

# letter

No. 10

## to Rexel's shareholders

LEADING DISTRIBUTOR WORLDWIDE OF ELECTRICAL SUPPLIES



### message from the Chairman

April 2012

Dear shareholder,

I am delighted to have the opportunity to address you through this letter shortly after assuming the position of Chairman of Rexel's Management Board at a key moment in its history.

The Group posted an excellent performance in 2011 despite a difficult environment. As a result, we will submit for your approval a significant increase in the dividend for the 2011 fiscal year at the next annual general meeting.

As far as 2012 is concerned, we are in a strong position to continue to outperform the GDP of the countries in which we operate, generate solid profits and strong cash flow, while at the same time maintaining a sound financial structure and delivering value for all stakeholders.

Rexel relies on high-quality assets: talented teams, a diverse customer portfolio and close relationships with suppliers.

Our ambition is to continue our strategy of profitable growth by improving operational efficiency, enhancing the return on capital employed and focusing our resources on services, which are synonymous with value-creation for our customers, as well as on strategic acquisitions. Certain segments and markets are particularly promising: energy management, driven by the momentum for energy efficiency and renewables; automation, which has strong growth potential in construction and industry; and finally large-scale projects for which we have a focused approach by industry segment.

I wish you a very enjoyable read,

**Rudy Provoost**  
Chairman of the Management Board

**“At the next Annual General Meeting, we will propose a significant increase in the shareholder dividend for fiscal year 2011.”**

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**REXEL**

ELECTRICAL SUPPLIES

# Financial Results

In 2011, Rexel achieved performance above the targets. The Group continued its profitable growth, with a solid increase in its sales, a further improvement in profitability and a reduction in its indebtedness. Rexel will propose at the Annual General Meeting of 16 May next, the payment of a dividend of 0.65 euros per share for 2011.

## Organic growth in sales above expectations

Over the full year 2011, Rexel recorded sales of 12,717.1 million euros, up 6.3% on a reported basis.

On a constant and same-day basis, sales growth was 6.2% including a favourable effect of 1.7 points related to the rise in copper-based cable prices.

## Quarter on quarter improved profitability

In 2011, the EBITA margin reached 5.7% vs. 5.0% for the whole of 2010.

This improvement reflects growth over the year of the gross margin (24.6% vs. 24.4% in 2010) and lower distribution and administrative expenses (including depreciation) as a percentage of sales (18.9% vs. 19.4% in 2010).

Reported operating income reached 719.6 million euros, up in 2011 by 16.8% vs. 2010.

## Sharp rise in net income

In 2011, operating income totalled 596.9 million euros, an increase of 23.0%.

In the full year, net income increased by 39.2% to 319.0 million euros (vs. 229.2 million euros in 2010).

Net financial expenses amounted to 191.1 million euros, down by almost 6% vs. 2010. The average interest rate was 7.2% in 2011 vs. 7.1% in 2010 which reflected the additional cost due to the refinancing of the Senior Credit facilities by the €500 million Senior notes issued in May 2011, with a higher nominal interest rate.

## Strengthened financial structure

Free cash flow before interest and taxes rose to 601.0 million euros in 2011. At 31 December 2011, working capital represented 10.3% as a percentage of sales vs. 10.6% in 2010.

Over the year, net debt was reduced by 195.1 million euros and stood at 2,078.2 million euros at 31 December 2011. The debt ratio (Net financial debt / EBITDA), calculated according to the terms of the Senior Credit Agreement, was 2.40x at 31 December 2011 vs. 3.19x at 31 December 2010.

### Key Figures Group 2011

on a constant and adjusted basis<sup>(1)</sup>

#### REVENUES

(in billions of euros)

12.7

➔ +6.2%<sup>(2)</sup>

#### EBITA MARGIN

5.7%

➔ +70bps<sup>(3)</sup>

#### NET INCOME

(in millions of euros)

319.0

➔ +39.2%

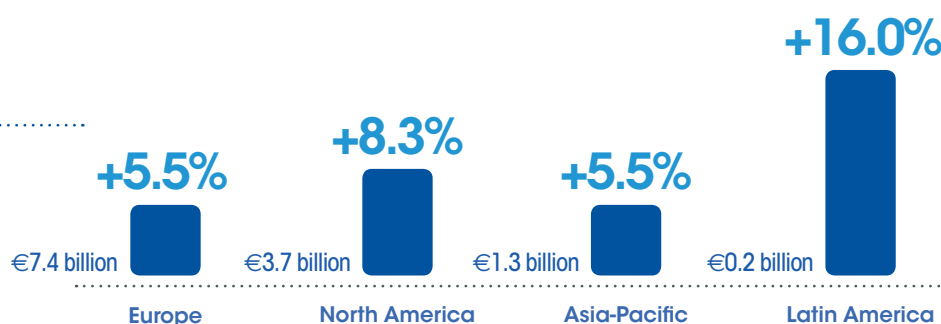
(1) At comparable scope of consolidation and exchange rates, excluding the non-recurring effect related to fluctuations in the price of copper-based cables and before amortisation of purchase price allocation.

(2) Same days.

(3) Bps: abbreviation of "basis points".

## GROWTH IN SALES

On a constant, adjusted and same-day basis





## Proposed dividend of €0.65 per share

Rexel's good performance in 2011 allows the Group to propose to pay shareholders a dividend of 0.65 euro per share (vs. 0.40 euro last year), subject to shareholder approval at the Annual General Meeting of 16 May 2012. This dividend will be paid in cash or shares, according to the choice of each shareholder and represents a pay-out ratio of 46% of the Group's recurring net income.

## 2012 Prospects

In the prevailing uncertain economic context, Rexel remains confident that organic growth excluding the impact of copper in 2012 should continue to outperform the weighted average GDP growth of the regions in which the Group operates.

In this context, Rexel should also in 2012:

- At least maintain its EBITA<sup>(1)</sup> margin at the same level as the 5.7% reached in 2011,
- Generate free cash-flow before interest and tax of around €600 million.

Rexel confirms its medium-term strategic priorities:

- Strengthen its market position through organic growth and acquisitions,
- Enhance its profitability and optimize capital employed to achieve an EBITA<sup>(1)</sup> margin of close to 6.5% and a return on capital employed close to 14% in 2013,
- Generate solid free cash-flow.

(1) On a constant and adjusted basis.

## ? YOUR QUESTIONS

### WHAT IS THE TIMING FOR PAYMENT OF THE 2011 DIVIDEND?

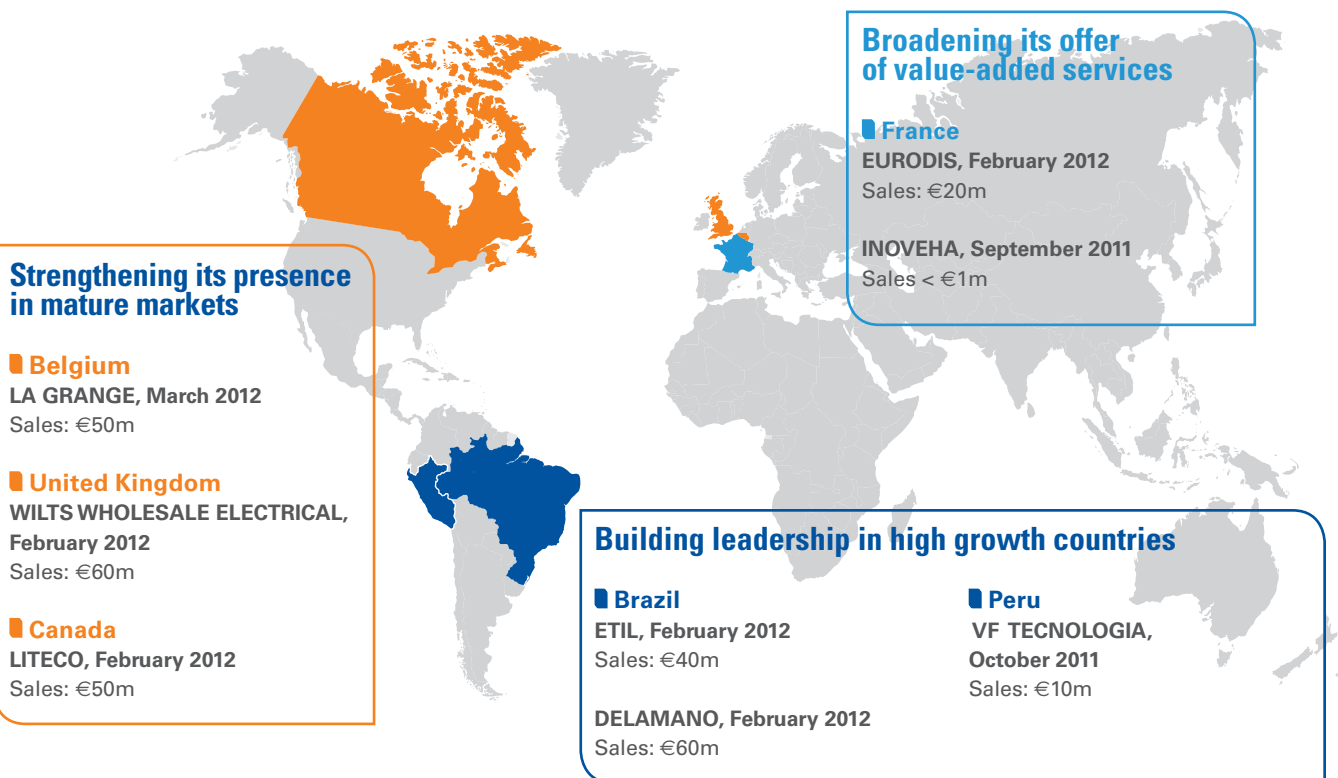
The share's ex-dividend date is set at 24 May 2012, and the record date is set at 23 May 2012. Subject to the approval of the Annual General Meeting, the dividend may be paid either in cash or in shares. From 24 May 2012 to 12 June 2012 inclusive, you can inform your financial intermediary of your choice. The payment or delivery of shares will begin on 25 June 2012.

# strategy in action

## Rexel further accelerates its pace of acquisitions

In line with its external growth strategy, Rexel, since September 2011, has made 8 acquisitions representing combined annual sales of almost 300 million euros.

These transactions fully reflect the three focus areas defined by Rexel on acquisitions:



## YOUR QUESTIONS

### IS A NEW BOND ISSUE PLANNED FOR 2012?

Rexel has just successfully completed in March, a 400-million U.S. dollar bond issue at 6.125%. This issue complements the bonds issued in euros in 2010 and 2011. It allows the Group to further strengthen its financial flexibility and to extend the maturity of its debt at an attractive cost.

# our commitments

## Societal Partnership with the NGO, Ashoka



effective means of identifying and supporting the levers of its societal commitment in favour of energy efficiency.

## Global Compact: in favour of a socially responsible economy

Since 2011 Rexel has supported the Global Compact, a worldwide agreement entered into at the UN's initiative.

This initiative which brings together companies, governments, professional organisations and NGOs, aims to provide a more social, ecological and ethical conception of globalisation.

By signing the Global Compact, Rexel makes a commitment to respect and promote the ten key principles of the Compact relating to human rights, labour standards, the environment and the fight against corruption.

Formally proposed in 1999 to all business leaders, the Global Compact was launched by the UN Secretary General in his speech at the Davos World Economic Forum and entered into an operational phase in July 2000. The Global Compact today includes thousands of members in over 100 countries.

Through this commitment, Rexel wishes to contribute to a global economy that is more socially responsible.



Rexel has signed a two-year worldwide partnership agreement with Ashoka, to provide financial support and assistance to social entrepreneurs demonstrating leadership and an ability for innovation on energy efficiency issues.

The Group's goal is to form eventually a "pool" of social entrepreneurs worldwide dealing with access to energy efficiency for all.

Two social entrepreneurs are due to be sponsored in 2012. They will enjoy triple support from the Group: financial assistance, access to infrastructure (storage, transport etc.) and advice from Rexel's experts.

Eventually, the Group will thus have an

## Committed Rexel employees



The "Satisfaxion 2011" employee opinion survey targeted 27,000 employees of the Group. With a significant participation rate of 68%, the survey results show an improvement in employee satisfaction compared to 2006 on all the topics covered related to the professional environment with, in particular, strong increases in the understanding of the strategy (+6%) and respect (+6%).

In the areas of commitment and wellbeing, the percentage of respondents saying they are «very satisfied» is higher for Rexel than for most other companies of the Towers Watson panel (the provider having conducted the survey).

Following the results of this survey, action plans have been worked out country by country and will be implemented beginning in 2012.

## ? YOUR QUESTIONS

### ARE REXEL SHARES INCLUDED IN SRI INDICES\*?

Rexel is included in two indices reflecting companies' performance in respect of social and environmental responsibility: the FTSE4GOOD and, since 19 March the ASPI Eurozone which includes the 120 listed companies that are best rated by Vigeo, Europe's leading SRI extra-financial rating agency in the euro area. These indices are used by investors to shape a sustainable investment environment.

\*Socially Responsible Investment.



# Rexel share at a glance

## General Meeting

**Rexel's Annual General Meeting will be held on 16 May 2012 in Paris.**

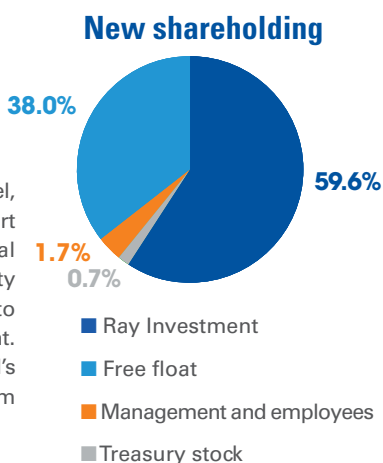
As for last year, Rexel has set up a dedicated website (French/English) which allows each shareholder to request an admission card, to vote by correspondence, to give proxy to the Chairman or power of attorney to the person of their choice from late April until 15 May 2012 at 3.00 p.m.

To convey your instructions, log on to <https://gisproxoy.bnpparibas.com/rexel.pg>



## Book building to institutional investors

On 1 March, Ray Investment, shareholder of Rexel, sold just over 11% of the Group's equity as part of an accelerated book building to institutional investors. Ray Investment remains the majority shareholder and has expressed its intention to continue to actively support Rexel's development. This investment has significantly improved Rexel's liquidity whose free float has increased from around 26% to nearly 38%.



## A new website dedicated to employee shareholders

To coincide with the availability of the assets subscribed to in its first employee shareholding plan, Opportunity07, Rexel launched its worldwide site dedicated to employee shareholding: [www.rexel-opportunity.com](http://www.rexel-opportunity.com). For unit holders of shareholding fund (FCPE) or direct shareholders, it facilitates the on-line management of their various transactions and creates a permanent information space. It also allows Rexel to limit its energy footprint. You can send your questions to [opportunity@rexel.com](mailto:opportunity@rexel.com).

### Company Details

ISIN: FR0010451203

Market: Eurolist by NYSE Euronext

Number of shares (as at March 28, 2012):

268,871,695

Market capitalisation (as at March 28, 2012):

€4,4 billion

Indices: SBF 120, CAC Mid 100,  
CAC All-Tradable, CAC AllShares, FTSE EuroMid,  
FTSE4Good, Stoxx600 et ASPI Eurozone.

### 2012 Calendar

**Thursday 3 May:**  
First Quarter results

**Wednesday 16 May:**  
Annual General Meeting  
of Shareholders

**Tuesday 29 May:**  
Investors Day

**Friday 27 July:**  
Second Quarter  
and First half results

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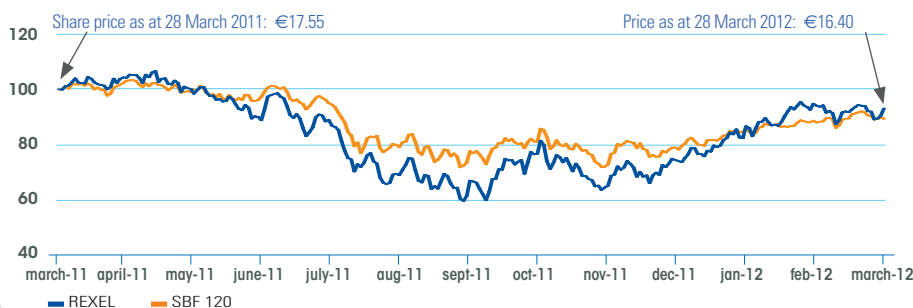
#### Dailymotion

<http://www.dailymotion.com/rexelgroup>



<http://www.youtube.com/rexelgroup>

### Share price from 28 March 2011 to March 28, 2012



...see you soon!