

letter to Rexel's shareholders

Global leader

in the professional distribution of products
and services for the energy world

#15

November
2014

www.rexel.com



Dear Shareholders

Rexel's third quarter results published on the 29th October showed increased sales momentum with constant same-day sales growth of 2.2% in the quarter, which was mostly driven by North America and to a lesser extent Europe. In the first nine months of the year, constant same-day sales increased 1.1% whereas net income was up by more than 5%. However, the year-to-date operating margin was unfavorably impacted by geographic and project mix effects as well as the influence of transition costs related to our business transformation and investments to accelerate profitable growth in key strategic areas.

Considering the first three quarters' performance, we confirm our full-year outlook, published in July, which includes broadly stable sales year-over-year, an adjusted EBITA margin of at least 5% of sales and solid free cash-flow of at least 75% of EBITDA before interest and tax. We also reiterate our dividend policy of paying out at least 40% of recurring net income.

With regards to our external growth strategy, we recently acquired 4 Knights International in Thailand, which strengthens our position in South-East Asia and allows us to accelerate growth in the attractive Oil & Gas vertical market. This operation brings us to a total of four acquisitions this year, including Elevite in Switzerland, Beijing Ouneng in China, and AMP Ingenieros in Peru, on top of a joint venture in Saudi Arabia.

Since our last newsletter, we have also made significant changes to Rexel's governance model to reflect the evolution of Rexel's shareholding structure in line with CAC40 best practices. At our AGM on May 22, shareholders voted in favor of moving from a dual board structure with a Supervisory Board and Management Board, to a one-tier structure with a Board of Directors. This new board structure helps to simplify the decision-making process and accelerate the implementation of the Group's strategy. The AGM decisions also included my appointment as Chairman of the newly formed Board of Directors next to my role as Chief Executive Officer, and the appointment of Catherine Guillouard, Group Chief Financial Officer since May 2013, as Deputy-CEO.

In conclusion, I am also pleased to announce that Rexel is reinforcing its commitment to protecting the environment and fighting climate change in the run-up to the 2015 United Nations Climate Change Conference as a founding partner of Solutions COP21 – a coalition of companies, institutions, local authorities, research institutes and associations with an aim to promote practical initiatives and climate change solutions across a range of fields including energy, mobility and the built environment.

I look forward to reporting on our progress in the next issue.

Thank you for your continued support,

Rudy Provoost
Chairman and CEO

Zoom
A very
dynamic
Chinese
market

Finance
9-month
results
Sales growth
in a globally
uncertain
environment

Rexel & you
General
Assembly
Evolution of
Rexel's
governance
and dividend
distribution

REXEL

a world of energy

A very dynamic Chinese market

Established in China since 2000, Rexel has an acquisition and development strategy that has allowed it to strengthen its presence in a market characterized by a fast-paced, dynamic economy.

As the world's second largest economic power, China is constantly developing: GDP growth remains at a solid 7 per cent and the Government is continuing to invest heavily in infrastructure. Foreign investment remains strong and many verticals such as the food and beverage, automotive, and oil and gas markets continue to generate strong growth. Rexel has grown its position in China through a combination of acquisitions (eight to date), and organic growth (14 per cent on average since 2008). The typical Chinese distribution company has a very narrow offering, often distributing only one brand. Rexel stands out as a comprehensive distribution platform, a "one-stop shop", aiming to provide industrial customers (85 per cent of Rexel China sales) with the largest offer of industrial and automation products in the country. This is a unique service, unmatched on the Chinese market today.

Sales of €370 million in 2013

Before purchasing a company, the Group defines what its future business strategy will look like and conducts due diligence on the company's Finances, Corporate Governance, Human Resources and Customer Relations. At Rexel's headquarters in Shanghai around 30 dedicated staff are on hand to advise purchased companies in areas such as HR, IT, Supply Chain and Marketing. In the space of 10 years, Rexel has become a prominent actor in the Chinese industrial market, namely in automation, which remains buoyant despite the macroeconomic downturn. The Group has also provided the financial support essential for the development of its acquisitions and brings with it the reputation of a leading international company to attract young talent.

A leader in Northern China

With the acquisition of Beijing Ouneng, Rexel has become the leading electrical distributor in Northern China

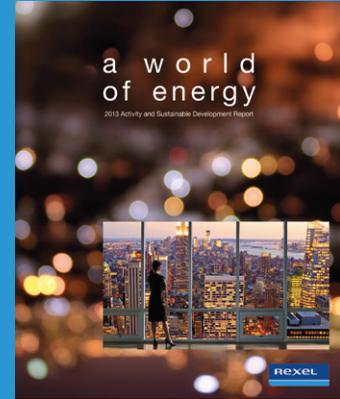
In July, Rexel signed the acquisition of **Beijing Ouneng**, an automation-focused electrical distributor with an ABB franchise. Founded in 1996, the Beijing-based company addresses automation customers through 14 branches. In 2013, it employed 135 people and posted sales of €34 million.

Bright lights in Shanghai demonstrate huge growth potential in China



The 2013 Activity Report

This document summarizes Rexel's commitments to all its stakeholders and its contribution to building a better world of energy. This year, the Activity Report has been relaunched to include an interactive version and a short film presenting Rexel in key figures.



Study on energy efficiency programs

The Rexel Foundation financed a study on energy efficiency across five countries in the Andean region. The results confirm the carbon mechanism eligibility of projects that provide electricity to isolated populations living in the region. The results of the study are available online, on the Rexel Foundation website.

Rexel foundation
FOR A BETTER ENERGY FUTURE

COP21 solutions

Rexel is increasing its commitment to the environment in the run up to the 2015 Climate Change Conference as one of the founding partners of Solutions COP21, helping to promote practical initiatives in the energy, mobility and construction sectors.

SOLUTIONS COP21
PARIS 2015

9-month Results

In the first 9 months of 2014, Rexel posted slight organic sales growth in an environment that remains globally uncertain. The Group continued to implement its strategy focused on improving commercial effectiveness, enhancing customer centricity, driving operational excellence and strengthening its business portfolio.

€9.6 Bn
Sales

€469 m
Adjusted
EBITA¹

€157 m
net
income

Solid sales growth in Q3, driven by an acceleration in North America

In the first 9 months of 2014, Rexel posted **sales** of €9,613.2m, up 1.1% on a constant and same-day basis. Driven by North America (+ 5.5%), Q3 sales increased by 2.2% on a constant and same-day basis, a significant improvement compared to the previous quarter (+ 0.6 % in Q2 2014).

On a reported basis, nine-month sales decreased by 1.1%, mainly due to a negative currency effect of €223.8m from the depreciation of the US, Canadian and Australian dollars against the euro.

A transition year with major operational projects and accelerated investments

Adjusted EBITA margin¹ represented 4.9% of sales, down from 5.2% in the

first 9 months of 2013, impacted by unfavorable mix effects (geographical and project activity) and by transition costs related to our business transformation program and increased investments to accelerate profitable growth in strategic areas.

The Group's net income stood at €157.5m in the first 9 months of 2014 (vs. €149.7m in the same period last year), up 5.2%, mainly as a result of reduced restructuring and financial expenses.

Broadly stable net debt

In the first 9 months of 2014, **cash flow before interest and taxes** was positive at €36.2m and at September 30, 2014, **net debt** amounted to €2,654.8m, broadly stable year-on-year (vs. 2,643.9m at September 30, 2013).

(1) Constant and adjusted basis: at comparable scope of consolidation and exchange rates, excluding the non-recurring effect related to changes in copper-based cables price and before amortization of purchase price allocation.

4 targeted acquisitions

Since the beginning of the year, Rexel continued its targeted external growth strategy through the acquisitions of 4 companies representing c. €70m of additional sales on an annualized basis, to:

> Reinforce its position in the Oil & Gas segment, the Group acquired 4 Knights International in Thailand and created a joint-venture with Al-Hobayb Group in Saudi Arabia,

> Enlarge its offer of value-added services, Rexel acquired Elevite, a Swiss distributor specialized in lighting solutions,

> Strengthen its footprint in emerging countries, the Group acquired AMP Ingenieros in Peru and Beijing Ouneng in China.



2014 objectives confirmed

Rexel's third-quarter performance puts the Group on track to achieve its full-year targets, as presented on July 30:

> Broadly stable sales year-on-year, on a constant and same-day basis,

> Adjusted EBITA margin of at least 5.0% of sales,

> Solid free cash-flow:

– Of at least 75% of EBITDA, before interest and tax,

– Of around 40% of EBITDA, after interest and tax.

In addition, Rexel confirms its cash allocation policy of paying out a dividend representing at least 40% of recurring net income, while further improving its balance sheet and investing in targeted acquisitions.

Annual Shareholders' Meeting

Rexel's Annual Shareholders' Meeting was held on May 22, 2014 in Paris, providing an opportunity for dialogue between management and shareholders. Resolutions relating to the evolution of Rexel's governance structure and to the distribution of a dividend were approved.



Governance Structure

Rexel's previous two-tiered governance model, with a Supervisory Board and a Management Board, has evolved into a single structure with a Board of Directors. Rudy Provoost was appointed Chairman and CEO and François Henrot, Deputy-Chairman and Senior Independent Director.

Dividend distribution

The distribution of a dividend of €0.75 per share was approved. 70% of shareholders opted to receive the dividend in new shares. This has resulted in the creation of 9.3 million new shares, representing 3.16% of the shares outstanding to date. Cash payment or delivery of the new shares was made on July 2, 2014.

Calendar

Thursday November 27, 2014

> Meeting with shareholders in Lille

Thursday February 12, 2015

> 2014 annual results

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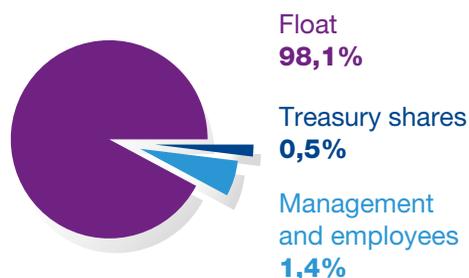
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Shareholding evolution

- > After 7 years as shareholders, Ray Investment, a consortium of investment funds, sold its remaining 7 percent stake in Rexel on September 23, 2014.
- > On October 31, Rexel's shareholding structure was as follows:



Service titres

**BNP Paribas
Securities Services**

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SHARE PRICE



Company details

- > ISIN **FR0010451203**
- > Mnemonic code **RXL**
- > Market **Eurolist by NYSE Euronext**

At October 31, 2014

- > Number of shares **293.5 millions**
- > Market capitalisation **€3.9 Bn**