated possible payouts under the cash incentive awards granted to our Named Executive Officers in respect of 2017 performance under the 2017 NEO Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards
		Minimum ($)	Target ($)	Maximum ($)				
Richard Leeds	-	94,500	1,050,000	2,730,000	-	-	-	-
Bruce Leeds	-	78,975	877,500	2,281,500	-	-	-	-
Robert Leeds	-	78,975	877,500	2,281,500	-	-	-	-
Lawrence Reinhold	-	126,900	1,410,000	3,666,000	-	-	-	-
Thomas Clark	-	8,970	175,000	358,750	-	-	-	-
Robert Dooley	-	6,310	505,000	757,500	-	-	-	-

(1) Amounts presented assume payment of threshold, target and maximum awards at the applicable level.

Outstanding Equity Awards at Fiscal Year-End for Fiscal 2017

The following table sets forth information regarding stock option and restricted stock awards previously granted to our Named Executive Officers which were outstanding at the end of fiscal 2017.

The market value of the unvested stock award is based on the closing price of one share of our common stock as of December 29, 2017, the last trading day of the fiscal 2017, which was $33.27.

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Un-exercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Lawrence Reinhold	50,000	-	11.51	3/13/18	52,500(2)	1,746,700
	100,000	-	13.19	5/18/19	40,000(3)	1,330,800
	50,000	-	14.30	11/14/21	33,333(4)	1,109,000
	12,500	37,500(1)	8.31	2/1/26		
	25,000	75,000(1)	8.95	12/14/26		
Thomas Clark	5,000	-	16.63	8/9/20	16,666(5)	554,500
	5,000	-	18.73	3/1/22		
	2,500	7,500(1)	8.31	2/1/26		
	12,500	37,500(1)	8.32	11/10/26		
Robert Dooley	50,000	-	18.73	3/1/22	25,000(6)	831,800
	12,500	37,500(1)	8.31	2/1/26	-	
	12,500	37,500(1)	8.95	12/14/26	-	

(1) Options vest 25% per year over four years from date of grant. The grant date for each option is ten years prior to the option expiration date.

(2) Restricted stock units vest in ten equal annual installments of 17,500 beginning May 15, 2011.

(3) Restricted stock units vest in ten equal annual installments of 10,000 beginning November 14, 2012.

(4) Restricted stock units vest in three installments: 16,667 shares on February 1, 2017; 16,667 shares on February 1, 2018; and 16,666 shares on February 1, 2019.

(5) Restricted stock units vest in three installments: 8,334 shares on February 1, 2017; 8,333 shares on February 1, 2018; and 8,333 shares on February 1, 2019.

(6) Restricted stock units vest in ten equal annual installments of 5,000 beginning March 1, 2013.

Option Exercises and Stock Vested For Fiscal 2017

The table below shows stock options that were exercised, and restricted stock units that vested, during fiscal 2017 for each of our Named Executive Officers:

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($) (1)**
Lawrence Reinhold	-	-	17,500(2) 10,000(3) 16,667(4)	295,400 275,900 141,200
Thomas Clark	-	-	8,334(5)	70,600
Robert Dooley	-	-	5,000(6)	44,600

(1) The amount in this column reflects the aggregate dollar amount realized upon the vesting of the restricted stock unit, determined by the market value of the underlying shares of common stock on the vesting date.

(2) Pursuant to a grant of restricted stock units on August 25, 2010, the restricted stock units vest in ten equal annual installments of 17,500 units each, beginning on May 15, 2011.

(3) Pursuant to a grant of restricted stock units on November 14, 2011, the restricted stock units vest in ten equal annual installments of 10,000 units each, beginning on November 14, 2012.

(4) Pursuant to a grant of restricted stock units on February 1, 2016, the restricted stock units vest in three installments, 16,667 shares on February 1, 2017; 16,667 shares on February 1, 2018 and 16,666 shares February 1, 2019.

(5) Pursuant to a grant of restricted stock units on February 1, 2016, the restricted stock units vest in three installments, 8,334 on February 1, 2017, 8,333 on February 1, 2018 and 8,333 on February 1, 2019.

(6) Pursuant to a grant of restricted stock units on March 1, 2012, the restricted stock units vest in ten equal annual installments of 5,000 units each, beginning on March 1, 2013.

Employment Arrangements of the Named Executive Officers

The 2018 salary levels discussed below reflect the Compensation Committee's view that such levels are appropriate in light of the current business performance and expected performance in 2018, and takes into account the other compensation elements applicable to each employee.

Richard Leeds – Richard Leeds has no employment agreement and is an "at will" employee. Base salary accounted for 54% of Mr. Leeds total cash compensation for 2017. Mr. Leeds' non-equity incentive compensation for 2017 was determined as described above under the heading 2017 NEO Plan, but Mr. Leeds voluntarily waived payment of a portion ($1,389,800) of such award. Mr. Leeds' salary for 2018 is set at $950,000. As noted above, beginning in 2018 Mr. Leeds will not be participating in the NEO Plan and will not be eligible for incentive compensation.

Bruce Leeds – Bruce Leeds has no employment agreement and is an "at will" employee. Base salary accounted for 53% of Mr. Leeds total cash compensation for 2017. Mr. Leeds' non-equity incentive compensation for 2017 was determined as described above under the heading 2017 NEO Plan, but Mr. Leeds voluntarily waived payment of a portion $1,162,900) of such award. Mr. Leeds' salary for 2018 is set at $950,000. As noted above, beginning in 2018 Mr. Leeds will not be participating in the NEO Plan and will not be eligible for incentive compensation.

Robert Leeds – Robert Leeds has no employment agreement and is an "at will" employee. Base salary accounted for 53% of Mr. Leeds total cash compensation for 2017. Mr. Leeds' non-equity incentive compensation for 2017 was determined as described above under the heading 2017 NEO Plan, but Mr. Leeds voluntarily waived payment of a portion $1,162,900) of such award. Mr. Leeds' salary for 2018 is set at $950,000. As noted above, beginning in 2018 Mr. Leeds will not be participating in the NEO Plan and will not be eligible for incentive compensation.

Lawrence Reinhold – Systemax entered into an employment agreement with Mr. Reinhold on January 17, 2007. The agreement provides for a minimum base salary of $400,000 (which may be increased at the discretion of Systemax) and a bonus (which the agreement states is expected to be at least equal to 50% of the base salary) assuming Mr. Reinhold meets certain performance objectives (including our financial performance objectives) established for him by Systemax. The terms "Bonus" is broadly defined in Mr. Reinhold's employment agreement and includes all non-equity compensation as discussed herein. Mr. Reinhold is entitled to receive a car allowance. Base salary accounted for 21% of Mr. Reinhold's total cash compensation for 2017. Mr. Reinhold's non-equity incentive compensation for 2017 was determined as described above under the heading 2017 NEO Plan. Mr. Reinhold's base salary for 2018 is set at $712,000. Compensation that may become payable following the termination of his employment or a change in control of Systemax, and other terms of the employment agreement related to such events, are discussed below under *Potential Payments Upon Termination or Change in Control / page 42 of this proxy statement.*

Thomas Clark – Mr. Clark has no employment agreement and is an "at will" employee. Base salary accounted for 54% of Mr. Clark's total cash compensation for 2017. Mr. Clark's non-equity incentive compensation for 2017 was determined as described above under the heading 2017 NEO Plan. Mr. Clark's base salary for 2018 is set at $386,000. Compensation that may become payable following the termination of his employment or a change in control of Systemax, are discussed below under *Potential Payments Upon Termination or Change in Control / page 42 of this proxy statement.*

Robert Dooley – Mr. Dooley has no employment agreement and is an "at will" employee. Base salary accounted for 33% of Mr. Dooley's total cash compensation for 2017. Mr. Dooley's non-equity incentive compensation for 2017 was determined as described above under the heading 2017 NEO Plan. Mr. Dooley's base salary for 2018 is set at $615,000. Compensation that may become payable following the termination of his employment or a change in control of Systemax, are discussed below under *Potential Payments Upon Termination or Change in Control / page 42 of this proxy statement.*

Potential Payments Upon Termination of Employment or Change in Control

Lawrence Reinhold. Mr. Reinhold's employment agreement is terminable upon death or total disability, by Systemax for "cause" (as defined) or without "cause", or by Mr. Reinhold voluntarily for any reason or for "good reason" (as defined). In the event of termination for death, total disability, cause or voluntary termination by Mr. Reinhold, Systemax will owe no further payments under his employment agreement other than as applicable under disability or medical plans and any accrued but unused vacation time (up to four weeks) and the pro rata non-equity incentive compensation payment noted below. In the event of termination for total disability or death, Mr. Reinhold would also receive the pro rata portion of any non-equity incentive compensation payment which would otherwise be paid based on the average annual non-equity incentive compensation payment received for the prior two years, such payment shall be made within 75 days following the end of the calendar year in which such termination due to total disability or death occurred. If Mr. Reinhold resigns for "good reason" or if Systemax terminates him without "cause", he shall receive, (i) severance payments equal to 12 months' base salary, payable in accordance with Systemax's normal payroll practices over a period of twelve months (the "Severance Period"); (ii) the pro rata non-equity incentive compensation which would otherwise be paid based on the average annual non-equity incentive compensation received for the prior two years, such payment shall be made at the end of the year in which such termination occurred, and (iii) reimbursement during the Severance Period for COBRA insurance coverage. In the event Mr. Reinhold's employment is terminated without "cause" or if he resigns for "good reason" within 60 days prior to or one year following a "Change in Control" the severance payments shall be increased to equal 24 months' base salary and the Severance Period shall be extended to 24 months following termination. Notwithstanding the foregoing, any payment scheduled to be made to Mr. Reinhold after his termination of employment shall not be made until the date six months after the date of the termination of employment to the extent necessary to comply with Section 409A(a)(B)(i) of the Code and applicable Treasury Regulations. A "Change in Control" means: (i) approval by the stockholders of Systemax of (I) a reorganization, merger, consolidation or other form of corporate transaction or series of transactions, in each case, with respect to which the Majority Stockholders (as defined) cease to own, directly or indirectly, in the aggregate at least 40% of the then outstanding shares of our common stock or the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, in substantially the same proportions as their ownership immediately prior to such reorganization, merger, consolidation or other transaction, or (II) the sale of all or substantially all of the assets of Systemax; (ii) the acquisition by any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act, of beneficial ownership within the meaning of Rule 13-d promulgated under the Securities Exchange Act which would result in the Majority Stockholders ceasing to own, directly or indirectly, in the aggregate, at least 40% of the then outstanding shares of our common stock; or (iii) the approval by the stockholders of Systemax of the complete liquidation or dissolution of Systemax.

Lawrence Reinhold, Robert Dooley and Thomas Clark. Pursuant to our standard restricted stock unit agreements, if an executive is terminated for cause, any unvested portion of his restricted stock units will terminate and be forfeited. In the event of a change in control, the executive will become immediately vested in all of the restricted stock units held by him as of the date of the change in control. If the executive's employment is terminated without cause or for good reason, he will become immediately vested in all non-vested units and will become immediately entitled to a distribution of that number of shares of common stock of Systemax that are represented by those vested restricted stock units.

If the executive's employment is terminated due to total disability or death, his estate or designated beneficiary(ies), whichever is applicable, will become immediately vested (x) in 50% of the non-vested restricted stock units, with respect to the restricted stock units held by Mr. Dooley and with respect to a portion of the restricted stock units held by Mr. Reinhold, and (y) in all non-vested units and will become immediately entitled to a distribution of that number of shares of common stock of Systemax that are represented by those vested restricted stock units, with respect to the restricted stock units held by Mr. Clark and with respect to a portion of the restricted stock units held by Mr. Reinhold.

Pursuant to our standard option agreements, in the event the employment of an above named executive is terminated for any reason other than death, total disability or cause, the vested portions of his options will be exercisable for up to three months, and the unvested portion will be forfeited. In the event of death or total disability, the vested portion of his option will be exercisable for up to one year, and the unvested portion will be forfeited. In the event of termination for cause, all unexercised options (vested and unvested) will be forfeited.

Pursuant to the stock option agreements with Mr. Reinhold (dated February 1, 2016 and December 14, 2016), Mr. Dooley (dated February 1, 2016 and December 14, 2016) and Mr. Clark (dated November 10, 2016), if the named executive's employment is terminated without cause or for good reason within six months following a "change in control", such named executive will become immediately vested in all outstanding unvested stock options, and all of the named executive's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.

The tables below describes potential payments and benefits upon termination of employment or change in control as of December 30, 2017, the last day of fiscal 2017, and using the closing price of our common stock on December 29, 2017, the last trading day of fiscal 2017. These amounts are estimates and the actual amounts to be paid can only be determined at the time of the termination of employment or the date of the change in control.

Lawrence Reinhold

Type of Payment	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" ($)	Termination Due to Death or Total Disability ($)	Change In Control Only ($)	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" within a certain period of time prior to or following a Change in Control ($)
Cash Compensation (Salary & Non-Equity Incentive Compensation)	2,341,100(1)	1,627,000(2)	-	3,055,200(3)
Value of Accelerated Vesting of Stock Option Awards	-	-	-	2,760,000(4)
Value of Accelerated Vesting of Restricted Stock Unit Awards	4,186,500(5)	2,647,700(6)	4,186,500(5)	-
Medical and Other Benefits	8,200(7)	-	-	16,400(8)
Total	**6,535,800**	**4,274,700**	**4,186,500**	**5,831,600**

(1) Represents one year's base salary ($714,100) and the average annual non-equity incentive compensation paid to Mr. Reinhold for fiscal years 2016 and 2017 ($1,627,000).

(2) Represents the average annual non-equity incentive compensation paid to Mr. Reinhold for fiscal years 2016 and 2017 ($1,627,000).

(3) Represents two year's base salary ($1,428,200) and the average annual non-equity incentive compensation paid to Mr. Reinhold for fiscal years 2016 and 2017 ($1,627,000). Payments are made to Mr. Reinhold only if he is terminated without "cause" or resigns for "good reason" within 60 days prior to, or one year following, a Change of Control.

(4) Represents accelerated vesting of 112,500 stock options. Pursuant to Mr. Reinhold's stock option agreements (dated February 1, 2016 and December 14, 2016), if Mr. Reinhold's employment is terminated without cause or for good reason within six months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Reinhold's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.

(5) Represents accelerated vesting of 125,833 unvested restricted stock units.

(6) Represents accelerated vesting of 79,583 unvested restricted stock units. Pursuant to Mr. Reinhold's restricted stock unit agreements (dated August 25, 2010 and November 14, 2011), on the event of Mr. Reinhold's death or total disability, 46,250 restricted stock units (50% of the unvested restricted stock units granted under such agreements) would vest. Pursuant to Mr. Reinhold's restricted stock unit agreement (dated February 1, 2016), on the event of Mr. Reinhold's death or total disability, 33,333 restricted stock units (100% of the unvested restricted stock units granted under such agreement) would vest.

(7) Represents reimbursement of medical and dental insurance payments under COBRA for twelve months.

(8) Represents reimbursement of medical and dental insurance payments under COBRA for 24 months.

Thomas Clark

Type of Payment	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" ($)	Termination Due to Death or Total Disability ($)	Change In Control Only ($)	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" within a certain period of time prior to or following a Change in Control ($)
Cash Compensation (Salary & Non-Equity Incentive Compensation)	-	-	-	-
Value of Accelerated Vesting of Stock Option Awards	-	-	-	935,600 (1)
Value of Accelerated Vesting of Restricted Stock Unit Awards	554,500(2)	554,500(3)	554,500(2)	-
Medical and Other Benefits	-	-	-	-
Total	**554,500**	**554,500**	**554,500**	**935,600**

(1) Represents accelerated vesting of 37,500 stock options. Pursuant to Mr. Clark's stock option agreement (dated November 10, 2016), if Mr. Clark's employment is terminated without cause or for good reason within six months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Clark's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.

(2) Represents accelerated vesting of 16,666 unvested restricted stock units.

(3) Represents accelerated vesting of 16,666 unvested restricted stock units. Pursuant to Mr. Clark's restricted stock unit agreement (dated February 1, 2016), on the event of Mr. Clark's death or total disability, 16,666 restricted stock units (100% of the unvested restricted stock units granted under such agreement at December 30, 2017) would vest.

Robert Dooley

Type of Payment	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" ($)	Termination Due to Death or Total Disability ($)	Change In Control Only ($)	Termination by Systemax without "Cause" or Resignation by Employee for "good reason" within a certain period of time prior to or following a Change in Control ($)
Cash Compensation (Salary & Non-Equity Incentive Compensation)	-	-	-	-
Value of Accelerated Vesting of Stock Option Awards	-	-	-	1,848,000(1)
Value of Accelerated Vesting of Restricted Stock Unit Awards	831,800(2)	415,900(3)	831,800(2)	-
Medical and Other Benefits	-	-	-	-
Total	**831,800**	**415,900**	**831,800**	**1,848,000**

(1) Represents accelerated vesting of 75,000 stock options. Pursuant to Mr. Dooley's stock option agreements (dated February 1, 2016 and December 14, 2016), if Mr. Dooley's employment is terminated without cause or for good reason within six months following a "change in control", he will become immediately vested in all outstanding unvested stock options, and all of Mr. Dooley's outstanding options shall remain exercisable in accordance with their terms, but in no event for less than 90 days after such termination.

(2) Represents accelerated vesting of 25,000 unvested restricted stock units.

(3) Represents accelerated vesting of 12,500 unvested restricted stock units. Pursuant to Mr. Dooley's restricted stock unit agreement (dated March 1, 2012), on the event of Mr. Dooley's death or total disability, 12,500 restricted stock units (50% of the unvested restricted stock units granted under such agreements) would vest.

Director Compensation

General Policy

Our policy is not to pay compensation to directors who are also employees of Systemax or any of our subsidiaries. Directors are reimbursed for reasonable travel and out-of-pocket expenses incurred for attending Board and Committee meetings and are covered by our travel accident insurance policy for such travel.

The table below shows the elements and amounts of compensation that we paid our non-management directors for fiscal 2017.

Compensation Element	Amount ($)
Retainers (1)	65,000
Restricted Stock Units(2)	40,000
Committee Chair Annual Retainers(1)	
Audit Committee	20,000
Compensation Committee	10,000
Nominating/Corporate Governance Committee	10,000
Lead Independent Director Retainer (1)	20,000

(1) Retainer amounts are paid in quarterly installments.

(2) Each non-management director receives an annual grant of restricted stock units each year immediately following the annual stockholders meeting in an amount equal to $40,000 divided by the closing price per share during the 20 trading days preceding the date of the annual meeting (rounded up to the nearest whole number of shares). Such restricted stock units are generally subject to forfeiture if the holder is not a director of Systemax on the date of the second annual meeting following such grant, and cannot be sold while so restricted; such restrictions lapse if the holder dies or becomes disabled or there is a change of control, as defined in the grant agreement. Cash dividend equivalents are paid on unvested restricted stock.

Non-Management Director Compensation in Fiscal 2017

The non-management directors received the following compensation during fiscal 2017:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	Option Awards ($)	All Other Compensation ($)	Total ($)
Robert D. Rosenthal	110,000	40,000	-	2,700(2)	152,700
Barry Litwin **(appointed in July 2017)**	32,500	40,000	-	400(2)	72,900
Chad Lindbloom **(appointed in December 2017)**	0	20,000	-	-	20,000
Stacy Dick **(resigned in July 2017)**	64,000	40,000(3)	-	3,800(4)	67,800
Marie Adler-Kravecas **(resigned in December 2017)**	65,000	40,000(3)	-	2,700(2)	67,700

(1) This column represents the fair value of the stock award on the grant date determined in accordance with the provisions of ASC 718. As per SEC rules relating to executive compensation disclosure, the amounts shown exclude the impact of forfeitures related to service based vesting conditions. For additional information regarding assumptions made in calculating the amount reflected in this column, please refer to Note 7 to our audited consolidated financial statements, included in our Annual Report on Form 10-K for fiscal 2017.

(2) Dividend equivalent payments on unvested restricted stock.

(3) In accordance with the terms of the plan, upon resignation, these shares were forfeited. Therefore, they are not included in the total compensation number.

(4) Includes dividend equivalent payments on unvested restricted stock units ($1,300) and consulting fees ($2,500).

CEO Pay Ratio Disclosure

As permitted under the SEC rules, in order to identify our "median employee" to compare to our CEO, we took into account our entire employee population (other than our CEO) at December 31, 2017, located in the United States, France, Canada, and India, including full, part-time and temporary/seasonal employees (1,600 Employees). We used the compensation components utilized in the *Summary Compensation Table / page 36 of this proxy statement* ("SCT") for the period from January 1, 2017 to December 31, 2017 as the compensation measure to identify the median employee, and the median employee's compensation. We annualized total compensation for those employees who commenced work during 2017, and excluded our cost of providing health and wellness benefits for all employees.

The pay ratio specified below is a reasonable estimate calculated in a manner that is intended to be consistent with Item 402(u) of Regulation S-K under the Exchange Act. In calculating Total Compensation for our median employee and CEO, we included, among other things, base salary, overtime, incentive payments, and stock-based compensation (based on the grant date fair value of awards granted during 2017); therefore, the CEO's Total Compensation for purposes of this calculation matches the Total Compensation described in *the SCT / page 36 of this proxy statement*.

The median team member's estimated Total Compensation for 2017 was $47,000. The ratio of CEO pay to median team member pay is estimated to be 73:1.

Additional Matters

Solicitation of Proxies

The cost of soliciting proxies for the Annual Meeting will be borne by Systemax. In addition to solicitation by mail and over the internet, solicitations may also be made by personal interview, fax and telephone. Arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxies and proxy material to their principals and Systemax will reimburse them for expenses in so doing.

Consistent with our confidential voting procedure, directors, officers and other regular employees of Systemax, as yet undesignated, may also request the return of proxies by telephone or fax, or in person.

Submitting Stockholder Proposals and Director Nominations for the Next Annual Meeting

Stockholder proposals intended to be presented at the 2019 annual meeting, including proposals for the nomination of directors, must be received by December 21, 2018 to be considered for the 2019 annual meeting pursuant to Rule 14a-8 under the Exchange Act.

Stockholders proposals should be mailed to Systemax Inc., Attention: Investor Relations, 11 Harbor Park Drive, Port Washington, NY 11050.

Any proposal for a director nominee shall contain at a minimum:

- the name and address of the stockholder making the recommendation;
- if the stockholder is not a stockholder of record, a representation and satisfactory proof of share ownership;
- a description of all direct and indirect related party transactions, compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between the stockholder and its respective affiliates or associates, or others with whom they are acting in concert, on the one hand, and the nominee and his or her respective affiliates, associates and others with whom they are acting in concert, on the other hand;
- whether the stockholder has been involved in any legal proceeding during the past 10 years;
- the nominee's name, age, address and other contact information;
- any direct or indirect holdings, beneficially and/or of record, of our securities by the nominee;
- any information regarding the nominee required to be disclosed about directors under applicable securities laws and/or stock exchange requirements;
- information regarding related party transactions with Systemax and/or the stockholder submitting the nomination and/or the nominee;
- any actual or potential conflicts of interest; and
- the nominee's biographical data, current public and private company affiliations, employment history (including current principal employment) and qualifications and status as "independent" under applicable securities laws and stock exchange requirements.

Nominees proposed by stockholders will receive the same consideration as other nominees.

Other Matters

The Board does not know of any matter other than those described in this proxy statement that will be presented for action at the Annual Meeting. If other matters properly come before the Annual Meeting, the persons named as proxies intend to vote the shares they represent in accordance with their judgment.

A COPY OF OUR FORM 10-K FOR FISCAL 2017 IS INCLUDED AS PART OF OUR ANNUAL REPORT ALONG WITH THIS PROXY STATEMENT, WHICH ARE AVAILABLE AT www.proxyvote.com.

Available Information

We maintain a website at *www.systemax.com*. We file reports with the Securities and Exchange Commission and makes available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including all amendments to those reports. These are available as soon as is reasonably practicable after they are filed with the SEC. All reports mentioned above are also available from the SEC's website (*www.sec.gov*). The information on our website or any report we file with, or furnish to, the SEC is not part of this proxy statement.

The Board has adopted the following corporate governance documents:

- Charter for the Audit Committee of the Board (last amended March 2017).
- Charter for the Compensation Committee of the Board (last amended May 2013).
- Charter for the Nominating/Corporate Governance Committee of the Board (last amended January 2015).
- Corporate Ethics Policy (last amended February 2018).
  Applies to all of our directors, officers (including our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller and any person performing similar functions) and employees.
- Corporate Governance Guidelines and Principles (last amended March 2017).
  Establishes our corporate governance principles and practices on a variety of topics, including the responsibilities, composition and functioning of the Board.

In accordance with the corporate governance rules of the New York Stock Exchange, each of these corporate governance documents is available on our web site (*www.systemax.com* under "Investors—Corporate Governance—Corporate Governance Documents").

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number: 1-13792

Systemax Inc.

(Exact name of registrant as specified in its charter)

Delaware	**11-3262067**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11 Harbor Park Drive
Port Washington, New York 11050
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(516) 608-7000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $ .01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best knowledge of the registrant, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company, and "emerging growth company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer ☐	Accelerated Filer ☒
Non-Accelerated Filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2017, which is the last business day of the registrant's most recently completed second fiscal quarter, was approximately $213,512,446. For purposes of this computation, all executive officers and directors of the Registrant and all parties to the Stockholders Agreement dated as of June 15, 1995 have been deemed to be affiliates. Such determination should not be deemed to be an admission that such persons are, in fact, affiliates of the Registrant.

The number of shares outstanding of the registrant's common stock as of March 7, 2018 was 37,170,542 shares.
Documents incorporated by reference: Portions of the Proxy Statement of Systemax Inc. relating to the 2018 Annual Meeting of Stockholders are incorporated by reference in Part III hereof.

TABLE OF CONTENTS

PART I

Unless otherwise indicated, all references herein to Systemax Inc. (sometimes referred to as "Systemax," the "Company," or "we") include its subsidiaries.

Forward Looking Statements

This report contains forward looking statements within the meaning of that term in the Private Securities Litigation Reform Act of 1995 (Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934). Additional written or oral forward looking statements may be made by the Company from time to time in filings with the Securities and Exchange Commission or otherwise. Statements contained in this report that are not historical facts are forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are based on management's estimates, assumptions and projections and are not guarantees of future performance. Forward looking statements may include, but are not limited to, projections or estimates of revenue, income or loss, exit costs, cash flow needs and capital expenditures, statements regarding future operations, expansion or restructuring plans, including our exit from and winding down of our North American Technology Group ("NATG") and European operations, financing needs, compliance with financial covenants in loan agreements, fluctuations in economic conditions and exchange rates, including factors impacting our international operations, plans for acquisition or sale of assets or businesses, plans relating to products or services of the Company, assessments of materiality, predictions of future events and the effects of pending and possible litigation, as well as assumptions relating to the foregoing. In addition, when used in this report, the words "anticipates," "believes," "estimates," "expects," "intends," and "plans" and variations thereof and similar expressions are intended to identify forward looking statements.

Forward looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified based on current expectations. Consequently, future events and results could differ materially from those set forth in, contemplated by, or underlying the forward looking statements contained in this report. Statements in this report, particularly in "Item 1. Business," "Item 1A. Risk Factors," "Item 3. Legal Proceedings," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Notes to Consolidated Financial Statements describe certain factors, among others, that could contribute to or cause such differences.

Other factors that may affect our future results of operations and financial condition include, but are not limited to, unanticipated developments in any one or more of the following areas, as well as other factors which may be detailed from time to time in our Securities and Exchange Commission filings:

- risks involved with e-commerce, including possible loss of business and customer dissatisfaction if outages or other computer-related problems should preclude customer access to our products and services
- our information systems and other technology platforms supporting our sales, procurement and other operations are critical to our operations and disruptions or delays have occurred and could occur in the future, and if not timely addressed would have a material adverse effect on us
- a data security breach due to our e-commerce, data storage or other information systems being hacked by those seeking to steal Company information, vendor, employee or customer information, or due to employee error, resulting in disruption to our operations, litigation and/or loss of reputation
- general economic conditions will continue to impact our business
- technological change has had and can continue to have a material effect on our product mix and results of operations
- sales tax laws or government enforcement priorities may be changed which could result in e-commerce and direct mail retailers having to collect sales taxes in states where the current laws and interpretations do not require us to do so
- our international operations are subject to risks such as fluctuations in currency rates, foreign regulatory requirements and political uncertainty
- managing various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return rights and price protection from our vendors
- meeting credit card industry compliance standards in order to maintain our ability to accept credit cards
- timely availability of existing and new products
- risks associated with delivery of merchandise to customers by utilizing common carrier delivery services
- borrowing costs or availability, including our ability to maintain satisfactory credit agreements and to renew credit facilities
- pending or threatened litigation and investigations
- the availability of key personnel
- the continuation of key vendor relationships and the availability of credit insurance to key vendors

Readers are cautioned not to place undue reliance on any forward looking statements contained in this report, which speak only as of the date of this report. We undertake no obligation to publicly release the result of any revisions to these forward looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unexpected events.

Item 1. Business.

General

Systemax Inc., through its operating subsidiaries, is primarily a direct marketer of brand name and private label products. The Company was incorporated in Delaware in 1995. Certain predecessor businesses which now constitute part of the Company have been in business since 1949. Our headquarters office is located at 11 Harbor Park Drive, Port Washington, New York.

Recent developments

The Company currently operates and is internally managed in two reportable segments - Industrial Products Group ("IPG") and Europe Technology Products ("ETG"), the Company's France operations. Smaller business operations and corporate functions are aggregated and reported as the additional segment - Corporate and Other ("Corporate"). In 2016, the Company sold certain assets of its Misco Germany business, which had been reported as part of its ETG segment, and its rebate processing business, which had been reported as part of its Corporate segment, and sold certain assets and liabilities of its NATG business in December 2015. The Company's continuing operations consist of its IPG and ETG segments.

As disclosed in our Form 8-K dated March 31, 2017, on March 24, 2017, certain wholly owned subsidiaries of the Company executed a definitive securities purchase agreement (the “Purchase Agreement”) with certain special purpose companies formed by Hilco Capital Limited (“Hilco” and together with its management team partners, “Purchaser”). Pursuant to the Purchase Agreement, Purchaser acquired all of the Company’s interests in Systemax Europe SARL, which includes its subsidiaries, Systemax Business Services K.F.T., Misco UK Limited, Systemax Italy S.R.L., Misco Iberia Computer Supplies S.L., Misco AB, Global Directmail B.V. and Misco Solutions B.V. (collectively, the “SARL Businesses”). The SARL Businesses were reported within the Company's European Technology Products Group ("ETG") segment. The transaction closed immediately upon execution of the Purchase Agreement.

The Company retained its France technology value added reseller business, which is conducted through its subsidiary, Inmac Wstore S.A.S., which was not part of the sale transaction.

The SARL Businesses were sold on a cash-free, debt-free basis; proceeds were nominal. As part of the transaction, the Company retained a 5% residual equity position in the Purchaser’s acquiring entity, HUK 77 Limited, which is being accounted for on the cost method, to which no value was ascribed, a $3.3 million note receivable ($2.2 million balance at December 31, 2017 which was paid in full in January 2018) and provided limited transition services to Purchaser through December 19, 2017 under a transition services agreement. The note receivable is included in accounts receivable, net in the Consolidated Balance Sheet at December 31, 2017. In October 2017, Misco UK Ltd. ("Misco UK"), one of the companies included in the sold SARL Businesses, was entered into administration insolvency proceedings in the UK. The Company's rights under the Purchase Agreement and the note receivable relate to the Purchaser and other affiliated entities which are not subject to such proceedings. The Company does not anticipate any material adverse effect on the Company due to the insolvency of Misco UK.

The sale of the SARL business met the “strategic shift with major impact” criteria as defined under Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which requires disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under ASU 2014-08 in order for a disposal to qualify for discontinued operations presentation in the financial statements, the disposal must be a "strategic shift" with a major impact for the reporting entity. If an entity meets this threshold, and other requirements, only the components that were in operation at the time of disposal are presented as discontinued operations. Therefore, the current year and prior year results of the SARL Businesses are included in discontinued operations in the accompanying consolidated financial statements.

Current Operations

Industrial Products

IPG sells a wide array of maintenance, repair and operational (“MRO”) products, as well as other industrial and general business supplies, which are marketed in North America. Many of these products are manufactured by other companies. Some products are manufactured for us to our own design and marketed under the trademarks: *Global™, GlobalIndustrial.com™, Nexel™ Relius™, Relius Solutions™,Paramount™ and Interion™.* Industrial products accounted for 63%, 61% and 56% of our net sales from continuing operations in 2017, 2016 and 2015, respectively.

Europe Technology Products Group

ETG sells information and communications technology ("ICT") products. These products are marketed primarily in France and to a much lesser extent Belgium. Substantially all of these products are manufactured by other companies. ETG accounted for approximately 37%, 37% and 32% (excluding sales of the sold Germany operations for 2016 and 2015) of our net sales from continuing operations in 2017, 2016 and 2015, respectively.

Technology Products – NATG

NATG sold ICT and CE products. These products were marketed in North America. Substantially all of these products were manufactured by other companies; however, the Company did offer a selection of products that were manufactured for our own design and marketed on a private label basis. NATG accounted for 0% of our net sales from continuing operations in 2017 and 2016 and 8% in 2015.

See Note 2 and Note 10 to the consolidated financial statements included in Item 15 of this Form 10-K for additional financial information about our business as well as information about our geographic operations.

Discontinued Operations

As discussed above, the SARL Businesses were sold in March 2017 and the NATG B2B and Ecommerce business and the three remaining retail stores in operation at the time of the sale in 2015 are presented in discontinued operations in the accompanying financial statements. Total net sales for the discontinued operations were $117.0 million, $521.6 million and $1.7 billion in 2017, 2016 and 2015, respectively.

Operating History and Restructuring of NATG Operations

In March 2015, the Company announced a restructuring of its NATG business. The NATG segment sold products categorized as Information and Communications Technology (“ICT”) and Consumer Electronics (“CE”) products. These products included computers, computer supplies and consumer electronics which were marketed in North America. The Company followed the guidance under Accounting Standards Update (“ASU”) 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* The sale of the NATG business in December 2015 had a major impact on the Company and therefore met the strategic shift criteria. The NATG components in operation at the time of the sale were the B2B and Ecommerce businesses and three remaining retail stores. Accordingly, these components and the results of operations have been adjusted in the accompanying financial statements to reflect their presentation in discontinued operations.

Products

We offer over a million brand name and private label products. We endeavor to expand and keep current the breadth of our product offerings in order to fulfill the increasingly wide range of product needs of our customers.

MRO and other industrial related products offered by our IPG segment include storage and shelving, material handling, janitorial and maintenance, furniture and office, HVAC/R and fans, workbench and shop desks, safety and security, outdoor and grounds maintenance, tools and instruments, office and school supplies, plumbing and pumps, packaging and supplies, electrical and lighting, food service and appliances, raw materials and building supplies, motors and power transmission, pneumatics and hydraulics, medical and laboratory equipment, metalworking and cutting tools, vehicle maintenance, and fasteners and hardware.

ICT products offered by our ETG segment include: servers-storage and backup, desktop computers, laptops, tablets, monitors, mobile devices; computer parts and memory; computer components and accessories; networking and security; software; electronics and commercial and home networking. CE products include TV and video; audio; cameras and surveillance; GPS; cell phones; video games; home and electronics accessories.

Sales and Marketing

We market our products primarily to B2B customers, which include for-profit businesses, educational organizations and government entities. We have developed numerous proprietary customer and prospect databases. We have established a multi-faceted direct marketing system to business customers, consisting primarily of our relationship marketers, catalog mailings and proprietary internet websites, the combination of which is intended to maximize sales.

Relationship Marketers

Our relationship marketers focus their efforts on our business customers by establishing a personal relationship between such customers and a Systemax account manager. The goal of the relationship marketing sales force is to increase the purchasing productivity of current customers and to actively solicit newly targeted prospects to become customers. With access to the records we maintain, our relationship marketers are prompted with product suggestions to expand customer order values. In certain countries, we also have the ability to provide such customers with electronic data interchange ("EDI") ordering and customized billing services, customer savings reports and stocking of specialty items specifically requested by these customers. Our relationship marketers' efforts are supported by e-mail campaigns and periodic catalog mailings, both of which are designed to generate inbound telephone sales, and visits to our interactive websites, which allow customers to purchase products directly over the Internet. We believe that the integration of our multiple marketing methods enables us to more thoroughly penetrate our business, educational and government customer base. We believe increased internet exposure leads to more internet-related sales and also generates more inbound telephone sales; just as we believe email campaigns, and to a lesser extent catalog mailings which feature our websites results in greater internet-related sales.

E-commerce

We currently operate multiple e-commerce sites, including:

North America	Europe
www.globalindustrial.com	www.inmac-wstore.com
www.globalindustrial.ca	www.misco.fr
www.nexelwire.com	
www.chdistgov.com	
www.industrialsupplies.com	

We are continually upgrading the capabilities and performance of these websites in our significant markets. Our internet sites feature over a million MRO and ICT products. Our customers have around-the-clock, online access to purchase products and we have the ability to create targeted promotions for our customers' interests.

In addition to our own e-commerce websites, we have partnering agreements with several of the largest internet shopping and search engine providers who feature our products on their websites or provide "click-throughs" from their sites directly to ours. These arrangements allow us to expand our customer base at an economical cost.

Catalogs

As IPG and France have increased their focus on online and e-commerce advertising, marketing and sales activities, they have decreased their use of hard copy catalogs over the last several years, and currently distribute fewer regular and specialty catalogs than in prior periods.

Customer Service, Order Fulfillment and Support

We generally receive orders through the Internet, by telephone, by EDI, through online chat, and to a small extent via fax. We generally provide toll-free telephone number access for our customers in countries where it is customary. Certain domestic call centers are linked to provide telephone backup in the event of a disruption in phone service.

Certain of our products are carried in stock, and orders for such products are fulfilled on a timely basis directly from our North American and France distribution centers, typically within one day of the order. Orders are generally shipped by third-party delivery services. We maintain relationships with thousands of distributors and product vendors in North America and Europe that also deliver products directly to our customers.

We maintain a database of commonly asked questions for our technical support representatives, enabling them to respond quickly to similar questions. We conduct regular on-site training seminars for our sales representatives to help ensure that they are well trained and informed regarding our latest product offerings.

Suppliers

We purchase substantially all of our products and components directly from both large and small manufacturers as well as large wholesale distributors. Two vendors accounted for 10% or more of our purchases in continuing operations in 2017: one vendor accounted for 16.0% and another vendor accounted for 12.0%. In 2016, two vendors accounted for 10% or more of our purchases: each vendor accounted for 13.6% of our purchases and in 2015, one vendor accounted for 11.2% and another vendor accounted for 11.1% of our purchases. The loss of these vendors, or any other key vendors, could have a material adverse effect on us. Most private label products are manufactured by third parties to our specifications.

Competition and Other Market Factors

Industrial Products

The market for the sale of industrial products in North America is highly fragmented and is characterized by multiple distribution channels such as small dealerships, direct mail distribution, internet-based resellers, large warehouse stores and retail outlets. We face competition from large diversified MRO distributors such as Grainger Inc., MSC Industrial Direct Inc., Fastenal Inc., and other large retailers, including Amazon. We also face competition from manufacturers' own sales representatives, who sell industrial equipment directly to customers, and from regional or local distributors. Many purchasers begin sourcing products via search engine or mobile application on desktops, laptops, or mobile devices. In the industrial products market, customer purchasing decisions are primarily based on price, product selection, product availability, level of service and convenience. We believe that direct marketing via sales representatives, the internet and catalogs are effective and convenient distribution methods to reach mid-sized facilities that place many small orders and require a wide selection of products. In addition, because the industrial products market is highly fragmented and generally less brand oriented, we believe it is well suited to private label products.

Technology Products

The market for selling technology product is highly competitive, with many U.S., European and Asian companies vying for market share. We face competition from large value added resellers such as Econocom, Computacenter, Insight and other large retailers. There are few barriers to entry, with these products being sold through multiple channels of distribution, including direct marketers, computer resellers, mass merchants, over the internet, local and national retail computer stores, and by computer and office supply superstores.

Timely introduction of new products or product features and services are critical elements to remaining competitive. Other competitive factors include product performance, quality and reliability, technical support and customer service, marketing and distribution and price. Some of our competitors have stronger brand-recognition, broader product lines and greater financial, marketing, manufacturing and technological resources than us.

Conditions in the ETG market for technology products remain highly competitive and subject to large bid and tender awards, resulting in our frequent discounting of product sales price as well as offering free or highly discounted freight. These actions have and may continue to adversely affect our revenues and profits. Additionally, we rely in part upon the introduction of new technologies and products by other manufacturers in order to sustain long-term sales growth and profitability. There is no assurance that the rapid rate of such technological advances and product development will continue.

Employees

As of December 31, 2017, we employed a total of approximately 1,900 employees, of whom 1,400 were in North America and 500 were in Europe and Asia.

Seasonality

Seasonality does have some effect on the Company's continuing IPG and ETG businesses. Within IPG, certain product lines are highly seasonal in nature, including HVAC and outdoor furniture. As these are two material lines of business within IPG, sales and margin in the second and third quarters tend to be higher than those in the first and fourth quarters. Within ETG, customers, vendors, and employees tend to take extended holidays in late summer. As such, buying behaviors and accompanying margin rates tend to be lower in the third quarter.

Environmental Matters

Under various national, state and local environmental laws and regulations in North America, Europe and Asia, a current or previous owner or operator (including the lessee) of real property may become liable for the costs of removal or remediation of hazardous substances at such real property. Such laws and regulations often impose liability without regard to fault. We lease most of our facilities. In connection with such leases, we could be held liable for the costs of removal or remedial actions with respect to hazardous substances. Although we have not been notified of, and are not otherwise aware of, any material real property environmental liability, claim or non-compliance, there can be no assurance that we will not be required to incur remediation or other costs in connection with real property environmental matters in the future.

Financial Information About Foreign and Domestic Operations

We currently sell substantially all of our products through established sales channels to our customers in North America (primarily the United States and Canada) and France. Approximately 40.0%, 40.8%, and 45.6% of our net sales from continuing operations during 2017, 2016 and 2015, respectively were made by subsidiaries located outside of the United States. For information pertaining to our international operations, see Note 10, "Segment and Related Information," to the consolidated financial statements included in Item 15 of this Form 10-K. The following sets forth selected information with respect to our continuing operations net sales and operating income, in those two geographic markets (in millions):

	North America	Europe and Asia	Total
2017			
Net sales	$ 791.8	$ 473.6	$ 1,265.4
Operating income	$ 46.8	$ 24.5	$ 71.3
Identifiable assets	$ 362.4	$ 189.0	$ 551.4
2016			
Net sales	$ 719.2	$ 451.1	$ 1,170.3
Operating income	$ 13.4	$ 14.3	$ 27.7
Identifiable assets	$ 290.5	$ 275.6	$ 566.1
2015			
Net sales	$ 801.8	$ 441.7	$ 1,243.5
Operating income (loss)	$ (16.5)	$ 13.0	$ (3.5)
Identifiable assets	$ 470.3	$ 239.8	$ 710.1

See Item 7, "Management's Discussions and Analysis of Financial Condition and Results of Operations", for further information with respect to our operations.

Available Information

We maintain an internet website at www.systemax.com. We file reports with the Securities and Exchange Commission ("SEC") and make available free of charge on or through this website our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, including all amendments to those reports. These are available as soon as is reasonably practicable after they are filed with the SEC. All reports mentioned above are also available from the SEC's website (www.sec.gov). The information on our website is not part of this or any other report we file with, or furnish to, the SEC.

Our Board of Directors has adopted the following corporate governance documents with respect to the Company (the "Corporate Governance Documents"):

- Corporate Ethics Policy for officers, directors and employees
- Charter for the Audit Committee of the Board of Directors
- Charter for the Compensation Committee of the Board of Directors
- Charter for the Nominating/Corporate Governance Committee of the Board of Directors
- Corporate Governance Guidelines and Principles

In accordance with the listing standards of the New York Stock Exchange, each of the Corporate Governance Documents is available on our Company website (www.systemax.com).

Item 1A. Risk Factors.

There are a number of factors and variables described below that may affect our future results of operations and financial condition. Other factors of which we are currently not aware or that we currently deem immaterial may also affect our results of operations and financial position.

Risks Related to the Economy and Our Industries

- *General economic conditions, such as decreased consumer confidence and spending could result in our failure to achieve our historical sales growth rates and profit levels.*

  Both we and our customers are subject to global political, economic and market conditions, including trade and tariff uncertainties, inflation, interest rates, energy costs, the impact of natural disasters, military action and the threat of terrorism. Our consolidated results of operations are directly affected by economic conditions in North America and Europe. We may experience a decline in sales as a result of poor economic conditions and the lack of visibility relating to future orders, (as well as due to senior management turnover, loss of key employees, disruption due to internal technology platform transitions or inefficient or delayed implementation of strategic initiatives). Our results of operations depend upon, among other things, our ability to maintain and increase sales volumes with existing customers, our ability to limit price reductions and maintain our margins, our ability to attract new customers and the financial condition of our customers. A decline in the economy that adversely affects our customers, causing them to limit or defer their spending or that hampers their ability to pay for products would likely adversely affect our sales, prices and profitability as well. We cannot predict with any certainty whether we will be able to maintain or improve upon historical sales volumes with existing customers, or whether we will be able to attract new customers.

  In response to economic and market conditions, from time to time we have undertaken initiatives to reduce our cost structure where appropriate. These initiatives, as well as any future workforce and facilities reductions, may not be sufficient to meet current and future changes in economic and market conditions and allow us to continue to achieve the growth rates and re-attain the levels of profitability we experienced prior to the recent market downturns. In addition, costs actually incurred in connection with our restructuring actions may be higher than our estimates of such costs and/or may not lead to the anticipated cost savings.

- *The markets for our products and services are extremely competitive and if we are unable to successfully respond to our competitors' strategies our sales and gross margins will be adversely affected.*

  We may not be able to compete effectively with current or future competitors. The markets for our products and services are intensely competitive and subject to constant technological change. Competitive factors include price, availability, service and support and a market with relatively low barriers to entry. Many competitors procure and ship the products we sell and many competitors are selling these products as a commodity at the lowest prices they can and often involving reduced or free freight; further they do not provide any post sale services or support. At the same time, many of our competitors couple the sale of products with various value added services and business solutions in an effort to enhance sales and margins and mitigate the pressure of being only a commodities distributor. Accordingly, we must compete with both low priced/no service offered competitors, as well as higher priced/value added services competitors, and must do so on a selective, customer and product focused basis. We believe the services and support we offer for certain of our products are critical value added services and a competitive differentiator for the Company in the markets and for the products where we choose to offer such service. We believe the services and support we offer enable us to build relationships with our customers that result in repeat purchases, customer loyalty and market penetration. In some of our markets, our services and solutions offerings are in an early form and we will need to continue to invest in and enhance our offerings. If at any time our ability to service and support our customers is curtailed or we do not invest effectively in developing these services, there is a risk that we may suffer a loss of reputation, and customers, which could have a material adverse impact on our sales and profits.

  Our e-commerce business faces pressure from competing with large, expanding e-commerce retailers. Many of our competitors are larger companies with greater financial, marketing, services and product development resources than ours. The market for the sale of industrial products in North America is highly fragmented and is characterized by multiple distribution channels such as small dealerships, direct mail distribution, internet-based resellers, large warehouse stores and retail outlets. We face competition from large diversified MRO distributors such as Grainger Inc., MSC Industrial Direct Inc., Fastenal Inc., and other large retailers, including e-commerce retailers such as Amazon. We also face competition from manufacturers' own sales representatives, who sell industrial equipment directly to customers, and from regional or local distributors. In addition, new competitors may enter our markets. This may place us at a disadvantage in responding to competitors' pricing strategies, technological advances and other initiatives, resulting in our inability to increase our revenues or maintain our gross margins in the future.

In most cases our products compete directly with those offered by other manufacturers and distributors. If any of our competitors were to develop products or services that are more cost-effective or technically superior, demand for our product offerings could decrease.

Our gross margins are also dependent on the mix of products we sell, decisions to drop ship rather than stock products in our distribution centers, decisions to offer private label alternatives to branded offerings, price changes by manufacturers, and pricing actions by competitors, and we could be adversely affected by a continuation of our customers' shift to lower-priced products.

- *Sales tax laws may be interpreted in a manner that could result in ecommerce and direct mail retailers to being held to have been required to collect sales taxes in states where we believe the then current laws did not require us to do so. This could result in us having substantial tax liabilities for past sales.*

Our United States subsidiaries historically collected and remitted sales tax in states in which the subsidiaries have physical presence or in which we believed sufficient nexus existed which obligated us to collect sales tax. During the first quarter of 2018, the Company registered its subsidiaries in the U.S. that generate taxable sales for sales tax collection in all states, except Alaska. States may, from time to time in the future, claim that we had state-related activities constituting physical nexus to have required such collection, or that our sale of goods to customers in their state, or directly to the state and its political subdivisions, created nexus for sales tax purposes. Such efforts by states have increased recently, as states seek to raise revenues without increasing the income tax burden on residents. We relied on United States Supreme Court decisions which hold that, without Congressional authority, a state may not enforce a sales tax collection obligation on a company that has no physical presence in the state and whose only contacts with the state are through the use of interstate commerce such as the mailing of catalogs into the state and the delivery of goods by mail or common carrier. We cannot predict whether the nature or level of contacts we had with a particular state in the past will be deemed enough to have required us to collect sales tax in that state. A successful assertion by one or more states that we should have collected sales tax on the sale of merchandise in such state could result in substantial tax liabilities related to past sales.
See *Legal Proceedings.*

- *Events such as acts of war or terrorism, natural disasters, data security breaches, changes in law, or large losses could adversely affect our insurance coverage and insurance expense, resulting in an adverse effect on our profitability and financial condition.*

We insure for certain property and casualty risks consisting primarily of physical loss to property, business interruptions resulting from property losses, worker's compensation, comprehensive general liability, and auto liability. Insurance coverage is obtained for catastrophic property and casualty exposures as well as those risks required to be insured by law or contract. Although we believe that our insurance coverage is reasonable, significant events such as acts of war and terrorism, economic conditions, data security breaches, judicial decisions, legislation, natural disasters and large losses could materially affect our insurance obligations and future expense.

- *Adverse weather events or natural disasters could negatively affect or disrupt our operations. We may be affected by global climate changes or by legal, regulatory or market responses to such potential change.*

Certain areas in which we operate are susceptible to severe weather events, such as hurricanes, tornadoes, and floods. Our ability to provide efficient distribution of core business products from our or third party distribution centers is critical to our business strategy. Disruptions at distribution centers or shipping ports may affect our ability to both maintain core products in inventory and deliver products to our customers on a timely basis, which may in turn adversely affect our results of operations. We cannot predict whether or to what extent damage caused by these events will affect our operations or the economies in regions where we operate. These adverse events could result in disruption of our operations, our purchasing or distribution capabilities, interruption of our business that exceeds our insurance coverage, our inability to collect from customers and increased operating costs. Our business or results of operations may be adversely affected by these and other negative effects of these events.

- ***Environmental Matters***

  Under various national, state and local environmental laws and regulations in North America, Europe and Asia, a current or previous owner or operator (including the lessee) of real property may become liable for the costs of removal or remediation of hazardous substance at such real property. Such laws and regulation often impose liability without regard to fault. We lease most of our facilities. In connection with such leases, we could be held liable for the costs of removal or remedial actions with respect to hazardous substances. Although we have not been notified of, and nor otherwise aware of, any material real property environmental liability, claim or non-compliance, there can be no assurance that we will not be required to incur remediation or other costs in connection with real property environmental matters in the future.

Risks Related to Our Company

- *We rely to a great extent on our information and telecommunications systems, and significant system failures or outages, or our failure to properly evaluate, upgrade or replace our systems, or the failure of our security/safety measures to protect our systems and websites, could have an adverse effect on our results of operations.*

  We rely on a variety of information and telecommunications systems including internally developed software, third party purchased software and third party cloud based software in order to manage our business, including our customer, vendor, employee, facilities, finance, management and corporate operations. Our success is dependent in large part on the accuracy and proper use of our information systems, including our telecommunications systems, which are utilized in all aspects of our business. To manage our growth, we need to continually evaluate the effectiveness and adequacy of our existing systems and procedures to ensure they are keeping pace with changes in our business. These systems, whether internally developed, purchased or cloud based may need to be modified, upgraded or replaced from time to time. System modifications, upgrades or replacements involve costs as well as the risk of implementation delays and not operating as intended. We rely on third parties such as telecommunication carriers, internet service providers and our own employees to provide the technology services and expertise on which we depend. There are risks that third parties may incur outages or circumstances where they cannot provide the services we require as intended or that our employees do not have the expertise to remediate system outages or technical problems that may arise. We have experienced some delays and operational problems in implementing new IT systems in the past. We anticipate that we will regularly need to make capital expenditures to upgrade and modify our management information systems, including software and hardware, as we grow and the needs of our business change. We have disaster recovery systems and system backups are routinely done for certain critical systems, but not for every system. The occurrence of a significant system failure, electrical or telecommunications outages or our failure to ensure our IT employees are properly trained and technically proficient, or that our systems are adequate, effective and beneficial to our business, or our failure to expand or successfully implement new systems could have a material adverse effect on our results of operations.

- *Data and security breaches, and other disruptions in our information technology systems, could compromise confidential or private information and expose us to liability, which could cause our business and reputation to suffer.*

  Our operations are dependent upon information technology that encompasses all of our major business functions. We use our information systems to, among other things, monitor our supply chain, make purchasing decisions, manage and replenish inventories, coordinate our sales and marketing activities, fill and ship customer orders on a timely basis and to monitor and record our financial transactions and results of operations. These systems also process, transmit and store sensitive electronic data, including employee personal information, supplier and customer records, allow vendors and customers to register on our portals and websites, as applicable, or otherwise allow third parties to communicate or interact with us. In addition, we depend on IT systems of third parties, to, among other things, market and distribute products, to operate our websites, host and manage our services, store data, and process transactions. We may share information with these third parties that participate in certain aspects of our business, and we certify our major suppliers and any outsourced services through accepted security certification standards. However, there is always a risk that the confidentiality of data held or accessed by them may be compromised.

  In processing our sales orders, we often collect personal information and transmit credit card information of our customers. If there was a security breach resulting in unauthorized access to or use of such information, we could be subject to claims for identity theft, unauthorized purchases and claims alleging misrepresentation of our privacy and data security practices or other related claims. While the Company believes it conforms to appropriate Payment Card Industry (“PCI”) security standards, any breach involving the loss of credit card information may lead to PCI related fines in the millions of dollars. In the event of a severe breach, credit card providers may prevent our accepting of credit cards.

We measure our data security effectiveness through industry accepted methods and remediate significant findings. We maintain and routinely test backup systems and disaster recovery, along with external network security penetration testing by an independent third party as part of our business continuity preparedness. We also have processes in place to prevent disruptions resulting from the implementation of new software and systems of the latest technology. We have implemented solutions, processes, and procedures to help mitigate the risk of cyber attacks, such as conducting annual vulnerability testing, and are in the process of engaging consultants to assist us in implementing stronger security measures, identifying remediation initiatives and establishing emergency response plans, but there can be no assurance these efforts will successfully deter future cyber attacks. Our Board of Directors is responsible for oversight of the activities of our IT department (which reports to our Chief Executive Officer), and receives a quarterly presentation from our Chief Information Officer that covers, among other things, data security and cyber liability matters.

Although our IT systems are protected through various network security measures, our facilities and systems, and those of our third-party service providers with which we do business, may nevertheless be vulnerable to security breaches, cyber attacks (any adverse event that threatens the confidentiality, integrity or availability of our information resources) vandalism, power outages, natural disasters, computer system failures, telecommunication or network failures, computer viruses, malware, misplaced or lost data, programming and/or human errors or other similar events. From time to time. we have experienced efforts by unknown persons, including “bots”, to access or breach our information systems, and these efforts can be expected to continue in the future. While we have successfully defended against such efforts in the past, there can be no assurance we will be able to protect sensitive data and/or the integrity of the Company's information systems and to defend against such efforts in the future.

Any security breach involving the misappropriation, loss or other unauthorized disclosure of our confidential information or confidential information of our customers, employees, or suppliers, whether by us or by our third-party service providers, could disrupt our business, expose us to risks of litigation (such as customer or third party claims that their data has been compromised) and liability, result in a loss of assets or cause reputational damage, and otherwise have a material adverse effect on our operations and financial condition. Any substantial disruption of our systems could impair our ability to process orders, maintain proper levels of inventories, manage customer billings and collections, prepare and present accurate financial statements and related information, and otherwise materially adversely affect our ability to manage our business.

We maintain cyber liability risk insurance, but this insurance may not be sufficient to cover all of our losses from any future breaches of our systems, or to cover the cause of the future specific situation/loss at hand. In addition, as privacy and information security laws and standards evolve, we may need to incur significant additional investment in technology and other processes to meet new legal requirements.

- *We have exited our SARL Businesses in 2017 and NATG business in 2015 and could incur costs in excess of our estimated exit expenses.*

The Company has substantially completed most of the NATG wind-down activities, although activities related to collecting remaining accounts receivable, subleasing remaining retail store and warehouse spaces and settling accounts payable and other contingent liabilities continue. The Company expects that additional NATG wind-down costs incurred during 2018 or later will aggregate between $1 and $5 million, which is expected to be presented in discontinued operations.

There can be no assurance the Company will be able to timely exit its existing lease commitments at currently recorded cost levels. Failure to achieve these expectations will result in increased cash exit costs for the Company.

- *We rely on third party suppliers for most of our products and services. The loss or interruption of these relationships could impact our sales volumes, the levels of inventory we must carry, and/or result in sales delays and/or higher inventory costs from new suppliers.*

In France we purchase a substantial portion of our products from major distributors and directly from large manufacturers who may deliver those products directly to our customers (within IPG, many of our suppliers are smaller and more fragmented, but such delivery relationships are still often used). These delivery relationships enable us to make available to our customers a wide selection of products without having to maintain large amounts of inventory. The termination or interruption of our relationships with any of these suppliers could materially adversely affect our business.

We purchase a number of our products from vendors outside of the United States. Difficulties encountered by one or several of these suppliers could halt or disrupt production and delay completion or cause the cancellation of our orders. Delays or interruptions in the transportation network could result in loss or delay of timely receipt of product required to fulfill customer orders. Our ability to find qualified vendors who meet our standards and supply products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced from outside the U.S. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, outbreaks of pandemics and other factors relating to foreign trade are beyond our control. These and other issues affecting our vendors could materially adversely affect our revenue and gross profit.

Many product suppliers provide us with co-operative advertising support in exchange for featuring their products in our catalogs and on our internet sites. Certain suppliers provide us with other incentives such as rebates, reimbursements, payment discounts, price protection and other similar arrangements. These incentives are offset against cost of goods sold or selling, general and administrative expenses, as applicable. The level of co-operative advertising support and other incentives received from suppliers has declined and may decline further in the future, increasing our cost of goods sold or selling, general and administrative expenses and have an adverse effect on results of operations and cash flows.

- *Goodwill and intangible assets may become impaired resulting in a charge to earnings.*

The Company has made acquisitions in the past of other businesses and these acquisitions resulted in the recording of significant intangible assets and/or goodwill. We are required to test goodwill and intangible assets annually to determine if the carrying values of these assets are impaired or on a more frequent basis if indicators of impairment exist. If any of our goodwill or intangible assets are determined to be impaired we may be required to record a significant charge to earnings in the period during which the impairment is discovered. In the fourth quarter of 2016 within the Company's ETG discontinued operations, an impairment charge related to goodwill of approximately $0.3 million was recorded and within IPG segment, an impairment charge related to goodwill and intangible assets of $0.1 million was recorded. Although the carrying amounts of intangible assets and goodwill are relatively small as of December 31, 2017, to the extent the Company makes acquisitions in the future there could again be material amounts of such assets recorded and subject to future impairment testing.

- *Our substantial international operations are subject to risks such as fluctuations in currency rates (which can adversely impact foreign revenues and profits when translated to US Dollars), foreign regulatory requirements, political uncertainty and the management of our growing international operations.*

We operate internationally and as a result, we are subject to risks associated with doing business globally, such as risks related to the differing legal, political and regulatory requirements and economic conditions of many jurisdictions. Risks inherent to operating internationally include:

- Changes in a country's economic or political conditions
- Changes in foreign currency exchange rates
- Difficulties with staffing and managing international operations
- Unexpected changes in regulatory requirements
- Changes in transportation and shipping costs
- Enforcement of intellectual property rights
- Tariff and trade uncertainties

The functional currencies of our businesses outside of the U.S. are the local currencies. Changes in exchange rates between these foreign currencies and the U.S. Dollar will affect the recorded levels of our assets, liabilities, net sales, cost of goods sold and operating margins and could result in exchange gains or losses. The primary currencies to which we have exposure are the European Union Euro, Canadian Dollar and the India Rupee. Exchange rates between these currencies and the U.S. Dollar in recent years have fluctuated significantly and may do so in the future. Our operating results and profitability may be affected by any volatility in currency exchange rates and our ability to manage effectively our currency transaction and translation risks. For example, we currently have operations located in countries outside the United States, and non-U.S. sales accounted for approximately 40.0% of our net sales from continuing operations during 2017. To the extent the U.S. dollar strengthens against foreign currencies, our foreign revenues and profits will be reduced when translated into U.S. dollars.

- *We are exposed to various inventory risks, such as being unable to profitably resell excess or obsolete inventory and/or the loss of product return rights and price protection from our vendors; such events could lower our gross margins or result in inventory write-downs that would reduce reported future earnings.*

  Our inventory is subject to risk due to changes in market demand for particular products. If we fail to manage our inventory of older products we may have excess or obsolete inventory. We may have limited rights to return purchases to certain suppliers and we may not be able to obtain price protection on these items. The elimination of purchase return privileges and lack of availability of price protection could lower our gross margin or result in inventory write-downs.

  We also take advantage of attractive product pricing by making opportunistic bulk inventory purchases; any resulting excess and/or obsolete inventory that we are not able to re-sell could have an adverse impact on our results of operations. Any inability to make such bulk inventory purchases may significantly impact our sales and profitability.

- *Our ETG employees are represented by unions or workers' councils or are employed subject to local laws that are less favorable to employers than the laws of the U.S.*

  As of December 31, 2017, we had approximately 500 employees located in Europe and Asia. We have workers' councils representing the employees of our France operations. These France employees are subject to employment laws that provide greater bargaining or other rights to employees than the laws of the U.S. Such employment rights require us to work collaboratively with the legal representatives of the employees to effect any changes to labor arrangements. For example, the workers' council in France must approve certain changes in conditions of employment, including salaries and benefits and staff changes, and may impede efforts to restructure our workforce. Although we believe that we have a good working relationship with our employees, a strike, work stoppage or slowdown by our employees or significant dispute with our employees could result in a significant disruption of our operations or higher ongoing labor costs.

- *We may be unable to reduce prices in reaction to competitive pressures, or implement cost reductions or new product line expansion to address gross profit and operating margin pressures; failure to mitigate these pressures could adversely affect our operating results and financial condition.*

  The markets in which we participate are highly price competitive and gross profit margins are narrow and variable. The Company's ability to further reduce prices in reaction to competitive pressure is limited. Additionally, gross margins and operating margins are affected by changes in factors such as vendor pricing, vendor rebate and/or price protection programs, product return rights, and product mix. Pricing pressure is prevalent in the markets we serve and we expect this to continue. We may not be able to mitigate these pricing pressures and resultant declines in sales and gross profit margin with cost reductions in other areas or expansion into new product lines. If we are unable to proportionately mitigate these conditions our operating results and financial condition may suffer.

- *Sales to individual customers expose us to credit card fraud, which impacts our operations. If we fail to adequately protect ourselves from credit card fraud, our operations could be adversely impacted.*

  Failure to adequately control fraudulent credit card transactions could increase our expenses. Sales to individual consumers and small businesses, which are more likely to be paid for using a credit card, increases our exposure to fraud. We employ technology solutions to help us detect the fraudulent use of credit card information. However, if we are unable to detect or control credit card fraud, we may suffer losses as a result of orders placed with fraudulent credit card data, which could adversely affect our business.

- *Our business is dependent on certain key personnel.*

  Our business depends largely on the efforts and abilities of certain key senior management. The loss of the services of one or more of such key personnel could have a material adverse effect on our business and financial results.

- *We are subject to litigation risk due to the nature of our business, which may have a material adverse effect on our results of operations and business.*

  From time to time, we are involved in lawsuits or other legal proceedings arising in the ordinary course of our business. These include patent, trademark or other intellectual property matters, employment law matters, states sales tax claims on internet/ecommerce transactions, product liability, commercial disputes, consumer sales practices, or other matters.

In addition, as a public company we could from time to time face claims relating to corporate or securities law matters. The defense and/or outcome of such lawsuits or proceedings could have a material adverse effect on our business. See “Legal Proceedings”.

- *Our profitability can be adversely affected by changes in our income tax exposure due to changes in tax rates or laws, changes in our effective tax rate due to changes in the mix of earnings among different countries, restrictions on utilization of tax benefits and changes in valuation of our deferred tax assets and liabilities.*

Changes in our income tax expense due to changes in the mix of U.S. and non-U.S. revenues and profitability, changes in tax rates or exposure to additional income tax liabilities could affect our profitability. We are subject to income taxes in the United States and various foreign jurisdictions. Our effective tax rate has been in the past and could be in the future adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, restrictions on utilization of tax benefits, changes in the valuation of deferred tax assets and liabilities, changes in tax laws or by material audit assessments. As a result of the reduction in the U.S. corporate income tax rate, the Company revalued its net deferred tax assets in the U.S. at December 31, 2017 and recorded tax expense of approximately $10.3 million. On December 31, 2017 the French Parliament adopted the Finance Law for 2018. Under this law, French corporate income tax rates are reduced from 33.33% to 25% over a five year period. As a result of the scheduled reductions in the French corporate income tax rate, the Company revalued its French net deferred tax assets at December 31, 2017 and recorded tax expense of approximately $0.5 million. At December 31, 2017 the Company has approximately $26.1 million of net deferred tax assets.

The carrying value of our deferred tax assets is dependent on our ability to generate future taxable income in those jurisdictions. In the case of where several years of losses occur in a jurisdiction, there is a risk that the Company would need to reserve its deferred tax assets which would likely result in a material tax expense being recorded in the period that such reserve is established. Similarly, in the case where a reserve against deferred tax assets has previously been established, successive years of profitability would require the reversal of deferred tax asset reserves which would likely result in a material tax benefit in the period that the reserve is deemed to be no longer necessary. In addition, the amount of income taxes we pay is subject to audit in our various jurisdictions and a material assessment by a tax authority could affect our profitability.

The current U.S. Administration has indicated an intent to reform current international trade agreements. A significant objective of the reforms under consideration is to discourage the importation of goods manufactured outside the U.S. and encourage the export of goods manufactured in the U.S., commonly referred to as a border adjustment tax. Within IPG a significant portion of the products we sell are manufactured outside of the U.S., imported to the U.S. and sold in North America. The impact of a border adjustment tax could be material to our tax expense and profitability. The Company may not be able to fully offset any such tax increase through product price increases as increases in product prices in a competitive market would likely decrease demand for the Company’s products. It is not possible to measure the potential impact of the proposed U.S. trade reforms on the Company’s tax expense at this time. However, the implementation of a significant border adjustment or import tax could have a material adverse impact on the Company’s profitability.

- *Changes in accounting standards or practices, as well as new accounting pronouncements or interpretations, may require us to account for and report our financial results in a different manner in the future, which may be less favorable than the manner used historically.*

A change in accounting standards or practices can have a significant effect on our reported results of operations. New accounting pronouncements and interpretations of existing accounting rules and practices have occurred and may occur in the future. Changes to existing rules may adversely affect our reported financial results.

- *Concentration of Ownership and Control Limits Stockholders Ability to Influence Corporate Actions*

Richard Leeds, Robert Leeds, and Bruce Leeds (each are brothers and directors and executive officers of the Company), together with trusts for the benefit of certain members of their respective families and other entities controlled by them, control approximately 68.0% of the voting power of our outstanding common stock. Due to such holdings, the Leeds brothers together with these trusts and entities are able to determine the outcome of virtually all matters submitted to stockholders for approval, including the election of directors, the appointment of management, amendment of our articles of incorporation, significant corporate transactions (such as a merger or other sale of our company or our assets), the payments of dividends on our common stock and the entering into of extraordinary transactions. Further, as a "controlled company" under NYSE rules, the Company has elected to opt-out of certain New York Stock Exchange listing standards that, among other things, require listed companies to have a majority of independent directors on their board; the Company does however currently have an independent Audit, Compensation Committee and Corporate Governance and Nominating Committees.

- *Risk of Thin Trading and Volatility of our Common Stock Could Impact Stockholder Value*

  Our common stock is currently listed on the NYSE and is thinly traded. Volatility of thinly traded stocks is typically higher than the volatility of more liquid stocks with higher trading volumes. The trading of relatively small quantities of shares of common stock by our stockholders may disproportionately influence the price of those shares in either direction. This may result in volatility in our stock price and could exacerbate the other volatility-inducing factors described below. The market price of our common stock could be subject to significant fluctuations as a result of being thinly traded.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We operate our business from numerous facilities in North America, France and Asia. These facilities include our headquarters location, administrative offices, telephone call centers and distribution centers. Certain facilities handle multiple functions. Most of our facilities are leased; certain are owned by the Company.

North America

As of December 31, 2017, IPG has six operational distribution centers in North America which aggregate approximately 2.0 million square feet, all of which are leased by IPG.

Our headquarters, administrative offices and call centers aggregate approximately 184,000 square feet within our IPG segment, all of which are leased.

In NATG there remain five retail stores, three B2B call centers and two warehouses that are either sublet or are being marketed for sublease. These properties aggregate to approximately 0.9 million square feet.

Europe

As of December 31, 2017, we have one distribution center in France which aggregates approximately 56,000 square feet and is leased by ETG. Our administrative offices and call centers aggregate approximately 47,000 square feet.

Asia

As of December 31, 2017, we leased two administrative offices in Asia aggregating approximately 9,000 square feet.

Please refer to Note 11 to the consolidated financial statements for additional information about leased properties, including aggregate rental expense for these properties.

Item 3. Legal Proceedings.

The Company and its subsidiaries are from time to time involved in various lawsuits, claims, investigations and proceedings which may include commercial, employment, customer, personal injury, creditors rights and health and safety law matters, as well as VAT tax disputes in European jurisdictions in which it has done business, and which are handled and defended in the ordinary course of business. In addition, the Company is from time to time subjected to various assertions, claims, proceedings and requests for damages and/or indemnification concerning sales channel practices and intellectual property matters, including patent infringement suits involving technologies that are incorporated in a broad spectrum of products the Company sells or that are incorporated in the Company’s e-commerce sales channels, as well as trademark/copyright infringement claims. The Company is also audited by (or has initiated voluntary disclosure agreements with) numerous governmental agencies in various countries, including U.S. Federal and state authorities, concerning potential income tax, sales tax and unclaimed property liabilities. These matters are in various stages of investigation, negotiation and/or litigation. The Company is also being audited by an entity representing 21 states seeking recovery of “unclaimed property”. The Company is complying with the unclaimed property audit and is providing requested information. The Company intends to vigorously defend these matters and believes it has strong defenses. In September 2017 the Company and certain subsidiaries comprising its former NATG "Tiger" consumer electronics business were sued in United States District Court, Northern District of California by a software publisher alleging that the NATG subsidiaries violated certain contractual sales channel restrictions resulting in claims of breach of contract and trademark/copyright infringement. The matter is at a very early stage and the Company is assessing the claims and its defenses; the Company cannot predict the outcome of this matter and believes the potential damages, if any, cannot be estimated at this time.

Although the Company does not expect, based on currently available information, that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial position or results of operations, the ultimate outcome is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company regularly assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable. In this regard, the Company establishes accrual estimates for its various lawsuits, claims, investigations and proceedings when it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the loss can be reasonably estimated. At December 31, 2017 the Company has established accruals for certain of its various lawsuits, claims, investigations and proceedings based upon estimates of the most likely outcome in a range of loss or the minimum amounts in a range of loss if no amount within a range is a more likely estimate. The Company does not believe that at December 31, 2017 any reasonably possible losses in excess of the amounts accrued would be material to the financial statements.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Systemax common stock is traded on the NYSE Euronext Exchange under the symbol "SYX." The following table sets forth the high and low closing sales price of our common stock as reported on the New York Stock Exchange for the periods indicated.

		High		Low
2017				
First Quarter	$	11.35	$	7.20
Second Quarter		20.44		11.66
Third Quarter		28.25		18.07
Fourth Quarter		34.31		27.12
2016				
First Quarter	$	9.55	$	7.46
Second Quarter		9.35		7.89
Third Quarter		9.06		7.65
Fourth Quarter		9.29		7.36

On December 29, 2017, the last reported sale price of our common stock on the New York Stock Exchange was $33.27 per share. As of December 31, 2017, we had 167 shareholders of record.

On December 26, 2017, the Company's Board of Directors declared a special cash dividend of $1.50 per share payable on January 12, 2018 to shareholders of record on January 5, 2018.

On October 31, 2017, the Company's Board of Directors declared a cash dividend of $0.10 per share payable on November 20, 2017 to shareholders of record on November 13, 2017.

On August 1, 2017, the Company's Board of Directors declared a cash dividend of $0.10 per share payable on August 21, 2017 to shareholders of record on August 14, 2017.

On May 4, 2017, the Company's Board of Directors declared a cash dividend of $0.10 per share payable on May 22, 2017 to shareholders of record on May 15, 2017.

On February 28, 2017, the Company's Board of Directors declared a cash dividend of $0.05 per share payable on March 20, 2017 to shareholders of record on March 10, 2017.

Depending in part upon profitability, the strength of our balance sheet, our cash position and the need to retain cash for the development and expansion of our business, we anticipate continuing a regular quarterly dividend in the future, subject to availability limitations under our credit facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition, Liquidity and Capital Resources" and Note 5 of "Notes to Consolidated Financial Statements".

Information regarding securities authorized for issuance under equity compensation plans and a performance graph relating to the Company's common stock is set forth in the Company's Proxy Statement relating to the 2018 Annual Meeting of Shareholders and is incorporated by reference herein.

Item 6. Selected Financial Data.

The following selected financial information is qualified by reference to, and should be read in conjunction with, the Company's Consolidated Financial Statements and the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this report. The selected statement of operations data, excluding discontinued operations, for fiscal years 2017, 2016 and 2015 and the selected balance sheet data as of December 2017 and 2016 are derived from the audited consolidated financial statements which are included elsewhere in this report. The selected balance sheet data as of December 2015, 2014 and 2013 and the selected statement of operations data for fiscal years 2014 and 2013 are derived from the audited consolidated financial statements of the Company which are not included in this report. The results of operations shown here have been adjusted to reflect the presentation of the ETG and NATG discontinued operations (See Note 1 of the Notes to Consolidated Financial Statements).

	Years Ended December 31, (In millions, except per share data)				
	2017	2016	2015	2014	2013
Statement of Operations Data:					
Net sales	$ 1,265.4	$ 1,170.3	$ 1,243.5	$ 1,364.7	$ 1,291.0
Gross profit	$ 351.4	$ 307.9	$ 310.5	$ 315.7	$ 291.2
Operating income (loss) from continuing operations	$ 71.3	$ 27.7	$ (3.5)	$ 6.8	$ (6.6)
Net income (loss) from continuing operations	$ 76.1	$ 16.9	$ (24.0)	$ (8.9)	$ (36.6)
Per Share Amounts:					
Net income (loss) from continuing operations — diluted	$ 2.02	$ 0.45	$ (0.65)	$ (0.24)	$ (0.99)
Weighted average common shares — diluted	37.6	37.2	37.1	37.1	37.0
Cash dividends declared per common share	$ 1.85	$ 0.10	$ —	$ —	$ —
Balance Sheet Data:					
Working capital	$ 178.3	$ 186.2	$ 214.2	$ 310.6	$ 345.8
Total assets	$ 551.4	$ 566.1	$ 710.1	$ 896.9	$ 942.2
Shareholders' equity	$ 211.8	$ 214.4	$ 253.9	$ 359.6	$ 406.2

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Systemax Inc., through its subsidiaries, is primarily a direct marketer of brand name and private label products. The Company currently operates and is internally managed in two reportable segments - Industrial Products Group ("IPG") and Europe Technology Group ("ETG"). Smaller business operations and corporate functions are aggregated and reported as an additional segment – Corporate and Other ("Corporate"). As previously disclosed in the second quarter of 2017 and for all periods presented, the Company modified the presentation of certain costs associated with operating our distribution centers as well as with our Purchasing and Product Development personnel. Historically these costs had been included as a component of cost of sales and are now included within Selling, Distribution and Administrative expenses ("SD&A").

As disclosed in our Form 8-K dated March 31, 2017, on March 24, 2017, certain wholly owned subsidiaries of the Company executed a definitive securities purchase agreement (the "Purchase Agreement") with certain special purpose companies formed by Hilco Capital Limited ("Hilco" and together with its management team partners, "Purchaser"). Pursuant to the Purchase Agreement, Purchaser acquired all of the Company's interests in Systemax Europe SARL, which includes its subsidiaries, Systemax Business Services K.F.T., Misco UK Limited, Systemax Italy S.R.L., Misco Iberia Computer Supplies S.L., Misco AB, Global Directmail B.V. and Misco Solutions B.V. (collectively, the "SARL Businesses"). The SARL Businesses were reported within the Company's EETG segment. The transaction closed immediately upon execution of the Purchase Agreement.

The Company retained its France technology value added reseller business, which is conducted through its subsidiary, Inmac Wstore S.A.S., which was not part of the sale transaction.

The SARL Businesses were sold on a cash-free, debt-free basis; proceeds were nominal. As part of the transaction, the Company retained a 5% residual equity position in the Purchaser's acquiring entity, HUK 77 Limited, which is being accounted for on the cost method, to which no value was ascribed, a $3.3 million note receivable ($2.2 million balance at December 31, 2017 which was paid in full in January 2018) and provided limited transition services to Purchaser through December 19, 2017 under a transition services agreement. The note receivable is included in accounts receivable, net in the Consolidated Balance Sheet at December 31, 2017. In October 2017, Misco UK Ltd. ("Misco UK"), one of the companies included in the sold SARL Businesses, was entered into administration insolvency proceedings in the UK. The Company's rights under the Purchase Agreement and the note receivable relate to the Purchaser and other affiliated entities which are not subject to such proceedings. The Company does not anticipate any material adverse effect on the Company due to the insolvency of Misco UK.

The sale of the SARL business met the “strategic shift with major impact” criteria as defined under Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which requires disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under ASU 2014-08 in order for a disposal to qualify for discontinued operations presentation in the financial statements, the disposal must be a "strategic shift" with a major impact for the reporting entity. If an entity meets this threshold, and other requirements, only the components that were in operation at the time of disposal are presented as discontinued operations. Therefore, the current year and prior year results of the SARL Businesses are included in discontinued operations in the accompanying consolidated financial statements. For the year ended December 31, 2017, 2016 and 2015, net sales of the SARL Businesses included in discontinued operations totaled $117.0 million, $509.8 million, $611.2 million, respectively, and net loss included in discontinued operations totaled $28.2 million, $24.8 million and $24.3 million, respectively. For a discussion of the accounting for the sale of the SARL Businesses, see Note 1 and Note 2 to the consolidated financial statements included in Item 15 of this Form 10-K.

As disclosed in our Form 10-K for the fiscal year 2015, the Company sold its North American Technology Products Group ("NATG") business and began the wind-down of its remaining NATG operations. The sale of the NATG business in December 2015 had a major impact on the Company and therefore met the strategic shift criteria as defined under ASU 2014-08. The NATG components in operation at the time of the sale were the B2B and Ecommerce businesses and three remaining retail stores. Accordingly, these components and the results of operations have been adjusted in the accompanying financial statements to reflect their presentation in discontinued operations. The wind-down was substantially completed in the second quarter of 2016 and the Company continues with collecting accounts receivable, settling accounts payable, marketing remained leased facilities, as well as, settling remaining lease obligations and other contingencies. These wind-down activities will continue in 2018. For the year ended December 31, 2017, 2016 and 2015, net sales of the NATG business included in discontinued operations totaled $0.0 million, $11.8 million and $1,053.4 million, respectively, and net loss included in discontinued operations totaled $7.5 million, $24.7 million and $51.5 million, respectively. For a discussion of the accounting and wind-down of the NATG business, see Note 1 and Note 2 to the consolidated financial statements included in Item 15 of this Form 10-K.

On September 2, 2016 the Company sold certain assets of its Misco Germany operations which had been reported as part of its ETG segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-08, prior and current year results of the German operations are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of Misco Germany included in continuing operations were $33.9 million and the net loss, including approximately $1.7 million of intercompany charges, was $6.4 million.

On December 31, 2016, the Company sold its rebate processing business which had been reported as part of its Corporate and Other (“Corporate”) segment. As this disposition was also not a strategic shift with a major impact as defined under ASU 2014-08, prior and current year results of the rebate processing business are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of the rebate processing business included in continuing operations were $3.7 million and the net loss was $2.3 million, including intercompany charges of $0.1 million. The Company recorded a gain on this sale in 2016 of approximately $3.9 million.

In order to provide more meaningful information to investors which reflect the full exit of NATG, Misco Germany, sale of the rebate processing business along with the associated gain on the sale, the Company is also presenting its results on a non-GAAP basis in the “Non-GAAP” operating results table. This non-GAAP presentation reflects the entire NATG segment, Misco Germany operation and rebate processing business as a discontinued operation for all periods presented as well as including adjustments for non-recurring items, intangible amortization and equity compensation in recurring operations.

Management’s discussion and analysis that follows will include IPG, ETG, Corporate and other, NATG continuing operations and discontinued operations.

<u>Industrial Products</u>

IPG sells a wide array of maintenance, repair and operational ("MRO") products, as well as other industrial and general business supplies, which are marketed in North America. Most of these products are manufactured by other companies; however, the Company does offer a selection of products that are manufactured for our own design and marketed under the trademarks *Global*™, *GlobalIndustrial.com*™ and *Nexel*™ *Relius™, Paramount™ and Interion™*. Industrial products accounted for 63%, 61% and *56*% of our net sales from continuing operations in 2017, 2016 and 2015, respectively.

On January 30, 2015, IPG completed its acquisition of the Plant Equipment Group, a business-to-business direct marketer of MRO products, from TAKKT America for $25.9 million in cash; post-closing working capital adjustments were de minimis. This acquisition expanded the Company's regional footprint and its market share.

Europe Technology Products Group

ETG sells information and communication technology ("ICT") products and consumer electronics ("CE"). These products are marketed primarily in France and to a much lesser extent Belgium. Substantially all of these products are manufactured by other companies. On March 24, 2017 the Company sold its SARL Businesses and its continuing ETG operations now only include those in France. Prior year comparatives will include France and the divested German operations which was sold in September 2016. France accounted for approximately 37%, 37% and 32% (excluding sales of the sold Germany operations in 2016 and 2015) of our net sales from continuing operations in 2017, 2016 and 2015, respectively.

In September 2016 the Company sold certain assets of its Misco Germany operations which had been reported as part of its ETG segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-08, prior and current year results of the German operations are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of Misco Germany included in continuing operations were $33.9 million and the net loss, including approximately $1.7 million of intercompany charges, was $6.4 million.

In both of these above mentioned product groups, we offer our customers a broad selection of products, prompt order fulfillment and extensive customer service.

Corporate and other

At December 31, 2016, the Company sold all of its issued and outstanding membership interests of its rebate processing business which had been reported as part of its Corporate and Other ("Corporate") segment. As this disposition was also not a strategic shift with a major impact as defined under ASU 2014-08, prior and current year results of the rebate processing business are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of the rebate processing business included in continuing operations were $3.7 million and the net loss was $2.3 million. The Company recorded a gain on this sale of approximately $3.9 million.

North American Technology Products Group

As discussed above, the Company sold certain B2B assets of NATG in December 2015 and substantially completed wind-down activities in 2016. The NATG segment sold primarily ICT and CE products. These products were marketed in the United States, Canada and Puerto Rico. Most of these products were manufactured by other companies; however the Company did offer a selection of products that were manufactured to our own designs and marketed on a private label basis. NATG sales included in continuing operations in 2017 and 2016 were 0% and 8% in 2015 of our net sales.

Discontinued Operations

As discussed above, for 2017 and prior year periods the Company's discontinued operations include the results of the SARL businesses sold in March 2017 and the NATG business sold in December 2015. Total net sales for the discontinued operations were $117.0 million, $521.6 million and $1.7 billion for the years ended 2017, 2016 and 2015, respectively. See Note 2 and 10 to the consolidated financial statements included in Item 15 of this Form 10-K for additional financial information about our business segments as well as information about our geographic operations.

Operating Conditions

The North American industrial products market is highly fragmented and we compete against multiple distribution channels. The ETG market for computer products and electronics is subject to intense price competition and is characterized by narrow gross profit margins. In both IPG and ETG, distribution is working capital intensive, requiring us to incur significant costs associated with the warehousing of many products, including the costs of maintaining inventory, leasing warehouse space, inventory management systems, and employing personnel to perform the associated tasks. We supplement our on-hand product availability by maintaining relationships with major distributors and manufacturers, utilizing a combination of stock and drop-shipment fulfillment.

The primary component of our operating expenses historically has been employee-related costs, which includes items such as wages, commissions, bonuses, employee benefits and equity based compensation, as well as marketing expenses, primarily comprised of digital marketing spend, and occupancy related charges associated with our distribution and call center facilities. We continually assess our operations to ensure that they are efficient, aligned with market conditions and responsive to customer needs.

In the discussion of our results of operations we refer to business to business channel sales and period to period constant currency comparisons. Sales in IPG, ETG and Corporate and other are considered to be B2B sales. In the NATG business, we had considered business to business ("B2B") channel sales to be sales made direct to other businesses and government /public sector entities through managed business relationships, outbound call centers and extranets. Consumer ("B2C") channel sales were sales from retail stores, consumer websites, inbound call centers and television shopping channels. Constant currency refers to the adjustment of the results of our foreign operations to exclude the effects of period to period fluctuations in currency exchange rates.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 15 of this Form 10-K. Certain accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty, and as a result, actual results could differ materially from those estimates. These judgments are based on historical experience, observation of trends in the industry, information provided by customers and information available from other outside sources, as appropriate. Management believes that full consideration has been given to all relevant circumstances that we may be subject to, and the consolidated financial statements of the Company accurately reflect management's best estimate of the consolidated results of operations, financial position and cash flows of the Company for the years presented. We identify below a number of policies that entail significant judgments or estimates, the assumptions and or judgments used to determine those estimates and the potential effects on reported financial results if actual results differ materially from these estimates.

Accounting policy	Assumptions and uncertainties	Quantification and analysis of effect on actual results if estimates differ materially
Revenue Recognition. We recognize product sales when persuasive evidence of an order arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Generally, these criteria are met at the time of receipt by customers when title and risk of loss both are transferred, except in our IPG segment where title and risk pass at time of shipment. Sales are presented net of returns and allowances, rebates and sales incentives. Reserves for estimated returns and allowances are provided when sales are recorded, based on historical experience and current trends.	Our revenue recognition policy contains assumptions and judgments made by management related to the timing and amounts of future sales returns. Sales returns are estimated based upon historical experience and current known trends.	We have not made any material changes to our sales return reserve policy in the past four years and we do not anticipate making any material changes to this policy in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment.

Allowance for Doubtful Accounts Receivable. We record an allowance for doubtful accounts to reflect our estimate of the collectability of our trade accounts receivable. While bad debt allowances have been within expectations and the provisions established, there can be no guarantee that we will continue to experience the same allowance rate we have in the past.	Our allowance for doubtful accounts policy contains assumptions and judgments made by management related to collectability of aged accounts receivable and chargebacks from credit card sales. We evaluate the collectability of accounts receivable based on a combination of factors, including an analysis of the age of customer accounts and our historical experience with accounts receivable write-offs. The analysis also includes the financial condition of a specific customer or industry, and general economic conditions. In circumstances where we are aware of customer credit card charge-backs or a specific customer's inability to meet its financial obligations, a specific reserve for bad debts applicable to amounts due to reduce the net recognized receivable to the amount management reasonably believes will be collected is recorded. In those situations with ongoing discussions, the amount of bad debt recognized is based on the status of the discussions.	We have not made any material changes to our allowance for doubtful accounts receivable reserve policy in the past four years and we do not anticipate making any material changes to this policy in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment. A change of 10% in our allowance for doubtful accounts reserve at December 31, 2017 would impact net income by approximately $0.2 million.
Inventory valuation. We value our inventories at the lower of cost or net realizable value; cost being determined on the first-in, first-out method except in France where an average cost is used. Excess and obsolete or unmarketable merchandise are written down based on historical experience, assumptions about future product demand and market conditions. If market conditions are less favorable than projected or if technological developments result in accelerated obsolescence, additional write-downs may be required. While obsolescence and resultant markdowns have been within expectations, there can be no guarantee that we will continue to experience the same level of markdowns we have in the past.	Our inventory reserve policy contains assumptions and judgments made by management related to inventory aging, obsolescence, credits that we may obtain for returned merchandise, shrink and consumer demand.	We have not made any material changes to our inventory reserve policy in the past four years and we do not anticipate making any material changes to this policy in the future. However if our estimates are materially different than our actual experience we could have a material loss adjustment. A change of 10% in our inventory reserves at December 31, 2017 would impact net income by approximately $0.2 million.

Goodwill and Intangible Assets. We apply the provisions of relevant accounting guidance in our valuation of goodwill, trademarks, domain names, client lists and other intangible assets. Relevant accounting guidance requires that goodwill and indefinite lived intangibles be reviewed at least annually for impairment or more frequently if indicators of impairment exist. The amount of an impairment loss would be recognized as the excess of the asset's carrying value over its fair value.	Our impairment testing involves judgments and uncertainties, quantitative and qualitative, related to the use of discounted cash flow models and forecasts of future results, both of which involve significant judgment and may not be reliable. Significant management judgment is necessary to evaluate the operating environment and economic conditions that exist to develop a forecast for a reporting unit. Assumptions related to the discounted cash flow models we use include the inputs used to determine the Company's weighted average cost of capital including a market risk premium, the beta of a reporting unit, reporting unit specific risk premiums and terminal growth values. Critical assumptions related to the forecast inputs used in our discounted cash flow models include projected sales growth, gross margin percentages, new business opportunities, working capital requirements, capital expenditures and growth in selling, general and administrative expense. We also use our Company's market capitalization and comparable company market data to validate our reporting unit valuations.	We have not made any material changes to our goodwill policy in the past four years and we do not anticipate making any material changes to this policy in the future. In the fourth quarter of 2016, the Company conducted an evaluation of certain intangible assets of its Mexico operation in its IPG segment and concluded that they were impaired and a charge of $0.1 million, pre-tax was recorded. In our discontinued ETG segment, impairment charges of $0.3 million were recorded in the fourth quarter of 2016, related to impairment of intangible assets in the United Kingdom. We have approximately, in aggregate, $14.5 million in goodwill and intangible assets at December 31, 2017. We do not believe it is reasonably likely that the estimates or assumptions used to determine whether any of our remaining goodwill or intangible assets are impaired will change materially in the future. However if the inputs used in our discounted cash flow models or our forecasts are materially different than actual experience we could incur impairment charges that are material.
Long-lived Assets. Management exercises judgment in evaluating our long-lived assets for impairment and in their depreciation and amortization methods and lives including evaluating undiscounted cash flows.	The impairment analysis for long lived assets requires management to make judgments about useful lives and to estimate fair values of long lived assets. It may also require us to estimate future cash flows of related assets using discounted cash flow model. Our estimates of future cash flows involve assumptions concerning future operating performance and economic conditions. While we believe that our estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect our evaluations.	We have not made any material changes to our long lived assets policy in the past four years and we do not anticipate making any material changes to this policy in the future. In the fourth quarter of 2016, the Company, after conducting an evaluation of the long-lived assets in its United Kingdom operations, recorded an impairment charge of $1.7 million within ETG discontinued operations segment. We do not believe it is reasonably likely that the estimates and assumptions used to determine long lived asset impairment will vary materially in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment. A change of 10% in the carrying value of our long lived assets would impact net income by approximately $1.5 million.

Vendor Accruals. Our contractual agreements with certain suppliers provide us with funding or allowances for costs such as price protection, markdowns and advertising as well as funds or allowances for purchasing volumes. Generally, allowances received as a reimbursement of identifiable costs are recorded as an expense reduction when the cost is incurred. Sales related allowances are generally determined by our level of purchases of product and are deferred and recorded as a reduction of inventory carrying value and are ultimately included as a reduction of cost of goods when inventory is sold.	Management makes assumptions and exercises judgment in estimating period end funding and allowances earned under our various agreements. Estimates are developed based on the terms of our vendor agreements and using existing expenditures for which funding is available, determining products whose market price would indicate coverage for markdown or price protection is available and estimating the level of our performance under agreements that provide funds or allowances for purchasing volumes. Estimates of funding or allowances for purchasing volume will include projections of annual purchases which are developed using current actual purchase data and historical purchase trends. Accruals in interim periods could be materially different if actual purchase volumes differ from projections.	We have not made any material changes to our vendor accrual policy in the past four years nor do we anticipate making any material changes to this policy in the future. If actual results are different from the projections used we could have a material gain or loss adjustment. A change of 10% in our vendor accruals at December 31, 2017 would impact net income by approximately $0.4 million.
Income Taxes. We are subject to taxation from federal, state and foreign jurisdictions and the determination of our tax provision is complex and requires significant management judgment. We conduct operations in numerous U.S. states and foreign locations. Our effective tax rate depends upon the geographic distribution of our pre-tax income or losses among locations with varying tax rates and rules. As the geographic mix of our pre-tax results among various tax jurisdictions changes, the effective tax rate may vary from period to period. We are also subject to periodic examination from domestic and foreign tax authorities regarding the amount of taxes due. These examinations include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. We establish as needed, and periodically reevaluate, an estimated income tax reserve on our consolidated balance sheet to provide for the possibility of adverse outcomes in income tax proceedings. While management believes that we have identified all reasonably identifiable exposures and whether or not a reserve is appropriate, it is possible that additional exposures exist and/or that exposures may be settled at amounts different than the amounts reserved.	The determination of deferred tax assets and liabilities and any valuation allowances that might be necessary requires management to make significant judgments concerning the ability to realize net deferred tax assets. The realization of our net deferred tax assets is significantly dependent upon the generation of future taxable income. In estimating future taxable income there are judgments and uncertainties related to the development of forecasts of future results that may not be reliable. Significant management judgment is also necessary to evaluate the operating environment and economic conditions that exist to develop a forecast for a reporting unit. Where management has determined that it is more likely than not that some portion or the entire deferred tax asset will not be realized, we have provided a valuation allowance. If the realization of those deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made.	We have not made any material changes to our income tax policy in the past four years and we do not anticipate making any material changes to this policy in the near future. We do not believe it is reasonably likely that the estimates or assumptions used to determine our deferred tax assets and liabilities and related valuation allowances will change materially in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment. In 2017 the Company recorded approximately $10.8 million in tax expense related to the revaluation of deferred tax assets as a result of tax law changes in the U.S. and France. The Company also recorded approximately $5.2 million in tax expense, also related to tax reform in the U.S., for taxes on undistributed earnings of its foreign subsidiaries. This tax was also offset by the utilization of net operating losses (see Note 8 to the Consolidated Financial Statements.

Special charges. We have recorded reorganization, restructuring and other charges in the past and could in the future commence further reorganization, restructuring and other activities which result in recognition in charges to income.

The recording of reorganization, restructuring and other charges may involve assumptions and judgments about future costs and timing for amounts related to personnel terminations, stay bonuses, lease termination costs, lease sublet revenues, outplacement services, contract termination costs, asset impairments and other exit costs. Management may estimate these costs using existing contractual and other data or may rely on third party expert data.

When we incur a liability related to these actions, we estimate and record all appropriate expenses. We do not believe it is reasonably likely that the estimates or assumptions used to determine our reorganization, restructuring and other charges will change materially in the future. However if our estimates are materially different than our actual experience we could have a material gain or loss adjustment.

The Company recorded special charges of $0.3 million, $3.9 million and $26.9 million in continuing operations related to reorganization, restructuring and asset impairment and other charges for the years ended 2017, 2016 and 2015, respectively.

Recently Adopted and Newly Issued Accounting Pronouncements

Public companies in the United States are subject to the accounting and reporting requirements of various authorities, including the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC"). These authorities issue numerous pronouncements, most of which are not applicable to the Company's current or reasonably foreseeable operating structure. Below are the new authoritative pronouncements that management believes are relevant to the Company's current operations.

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting standard that amends the guidance for the recognition of revenue from contracts with customers to transfer goods and services. The FASB has subsequently issued additional, clarifying standards to address issues arising from implementation of the new revenue recognition standard. The new revenue recognition standard and clarifying standards are effective for interim and annual periods beginning on January 1, 2018. The new standards are required to be adopted using either a full-retrospective or a modified-retrospective approach. The Company will adopt these standards using the modified-retrospective approach beginning on January 1, 2018. The Company has completed its impact assessment and does not anticipate a material impact to total revenues in the consolidated statements of operations, accounting policies, business processes, internal controls or disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which modifies certain accounting aspects for share-based payments to employees including, among other elements, the accounting for income taxes and forfeitures, as well as classifications in the statement of cash flows. The Company adopted this standard effective January 1, 2017 and its adoption did not materially impact the Company's consolidated financial position or results of operations when implemented in the first quarter of 2017. Under this guidance, a company recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement rather than paid-in capital, which is a change required to be applied on a prospective basis in accordance with the new guidance. We adopted the cash flow presentation that requires presentation of excess tax benefits within operating activities on a prospective basis. Accordingly, for the year ended December 31, 2017, we recorded discrete income tax benefits in the consolidated statement of operations of approximately $0.8 million, for excess tax benefits related to equity compensation. Additional amendments to the accounting for income taxes and minimum statutory withholding tax requirements had no impact on our results of operations. The presentation requirements for cash flows related to employee taxes paid for withheld shares is disclosed in our consolidated statement of cash flows and has been applied retrospectively. Cash flows related to employee taxes paid for withheld shares was immaterial for 2016 and 2015.

In March 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment,* which eliminates the second step from the goodwill impairment test. An entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but the loss cannot exceed the total amount of goodwill allocated to the reporting unit. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the effect of adopting this pronouncement.

Highlights from 2017

The discussion of our results of operations and financial condition that follows will provide information that will assist in understanding our financial statements and information about how certain accounting principles and estimates affect the consolidated financial statements. This discussion should be read in conjunction with the consolidated financial statements included herein.

- IPG sales increased 10.6% to $791.8 million and operating profit increased 102.9% to $69.6 million. On a constant currency basis, average daily sales increased 11.0%.
- ETG sales increased 5.0% to $473.6 million and operating profit increased 69.0% to $24.5 million. On a constant currency basis, average daily sales increased 3.8%.
- Consolidated operating income grew 157.4% to $71.3 million compared to $27.7 million in the prior year.

GAAP Results of Operations

Key Performance Indicators* (in millions):

	Years Ended December 31,				
	2017	2016	2015	% Change 2017/2016	% Change 2016/2015
Net sales of continuing operations by segment:					
IPG	$ 791.8	$ 715.6	$ 698.6	10.6 %	2.4 %
ETG	473.6	451.1	441.7	5.0 %	2.1 %
Corporate and Other	—	3.6	5.4	(100.0) %	(33.3) %
NATG- continuing operations	—	—	97.8	— %	(100.0) %
Consolidated net sales	$ 1,265.4	$ 1,170.3	$ 1,243.5	8.1 %	(5.9) %
Consolidated gross profit	$ 351.4	$ 307.9	$ 310.5	14.1 %	(0.8) %
Consolidated gross margin	27.8 %	26.3 %	25.0 %	1.5 %	1.3 %
Consolidated SD&A costs**	$ 280.1	$ 280.2	$ 314.0	— %	(10.8) %
*Consolidated SD&A costs** as % of sales*	22.1 %	23.9 %	25.3 %	(1.8) %	(1.4) %
Operating income (loss) from continuing operations by segment:					
IPG	$ 69.6	$ 34.3	$ 43.7	102.9 %	(21.5) %
ETG	24.5	14.5	13.0	69.0 %	11.5 %
Corporate and Other	(22.2)	(18.3)	(22.0)	(21.3) %	16.8 %
NATG – continuing operations	(0.6)	(2.8)	(38.2)	78.6 %	92.7 %
Consolidated operating income (loss)	$ 71.3	$ 27.7	$ (3.5)	157.4 %	891.4 %
Operating margin from continuing operations by segment:*					
IPG	8.8 %	4.8 %	6.3 %	4.0 %	(1.5) %
ETG	5.2 %	3.2 %	2.9 %	2.0 %	0.3 %
Consolidated operating margin from continuing operations	5.6 %	2.4 %	(0.3) %	3.2 %	2.7 %
Effective income tax rate (benefit) from continuing operations	(7.5) %	35.2 %	NM %	—	NM %
Net income (loss) from continuing operations	$ 76.1	$ 16.9	$ (24.0)	350.3 %	170.4 %
Net margin from continuing operations	*6.0 %*	*1.4 %*	*(1.9) %*	*4.6 %*	*3.3 %*
Loss from discontinued operations, net of tax	$ (35.7)	$ (49.5)	$ (75.8)	27.9 %	(34.7) %

*excludes discontinued operations (See Note 3 of Notes to Consolidated Financial Statements).
** includes special charges, net (See Note 3 of Notes to Consolidated Financial Statements).
NM=not meaningful

Non-GAAP Results of Operations

Supplemental Non-GAAP Continuing Operation Business Unit Summary Results-Unaudited					
Industrial Products Group					
	Year Ended December 31,			**% Change**	
	2017	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Sales	$ 791.8	$ 715.6	$ 698.6	10.6 %	2.4 %
Average daily sales*	$ 3.1	$ 2.8	2.7	11.1 %	3.6%
Gross profit	$ 273.2	$ 233.3	$ 228.7	17.1 %	2.0 %
Gross margin	34.5%	32.6%	32.7%		
Operating income	$ 70.9	$ 35.2	$ 44.0	101.4 %	(25.0)%
Operating margin	9.0%	4.9%	6.3%		
European Technology Products Group (France)					
	Year Ended December 31,			**% Change**	
	2017	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Sales	$ 473.6	$ 417.2	$ 382.6	13.5 %	9.0 %
Average daily sales**	$ 1.9	$ 1.6	1.5	14.4 %	10.3%
Gross profit	$ 78.2	$ 69.7	$ 62.5	12.2 %	11.5 %
Gross margin	16.5%	16.7%	16.3%		
Operating income	$ 25.1	$ 19.6	$ 16.0	28.1 %	22.5 %
Operating margin	5.3%	4.7%	4.2%		
Corporate & Other					
	Year Ended December 31,			**% Change**	
	2017	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Operating loss	$ (20.9)	$ (18.9)	$ (21.3)	(10.6)%	11.3 %
Consolidated					
	Year Ended December 31,			**% Change**	
	2017	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Sales	$ 1,265.4	$ 1,132.8	$ 1,081.2	11.7 %	4.8 %
Gross profit	$ 351.4	$ 303.0	$ 291.2	16.0 %	4.1 %
Gross margin	27.8%	26.7%	26.9%		
Operating income	$ 75.1	$ 35.9	$ 38.7	109.2 %	(7.2)%
Operating margin	5.9%	3.2%	3.6%		

*Percentages are calculated using sales data in hundreds of thousands. For the year ended December 31, 2017, 2016 and 2015, IPG had 253, 254 and 257 selling days, respectively and France had 251, 253 and 256 selling days, respectively.
**Percentages are calculated using sales data excluding Misco Germany, in hundreds of thousands.

[1] *On December 1, 2015 the Company closed on the sale of certain assets of its North American Technology Group ("NATG"). Pursuant to this transaction, the Company continues to wind down the remaining operations of NATG during 2017. In the GAAP presentation, the retail operations which were discontinued by the Company prior to the transaction, along with allocations of common distribution and back office costs, are presented as part of the Company's continuing operations for all periods; other NATG operations that were sold (as well as the remaining retail operations that existed at the time of the transaction (and were subsequently discontinued by the Company) are presented as discontinued operations for all periods. The non-GAAP results reflect the entire NATG segment as a discontinued operation for all periods presented as well as adjustments for non-recurring items, intangible amortization, equity compensation and a normalized effective tax rate in recurring operations. On September 2, 2016 the Company closed on the sale of certain assets of its Misco Germany operation which has been reported as part of its European Technology Products Group. Prior and current year results of Germany have been eliminated in the non-GAAP presentation. On December 31, 2016 the Company closed on the sale of its Afligo rebate processing business. Prior and current year results of the rebate processing business, along with the associated gain on the sale, have been eliminated in the non-GAAP presentation. On March 24, 2017, the Company closed on the sale of its European Technology Group businesses, other than its operations in France. Prior and current year results of these divested businesses, along with the associated loss on the sale, have been classified as discontinued operations in both the GAAP and non-GAAP presentation. The Company believes that the non-*

GAAP presentation conveys additional more meaningful information to investor as it depicts the operations that are currently generating sales and that will continue to do so in future periods. See accompanying GAAP reconciliation tables.

SYSTEMAX INC.

Reconciliation of Segment and Consolidated GAAP Net Sales from Continuing Operations to Segment and Consolidated Non-GAAP Net Sales from Continuing Operations - Unaudited

(In millions)

	Year Ended December 31,		
	2017	**2016**	**2015**
Industrial Products	$ 791.8	$ 715.6	$ 698.6
Technology Products - Europe	473.6	451.1	441.7
NATG - continuing operations	—	—	97.8
Corporate and Other	—	3.6	5.4
GAAP Net Sales	**1,265.4**	**1,170.3**	**1,243.5**
Non-GAAP adjustments:			
Technology Products - Europe:			
Reverse results of Germany included in GAAP Net Sales	—	(33.9)	(59.1)
Total Non-GAAP Adjustments: Technology Products Europe	—	(33.9)	(59.1)
Technology Products - NA:			
Reverse results of Germany included in GAAP Net Sales	—	—	(97.8)
Total Non-GAAP Adjustments: Technology Products NA	—	—	(97.8)
Corporate and Other:			
Reverse results of Afligo included in GAAP Net Sales	—	(3.6)	(5.4)
Total Non-GAAP Adjustments: Corporate and Other	—	(3.6)	(5.4)
Industrial Products	791.8	715.6	698.6
Technology Products-Europe	473.6	417.2	382.6
NATG - continuing operations	—	—	—
Corporate and Other	—	—	—
Non-GAAP Net Sales	**$ 1,265.4**	**$ 1,132.8**	**$ 1,081.2**

SYSTEMAX INC.
Reconciliation of Segment and Consolidated GAAP Gross Profit from Continuing Operations to Segment and Consolidated Non-GAAP Gross Profit from Continuing Operations - Unaudited
(In millions)

	Year Ended December 31,		
	2017	**2016**	**2015**
Industrial Products	$ 273.2	$ 233.3	$ 228.7
Technology Products - Europe	78.2	73.0	67.4
Technology Products - NA	—	—	10.5
Corporate and Other	—	1.6	3.9
GAAP Gross Profit	**351.4**	**307.9**	**310.5**
Non-GAAP adjustments:			
Technology Products - Europe:			
Reverse results of Germany included in GAAP Gross Profit	—	(3.3)	(5.0)
Total Non-GAAP Adjustments: Technology Products Europe	—	(3.3)	(5.0)
Technology Products - NA:			
Reverse results of NATG included in GAAP Gross Profit	—	—	(10.5)
Total Non-GAAP Adjustments: Technology Products NA	—	—	(10.5)
Corporate and Other:			
Reverse results of Afligo included in GAAP Gross Profit	—	(1.6)	(3.9)
Total Non-GAAP Adjustments: Corporate and Other	—	(1.6)	(3.9)
Industrial Products	273.2	233.3	228.7
Technology Products- Europe	78.2	69.7	62.4
Technology Products - NA	—	—	—
Corporate and Other	—	—	—
Non-GAAP Gross Profit	**$ 351.4**	**$ 303.0**	**$ 291.1**

SYSTEMAX INC.
Reconciliation of Segment GAAP Operating Income (Loss) from Continuing Operations to Non-GAAP Operating Income (Loss) from Continuing Operations - Unaudited
(In millions)

	Year Ended December 31,		
	2017	**2016**	**2015**
Industrial Products	$ 69.6	$ 34.3	$ 43.7
Technology Products - Europe	24.5	14.5	13.0
Technology Products - NA	(0.6)	(2.8)	(38.2)
Corporate and Other	(22.2)	(18.3)	(22.0)
GAAP operating income (loss)	**71.3**	**27.7**	**(3.5)**
Non-GAAP adjustments:			
Industrial Products:			
Integration costs	—	—	1.0
Intangible asset amortization	1.0	0.5	0.3
Stock-based and other special compensation	0.3	0.4	(1.0)
Total Non-GAAP Adjustments – Industrial Products	1.3	0.9	0.3
Technology Products - Europe:			
Reverse results of Germany operations	0.5	4.7	3.0
Intangible asset amortization	0.1	0.4	—
Total Non-GAAP Adjustments: Technology Products Europe	0.6	5.1	3.0
Technology Products - NA:			
Reverse results of NATG included in GAAP continuing operations	0.6	2.8	38.2
Total Non-GAAP Adjustments: Technology Products NA	0.6	2.8	38.2
Corporate and Other:			
Gain on sale of Afligo	—	(3.9)	—
Reverse results of Afligo included in GAAP continuing operations	—	2.2	0.1
Stock based compensation	1.3	1.1	0.6
Total Non-GAAP Adjustments: Corporate and Other	1.3	(0.6)	0.7
Industrial Products	70.9	35.2	44.0
Technology Products - Europe	25.1	19.6	16.0
Technology Products - NA	—	—	—
Corporate and Other	(20.9)	(18.9)	(21.3)
Non-GAAP operating income	**$ 75.1**	**$ 35.9**	**$ 38.7**

Management's discussion and analysis that follows will include IPG, ETG, NATG continuing operations and ETG and NATG discontinued operations. The discussion is based upon the GAAP Results of Operations table.

NET SALES

SEGMENTS:

The IPG segment net sales benefited in 2017 from continued growth across both its U.S. and Canadian core business categories including material handling, HVAC, and storage solutions. IPG U.S. revenue was up 10.3% for the year while Canada sales were up approximately 18.0% on a constant currency basis. Increased sales included both new customer acquisition as well as increased penetration of existing customer accounts while the US also benefited from a strengthening macro economic environment.

The IPG segment net sales benefited in 2016 from continued growth across its U.S. core business categories including material handling, HVAC and furniture. IPG U.S. revenue was up 3.3% for the year while Canada sales were down approximately 10.3% on a constant currency basis. Increased sales headcount in various customer facing roles as well as increased e-commerce revenue contributed to the increased sales. On a constant currency basis and excluding the January 2015 P.E.G. acquisition, average daily sales grew 2.8%.

The ETG segment, comprising France and the divested German operations, net sales increase in 2017 and 2016 is primarily attributable to growth across our product categories and customer segments, led by growth in our large key accounts in our France operations. France was awarded and fulfilled many large tenders for Government and Education in both 2017 and 2016. On a constant currency basis, net sales increased 3.0% and average daily sales increased 3.8% in 2017 compared to 2016 and net sales increased 2.6% and average daily sales increased 3.3% in 2016 compared to 2015. Excluding divested Germany operations, on a constant currency basis, net sales increased 11.3% and average daily sales increased 12.2% in 2017 compared to 2016 and net sales increased 9.6% and average daily sales increased 10.3% in 2016 compared to 2015. The Corporate and Other segment net sales decrease in 2017 compared to 2016 is attributable to the divestiture of the rebate processing business in 2016 and 2016 compared to 2015 is attributable to the decrease in the rebate processing business which was impacted by the exit from our NATG operations in 2015.

Sales in NATG continuing operations represent the sales of the retail stores closed during the first half of 2015. NATG discontinued operations net sales totaled $0.0 million, $11.8 million (liquidation sales) and $1.0 billion for 2017, 2016 and 2015, respectively.

ETG discontinued operations net sales totaled $117.0 million, $509.8 million and $611.2 million for 2017, 2016 and 2015, respectively.

GROSS MARGIN

Gross margin is dependent on variables such as product mix including sourcing and category, vendor price protection and other sales incentives, competition, pricing strategy, cooperative advertising funds classified as a reduction to cost of sales, free freight and freight discounting arrangements and other variables, any or all of which may result in fluctuations in gross margin. As previously disclosed in the second quarter of 2017 and for all periods presented, the presentation of expenses associated with the cost of warehouse operations as well as with Purchasing and Product Development personnel are reflected within Selling, Distribution and Administrative expenses, rather than as a component of cost of sales as historically had been presented.

The IPG segment gross margin improved 190 basis points in 2017 compared to prior year reflecting both increased product and freight margins. Product margin improvements were driven by a shift in sourcing mix towards stocked items, which typically have lower relative cost, and away from drop shipped products which typically have a higher relative cost, as well as due to strategic pricing adjustments which allowed for higher selling prices while remaining competitive. Freight margin improvements were primarily associated with a reduction of free or fixed freight offerings as well as due to better distribution network utilization as we completed our warehouse management system conversion project early in the year. In addition, the year over year improvement also consists of a negative inventory adjustment of $1.7 million recognized in the second quarter of 2016 which had been identified when converting the warehouse management systems.

The IPG segment gross margin declined 10 basis points in 2016 compared to 2015 reflecting flat product margins, decreased freight margins and increased warehouse staffing cost due to incremental temporary labor to ensure our customer service levels are maintained during the transition to our new warehouse management and distribution system, which was completed in the first half of 2017.

The ETG segment gross margin improved 30 basis points compared to 2016 and improved 90 basis points comparing 2016 to 2015 reflecting a shift in customer mix and large deals, offset by the category mix. ETG segment gross margin, excluding the Germany operations, decreased 20 basis points compared to 2016 reflecting a product mix more weighted toward client devices that carry lower margins as well as a shift in customer mix. ETG segment gross margin, excluding the Germany operations, increased 40 basis points compared to 2015 primarily the result of changes in the sales mix related to both product and customers in our France business.

SELLING, DISTRIBUTION AND ADMINISTRATIVE EXPENSES ("SD&A"), EXCLUDING SPECIAL CHARGES

Consolidated selling, distribution and administrative expenses totaled $279.8 million, $276.3 million and $287.1 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Within the second quarter of 2017 and for all periods presented, the presentation of expenses associated with the cost of warehouse operations as well as with Purchasing and Product Development personnel were modified to be reflected within Selling, Distribution and Administrative expenses, rather than as a component of cost of sales as had been historically presented before this change was adopted in the second quarter of 2017.

The IPG segment SD&A costs as a percentage of sales decreased in 2017 compared to 2016 as a result of improved leverage across significant cost areas such as marketing, general operating expenses and the cost benefit of a more streamlined employee base. In total IPG segment SD&A as a percentage of sales decreased by 210 basis points compared to 2016. In absolute dollars IPG incurred increased salary and related costs as well as temporary help costs of approximately $3.5 million, increased contract services, rent and related costs of approximately $1.2 million and increased depreciation expense of $0.3 million in 2017 compared to 2016 offset by savings in internet advertising spend of $1.6 million.

The IPG segment SD&A costs as a percentage of sales increased 150 basis points in 2016 compared to 2015. Significant expense increases included approximately $4.6 million of increased salary and related costs of which $0.6 million related to the cost reduction strategies implemented in the second quarter of 2016, investments in the sales force, increased IT costs of approximately $2.9 million and increased net internet advertising spending of approximately $1.9 million as it continues to expand its online product offerings and its e-commerce presence. Included in the IPG segment's SD&A expenses is 12 months of P.E.G. costs compared to 11 months in the prior year.

The ETG segment SD&A costs as a percentage of sales improved 130 basis points for 2017 compared to 2016 as a result of leverage of fixed costs related to revenue and volume growth and the divestiture of the Germany operations in 2016. Of this improvement, 30 basis points was related to a one time contract settlement charge in the second quarter of 2016 of $1.4 million. Other savings of $2.8 million result from the elimination of shared service center charges as a result of the divestiture of the SARL Businesses offset by increased salary and related costs of $2.4 million primarily related to a statutory profit sharing contribution and $0.6 million of increased internet advertising spend. The sale of the SARL Businesses required ETG to replace with in country personnel the functions handled by the shared service center in Hungary that was part of the sale. Excluding the Germany operations, SD&A costs as a percentage of sales improved 90 basis points compared to 2016.

The ETG segment SD&A costs as a percentage of sales increased 40 basis points for 2016 compared to 2015. Significant costs included $1.4 million of one time contract settlement charges previously mentioned, $1.1 million of increased internet and catalog advertising spend and catalog offset by reduced bad debt expense of approximately $0.4 million and rent costs of approximately $0.1 million. Excluding the Germany operations and the one time contract settlement charge previously mentioned, SD&A improved 30 basis points.

The Corporate and other segment SD&A costs increased in 2017 compared to 2016 primarily related to increased incentive compensation costs of approximately $1.4 million offset by the reduction in costs resulting from the sale of the rebate processing business in December 2016.

The Corporate and other segment SD&A costs decreased by approximately $5.8 million in 2016 compared to 2015 primarily attributable to the gain on the sale of the rebate processing business of $3.9 million, lower salary and related costs of approximately $1.9 million, savings within professional fees of approximately $0.9 million offset by increased IT costs of approximately $1.0 million.

NATG continuing operations SD&A expense for 2017 totaled $0.3 million primarily for utilities, telephone and legal fees, $0.6 million for 2016 primarily for utilities, telephone, repairs & maintenance, and $23.1 million for 2015 primarily for payroll costs, credit card fees, rent and utilities. NATG continuing operations SD&A expense is primarily payroll costs, credit card fees, rent and utilities.

ETG and NATG discontinued operations SD&A expense totaled $22.1 million, $96.9 million and $221.0 million for each of 2017, 2016 and 2015, respectively.

SPECIAL CHARGES, NET

In 2017 the Company incurred special charges of $30.9 million, of which $0.3 million is included in continuing operations within the NATG segment and $30.6 million is included in discontinued operations within the ETG and NATG segments.

The Company's ETG segment incurred special charges related to the sale of the SARL Businesses of approximately $23.7 million, which included an $8.2 million loss on the sale of net assets, $14.4 million of cumulative translation adjustments, $1.1 million of legal, professional and other costs, $0.8 million recovery from settlement of an outstanding obligation related to the sale, $0.3 million of severance and other personnel costs and $0.5 million of costs related to a transitional services agreement. Of these charges previously mentioned, $1.4 million required the use of cash.

The Company expects that total additional charges related to the sale of the SARL Businesses will be less than $1.0 million which will be presented in discontinued operations. Additional charges may be incurred in the discontinued SARL Businesses related to disputed statutory tax indemnities given at closing.

The Company's NATG segment incurred special charges for the year ended December 31, 2017 of approximately $7.2 million, approximately $6.5 million related to updating our future lease cash flows expectations related to previously exited retail stores of $0.3 million, which is included in continuing operations, and $6.2 million in discontinued operations as these charges related to the distribution center and the NATG corporate headquarters and $0.7 million related to ongoing restitution proceedings against certain former NATG executives.
The Company incurred special charges for the year ended December 31, 2016 of $15.4 million within ETG and NATG segments, of which $3.9 million is included in continuing operations and $11.5 million is included in discontinued operations.

The Company's ETG segment incurred special charges during 2016 of approximately $3.7 million, of which $1.7 million is included within continuing operations and $2.0 million is included within discontinued operations. The $1.7 million related to the sale of certain assets of its German business, including customer relationships and the employees of its Misco Germany branch. The Germany operations charges incurred included approximately $1.0 million for lease termination costs (includes $0.3 million benefit related to previous rent accruals), $0.6 million for professional fees related to the sale and approximately $0.1 million for write off of inventory and fixed assets. The $2.0 million of special charges, included within discontinued operations, related to impairment charges related to goodwill and long-lived assets in the United Kingdom operations.

The Company's NATG segment incurred special charges in 2016 of approximately $11.7 million, of which $2.2 million is included in continuing operations and $9.5 million is included in discontinued operations. Charges incurred included approximately $10.9 million for lease terminations and other exit costs (includes $3.3 million benefit of previous rent accruals) for the closing of the two remaining retail stores, a distribution center and the NATG corporate headquarters in 2016, approximately $2.0 million of additional lease termination costs (includes $0.1 million benefit of previous rent accruals) of our previously exited retail stores (present value of contractual gross lease payments net of sublease rental income, or settlement amount), $0.6 million for consulting expenses related to the lease terminations and $0.2 million for severance and related expenses.

NATG also incurred approximately $1.3 million of professional costs, related to the ongoing restitution proceedings against certain former NATG executives and professional costs related to the investigation conducted at the request of the US Attorney for the Southern District of Florida. These charges were offset by approximately $1.3 million received as a partial payment related to the investigation, settlement, prosecution, and restitution proceedings related to the former NATG executives, $1.1 million benefit related to the settlement of vendor obligations, $0.5 million received from auction proceeds from the sale of fixed assets and approximately $0.4 million received when the buyer of NATG. exercised its option to acquire the consumer customer lists and related information of the NATG business.

The Company incurred special charges for the year 2015 of approximately $29.5 million within the ETG, NATG and IPG segments, of which $26.9 million is included within continuing operations and $2.6 million is included within discontinued operations. These charges included approximately $25.6 million attributable to the NATG segment for severances and lease termination costs related to the closing of 31 retail stores and a warehouse during 2015. Other charges incurred in 2015 include costs for additional legal and professional fees related to the previously disclosed investigation and settlement with former officers and employees and long-lived asset impairment charges.

IPG recorded special charges of approximately $1.0 million in 2015, within continuing operations, related to severance costs associated with the integration of P.E.G. of $0.4 million and $0.6 million for lease termination costs related to one of their leased facilities.

Special charges incurred in the ETG segment in 2015, within continuing operations, related to impairment charges of $0.3 million related to the long-lived assets in our Germany operations. The impairment charges resulted from negative cash flows in 2015 and a forecast for continued cash use.

Special charges included in ETG and NATG discontinued operations in 2015 totaled approximately $2.6 million. ETG charges included $0.7 million related to the previously disclosed exit of the Chief Executive of the EMEA Technology operations and an impairment charge of $0.4 million related to the long-lived assets in Italy, Spain and Sweden operations. The impairment charge resulted from negative cash flows in 2015 and a forecast for continued cash use in these entities. A favorable severance accrual adjustment of $0.1 million was also recorded in 2015 in ETG. Special charges of $1.6 million was included in NATG discontinued operations.

OPERATING MARGIN

IPG's operating margin increase of 400 basis points in 2017 compared to 2016 was driven by a combination of increased net sales, improved gross margin rate, lowered digital marketing spend, as well as savings from salary reductions realized from certain actions taken in the first quarter of 2017. These improvements and cost reductions were partially offset by increased variable compensation resulting from the improved financial performance of the business.

IPG's operating margin decrease of 150 basis points in 2016 reflects the increased expenses for the larger Las Vegas distribution center, including temporary help to ensure our service level is maintained during our transition to our new warehouse management and distribution system, increased internet advertising spending to drive traffic, increased salary and related costs due to investments in sales force and customer service staff, partially offset by a reduction of back office headcount, which was completed in the second quarter of 2016, as well as approximately $1.7 million related to an inventory adjustment the Company gained visibility into during the IT system conversion in the second quarter of 2016.

ETG's operating margin increase of 200 basis points compared to 2016 was driven by leverage of ETG's cost structure as revenues grew in 2017 as well as the elimination of Germany operating losses which were $4.7 million for the year 2016 as the result of the sale of that business in September 2016. Excluding the Germany operations, operating margin increased 70 basis points compared to 2016.

Consolidated operating margin was impacted by special charges of $0.3 million, $3.9 million and $26.9 million in 2017, 2016 and 2015, respectively.

INTEREST AND OTHER EXPENSE, NET

Included in interest and other expense (income), net in continuing operations, is interest expense of $0.4 million, $0.7 million and $1.0 million in 2017, 2016 and 2015, respectively. The interest expense is attributable to decreasing balances owed on outstanding capital lease obligations and credit facility charges.

INCOME TAXES

On December 22, 2017, the Tax Cut and Jobs Act ("TCJA") was enacted in the United States. The TCJA significantly changes U.S. corporate tax impacts by, among other things, lowering the corporate tax rate to 21% from 35% effective January 1, 2018, implementing a territorial tax system and imposing a one-time repatriation tax on previously untaxed, accumulated earnings of foreign subsidiaries. As a result of the new tax law, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 118 ("SAB 118"). SAB 118 allows companies to record the tax impacts of the new law as provisional amounts during a measurement period of up to one year from the enactment date of the new law. The Company has recognized a provisional amount for the one-time repatriation tax of approximately $5.2 million and has included this amount in its consolidated financial statements for the year ended December 31, 2017. The Company expects to complete its analysis of the historical earnings and profits of all of its foreign subsidiaries and record any adjustment to the provisional amount within the one year measurement period.

Deferred tax assets and liabilities are measured using enacted tax rates expected to be in place in the year in which they are expected to reverse. As a result of the reduction in the U.S. corporate income tax rate, the Company revalued its net deferred tax assets in the U.S. at December 31, 2017 and recorded tax expense of approximately $10.3 million. On December 31, 2017 the French Parliament adopted the Finance Law for 2018. Under this law, French corporate income tax rates are reduced from 33.33% to 25% over a five year period. As a result of the scheduled reductions in the French corporate income tax rate, the Company revalued its French net deferred tax assets at December 31, 2017 and recorded tax expense of approximately $0.5 million.

The Company recorded net tax benefits from continuing operations for 2017 of $5.3 million and net tax benefits from discontinued operations of $3.7 million. The net benefit from continuing operations was primarily the result of the provisional repatriation tax recorded and the deferred tax remeasurment expenses which were more than offset by the reversal of valuation allowances against the Company's U.S. federal and certain state deferred tax assets and the utilization of net operating losses against pretax income and the repatriation tax.

The Company’s tax (benefit) expense is presented in both continuing and discontinued operations in 2017, 2016 and 2015. Tax benefit included in continuing operations was approximately $5.3 million in 2017 compared to $9.2 million expense in 2016.

Tax expense included in continuing operations was approximately $12.3 million in 2015 driven primarily by tax expense in Canada, Puerto Rico and certain U.S. states in both 2016 and 2015. The decrease in tax expense in 2016 is primarily attributable to lower tax expense in the U.S. and EMEA.

Financial Condition, Liquidity and Capital Resources

Selected liquidity data (in millions):

	December 31, 2017	December 31, 2016	$ Change
Cash	$ 184.5	$ 149.7	$ 34.8
Accounts receivable, net	$ 174.3	$ 148.6	$ 25.7
Inventories	$ 131.5	$ 116.7	$ 14.8
Prepaid expenses and other current assets	$ 3.8	$ 3.9	$ (0.1)
Accounts payable	$ 196.1	$ 181.3	$ 14.8
Dividend payable	$ 55.7	$ —	$ 55.7
Accrued expenses and other current liabilities	$ 64.0	$ 49.2	$ 14.8
Working capital	$ 178.3	$ 186.2	$ (7.9)

Our primary liquidity needs are to support working capital requirements in our business, including the wind-down activities of the NATG and ETG businesses, funding recently declared and any future dividends, funding capital expenditures, continuing investment in upgrading and expanding our technological capabilities and information technology infrastructure, and funding acquisitions. We rely principally upon operating cash flows to meet these needs. We believe that cash flow available from these sources and our availability under credit facilities will be sufficient to fund our working capital and other cash requirements for at least the next twelve months. We believe our current capital structure and cash resources are adequate for our internal growth initiatives. To the extent our growth initiatives expand, including major acquisitions, we would seek to raise additional capital. We believe that, if needed, we can access public or private funding alternatives to raise additional capital.

Our working capital decreased due to declaration of dividends, increases in accounts payable and accrued expenses balances compared to prior year. Accounts receivable days outstanding were at 47.1 in 2017 down from 48.1 in 2016. Inventory turns were 7.4 in 2017 compared to 8.0 in 2016 and accounts payable days outstanding were 71.8 in 2017 compared to 75.4 in 2016. We expect that future accounts receivable, inventory and accounts payable balances will fluctuate with net sales and the mix of our net sales between consumer and business customers.

Net cash provided by operating activities from continuing operations was $57.9 million resulting from changes in our working capital accounts, which used $8.3 million in cash compared to $50.7 million used in 2016, primarily the result of increased accounts receivable and inventory balances and the fluctuation in our accounts payable and accrued expenses balances. Cash generated from net income adjusted by other non-cash items provided $66.2 million compared to $27.1 million provided by these items in 2016, primarily related to the significant change in income from continuing operations and the change in the provision for deferred income taxes which reflects the reversal of certain valuation allowance account balances. Net cash used in operating activities from continuing operations was $23.6 million in 2016 compared to $128.7 million during 2015, resulting from changes in our working capital accounts which used $50.7 million in 2016 compared to $134.0 million provided in 2015, primarily the result of fluctuations in our inventories balances due to the liquidation of inventories at our retail stores in 2015, accounts receivable, accounts payable and accrued expenses balances. Cash generated from net income (loss) adjusted by other non-cash items provided $27.1 million in 2016 compared to $5.32 million used in 2015, primarily the result of increased income from continuing operations, fluctuations in asset impairment charges and non-cash benefit items recorded and changes in gain (loss) on disposition and abandonment. Net cash used in operating activities from discontinued operations was $12.3 million, $33.8 million and $42.2 million for 2017, 2016 and 2015 respectively.

Net cash used in investing activities from continuing operations totaled $2.7 million, $1.9 million and $33.4 million for 2017, 2016 and 2015, respectively. In 2017, investing activities included invested in warehouse pick modules, warehouse racking and mobile sales application software for IPG segment. In 2016 investing activities included information and communication systems hardware and software, leasehold improvements and lift trucks for inventory and warehousing functions for IPG segment. The acquisition of P.E.G. in 2015 used $24.8 million, net of cash acquired of $0.9 million along with $0.9 million of proceeds from the sale of our former PC manufacturing facility. In 2015 other investing activities include leasehold improvements for racking, equipment and build out of our additional warehouse space for IPG segment, new office space for our France operations, expenditures for our inventory and warehousing functions in ETG and IPG and information and communications systems hardware and software, aggregating $10.0 million. Net cash used in investing activities from discontinued operations was $0.1 million, $0.8 million and $1.3 million.

Net cash used in financing activities was $11.5 million, $4.0 million and $2.9 million in 2017, 2016 and 2015, respectively. In 2017, cash used in financing activities was primarily for dividends paid during 2017 totaling $13.0 million, $0.1 million used to repay outstanding capital lease obligations and $0.8 million used as payment of payroll taxes on stock-based compensation through withholding shares offset by $2.4 million from proceeds from stock option exercises. In 2016 cash used in financing activities was primarily related to dividends paid. In 2015, we repaid approximately $2.7 million of capital lease obligations and repurchased approximately $0.2 million of treasury stock. Net cash used in financing activities from discontinued operations totaled $0, $0.1 million and $0.1 million in 2017, 2016 and 2015, respectively.

The Company maintains a $75.0 million secured revolving credit agreement with one financial institution which has a five year term, maturing on October 28, 2021 and provides for borrowings in the United States. The credit agreement contains certain operating, financial and other covenants, including limits on annual levels of capital expenditures, availability tests related to payments of dividends and stock repurchases and fixed charge coverage tests related to acquisitions. The revolving credit agreement requires that a minimum level of availability be maintained. If such availability is not maintained, the Company will be required to maintain a fixed charge coverage ratio (as defined). The borrowings under the agreement are subject to borrowing base limitations of up to 85% of eligible accounts receivable and the inventory advance rate computed as the lesser of 60% or 85% of the net orderly liquidation value (“NOLV”). Borrowings are secured by substantially all of the Borrower’s assets, as defined, including all accounts, accounts receivable, inventory and certain other assets, subject to limited exceptions, including the exclusion of certain foreign assets from the collateral. The interest rate under the amended and restated facility is computed at applicable market rates based on the London interbank offered rate (“LIBO”), the Federal Reserve Bank of New York (“NYFRB”) or the Prime Rate, plus an applicable margin. The applicable margin varies based on borrowing base availability. As of December 31, 2017, eligible collateral under the credit agreement was $74.6 million, total availability was $73.1 million, total outstanding letters of credit were $2.9 million, excess availability was $70.2 million and there were no outstanding borrowings. The Company was in compliance with all of the covenants of the credit agreement in place as of December 31, 2017.

Levels of earnings and cash flows are dependent on factors such as consolidated gross margin and selling, distribution and administrative costs as a percentage of sales, product mix and relative levels of domestic and foreign sales. Unusual gains or expense items, such as special (gains) charges and settlements, may impact earnings and are separately disclosed. We expect that past performance may not be indicative of future performance due to the competitive nature of the segments we operate in.

Macroeconomic conditions, such as business and consumer sentiment, may affect our revenues, cash flows or financial condition. However, we do not believe that there is a direct correlation between any specific macroeconomic indicator and our revenues, cash flows or financial condition. We are not currently interest rate sensitive, as we have significant cash balances and minimal debt.

The expenses, capital expenditures and exit activities described above will require significant levels of liquidity, which we believe can be adequately funded from our currently available cash resources. In 2018 we anticipate capital expenditures of up to $8.0 million, though at this time we are not contractually committed to incur these expenditures. Over the past several years we have engaged in opportunistic acquisitions, choosing to pay the purchase price in cash, and may do so in the future as favorable situations arise. However, a deep and prolonged period of reduced business spending could adversely impact our cash resources and force us to either forego future acquisition opportunities or to pay the purchase price in shares of our common stock, which could have a dilutive effect on our earnings per share. We believe that our cash balances, future cash flows from operations and our availability under credit facilities will be sufficient to fund our working capital and other cash requirements for at least the next twelve months.

We maintain our cash and cash equivalents in money market funds or their equivalent that have maturities of less than three months and in non-interest bearing accounts that partially offset banking fees. As of December 31, 2017, we had no investments with maturities of greater than three months. Accordingly, we do not believe that our cash balances have significant exposure to interest rate risk. At December 31, 2017 cash balances held in foreign subsidiaries totaled approximately $41.8 million. These balances are held in local country banks and are held primarily to support local working capital needs. The Company intends to repatriate excess foreign cash balances when available and when it is tax efficient. The Company had in excess of $214 million of liquidity (cash and undrawn line of credit) in the U.S. as of December 31, 2017, which is sufficient to fund its U.S. operations and capital needs, including any dividend payments, for the foreseeable future.

We are obligated under non-cancelable operating leases for the rental of most of our facilities and certain of our equipment which expires at various dates through 2032. We have sublease agreements for unused space we lease in the United States and Germany. In the event the sub lessee is unable to fulfill its obligations, we would be responsible for rents due under the leases.

Following is a summary of our contractual obligations for future principal payments on our debt, minimum rental payments on our non-cancelable operating leases and minimum payments on our other purchase obligations as of December 31, 2017 (in millions):

		Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:						
Capital lease obligations	$	0.2	0.1	0.1	—	—
Non-cancelable operating leases, net of subleases		120.3	18.4	38.1	27.5	36.3
Purchase & other obligations		23.6	4.4	10.1	9.1	—
Total contractual obligations	$	144.1	22.9	48.3	36.6	36.3

Our purchase and other obligations consist primarily of product purchase commitments, certain employment agreements and service agreements.

In addition to the contractual obligations noted above, we had $2.9 million of standby letters of credit outstanding as of December 2017.

We are party to certain litigation, the outcome of which we believe, based on discussions with legal counsel, will not have a material adverse effect on our consolidated financial statements.

Tax contingencies are related to uncertain tax positions taken on income tax returns that may result in additional tax, interest and penalties being paid to taxing authorities. As of December 31, 2017, the Company had no material uncertain tax positions.

Off-Balance Sheet Arrangements

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements that are reasonably likely to materially affect our liquidity or the availability of capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risks, which include changes in U.S. and international interest rates as well as changes in currency exchange rates (principally European Union Euros and Canadian Dollars) as measured against the U.S. Dollar and each other.

The translation of the financial statements of our operations located outside of the United States is impacted by movements in foreign currency exchange rates. Changes in currency exchange rates as measured against the U.S. dollar may positively or negatively affect income statement, balance sheet and cash flows as expressed in U.S. dollars. Sales would have fluctuated by approximately $49.6 million and pretax loss would have fluctuated by approximately $2.6 million if average foreign exchange rates changed by 10% in 2017. We have limited involvement with derivative financial instruments and do not use them for trading purposes. We may enter into foreign currency options or forward exchange contracts aimed at limiting in part the impact of certain currency fluctuations, but as of December 31, 2017 we had no outstanding forward exchange contracts.

Our exposure to market risk for changes in interest rates relates primarily to our variable rate debt. Our variable rate debt consists of short-term borrowings under our credit facilities. As of December 31, 2017, there were no outstanding balances under our variable rate credit facility. A hypothetical change in average interest rates of one percentage point is not expected to have a material effect on our financial position, results of operations or cash flows over the next fiscal year.

Item 8. Financial Statements and Supplementary Data.

The information required by Item 8 of Part II is incorporated herein by reference to the Consolidated Financial Statements filed with this report; see Item 15 of Part IV.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of December 31, 2017. Based upon this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures are effective.

Inherent Limitations of Internal Controls over Financial Reporting

The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company’s internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company’s assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company’s receipts and expenditures are being made only in accordance with authorizations of the Company’s management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the Company’s financial statements.

Management, including the Company’s Chief Executive Officer and Chief Financial Officer, does not expect that the Company’s internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of internal controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Also, any evaluation of the effectiveness of controls in future periods are subject to the risk that those internal controls may become inadequate because of changes in business conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its internal control over financial reporting based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's internal control over financial reporting was effective as of December 31, 2017.

The Company's independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2017, a copy of which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ending December 31, 2017 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Systemax Inc.

Opinion on Internal Control over Financial Reporting

We have audited Systemax Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Systemax Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2017 consolidated financial statements of the Company and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal controls over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definitions and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/Ernst & Young LLP

New York, NY

March 15, 2018

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by Item 10 of Part III is hereby incorporated by reference to the Company's Proxy Statement for the 2018 Annual Meeting of Stockholders. (the "Proxy Statement").

Item 11. Executive Compensation.

The information required by Item 11 of Part III is hereby incorporated by reference to the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by item 12 of Part III is hereby incorporated by reference to the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 of Part III is hereby incorporated by reference to the Proxy Statement.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 of Part III is hereby incorporated by reference to the Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) 1. Consolidated Financial Statements of Systemax Inc.

2 Financial Statement Schedule:

The following financial statement schedule is filed as part of this report and should be read together with our consolidated financial statements:

Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Item 15. Exhibits and Financial Statement Schedules.

3 Exhibits.

Exhibit No.	Description
3.1	Certificate of Incorporation of the Company (incorporated by reference to the Company's registration statement on Form S-1) (Registration No. 33-92052).
3.2	Certificate of Amendment of Certificate of Incorporation of the Company (incorporated by reference to the Company’s report on Form 8-K dated May 18, 1999).
3.3	Amended and Restated By-laws of the Company (effective as of December 29, 2007, incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2007).
3.4	Amendment to the Bylaws of the Company (incorporated by reference to the Company’s report on Form 8-K dated March 3, 2008).
4.1	Stockholders Agreement (incorporated by reference to the Company’s quarterly report on Form 10-Q for the quarterly period ended September 30, 1995).
10.1*	Form of 1999 Long-Term Stock Incentive Plan as amended (incorporated by reference to the Company’s report on Form 8-K dated May 20, 2003).
10.2*	Form of 2006 Stock Incentive Plan for Non-Employee Directors (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2006).
10.3	Build-to-Suit Lease Agreement dated April 1995 among SYX Distribution Inc. (tenant), American National Bank and Trust Company of Chicago (trustee for the original landlord) and Walsh, Higgins & Company (contractor) (Naperville, IL Facility)(“Naperville Lease”) (incorporated by reference to the Company’s registration statement on Form S-1) (Registration No. 33-92052).
10.4	First Amendment, dated as of February 1, 2006, to the Naperville Lease between SYX Distribution Inc. (tenant) and Ambassador Drive LLC (landlord) (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2005).
10.5	Lease Agreement, dated December 8, 2005, between Global Equipment Company Inc. (tenant) and Hamilton Business Center, LLC (landlord) (Buford, Georgia facility) (the “Buford Lease”) (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2005).
10.6	First Amendment, dated June 12, 2006, to the Buford Lease, between Global Equipment Company Inc. (tenant) and Hamilton Business Center, LLC (landlord) (Buford, Georgia distribution center) (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2005).
10.7*	Employment Agreement, dated as of January 17, 2007, between the Company and Lawrence P. Reinhold (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2006).
10.8*	Amendment No. 1, dated December 30, 2009, to the Employment Agreement between the Company and Lawrence P. Reinhold (incorporated by reference to the Company’s report on Form 8-K dated December 30, 2009).
10.9	Lease Agreement, dated April 16, 2010, between Jefferson Project I LLC (landlord) and SYX Distribution Inc. (tenant) (Jefferson, GA facility) (the “Jefferson Lease”) (incorporated by reference to the Company’s quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.10	First Amendment, dated August 24, 2010, to the Jefferson Lease, between Jefferson Project I LLC (landlord) and SYX Distribution Inc. (tenant) (Jefferson, GA facility) (incorporated by reference to the Company’s quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.11	Lease Agreement, dated February 27, 2012, between PR I Washington Township NJ, LLC (landlord) and Global Equipment Company Inc. (tenant) (Robbinsville, NJ facility) (incorporated by reference to the Company’s quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.12*	Form of 2010 Long Term Incentive Plan (incorporated by reference to the Company’s Definitive Proxy Statement filed April 29, 2010).
10.13*	Employment Agreement, dated April 12, 2012, between the Company and Eric Lerner (incorporated by reference to the Company’s quarterly report on Form 10-Q for the quarterly period ended March 31, 2012).
10.14	Lease Agreement, dated December 10, 2014, between Prologis, L.P. (landlord) and Global Industrial Distribution Inc. (tenant) (Las Vegas, NV distribution center) (incorporated by reference to the Company’s annual report on Form 10-K for the year ended December 31, 2014).

10.15*	Amendment to the Term of the 2010 Long Term Incentive Plan (incorporated by reference to the Company's Supplemental Proxy Material filed May 18, 2015).
10.16	Third Amended and Restated Credit Agreement dated as of October 28, 2016, by and among Systemax Inc. and certain affiliates thereof and JPMorgan Chase Bank, N.A., as Administrative Agent, Sole Bookrunner and Sole Lead Arranger, and the lenders from time to time party thereto (incorporated by reference to the Company's report on Form 8-K dated November 3, 2016).
10.17	Third Amended and Restated Pledge and Security Agreement dated as of October 28, 2016, by and among Systemax Inc. and certain affiliates thereof and JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the lenders party to the Third Amended and Restated Credit Agreement (incorporated by reference to the Company's report on Form 8-K dated November 3, 2016).
10.18	Amended and Restated Lease dated December 14, 2016, by and between Global Equipment Company Inc. (tenant) and Addwin Realty Associates, LLC (landlord) (Port Washington, NY facility) (incorporated by reference to the Company's report on Form 8-K dated December 16, 2016).
14	Corporate Ethics Policy for Officers, Directors and Employees (revised as of February 2018) filed herewith).
21	Subsidiaries of the Registrant (filed herewith).
23	Consent of Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

*Exhibit is a management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYSTEMAX INC.

By: /s/ LAWRENCE REINHOLD

Lawrence Reinhold
President and Chief Executive Officer

Date: March 15, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RICHARD LEEDS Richard Leeds	Executive Chairman and Director	March 15, 2018
/s/ BRUCE LEEDS Bruce Leeds	Vice Chairman and Director	March 15, 2018
/s/ ROBERT LEEDS Robert Leeds	Vice Chairman and Director	March 15, 2018
/s/ LAWRENCE REINHOLD Lawrence Reinhold	President and Chief Executive Officer and Director (Principal Executive Officer)	March 15, 2018
/s/ THOMAS CLARK Thomas Clark	Vice President and Chief Financial Officer (Principal Financial Officer)	March 15, 2018
/s/ THOMAS AXMACHER Thomas Axmacher	Vice President and Controller (Principal Accounting Officer)	March 15, 2018
/s/ ROBERT ROSENTHAL Robert Rosenthal	Director	March 15, 2018
/s/ BARRY LITWIN Barry Litwin	Director	March 15, 2018
/s/ CHAD LINDBLOOM Chad Lindbloom	Director	March 15, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Systemax Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Systemax Inc. (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 15, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risk of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2005.

/s/ Ernst & Young LLP .

New York, NY

March 15, 2018

SYSTEMAX INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except for share data)

	December 31, 2017	December 31, 2016
ASSETS:		
Current assets:		
Cash	$ 184.5	$ 149.7
Accounts receivable, net of allowances of $9.9 and $17.2	174.3	148.6
Inventories	131.5	116.7
Prepaid expenses and other current assets	3.8	3.9
Current assets of discontinued operations	—	92.3
Total current assets	494.1	511.2
Property, plant and equipment, net	15.1	16.4
Deferred income taxes	26.2	4.2
Goodwill and intangibles	14.5	15.7
Other assets	1.5	1.5
Long term assets of discontinued operations	—	17.1
Total assets	$ 551.4	$ 566.1
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Accounts payable	$ 196.1	$ 181.3
Dividend payable	55.7	—
Accrued expenses and other current liabilities	64.0	49.2
Current liabilities of discontinued operations	—	94.5
Total current liabilities	315.8	325.0
Deferred income tax liability	0.1	0.3
Other liabilities	23.7	24.3
Long term liabilities of discontinued operations	—	2.1
Total liabilities	339.6	351.7
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value $.01 per share, authorized 25 million shares; issued none		
Common stock, par value $.01 per share, authorized 150 million shares; issued 38,861,992 and 38,861,992 shares; outstanding 37,093,774 and 36,924,293 shares	0.4	0.4
Additional paid-in capital	186.5	185.5
Treasury stock at cost —1,768,218 and 1,937,699 shares	(21.8)	(23.9)
Retained earnings	44.8	73.1
Accumulated other comprehensive income (loss)	1.9	(20.7)
Total shareholders' equity	211.8	214.4
Total liabilities and shareholders' equity	$ 551.4	$ 566.1

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended December 31,		
	2017	**2016**	**2015**
Net sales	$ 1,265.4	1,170.3	$ 1,243.5
Cost of sales	914.0	862.4	933.0
Gross profit	351.4	307.9	310.5
Selling, distribution and administrative expenses	279.8	276.3	287.1
Special charges, net	0.3	3.9	26.9
Operating income (loss) from continuing operations	71.3	27.7	(3.5)
Foreign currency exchange loss	—	1.3	7.5
Interest and other expense, net	0.5	0.3	0.7
Income (loss) from continuing operations before income taxes	70.8	26.1	(11.7)
(Benefit) provision for income taxes	(5.3)	9.2	12.3
Net income (loss) from continuing operations	76.1	16.9	(24.0)
Loss from discontinued operations, net of tax	(35.7)	(49.5)	(75.8)
Net income (loss)	$ 40.4	$ (32.6)	$ (99.8)
Basic and diluted EPS:			
Net income (loss) per share from continuing operations-basic	$ 2.06	$ 0.45	$ (0.65)
Net income (loss) per share from continuing operations-diluted	$ 2.02	$ 0.45	$ (0.65)
Net loss per share from discontinued operations-basic and diluted	$ (0.96)	$ (1.33)	$ (2.04)
Net income per share-basic	$ 1.09	$ (0.88)	$ 2.69
Net income per share-diluted	$ 1.07	$ (0.88)	$ 2.69
Weighted average common and common equivalent shares:			
Basic	37.0	37.2	37.1
Diluted	37.6	37.2	37.1
Dividends declared	1.85	0.10	—

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Year Ended December 31,		
	2017	**2016**	**2015**
Net income (loss)	$ 40.4	$ (32.6)	$ (99.8)
Other comprehensive loss:			
Foreign currency translation income (loss)	8.2	(4.9)	(6.9)
Total comprehensive income (loss)	$ 48.6	$ (37.5)	$ (106.7)

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2017	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss) from continuing operations	$ 76.1	$ 16.9	$ (24.0)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by (used in) operating activities:			
Depreciation and amortization	5.1	5.3	5.9
Asset impairment and other non-cash benefit	—	(0.2)	1.0
(Benefit) provision for deferred income taxes	(17.8)	4.1	4.3
Provision for returns and doubtful accounts	1.3	3.6	6.7
Compensation expense related to equity compensation plans	1.6	1.7	0.9
(Gain) loss on dispositions and abandonment	(0.1)	(4.3)	(0.1)
Changes in operating assets and liabilities:			
Accounts receivable	(13.7)	24.2	39.0
Inventories	(9.6)	6.6	139.8
Prepaid expenses and other current assets	1.5	5.5	1.5
Income taxes payable (receivable)	6.3	(0.2)	0.8
Accounts payable	2.9	(73.2)	(43.1)
Accrued expenses and other current liabilities	4.3	(13.6)	(4.0)
Net cash provided by (used in) operating activities from continuing operations	57.9	(23.6)	128.7
Net cash used in operating activities from discontinued operations	(12.3)	(33.8)	(42.2)
Net cash provided by (used in) operating activities	45.6	(57.4)	86.5
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(2.8)	(2.4)	(10.0)
Proceeds from disposals of property, plant and equipment	0.1	0.5	1.4
Acquisition of Plant Equipment Group	—	—	(24.8)
Net cash used in investing activities from continuing operations	(2.7)	(1.9)	(33.4)
Net cash used in investing activities from discontinued operations	(0.1)	(0.8)	(1.3)
Net cash used in investing activities	(2.8)	(2.7)	(34.7)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayments of capital lease obligations	(0.1)	(0.3)	(2.7)
Dividends paid	(13.0)	(3.7)	—
Proceeds from issuance of common stock	2.4	—	—
Payment of payroll taxes on stock-based compensation through shares withheld	(0.8)	—	—
Repurchase of treasury stock	—	—	(0.2)
Net cash used in financing activities from continuing operations	(11.5)	(4.0)	(2.9)
Net cash used in financing activities from discontinued operations	—	(0.1)	(0.1)
Net cash used in financing activities	(11.5)	(4.1)	(3.0)
EFFECTS OF EXCHANGE RATES ON CASH	3.5	(1.2)	1.3
NET INCREASE (DECREASE) IN CASH	34.8	(65.4)	50.1
CASH – BEGINNING OF YEAR	149.7	215.1	165.0
CASH – END OF YEAR	$ 184.5	$ 149.7	$ 215.1
Supplemental disclosures:			

Interest paid	$	0.4	$	0.7	$	0.7
Income taxes paid	$	5.8	$	5.8	$	4.1
Supplemental disclosures of non-cash investing and financing activities:						
Acquisitions of equipment through capital leases	$	0.3	$	—	$	—

See notes to consolidated financial statements.

SYSTEMAX INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except share data in thousands)

	Common Stock						
	Number of Shares Outstanding	Amount	Additional Paid-in Capital	Treasury Stock, At Cost	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balances, December 31, 2014	36,808	$ 0.4	$ 184.3	$ (25.4)	$ 209.2	$ (8.9)	$ 359.6
Stock-based compensation expense			1.2				1.2
Issuance of restricted stock	86		(1.1)	1.1			—
Exercise of stock options	4		—	—			—
Surrender of fully vested options	(25)			(0.2)			(0.2)
Change in cumulative translation adjustment						(6.9)	(6.9)
Net loss					(99.8)		(99.8)
Balances, December 31, 2015	36,873	$ 0.4	$ 184.4	$ (24.5)	$ 109.4	$ (15.8)	253.9
Stock-based compensation expense			1.7				1.7
Issuance of restricted stock	51		(0.6)	0.6			—
Dividends					(3.7)		(3.7)
Change in cumulative translation adjustment						(4.9)	(4.9)
Net loss					(32.6)		(32.6)
Balances, December 31, 2016	36,924	$ 0.4	$ 185.5	$ (23.9)	$ 73.1	$ (20.7)	$ 214.4
Stock-based compensation expense			1.6				1.6
Issuance of restricted stock	68		(0.8)	0.8			—
Stock withheld for employee taxes	(48)		(0.3)	(0.5)			(0.8)
Cancellation of restricted shares	(8)		—	(0.1)			(0.1)
Proceeds from issuance of common stock	158		0.5	1.9			2.4
Dividends					(68.7)		(68.7)
Discontinued European entities cumulative translation adjustment						14.4	14.4
Change in cumulative translation adjustment						8.2	8.2
Net income					40.4		40.4
Balances, December 31, 2017	37,094	$ 0.4	$ 186.5	$ (21.8)	$ 44.8	$ 1.9	$ 211.8

See notes to consolidated financial statements.

SYSTEMAX INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Systemax Inc., through its subsidiaries, is primarily a direct marketer of brand name and private label products. The Company operates and is internally managed in two reportable segments - Industrial Products Group ("IPG") and Europe Technology Products Group ("ETG"). Smaller business operations and corporate functions are aggregated and reported as the additional segment – Corporate and Other ("Corporate"). As previously disclosed in the second quarter of 2017 and for all periods presented, the Company modified the presentation of certain costs associated with operating our distribution centers as well as with our Purchasing and Product Development personnel. Historically these costs had been included as a component of cost of sales and are now included within Selling, Distribution and Administrative expenses ("SD&A"). For the year ended 2017, 2016 and 2015, the costs reclassified from cost of sales to SD&A, included within continuing operations, was $21.8 million, $38.9 million and $34.0 million, respectively,

As disclosed in our Form 8-K dated March 31, 2017, on March 24, 2017, certain wholly owned subsidiaries of the Company executed a definitive securities purchase agreement (the "Purchase Agreement") with certain special purpose companies formed by Hilco Capital Limited ("Hilco" and together with its management team partners, "Purchaser"). Pursuant to the Purchase Agreement, Purchaser acquired all of the Company's interests in Systemax Europe SARL, which included its subsidiaries, Systemax Business Services K.F.T., Misco UK Limited, Systemax Italy S.R.L., Misco Iberia Computer Supplies S.L., Misco AB, Global Directmail B.V. and Misco Solutions B.V. (collectively, the "SARL Businesses"). The SARL businesses were reported within the Company's European Technology Products Group ("ETG") segment. The transaction closed immediately upon execution of the Purchase Agreement.

The Company retained its France technology value added reseller business, which is conducted through its subsidiary, Inmac Wstore S.A.S., which was not part of the sale transaction.

The SARL Businesses were sold on a cash-free, debt-free basis; proceeds were nominal. As part of the transaction, the Company retained a 5% residual equity position in the Purchaser's acquiring entity, HUK 77 Limited, which is being accounted for on the cost method, to which no value was ascribed, a $3.3 million note receivable ($2.2 million balance at December 31, 2017 which was paid in full in January 2018) and provided limited transition services to Purchaser through December 19, 2017 under a transition services agreement. The note receivable is included in accounts receivable, net in the Consolidated Balance Sheet at December 31, 2017.

The sale of the SARL Businesses met the "strategic shift with major impact" criteria as defined under Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which requires disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under ASU 2014-08 in order for a disposal to qualify for discontinued operations presentation in the financial statements, the disposal must be a "strategic shift" with a major impact for the reporting entity. If an entity meets this threshold, and other requirements, only the components that were in operation at the time of disposal are presented as discontinued operations. Therefore, the current year and prior year results of the SARL Businesses are included in discontinued operations in the accompanying consolidated financial statements.

The Company sold certain assets of its Misco Germany business in 2016, which had been reported as part of its ETG segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-08, prior year results of the Misco Germany operations are presented within continuing operations. Also in 2016, the Company sold its rebate processing business, which had been reported as part of its Corporate segment, and this disposition was also not a strategic shift with a major impact as defined under ASU 2014-08, prior year results of the rebate processing business are presented within continuing operations.

In 2015, the Company announced a restructuring of its NATG business in March 2015. The NATG segment sold products categorized as Information and Communications Technology ("ICT") and Consumer Electronics ("CE") products. These products included computers, computer supplies and consumer electronics which were marketed in North America. The Company followed the guidance under Accounting Standards Update ("ASU") 2014-8, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity,* which required disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under ASU 2014-8 in order for a disposal to qualify for discontinued operations presentation in the financial statements, the disposal must be a "strategic shift" with a major impact for the reporting entity. If the entity meets this threshold, only the components that were in operation at the time of disposal are presented as discontinued operations. The sale of the NATG business in December 2015 had a major impact on the Company and therefore met the strategic shift criteria. The NATG components in operation at the time of the sale were the B2B and Ecommerce businesses and three remaining retail stores. Accordingly, these components and the results of operations have been adjusted in the accompanying financial statements to reflect their presentation in discontinued operations.

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Systemax Inc. and its wholly-owned subsidiaries (collectively, the "Company" or "Systemax"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications — Certain prior year amounts were reclassified to conform to current year presentation. As previously disclosed, in the second quarter of 2017 and for all periods presented the Company modified the presentation of certain costs associated with operating our distribution centers as well as with our Purchasing and Product Development personnel. Historically these costs had been included as a component of cost of sales and are now included within Selling, Distribution and Administrative expenses ("SD&A"). For the year ended 2017, 2016 and 2015, the costs reclassified from cost of sales to SD&A, included within continuing operations, was $21.8 million, $38.9 million and $34.0 million, respectively,

Fiscal Year — The Company's fiscal year ends at midnight on the Saturday closest to December 31. For clarity of presentation herein, all fiscal years are referred to as if they ended on December 31. The fiscal year is divided into four fiscal quarters that each end at midnight on a Saturday. Fiscal quarters will typically include 13 weeks, but the fourth quarter will include 14 weeks in a 53 week fiscal year. For clarity of presentation herein, all fiscal quarters are referred to as if they ended on the traditional calendar month. The full year of 2017 and 2016 included 52 weeks compared to 2015 which had 53 weeks.

Use of Estimates In Financial Statements — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company bases its estimates on historical experience, current business factors, and various other assumptions that the Company believes are necessary to consider to form a basis for making judgments about the carrying values of assets and liabilities, the recorded amounts of revenue and expenses, and the disclosure of contingent assets and liabilities. The Company is subject to uncertainties such as the impact of future events, economic and political factors, and changes in the Company's business environment, therefore, actual results could differ from these estimates.

Changes in estimates are made when circumstances warrant. Such changes in estimates and refinements in estimation methodologies are reflected in reported results of operations; if material, the effects of changes in estimates are disclosed in the notes to the consolidated financial statements. Significant estimates and assumptions by management affect the allowance for doubtful accounts, sales returns and allowances, inventory reserves, allowances for cooperative advertising, vendor drop shipments, the carrying value of long-lived assets (including goodwill and intangible assets), capitalization and amortization of software development costs, the provision for income taxes and related deferred tax accounts, certain accrued liabilities, revenue recognition, contingencies, sub-rental lease income, litigation and related legal accruals and the value attributed to employee stock options and other stock-based awards.

Foreign Currency Translation — The Company has operations in numerous foreign countries. The functional currency of each foreign country is the local currency. The financial statements of the Company's foreign entities are translated into U.S. dollars, the reporting currency, using year-end exchange rates for assets and liabilities, year to date average exchange rates for the statement of operations items and historical rates for equity accounts. Translation gains or losses are recorded as a separate component of shareholders' equity.

Cash — The Company considers amounts held in money market accounts and other short-term investments, including overnight bank deposits, with an original maturity date of three months or less to be cash. Cash overdrafts are classified in accounts payable.

Inventories — Inventories consist primarily of finished goods and are stated at the lower of cost or net realizable value. Cost is determined by using the first-in, first-out method except in ETG where an average cost is used.

Property, Plant and Equipment — Property, plant and equipment is stated at cost. Furniture, fixtures and equipment, including equipment under capital leases, are depreciated using the straight-line or accelerated method over their estimated useful lives ranging from three to ten years. Leasehold improvements are amortized over the shorter of the useful lives or the term of the respective leases.

Maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the consolidated statement of operations in the period realized.

Internal-Use Software - Internal-use software is included in fixed assets and is amortized on a straight-line basis over 3 years. The Company capitalizes costs incurred during the application development stage. Costs related to minor upgrades, minor enhancements and maintenance activities are expensed as incurred.

Evaluation of Long-lived Assets — Long lived assets are assets used in the Company's operations and include, definite-lived intangible assets, leasehold improvements, warehouse and similar property used to generate sales and cash flows. Long lived assets are tested for impairment utilizing a recoverability test. The recoverability test compares the carrying value of an asset group to the undiscounted cash flows directly attributable to the asset group over the life of the primary asset. If the undiscounted cash flows of an asset group is less than the carrying value of the asset group, the fair value of the asset group is then measured. If the fair value is also determined to be less than the carrying value of the asset group, the asset group is impaired.

In 2016, an impairment charge of approximately $1.7 million was recorded in the ETG segment discontinued operations in the United Kingdom as a result of negative cash flows in the business. .

Business Combinations — The Company accounts for its business combinations using the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the acquisition date fair values of the assets transferred and liabilities assumed by the Company to the sellers and equity instruments issued. Transaction costs directly attributable to the acquisition are expensed as incurred. Identifiable assets and liabilities acquired or assumed are measured separately at their fair values as of the acquisition date. The excess of (i) the total costs of acquisition over (ii) the fair value of the identifiable net assets of the acquiree is recorded as goodwill.

Goodwill and Intangible Assets — Goodwill represents the excess of the cost of acquired assets over the fair value of assets acquired. The Company performs a qualitative assessment of goodwill to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment shows that the fair value of the reporting unit exceeds its carrying amount, the company is not required to complete the annual two step goodwill impairment test. If a quantitative analysis is required to be performed for goodwill, the fair value of the reporting unit to which the goodwill has been assigned is determined using a discounted cash flow model. A discounted cash flow model is also used to determine fair value of indefinite-lived intangibles using projected cash flows of the intangible. Unobservable inputs related to these discounted cash flow models include projected sales growth, gross margin percentages, new business opportunities, working capital requirements, capital expenditures and growth in selling, distribution and administrative expense. Any excess of a reporting unit's carrying amount over fair value would be charged to impairment expense.

For non-amortizing intangibles the Company performs a qualitative assessment to determine if there are indicators of impairment. If indicators of impairment exist, a fair market value analysis of the intangibles would be completed using a discounted cash flow model with inputs such as projected sales growth, gross margin percentages, new business opportunities, working capital requirements, capital expenditures and selling, distribution and administrative expense. Any excess of book carrying value over the fair market value of the intangible asset determined in the analysis would be charged to impairment expense.

In December 2016, the Company conducted an evaluation of the intangible assets in its ETG discontinued operations segment and IPG segment and concluded that assets were impaired in the United Kingdom and Mexico operations and impairment charges of approximately $0.3 million and $0.1 million, respectively, was recorded in the fourth quarter.

Income Taxes — The Company accounts for income taxes using the liability method, under which deferred tax assets and liabilities are determined based on the future tax consequences attributable to differences between the financial reporting carrying amounts of existing assets and liabilities and their respective tax basis and tax credit carry forwards and net operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to be in effect when the differences are expected to reverse.

The Company assesses the likelihood that deferred tax assets will be recovered from future taxable income, and a valuation allowance is established when necessary to reduce deferred tax assets to the amounts more likely than not expected to be realized.

The Company recognizes and measures uncertain tax positions using a two-step approach. The first step is to evaluate the tax position taken or expected to be taken by determining if the weight of available evidence indicates that it is more likely than not that the tax position will be sustained in an audit, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. Significant judgment is required to evaluate uncertain tax positions. The Company evaluates its uncertain tax positions on a regular basis. Its evaluations are based on a number of factors, including changes in facts and circumstances, changes in tax law, correspondence with tax authorities during the course of audit and effective settlement of audit issues. The Company's policy is to include interest and penalties related to unrecognized tax benefits as income tax expense in the consolidated statements of operations.

Revenue Recognition and Accounts Receivable —In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting standard that amends the guidance for the recognition of revenue from contracts with customers to transfer goods and services. The new revenue recognition standard is effective for interim and annual periods beginning on January 1, 2018. The new standard is required to be adopted using either a full-retrospective or a modified-retrospective approach. The Company will adopt the standard using the modified-retrospective approach beginning in 2018. The Company has completed an impact assessment and has determined that there will be no material impact to total revenues in our consolidated statements of income, accounting policies, business processes, internal controls or disclosures.

The Company recognizes sales of products, including shipping revenue, when persuasive evidence of an order arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is reasonably assured. Generally, these criteria are met at the time the product is received by the customers when title and risk of loss have transferred except in our Industrial Products segment where title and risk pass at time of shipment. Allowances for estimated subsequent customer returns, rebates and sales incentives are provided when revenues are recorded. Revenues exclude sales tax collected. The Company evaluates collectability of accounts receivable based on numerous factors, including past transaction history with customers and their credit rating and provides a reserve for accounts that are potentially uncollectible. Trade receivables are generally written off once all collection efforts have been exhausted. Accounts receivable are shown in the consolidated balance sheets net of allowances for doubtful collections and subsequent customer returns.

Shipping and Handling Costs— The Company recognizes shipping and handling costs in cost of sales.

Advertising Costs — Expenditures for internet, television, local radio and newspaper advertising are expensed in the period the advertising takes place. Catalog preparation, printing and postage expenditures are amortized over the period of catalog distribution during which the benefits are expected, generally one to four months.

Net advertising expenses were $67.0 million, $71.4 million and $74.4 million during 2017, 2016 and 2015, respectively, and are included in the accompanying consolidated statements of operations within continuing and discontinued operations. Of the previously mentioned amounts, ETG discontinued operations net advertising expenses totaled $0.6 million during 2017 and $2.5 million during 2016 and 2015. NATG discontinued operations net advertising expenses totaled $0.3 million, $1.5 million and $7.5 million during 2017, 2016 and 2015, respectively. For 2017 and 2016 NATG advertising expense was primarily related to the wind down of outstanding accounts. The Company utilizes advertising programs to drive traffic to its websites, support vendors, including catalogs, internet and magazine advertising, and receives payments and credits from vendors, including consideration pursuant to volume incentive programs and cooperative marketing programs. The Company accounts for consideration from vendors as a reduction of cost of sales unless certain conditions are met showing that the funds are used for specific, incremental, identifiable costs, in which case the consideration is accounted for as a reduction in the related expense category, such as advertising expense. The amount of vendor consideration recorded as a reduction of selling, distribution and administrative expenses totaled $5.8 million, $6.4 million and $20.2 million during 2017, 2016 and 2015, respectively. Of the previously mentioned amounts, ETG discontinued operations amount of vendor consideration was $0.4 million, $2.6 million and $3.3 million during 2017, 2016 and 2015, respectively. NATG discontinued operations vendor consideration for 2016 was $0.9 million in costs due primarily to vendor balance reconciliations and for 2015, NATG operations vendor consideration of $12.1 million was recorded as a reduction of selling, distribution and administrative expenses primarily in discontinued operations.

Stock Based Compensation — In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which modifies certain accounting aspects for share-based payments to employees including, among other elements, the accounting for income taxes and forfeitures, as well as classifications in the statement of cash flows. The Company adopted this standard effective January 1, 2017 and its adoption did not materially impact the Company's consolidated financial position or results of operations when implemented in the first quarter of 2017. Under this guidance, a company recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement rather than paid-in capital, which is a change required to be applied on a prospective basis in accordance with the new guidance. We adopted the cash flow presentation that requires presentation of excess tax benefits within operating activities on a prospective basis. Accordingly, for the year ended December 31, 2017, we recorded discrete income tax benefits in the consolidated statement of operations of approximately $0.8 million, for excess tax benefits related to equity compensation. Additional amendments to the accounting for income taxes and minimum statutory withholding tax requirements had no impact on our results of operations. The presentation requirements for cash flows related to employee taxes paid for withheld shares is disclosed in our consolidated statement of cash flows and has been applied retrospectively, Cash flows related to employee taxes paid for withheld shares was immaterial for 2016 and 2015.

The fair value of employee share options is recognized in expense over the vesting period of the options, using the graded attribution method. The fair value of employee share options is determined on the date of grant using the Black-Scholes option pricing model. The Company has used historical volatility in its estimate of expected volatility. The expected life represents the period of time (in years) for which the options granted are expected to be outstanding. The risk-free interest rate is based on the U.S. Treasury yield curve. Stock-based compensation expense includes an estimate for forfeitures and is recognized over the expected term of the award.

Net Income (Loss) Per Common Share – Net income per common share - basic is calculated based upon the weighted average number of common shares outstanding during the respective periods presented using the two class method of computing earnings per share. The two class method was used as the Company has outstanding restricted stock with rights to dividend participation for unvested shares. Net income per common share - diluted was calculated based upon the weighted average number of common shares outstanding and included the equivalent shares for dilutive options outstanding during the respective periods, including unvested options. The dilutive effect of outstanding options and restricted stock issued by the Company is reflected in net income per share - diluted using the treasury stock method. Under the treasury stock method, options will only have a dilutive effect when the average market price of common stock during the period exceeds the exercise price of the options.

The weighted average number of stock options outstanding included in the computation of diluted earnings per share was 0.4 million and the weighted average number of restricted stock awards included in the computation of diluted earnings per share was 0.2 million for the year ended December 31, 2017. Shares used in calculating basic and diluted net loss per share was the same for the years ended December 31, 2016 and 2015, respectively, as the inclusion of all potential shares of common stock of the Company outstanding would have been anti-dilutive. The weighted average number of stock options and restricted stock awards outstanding excluded from the computation of diluted income (loss) per share was 0.04 million shares, 1.3 million shares, and 1.0 million shares for the years ended December 31, 2017, 2016 and 2015, respectively, due to their antidilutive effect.

Employee Benefit Plans - The Company's U.S. subsidiaries participate in a defined contribution 401(k) plan covering substantially all U.S. employees. Employees may invest 1% or more of their eligible compensation, limited to maximum amounts as determined by the Internal Revenue Service. The Company provides a matching contribution to the plan, determined as a percentage of the employees' contributions. Aggregate expense to the Company for contributions to the plan was approximately $0.7 million in 2017, $0.4 million in 2016 and $0.9 million in 2015, respectively and of these amounts, NATG operations expense was zero in each of 2017 and 2016 and $0.4 million in 2015.

Fair Value Measurements - Financial instruments consist primarily of investments in cash, trade accounts receivable, debt and accounts payable. The Company estimates the fair value of financial instruments based on interest rates available to the Company. At December 31, 2017 and 2016, the carrying amounts of cash, accounts receivable and accounts payable are considered to be representative of their respective fair values due to their short-term nature. Cash is classified as Level 1 within the fair value hierarchy. The Company's debt is considered to be representative of its fair value because of its variable interest rate. The weighted average interest rate on short-term borrowings was 4.7%, 4.7% and 4.3%, in 2017, 2016 and 2015, respectively.

The fair value of goodwill, non-amortizing intangibles and long lived assets is measured in connection with the Company's annual impairment testing as discussed above.

Significant Concentrations - Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company's excess cash balances are invested with money center banks. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and their geographic dispersion comprising the Company's customer base. The Company also performs on-going credit evaluations and maintains allowances for potential losses as warranted.

The Company purchases substantially all of our products and components directly from manufacturers and large wholesale distributors. Two vendors accounted for 10% of more of our purchases in continuing operations in 2017: one vendor accounted for 16.0% and another vendor accounted for 12.0%. In 2016, two vendors accounted for 10% or more of our purchases: each vendor accounted for 13.6% of our purchases and in 2015, one vendor accounted for 11.2% and another accounted for 11.1% of our purchases.

Recent Accounting Pronouncements

Public companies in the United States are subject to the accounting and reporting requirements of various authorities, including the Financial Accounting Standards Board ("FASB") and the Securities and Exchange Commission ("SEC"). These authorities issue numerous pronouncements, most of which are not applicable to the Company's current or reasonably foreseeable operating structure. Below are the new authoritative pronouncements that management believes are relevant to Company's current operations.

In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting standard that amends the guidance for the recognition of revenue from contracts with customers to transfer goods and services. The new revenue recognition standard is effective for interim and annual periods beginning on January 1, 2018. The new standard is required to be adopted using either a full-retrospective or a modified-retrospective approach. The Company will adopt these standards using the modified-retrospective approach beginning on January 1, 2018. The Company has completed an impact assessment and has determined that there will be no material impact to total revenues in our consolidated statements of income, accounting policies, business processes, internal controls or disclosures.

In February 2016, the FASB issued ASU 2016-2, *Leases (Topic 842)*. ASU 2016-2 related to leases that outlines a comprehensive lease accounting model and supersedes the current lease guidance. The new guidance requires lessees to recognize lease liabilities and corresponding right-of-use assets for all leases with lease terms of greater than 12 months. It also changes the definition of a lease and expands the disclosure requirements of lease arrangements. The new guidance must be adopted using the modified retrospective approach and will be effective for the Company starting in the first quarter of fiscal 2019. Early adoption is permitted. The Company is currently in the process of evaluating the impact of the adoption of this standard on the consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which modifies certain accounting aspects for share-based payments to employees including, among other elements, the accounting for income taxes and forfeitures, as well as classifications in the statement of cash flows. The Company adopted this standard effective January 1, 2017 and its adoption did not materially impact the Company's consolidated financial position or results of operations when implemented in the first quarter of 2017. Under this guidance, a company recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement rather than paid-in capital, which is a change required to be applied on a prospective basis in accordance with the new guidance. We adopted the cash flow presentation that requires presentation of excess tax benefits within operating activities on a prospective basis. Accordingly, for the year ended December 31, 2017, we recorded discrete income tax benefits in the consolidated statement of operations of approximately $0.8 million, for excess tax benefits related to equity compensation. Additional amendments to the accounting for income taxes and minimum statutory withholding tax requirements had no impact on our results of operations. The presentation requirements for cash flows related to employee taxes paid for withheld shares is disclosed in our consolidated statement of cash flows and has been applied retrospectively, Cash flows related to employee taxes paid for withheld shares was immaterial for 2016 and 2015.

In March 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other: Simplifying the Test for Goodwill Impairment,* which eliminates the second step from the goodwill impairment test. An entity should perform its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity will recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, but the loss cannot exceed the total amount of goodwill allocated to the reporting unit. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company is evaluating the effect of adopting this pronouncement.

2. DISPOSITIONS AND SPECIAL CHARGES

For 2017 and prior year periods the Company's discontinued operations include the results of the SARL Businesses sold in March 2017 and the NATG business sold in December 2015 (See Note 1). The loss on the sale of the SARL Businesses totaled $23.7 million for the year ended December 31, 2017, which included an $8.2 million loss on the sale of net assets, $14.4 million of cumulative translation adjustments, $1.1 million of legal, professional and other costs, $0.8 million recovery from settlement of an outstanding obligation related to the sale, $0.3 million of severance and other personnel costs and $0.5 million of costs related to a transitional services agreement. Of these charges previously mentioned, $1.4 million required the use of cash.

NATG discontinued operations incurred special charges of approximately $6.9 million throughout the year ended December 31, 2017, of which $6.2 million primarily related to updating our future lease cash flows and $0.7 million related to ongoing restitution proceedings against certain former NATG executives.

Below is a summary of the impact on net sales and net loss and loss per share from discontinued operations for the years ended December 31, 2017, 2016 and 2015.

A reconciliation of pretax loss of Discontinued operations to the Net loss of discontinued operations is as follows:

	Year Ended December 31,		
	2017	2016	2015
Net sales	$ 117.0	$ 521.6	$ 1,664.6
Cost of sales	102.9	461.6	1,516.8
Gross profit	14.1	60.0	147.8
Selling, distribution and administrative expenses	22.1	96.9	221.0
Special charges, net	30.6	11.5	2.6
Operating loss from discontinued operations	(38.6)	(48.4)	(75.8)
Foreign currency exchange loss	0.8	—	1.8
Interest and other expense (income), net	—	0.3	0.3
Loss of discontinued operations before income taxes	(39.4)	(48.7)	(77.9)
Provision (benefit) for income tax	(3.7)	0.8	(2.1)
Net loss from discontinued operations	$ (35.7)	$ (49.5)	$ (75.8)
Net loss per share - basic and diluted	$ (0.96)	$ (1.33)	$ (2.04)

In September 2016 the Company sold the operating business of Misco Germany and in December 2016 the Company sold its rebate processing business. These divestitures were not considered a major strategic shift and the results of these businesses are reflected in continuing operations.

In 2017 the Company incurred special charges of $30.9 million, of which $0.3 million is included in continuing operations within the NATG segment and $30.6 million is included in discontinued operations within the ETG and NATG segments.
The Company expects that total additional charges related to the sale of the SARL Businesses will be less than $1.0 million which will be presented in discontinued operations.

The Company's NATG segment incurred special charges for the year ended December 31, 2017 of approximately $7.2 million, with approximately $6.5 million related to updating our future lease cash flows expectations related to previously exited retail stores of which $0.3 million is included in continuing operations, and $6.2 million in discontinued operations as these charges related to the distribution center and the NATG corporate headquarters, and $0.7 million related to ongoing restitution proceedings against certain former NATG executives which is included in discontinued operations. Amounts that are unpaid at December 31, 2017 are recorded in Accrued expenses and other current liabilities and Other liabilities in the accompanying consolidated balance sheets.

The following table details the associated liabilities related to the ETG segment's severance and other costs recorded within discontinued operations, other restructuring charges that remain for the sale of Germany business in 2016 that is included in continuing operations and the NATG segment's lease liabilities and other costs and (in millions):

	ETG - Severance and other costs	ETG – Lease liabilities and other costs	NATG – Workforce reductions	NATG – Lease liabilities and other exit costs	Total
Balance January 1, 2017	$ —	$ 1.2	$ —	$ 19.3	$ 20.5
Charged to expense	0.3	—	—	6.5	6.8
Paid or otherwise settled	(0.3)	—	—	(6.8)	(7.1)
Balance December 31, 2017	$ —	$ 1.2	$ —	$ 19.0	$ 20.2

The following table details the associated liabilities incurred related to the Technology Products segments special charges (in millions) for 2016:

	ETG - Workforce Reductions and Personnel Costs		ETG – Lease liabilities and other costs		NATG- Workforce Reductions		NATG – Lease liabilities and other exit costs		Total	
Balance, January 1, 2016	$	0.3	$	—	$	2.7	$	16.3	$	19.3
Charged to expense		—		1.9		0.2		16.9		19.0
Paid or otherwise settled		(0.3)		(0.7)		(2.9)		(13.9)		(17.8)
Balance, December 31, 2016	$	—	$	1.2	$	—	$	19.3	$	20.5

3. GOODWILL AND INTANGIBLES

***Goodwill and indefinite-lived intangible assets*:**

The following table provides information related to the carrying value of goodwill (in millions):

	December 31, 2017		December 31, 2016	
Balance, January 1	$	7.6	$	9.2
Impairment		—		(0.4)
Reclassified to discontinued operations due to sale		—		(1.2)
Balance, December 31	$	7.6	$	7.6

Due to the sale of the SARL businesses in March 2017, the Company has reclassified $1.2 million of goodwill at December 31, 2016, to long-term assets from discontinued operations.

In 2017, in the ETG segment, $1.8 million of trademarks that were considered definite-lived intangibles in the prior year are now considered indefinite lived based upon changes in circumstances. The following table provides information related to the carrying value of indefinite lived intangibles as of December 31, 2017 (in millions):

	December 31, 2017		December 31, 2016	
Balance, January 1	$	0.7	$	0.7
France trademark		1.8		—
Balance, December 31	$	2.5	$	0.7

Definite-lived intangible assets:

The following table summarizes information related to definite-lived intangible assets as of December 31, 2017 (in millions):

	December 31, 2017							
	Amortization Period (Years)		Gross Carrying Amount		Accumulated Amortization		Net Book Value	Weighted avg useful life
Client lists	5-10 yrs	$	2.3	$	0.9	$	1.4	7.0
Leases	3-6 yrs		0.8		0.4		0.4	3.1
Domain name	5 yrs		3.4		0.8		2.6	3.8
Total		$	6.5	$	2.1	$	4.4	4.8

Due to the sale of the SARL businesses, the Company has reclassified net book value of definite-lived intangible assets of approximately $0.4 million to long term assets of discontinued operations. Also, in 2017, $1.8 million of trademarks that were considered definite-lived assets in the prior year is now considered indefinite-lived based upon changes in circumstances.

The following table summarizes information related to definite-lived intangible assets as of December 31, 2016 (in millions):

	December 31, 2016							
	Amortization Period (Years)		Gross Carrying Amount		Accumulated Amortization		Net Book Value	Weighted avg useful life
Client lists	5-10 yrs	$	2.3	$	0.6	$	1.7	8.0
Leases	3-6 yrs		0.8		0.3		0.5	4.1
Domain name	5 yrs		3.4		0.2		3.2	4.8
Total		$	6.5	$	1.1	$	5.4	5.7

The aggregate amortization expense for these intangibles was approximately $1.0 million in 2017. The estimated amortization for future years ending December 31 is as follows (in millions):

2018	$	1.0
2019		1.0
2020		1.1
2021		0.7
2022 and after	$	0.6
Total	$	4.4

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consist of the following (in millions):

	December 31,			
		2017		2016
Land improvements	$	0.8	$	0.8
Furniture and fixtures, office, computer and other equipment and software		48.8		47.1
Leasehold improvements		16.8		14.6
		66.4		62.5
Less accumulated depreciation and amortization		51.3		46.1
Property, plant and equipment, net	$	15.1	$	16.4

Due to the sale of the SARL businesses in March 2017, net property, plant and equipment, at December 31, 2016, of $13.1 million, including capital leases of $0.2 million, have been reclassified to long term assets of discontinued operations on the consolidated balance sheets.

Included in property, plant and equipment are assets under capital leases, as follows (in millions):

	2017	2016
Office, computer and other equipment	$ 6.0	$ 5.7
Less: Accumulated amortization	5.6	5.4
	$ 0.4	$ 0.3

Depreciation charged to continuing operations for property, plant and equipment including capital leases in 2017, 2016, and 2015 was $3.9 million, $4.3 million and $5.6 million, respectively. ETG and NATG discontinued operations total depreciation expense was $0.4 million, $3.1 million and $5.5 million, for 2017, 2016 and 2015, respectively.

5. CREDIT FACILITIES

The Company maintains a $75 million secured revolving credit agreement with one financial institution which has a five year term, maturing on October 28, 2021 and provides for borrowings in the United States. The credit agreement contains certain operating, financial and other covenants, including limits on annual levels of capital expenditures, availability tests related to payments of dividends and stock repurchases and fixed charge coverage tests related to acquisitions. The revolving credit agreement requires that a minimum level of availability be maintained. If such availability is not maintained, the Company will be required to maintain a fixed charge coverage ratio (as defined). The borrowings under the agreement are subject to borrowing base limitations of up to 85% of eligible accounts receivable and the inventory advance rate computed as the lesser of 60% or 85% of the net orderly liquidation value ("NOLV"). Borrowings are secured by substantially all of the borrower's assets, as defined, including all accounts, accounts receivable, inventory and certain other assets, subject to limited exceptions, including the exclusion of certain foreign assets from the collateral. The interest rate under the amended and restated facility is computed at applicable market rates based on the London interbank offered rate ("LIBO"), the Federal Reserve Bank of New York ("NYFRB") or the Prime Rate, plus an applicable margin. The applicable margin varies based on borrowing base availability. As of December 31, 2017, eligible collateral under the credit agreement was $74.6 million, total availability was $73.1 million, total outstanding letters of credit were $2.9 million, total excess availability was $70.2 million and there were no outstanding borrowings. The Company was in compliance with all of the covenants of the credit agreement in place as of December 31, 2017.

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following (in millions):

	December 31,	
	2017	2016
Payroll and employee benefits	$ 23.1	$ 18.6
Advertising	6.5	6.3
Sales and VAT tax payable	4.7	3.4
Freight	4.0	3.2
Reorganization costs	8.1	7.6
Income taxes payable	7.6	0.6
Other	10.0	9.5
	$ 64.0	$ 49.2

7. SHAREHOLDERS' EQUITY

Stock-Based Compensation Plans

The Company currently has three equity compensation plans which reserve shares of common stock for issuance to key employees, directors, consultants and advisors to the Company. The following is a description of these plans:

The 1999 Long-term Stock Incentive Plan, as amended ("1999 Plan") - This plan was adopted in October 1999 with substantially the same terms and provisions as the 1995 Long-term Stock Incentive Plan. The number of shares that may be granted under this plan to a maximum of 7,500,000. The maximum number of shares granted per type of award to any individual may not exceed 1,500,000 in any calendar year and 3,000,000 in total. The ability to grant new awards under this plan ended on December 31, 2009 but awards granted prior to such date continue until their expiration. A total of 158,375 options were outstanding under this plan as of December 31, 2017.

The 2006 Stock Incentive Plan For Non-Employee Directors - This plan, adopted by the Company's stockholders in October, 2006, replaces the 1995 Stock Option Plan for Non-Employee Directors. The Company adopted the plan so that it could offer directors of the Company who are not employees of the Company or of any entity in which the Company has more than a 50% equity interest ("independent directors") an opportunity to participate in the ownership of the Company by receiving options to purchase shares of common stock at a price equal to the fair market value at the date of grant of the option and restricted stock awards. Awards for a maximum of 200,000 shares may be granted under this plan. A total of 5,000 options were outstanding under this plan as of December 31, 2017.

The 2010 Long-term Stock Incentive Plan ("2010 Plan") - This plan was adopted in April 2010 with substantially the same terms and provisions as the 1999 Long-term Stock Incentive Plan. The maximum number of shares granted per type of award to any individual may not exceed 1,500,000 in any calendar year. Restricted stock grants and common stock awards reduce stock options otherwise available for future grant. Awards for a maximum of 7,500,000 shares may be granted under this plan. A total of 837,925 options and 191,267 restricted stock units were outstanding under this plan as of December 31, 2017.

Shares issued under our share-based compensation plans are usually issued from shares of our common stock held in the treasury.

Compensation cost related to non-qualified stock options recognized in operating results (selling, distribution and administrative expense) for 2017, 2016 and 2015 was $1.1 million, $0.8 million, and $0.2 million respectively, and of these amounts ETG segment's compensation cost related to non-qualified stock options was de minimis in 2017, approximately $0.1 million in 2016 and de minimis in 2015. NATG segment's compensation cost related to non-qualified stock options was de minimis in 2016 and 2015. The related future income tax benefits recognized for 2017, 2016 and 2015 were $0.2 million, $0.3 million and $0.1 million, respectively.

Stock Options

The following table presents the weighted-average assumptions used to estimate the fair value of options granted in 2017, 2016 and 2015:

	2017	2016	2015
Expected annual dividend yield	2.4%	—%	—%
Risk-free interest rate	2.26%	1.64%	1.73%
Expected volatility	48.9%	44.4%	40.2%
Expected life in years	4.00	7.10	6.30

The following table summarizes information concerning outstanding and exercisable options:

	Weighted Average					
	2017		2016		2015	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Outstanding at beginning of year	1,410,250	$ 12.57	954,625	$ 15.98	1,127,250	$ 16.12
Granted	10,000	$ 24.36	670,000	$ 8.43	25,000	$ 10.62
Exercised	(138,450)	$ 13.49	—	$ —	(4,000)	$ 6.30
Cancelled or expired	(280,500)	$ 16.04	(214,375)	$ 14.86	(193,625)	$ 16.29
Outstanding at end of year	1,001,300	$ 11.58	1,410,250	$ 12.57	954,625	$ 15.98
Options exercisable at year end	588,802		750,250		832,125	
Weighted average fair value per option granted during the year	$ 10.69		$ 3.94		$ 4.44	

The total intrinsic value of options exercised was $1.3 million in 2017 and de minimis in 2016 and 2015.

The following table summarizes information about options vested and exercisable or nonvested that are expected to vest (nonvested outstanding less expected forfeitures) at December 31, 2017:

Range of Exercise Prices				Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in millions)
$	5.00	to	$ 10.00	505,738	$ 8.53	8.34	$ 12.5
$	10.01	to	$ 15.00	306,375	$ 13.00	2.63	6.2
$	15.01	to	$ 20.00	156,600	$ 18.32	4.47	2.3
$	20.01	to	$ 24.36	10,000	$ 24.36	9.61	0.1
$	5.00	to	$ 24.36	978,713	$ 11.66	5.94	$ 21.1

The aggregate intrinsic value in the tables above represents the total pretax intrinsic value (the difference between the closing stock price on the last day of trading in 2017 and the exercise price) that would have been received by the option holders had all options been exercised on December 31, 2017. This value will change based on the fair market value of the Company's common stock.

The following table reflects the activity for all unvested stock options during 2017:

	Shares	Weighted Average Grant-Date Fair Value
Unvested at January 1, 2017	660,000	$ 4.02
Granted	10,000	$ 10.69
Vested	(176,252)	$ 4.84
Forfeited	(81,250)	$ 3.21
Unvested at December 31, 2017	412,498	$ 4.93

At December 31, 2017, there was approximately $1.0 million of unrecognized compensation costs related to unvested stock options, which is expected to be recognized over a weighted average period of 2.4714611872 . The total fair value of stock options vested during 2017, 2016 and 2015 was $0.9 million, $0.6 million and $1.1 million, respectively.

Restricted Stock and Restricted Stock Units

In August 2010, the Company granted 175,000 RSUs under the 2010 Plan to a key employee who is also a Company director. These RSUs have none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed. This RSU award was a non-performance award which vests in ten equal annual installments of 17,500 units beginning May 15, 2011 and each May 15, thereafter. Compensation expense related to this RSU award was approximately $0.1 million in 2017 and 2016 and $0.2 million during 2015.

In November 2011, the Company granted 100,000 RSUs under the 2010 Plan to a key employee who is also a Company director. These RSUs have none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed. This RSU award was a non-performance award which vests in ten equal annual installments of 10,000 units beginning November 14, 2012 and each November 14 thereafter. Compensation expense related to this RSU award was approximately $0.1 million in 2017 and 2016 and $0.2 million, during 2015.

In January 2012 and March 2012, the Company granted 50,000 RSUs under the 2010 Plan to each of two key employees. These RSUs have none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed. These RSU awards were non-performance awards which vest in ten equal annual installments of 10,000 units beginning January 3, 2013 and March 1, 2013, respectively, and each January 3 and March 1, thereafter. The termination without cause of one of these key employees during 2015 caused the accelerated vesting of the remaining 35,000 shares in accordance with the restricted stock agreement with the Company. Compensation expense related to the remaining RSU award was approximately $0.1 million in 2017 and 2016 and combined compensation expense was approximately $0.4 million in 2015.

In July 2015, the Company granted 23,620 RSUs under the 2010 Plan to, at that time, a key employee. These RSU's had none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed. This RSU award was a non-performance award which was to vest in four equal annual installments of 5,905 units beginning July 6, 2015 and each July 6 thereafter. This key employee was terminated in the third quarter of 2016 and this award was forfeited. Compensation expense related to this RSU award was de minimis in 2016.

In February 2016, the Company granted 100,000 RSUs under the 2010 Plan to certain key employees, one of whom is also a Company director. These RSUs have none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed. The RSU awards were non-performance awards which vest in three annual installments beginning February 1, 2017. Compensation expense related to these RSU awards was approximately $0.2 million in 2017 and $0.5 million in 2016.

In October 2017 and November 2017, the Company granted 53,288 RSU's under the 2010 Plan to certain key employees. These RSUs have none of the rights as other shares of common stock, other than rights to cash dividends, until common stock is distributed. The RSU awarded in October 2017 was a non-performance award which vest in two installments: 1,844 units vested immediately and 1,844 units vest in April 2018. The RSU's granted in November 2017 of 49,600 units were performance awards which vest in up to three installments beginning December 2019. Combined compensation expense related to these performance and non-performance RSU awards was approximately $0.1 million during 2017.

Share-based compensation expense for restricted stock issued to Directors was $(0.1) million in 2017 due to the resignation of two Directors during the year and $0.1 million in each of 2016 and 2015. All of the above share-based compensation expense is recognized in selling, distribution and administrative expense in 2017, 2016 and 2015.

8. INCOME TAXES

On December 22, 2017, the Tax Cut and Jobs Act ("TCJA") was enacted in the United States. The TCJA significantly changes U.S. corporate tax impacts by, among other things, lowering the corporate tax rate to 21% from 35% effective January 1, 2018, implementing a territorial tax system and imposing a one-time repatriation tax on previously untaxed, accumulated earnings of foreign subsidiaries. As a result of the new tax law, the Securities and Exchange Commission ("SEC") staff issued Staff Accounting Bulletin No. 118 ("SAB 118"). SAB 118 allows companies to record the tax impacts of the new law as provisional amounts during a measurement period of up to one year from the enactment date of the new law. The Company has recognized a provisional amount for the one-time repatriation tax of approximately $5.2 million and utilized its available net operating losses to offset this tax. The Company expects to complete its analysis of the historical earnings and profits of all of its foreign subsidiaries and record any adjustment to the provisional amount within the one year measurement period.

Deferred tax assets and liabilities are measured using enacted tax rates expected to be in place in the year in which they are expected to reverse. As a result of the reduction in the U.S. corporate income tax rate, the Company revalued its net deferred tax assets in the U.S. at December 31, 2017 and recorded tax expense of approximately $10.3 million. On December 31, 2017 the French Parliament adopted the Finance Law for 2018. Under this law, French corporate income tax rates are reduced from 33.33% to 25% over a five year period. As a result of the scheduled reductions in the French corporate income tax rate, the Company revalued its French net deferred tax assets at December 31, 2017 and recorded tax expense of approximately $0.5 million.

The Company will continue to analyze the impacts of the TCJA on its consolidated financial statements. Any additional impacts from the enactment of the TCJA will be recorded as they are identified during the measurement period.

The following table summarizes our U.S. and foreign components of income (loss) from continuing operations before income taxes (in millions):

	Year Ended December 31,		
	2017	2016	2015
United States	$ 47.8	$ 8.6	$ (22.3)
Foreign	23.0	17.5	10.6
Total	$ 70.8	$ 26.1	$ (11.7)

The following table summarizes the (benefit) provision for income taxes from continuing operations (in millions):

	Year Ended December 31,		
	2017	2016	2015
Current:			
Federal	$ 0.7	$ 0.1	$ 3.1
State	1.1	1.2	0.8
Foreign	10.7	3.8	4.1
Total current	$ 12.5	$ 5.1	$ 8.0
Deferred:			
Federal	$ (12.6)	$ —	$ 0.2
State	(3.6)	1.1	(0.2)
Foreign	(1.6)	3.0	4.3
Total deferred	$ (17.8)	$ 4.1	$ 4.3
TOTAL	$ (5.3)	$ 9.2	$ 12.3

Tax benefit (expense) from discontinued operations was $3.7 million, $(0.8) million and $2.1 million for the years ended December 31, 2017, 2016 and 2015, respectively. Income taxes are accrued and paid by each foreign entity in accordance with applicable local regulations.

A reconciliation of the difference between the income tax expense and the computed income tax expense based on the Federal statutory corporate rate is as follows (in millions):

	Year Ended December 31,								
	2017			2016			2015		
Income tax at Federal statutory rate	$	24.8	35.0 %	$	9.1	35.0 %	$	(4.1)	35.0 %
Foreign taxes at rates different from the U.S. rate		1.1	1.6 %		0.8	3.1 %		1.4	(12.0)%
State and local income taxes, net of federal tax benefit		5.0	7.1 %		(0.7)	(2.7)%		(1.4)	12.0 %
Impact of state rate changes		0.3	0.5 %		1.4	5.3 %		0.7	(6.0)%
Changes in valuation allowances		(21.7)	(30.7)%		(1.2)	(4.6)%		15.9	(135.8)%
Reversal of valuation allowances		(29.4)	(41.5)%		—	— %		—	— %
2017 TCJA, net deferred tax remeasurment and repatriation tax impacts		15.7	22.1 %		—	— %		—	— %
Non-deductible items		(0.4)	(0.6)%		(0.3)	(1.2)%		—	— %
Other items, net		(0.7)	(1.0)%		0.1	0.4 %		(0.2)	1.7 %
Income tax	$	(5.3)	(7.5)%	$	9.2	35.3 %	$	12.3	(105.1)%

The deferred tax assets and liabilities are comprised of the following (in millions):

	December 31,			
	2017		2016	
Assets:				
Accrued expenses and other liabilities	$	5.9	$	12.1
Inventory		1.1		1.5
Depreciation		1.4		0.6
Intangible & other		8.1		13.2
Net operating loss and credit carryforwards		28.6		46.5
Valuation allowances		(18.9)		(69.7)
Total non-current deferred tax assets		26.2		4.2
Liabilities:				
Non-current:				
Other	$	0.1	$	0.3
Total non-current liabilities	$	0.1	$	0.3

During 2017 the Company utilized approximately $26.4 million of U.S. federal net operating losses to offset U.S. federal pretax income and in the fourth quarter of 2017 the Company reversed approximately $29.4 million of valuation allowances against its U.S. federal and certain state deferred tax assets as the Company determined that it was more likely than not that the deferred tax assets will be utilized. During the current year the Company recorded valuation allowances against deferred tax assets of approximately $0.6 million in jurisdictions where the Company has continued losses and the Company believes it is not more likely than not that the deferred tax assets will be utilized .

The Company has not provided for federal income taxes applicable to the undistributed earnings of its foreign subsidiary in India of approximately $1.4 million as of December 31, 2017, since these earnings are considered indefinitely reinvested. The Company has gross foreign net operating loss carryforwards of $33.9 million which expire through 2032 and gross U.S. federal net operating loss carry forwards of $35.9 million which expire through 2036. The Company records these benefits as assets to the extent that utilization of such assets is more likely than not; otherwise, a valuation allowance has been recorded. The Company has also provided valuation allowances for certain state deferred tax assets and net operating loss carryforwards where it is not likely they will be realized.

As of December 31, 2017, the Company has approximately $1.3 million in federal tax credit carryforwards expiring in years through 2026 and various amounts of state and foreign net operating loss carryforwards expiring through 2037. The Company has recorded valuation allowances of approximately $18.9 million, including valuations against state deductibility of temporary differences including net operating losses carryforwards of $7.4 million, foreign tax credits of $1.3 million and tax effected temporary differences and net operating loss carryforwards in foreign jurisdictions of $10.2 million.

The Company is routinely audited by federal, state and foreign tax authorities with respect to its income taxes. The Company regularly reviews and evaluates the likelihood of audit assessments. The Company's federal income tax returns have been audited through 2013. The Company has not signed any consent to extend the statute of limitations for any subsequent years. The Company's significant state tax returns have been audited through 2009. The Company considers its significant tax jurisdictions in foreign locations to be France and Canada. The Company remains subject to examination in France for years after 2013 and in Canada for years after 2013.

In accordance with the guidance for accounting for uncertainty in income taxes the Company recognizes the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefit of an uncertain tax position that meets the more-likely-than-not recognition threshold is measured as the largest amount that is greater than 50% likely to be realized upon settlement with the tax authority. To the extent we prevail in matters for which accruals have been established or are required to pay amounts in excess of accruals, our effective tax rate in a given financial statement period could be affected. As of December 31, 2017, the Company had no uncertain tax positions. Interest and penalties, if any, are recorded in income tax expense. There were no accrued interests or penalty charges related to unrecognized tax benefits recorded in income tax expense in 2017, 2016 or 2015.

9. COMMITMENTS, CONTINGENCIES AND OTHER MATTERS

Leases - The Company is obligated under operating lease agreements for the rental of certain office and warehouse facilities and equipment which expire at various dates through August 2032. The Company currently leases its headquarters office/warehouse facility in New York from an entity owned by the Company's three principal shareholders and senior executive officers. The Company also acquires certain computer, communications equipment, and machinery and equipment pursuant to capital lease obligations.

At December 31, 2017, the future minimum annual lease payments for capital and third-party operating leases were as follows (in millions):

	Capital Leases	Operating Leases	Total
2018	$ 0.1	$ 20.9	$ 21.0
2019	0.1	15.5	15.6
2020	—	14.2	14.2
2021	—	10.9	10.9
2022	—	9.6	9.6
2023-2027	—	38.3	38.3
2028-2032	—	17.2	17.2
Thereafter	—	—	—
Total minimum lease payments	0.2	126.6	126.8
Less: sublease rental income	—	6.3	6.3
Lease obligation net of subleases	0.2	$ 120.3	$ 120.5
Less: amount representing interest	—		
Present value of minimum capital lease payments (including current portion of $0.2M)	$ 0.2		

Annual rent expense aggregated approximately $13.5 million, $17.7 million and $26.4 million in 2017, 2016 and 2015, respectively. Included in rent expense was $0.9 million in 2017, $0.9 million in 2016, $1.0 million in 2015, to related parties. Rent expense is net of sublease income of $0.4 million for 2017, $0.4 million for 2016, and $0.1 million for 2015, respectively. Discontinued ETG and NATG operations annual rent expense totaled approximately $0.8 million, $5.2 million and $14.2 million for 2017, 2016 and 2015, respectively.

The operating lease agreements generally provide for rental payments on a graduated basis and for options to renew, which could increase future minimum lease payments if exercised. The Company recognizes rent expense on a straight-line basis over the lease period and has accrued for rent expense incurred but not paid. Deferred rent represents the difference between actual operating lease payments due and straight-line rent expense. The excess is recorded as a deferred rent liability in the early periods of the lease, when cash payments are generally lower than straight-line rent expense, and are reduced in the later periods of the lease when payments begin to exceed the straight-line expense. The Company also accounts for leasehold improvement incentives within its deferred rent liability.

Other Matters

The Company and its subsidiaries are from time to time involved in various lawsuits, claims, investigations and proceedings which may include commercial, employment, customer, personal injury, creditors rights and health and safety law matters, as well as VAT tax disputes in European jurisdictions in which it has done business, and which are handled and defended in the ordinary course of business. In addition, the Company is from time to time subjected to various assertions, claims, proceedings and requests for damages and/or indemnification concerning sales channel practices and intellectual property matters, including patent infringement suits involving technologies that are incorporated in a broad spectrum of products the Company sells or that are incorporated in the Company's e-commerce sales channels, as well as trademark/copyright infringement claims. The Company is also audited by (or has initiated voluntary disclosure agreements with) numerous governmental agencies in various countries, including U.S. Federal and state authorities, concerning potential income tax, sales tax and unclaimed property liabilities. These matters are in various stages of investigation, negotiation and/or litigation. The Company is also being audited by an entity representing 21 states seeking recovery of "unclaimed property". The Company is complying with the unclaimed property audit and is providing requested information. The Company intends to vigorously defend these matters and believes it has strong defenses. In September 2017 the Company and certain subsidiaries comprising its former NATG "Tiger" consumer electronics business were sued in United States District Court, Northern District of California by a software publisher alleging that the NATG subsidiaries violated certain contractual sales channel restrictions resulting in claims of breach of contract and trademark/copyright infringement. The matter is at a very early stage and the Company is assessing the claims and its defenses; the Company cannot predict the outcome of this matter and believes the potential damages, if any, cannot be estimated at this time.

Although the Company does not expect, based on currently available information, that the outcome in any of these matters, individually or collectively, will have a material adverse effect on its financial position or results of operations, the ultimate outcome is inherently unpredictable. Therefore, judgments could be rendered or settlements entered, that could adversely affect the Company's operating results or cash flows in a particular period. The Company regularly assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where it assesses the likelihood of loss as probable and estimable. In this regard, the Company establishes accrual estimates for its various lawsuits, claims, investigations and proceedings when it is probable that an asset has been impaired or a liability incurred at the date of the financial statements and the loss can be reasonably estimated. At December 31, 2017 the Company has established accruals for certain of its various lawsuits, claims, investigations and proceedings based upon estimates of the most likely outcome in a range of loss or the minimum amounts in a range of loss if no amount within a range is a more likely estimate. The Company does not believe that at December 31, 2017 any reasonably possible losses in excess of the amounts accrued would be material to the financial statements.

10. SEGMENT AND RELATED INFORMATION

The Company operates and is internally managed in two reportable business segments— IPG and ETG. Smaller business operations and corporate functions are aggregated and reported as the additional segment - Corporate . On March 24, 2017, the Company sold its SARL Businesses and its continuing ETG operations now only include those in France. Prior year comparatives will include France, and the divested German operations which was sold in September 2016.

On September 2, 2016 the Company sold certain assets of its Misco Germany operations which had been reported as part of its ETG segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-8, prior and current year results of the German operations are presented within continuing operations in the Consolidated Financial Statements. For the year ended December 31, 2016, net sales of Misco Germany included in continuing operations were $33.9 million and the net loss, including approximately $1.7 million of intercompany charges, was $6.4 million. The Company recorded special charges related to this transaction of approximately $1.7 million.

On December 31, 2016, the Company sold all of its issued and outstanding membership interests of its rebate processing business which had been reported as part of its Corporate segment. As this disposition was not a strategic shift with a major impact as defined under ASU 2014-8, prior and current year results of the rebate processing business are presented within continuing operations in the consolidated financial statements. For the year ended December 31, 2016, net sales of the rebate processing business included in continuing operations were $3.6 million and the net loss was $2.3 million, including intercompany charges of $0.1 million. The Company recorded a gain of approximately $3.9 million on this sale.

The Company's chief operating decision-maker is the Company's Chief Executive Officer ("CEO"). The CEO, in his role as Chief Operating Decision Maker ("CODM"), evaluates segment performance based on operating income (loss) from continuing operations. The CODM reviews assets and makes significant capital expenditure decisions for the Company on a consolidated basis only. The accounting policies of the segments are the same as those of the Company. Corporate costs not identified with the disclosed segments are grouped as "Corporate and other expenses."

Financial information relating to the Company's continuing operations by reportable segment was as follows (in millions):

	Year Ended December 31,		
	2017	**2016**	**2015**
Net Sales:			
IPG	$ 791.8	$ 715.6	$ 698.6
ETG	473.6	451.1	441.7
NATG	—	—	97.8
Corporate and other	—	3.6	5.4
Consolidated	$ 1,265.4	$ 1,170.3	$ 1,243.5
Depreciation and Amortization Expense:			
IPG	$ 3.9	$ 3.6	$ 3.8
ETG	0.5	0.8	0.5
NATG	—	—	0.6
Corporate and other	0.7	0.9	1.0
Consolidated	$ 5.1	$ 5.3	$ 5.9
Operating Income (Loss):			
IPG	$ 69.6	$ 34.3	$ 43.7
ETG	24.5	14.5	13.0
NATG	(0.6)	(2.8)	(38.2)
Corporate and other expenses	(22.2)	(18.3)	(22.0)
Consolidated	$ 71.3	$ 27.7	$ (3.5)
Total Assets			
IPG	$ 220.4	$ 201.5	$ 203.8
ETG	188.0	165.2	140.5
ETG - discontinued	—	109.4	166.4
NATG	13.6	6.9	151.6
Corporate and other	129.4	83.1	47.8
Consolidated	$ 551.4	$ 566.1	$ 710.1

Financial information relating to the Company's continuing operations by geographic area was as follows (in millions):

	Year Ended December 31,		
	2017	2016	2015
Net Sales:			
United States	$ 759.4	$ 692.3	$ 676.8
France	473.6	417.2	382.6
Other Europe	—	33.9	59.1
Other North America	32.4	26.9	125.0
Consolidated	$ 1,265.4	$ 1,170.3	$ 1,243.5
Long-lived Assets:			
United States	$ 13.9	$ 15.4	$ 18.1
France	1.2	1.0	1.1
Other Europe and Asia	—	—	0.1
Consolidated	$ 15.1	$ 16.4	$ 19.3

Net sales are attributed to countries based on location of selling subsidiary.

11. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data, excluding discontinued operations, is as follows (in millions, except for per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2017				
Net sales	$ 302.5	$ 313.0	$ 319.3	$ 330.6
Gross profit	$ 81.8	$ 91.5	$ 89.6	$ 88.5
Net income from continuing operations	$ 10.3	$ 19.3	$ 14.1	$ 32.4
Net income per common share from continuing operations:				
Basic	$ 0.29	$ 0.52	$ 0.38	$ 0.87
Diluted	$ 0.28	$ 0.52	$ 0.37	$ 0.85
2016				
Net sales	$ 286.8	$ 297.7	$ 290.2	$ 295.6
Gross profit	$ 75.9	$ 78.0	$ 75.7	$ 78.3
Net income from continuing operations	$ 1.5	$ 2.3	$ 1.6	$ 11.5
Net income per common share from continuing operations:				
Basic	$ 0.04	$ 0.06	$ 0.04	$ 0.31
Diluted	$ 0.04	$ 0.06	$ 0.04	$ 0.31

SYSTEMAX INC.

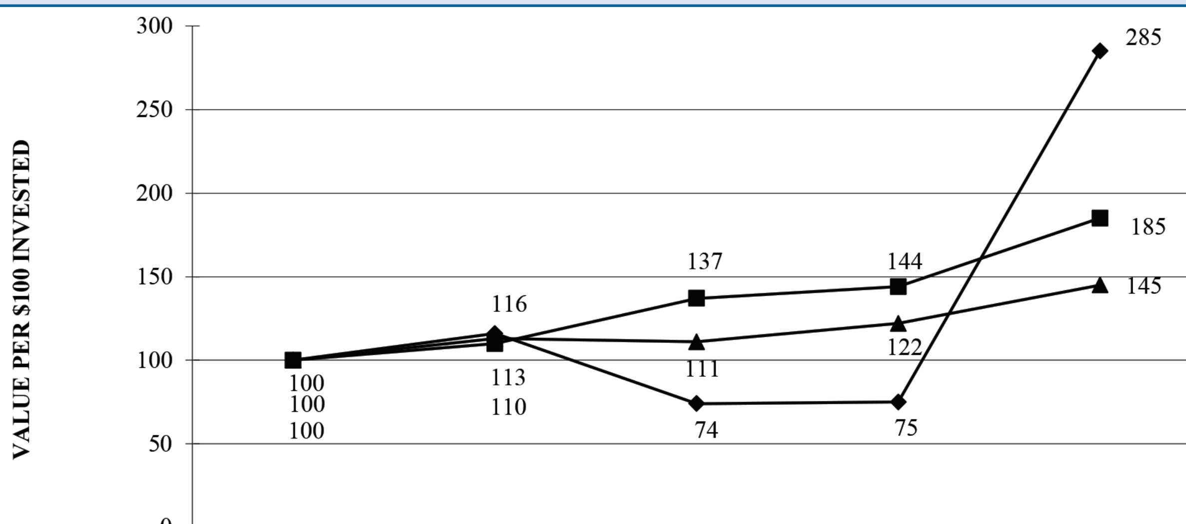
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

For the years ended December:
(in millions)

Description	Balance at Beginning of Period	Charged to Expenses	Write-offs	Other	Balance at End of Period
Allowance for doubtful accounts					
2017	$ 10.0	$ 1.3	$ (9.2)	$ —	$ 2.1 [1]
2016	$ 7.2	$ 3.6	$ (0.8)	$ —	$ 10.0 [2]
2015	$ 3.7	$ 6.7	$ (3.4)	$ 0.2	$ 7.2
Allowance for sales returns					
2017	$ 1.6	$ 1.8	$ —	$ (1.6) [3]	$ 1.8
2016	$ 3.5	$ 1.6	$ —	$ (3.5) [3]	$ 1.6
2015	$ 7.8	$ 3.5	$ —	$ (7.8) [3]	$ 3.5
Allowance for inventory returns					
2017	$ (0.8)	$ (0.9)	$ —	$ 0.8 [3]	$ (0.9)
2016	$ (2.7)	$ (0.8)	$ —	$ 2.7 [3]	$ (0.8)
2015	$ (6.4)	$ (2.7)	$ —	$ 6.4 [3]	$ (2.7)
Allowance for deferred tax assets					
2017	$ 69.7	$ (28.6)	$ (3.0)	$ (19.2)	$ 18.9
2016	$ 64.0	$ 6.0	$ (1.9)	$ 1.6	$ 69.7
2015	$ 35.8	$ 28.6	$ —	$ (0.4)	$ 64.0

(1) Excludes approximately $0.4 million of reserves related to non-trade receivables.
(2) Excludes approximately $5.6 million of reserves related to notes receivable and tax refund receivables.
(3) Amounts represent gross revenue and cost reversals to the estimated sales returns and allowances accounts.

Stock Performance Graph



	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017
Systemax Inc.	100	116	74	75	285
S & P 500	100	113	111	122	145
S & P Retail Index	100	110	137	144	185

Systemax Inc. — S & P 500 — S & P Retail Index

Financial Summary

(In millions except Diluted Net Income Per Share)

	2013	2014	2015	2016	2017
Net sales from continuing operations	$1,291.0	$1,364.7	$1,243.5	$1,170.3	$1,265.4
Operating income (loss) from continuing operations	$ (6.6)	$ 6.8	$ (3.5)	$ 27.7	$ 71.3
Net income from continuing operations	$ (36.6)	$ (8.9)	$ (24.0)	$ 16.9	$ 76.1
Diluted net income (loss) per share	$ (0.99)	$ (0.24)	$ (0.65)	$ 0.45	$ 2.02

Forward-Looking Statements: Certain statements in this Annual Report constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include known and unknown risks, uncertainties and other factors as set forth within the Form 10K forming a part of this document.

ANNUAL MEETING OF STOCKHOLDERS:
The 2018 Annual Meeting will be held on
Monday, June 4, 2018 at 12:00 p.m. at
Systemax Inc.
11 Harbor Park Drive
Port Washington, NY 11050

STOCK EXCHANGE:
The Company's shares are traded on the
New York Stock Exchange under the symbol SYX.

INDEPENDENT AUDITORS:
ERNST & YOUNG LLP
New York, NY

DIRECTORS

Richard Leeds
Executive Chairman

Bruce Leeds
Vice Chairman

Robert Leeds
Vice Chairman

Lawrence Reinhold
President and Chief Executive Officer

Robert D. Rosenthal
Independent Director

Barry Litwin
Independent Director

Chad Lindbloom
Independent Director

CORPORATE EXECUTIVE OFFICERS

Richard Leeds
Executive Chairman

Bruce Leeds
Vice Chairman

Robert Leeds
Vice Chairman

Lawrence Reinhold
President and Chief Executive Officer

Thomas Clark
Vice President and Chief Financial Officer

Dave Kipe
Senior Vice President and Chief Operations Officer

Eric Lerner
Senior Vice President and General Counsel

Manoj Shetty
Senior Vice President and Chief Information Officer

Thomas Axmacher
Vice President and Controller

SEGMENT EXECUTIVE MANAGEMENT

Robert Dooley
President, Industrial Products Group

Jaques Thefo
Executive Vice President and General Manager, France

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Industrial Products Headquarters
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2017 Annual Report