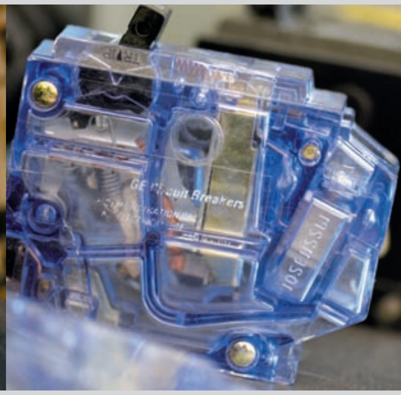
Rexel: activity report 2006

REXEL

No.1 Worldwide Distributor of Electrical Supplies



Rexel distributes **low and ultra-low voltage electrical supplies** to contractors. It holds a worldwide market share estimated at 7%, in a highly fragmented market with considerable growth potential. It operates in three major geographic zones - **North America, Europe, Asia-Pacific** - and derives 85% of its sales* from countries where the Group is the leader.

Rexel serves **three main markets: industrial, commercial and residential**. The Group seeks to anticipate and meet all needs in each customer segment - contractors of different sizes, industrial and commercial companies, governments - by offering an extensive range of products and services in every country where it operates.

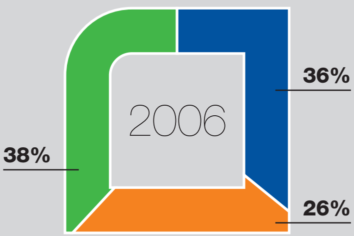
Rexel's leadership spans **28 countries**, with over **1,900 sales outlets for its customers**. With 60% of employees directly serving professional customers every day, the Group plays an important role in **providing information and advice on electrical equipment solutions**.

Its worldwide leadership position and capacity to deliver a steady stream of innovative and continuously renewed products and services make Rexel **a driving force in its industry**.

- Sales* of **€10.7 billion** (**€9.3 billion** in consolidated revenues)
- **No.1** in North America, **No.2** in Europe, **No.1** in Asia-Pacific
- **1st** worldwide network with **1,920** branches
- **25,300** employees in **28** countries
- **7** major product families
- **10 million** orders per year

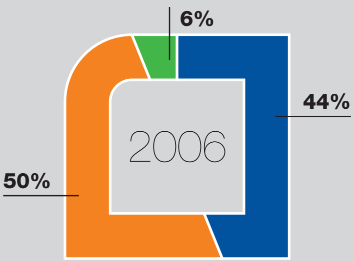
** Pro forma financial information : the 2006 pro forma financial information reflects the effect of the acquisitions and disposals completed during 2006 and 2005 as if they had been effective on January 1, 2005.*

Contents



Breakdown of pro forma sales* by market

- Industrial
- Residential
- Commercial



Breakdown of pro forma sales* by geographical area

- Europe
- Americas
- Asia-Pacific

A WORD FROM...

Roberto Quarta

Chairman of the Supervisory Board

Rexel is the undisputed global leader in the distribution of electrical supplies. Achieving and developing this position has been the product of cohesive strategy, skilled management and good execution. Over the last few years, Rexel has developed a unique set of assets to create shareholder value, as evidenced by the very strong results in 2006. The BtoB distribution market in which Rexel operates is highly attractive with multiple growth drivers and compelling economics. Additionally, Rexel enjoys and develops a range of competitive advantages, including its leading branch network, supplier relationships, back office platforms and people.

Rexel's strong performance during 2006 was the product of several key factors: outgrowing the market organically, improving margins and leading the way in market consolidation. With the roll-out of key initiatives and efficiency management, results have been significant

"I am pleased to report that Rexel not only enjoyed a strong 2006 but continues to enjoy good momentum in the business, and the Supervisory Board believes there is still much more to aim for."

across all regions and dimensions – sales, profits and cash-flow. I am pleased to report that Rexel not only enjoyed a strong 2006 but continues to enjoy good momentum in the business, and the Supervisory Board believes there is still much more to aim for.

That is why the main shareholders have supported the return to the market as the best strategy to facilitate the next stage of Rexel's growth: deleveraging the balance sheet, providing the company with access to capital market liquidity and giving maximum flexibility to pursue its development successfully. The fact that original shareholders have kept a majority stockholding in Rexel also proves their level of confidence in the future of the Group.

The return to market is also an opportunity for Rexel to adapt its governance to the public market environment. The company's corporate form now consists of a Supervisory Board and a Management Board. The Supervisory Board has ten members, including two independents and an observer. Four committees of the Board have been created: strategy, audit, compensation and nomination. This evolution aims at complying with the best practices of corporate governance.

I am optimistic that shareholders' support allied to an able and committed management team will allow Rexel to achieve our common goals: building the most profitable global group in the distribution of electrical supplies, thereby delivering future value to all stakeholders.

ROBERTO QUARTA
Chairman of the Supervisory Board

A WORD FROM...

Jean-Charles Pauze

Chairman of the Management Board

The results for 2006 were very strong. How do you account for this performance?

Our 2006 performance was the result of a long-term strategy aimed at achieving sustained profitable growth. This year, our sales posted a strong rise of 26%, or 11.1% on a comparable basis, to €9.3 billion. Aside from the positive impact of copper prices, this growth was the product of brisk organic growth across the majority of our markets.

We also stepped up our strategy of targeted bolt-on acquisitions. Thanks to the major acquisition of GE Supply last August, we achieved an additional dimension by becoming the market leader in the United States. We now derive 85% of our sales from countries in which Rexel is the number one player.

Lastly, the Group achieved further productivity gains, through greater operational discipline and a focus on improving gross profit. Operating income before other income and other expenses (EBITA) amounted to €574 million and net profit to €189 million.

"Rexel has reasserted its position as a leading industry consolidator."

Your organic growth was underpinned by favorable market conditions. What are the major trends?

We are pursuing our business in a balanced manner in our three main segments, namely the commercial (38%), industrial (36%) and residential (26%) markets. Overall, our market is experiencing structural growth. Mature markets, which are constantly demanding more new features, comfort and safety, provide a very supportive environment for value-added products and services. In the emerging markets, the use of electrical supplies

"The Group achieved further productivity gains, through greater operational discipline and a focus on improving gross profit."

is naturally growing and represents a major source of future growth. In the shorter term, trends in the industrial and commercial markets are positive in our three geographical regions while the indicators are improving for the residential market in the Asia-Pacific region, stable in Europe and decreasing in the United States.

2006 was marked by a brisk pace of acquisitions, including the paradigm-changing acquisition of GE Supply...

With nine acquisitions in 2006, Rexel has reasserted its position as a leading industry consolidator. This strategy is part of Rexel's DNA. It is based on a very simple approach: to acquire small and medium-sized companies complementing our existing operations, from a sectoral or geographic standpoint, in regions where we are already established or have scope to enrich our expertise and our business model. The density of our local market share harbors potential for profitability gains. This strategy focused on regional reinforcement is of crucial importance.

Through the acquisition of GE Supply, Rexel has doubled in size in the US market, where it has become the market leader. We can now deploy our dual-banner strategy in this growing market and provide our more extensive customer base with an enriched offering of products and services and a stronger network. GE Supply also gives us expertise in outsourced services to supply the production lines that we are endeavoring to develop.

In a fragmented worldwide electrical supplies distribution market estimated to be worth around €145 billion, we hold market share of only 7%. This demonstrates the potential for consolidation that we can harness!

What strategic drivers are you deploying to stay at the forefront of one of the largest business markets?

To enhance its leadership, Rexel is deploying three additional strategic drivers: we aim to accelerate organic growth, improve operating margins and consolidate the market through targeted acquisitions.

Our business model is unique and underpinned by robust fundamentals: benefit from financial discipline and operational expertise shared by every country, while fostering proactive local and entrepreneurial management. Our knowledge of the markets and our leadership enable us to stay one step ahead by designing targeted action plans with our suppliers, by adapting our branch network and by rolling out the services and distribution channels of the future, such as e-commerce.

"The density of our local market shares harbors potential for profitability gains."

A WORD FROM...

"Notwithstanding the structurally supportive market prospects, we need to take our expansion into our own hands."

What are your priorities for the next few years and what does your continued expansion require?

Notwithstanding the structurally supportive market prospects, we need to take our expansion into our own hands. From a commercial standpoint, we are planning to open about forty new branches each year. In mature markets, the deployment of our multi-network strategy represents a key source of future growth. We must also continue to innovate to stay more closely in touch with our customers by rolling out new distribution channels and offering value-added services. Optimizing our logistics and streamlining our information systems also represent priority projects. These objectives will be achieved thanks to the unwavering commitment of Rexel's men and women, the key players in the Group's success. We place great importance on dialog and valorizing this human capital through training and greater emphasis on rewarding performance. In this respect, it also seemed natural to enable employees to take part in Rexel's IPO by allowing them to buy shares on preferential terms.

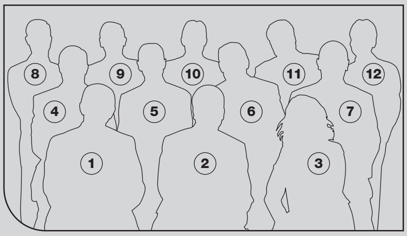
What are Rexel's medium-term prospects and, more generally, how do you see the future?

In a structurally growing market, our annual medium-term forecast is 4-6% in organic growth, plus another 2-3% through acquisition-led growth. Our return to the market reflects our ambition and desire to accelerate. I wish to thank our new shareholders for the confidence they have shown in us and tell them that they are contributing to the development of an efficient Group, the very essence of which is to create value for all our stakeholders. This is achieved through more service and efficiency for our customers, rewarding relationships for our partners, expertise harnessed for the benefit of the environment, genuine potential for our employees to develop and, for all our shareholders, the prospect of robust and profitable growth.

JEAN-CHARLES PAUZE
Chairman of the Management Board

The Executive Committee

The Executive Committee assists the Management Board with the management of the Group's main businesses. The Executive Committee, which meets every two months, brings together the regional senior vice presidents and the corporate senior vice presidents. The Executive Committee is a special body for discussing strategic planning, coordinating initiatives, monitoring performance and initiating cross-functional projects in compliance with the Group's corporate governance.



1 NICOLAS LWOFF
Management Board member
Group Senior Vice President,
Finance, Control and Legal Affairs

2 DICK WATERMAN
Senior Vice President,
International Electric Supply Corp. (USA)

3 LAETITIA OLIVIER
Senior Vice President, Communications

4 JEFF SCHAPER
Senior Vice President,
General Supply & Services Inc. (USA)

5 JEAN-DOMINIQUE PERRET
Management Board member
Group Senior Vice President,
Human Resources

6 JEAN-CHARLES PAUZE
Chairman of the Management Board & CEO

7 DAN PALUMBO
Senior Vice President, Rexel, Inc. (USA)

8 JEFF HALL
Senior Vice President, Canada

9 PATRICK BÉRARD
Senior Vice President France
& Group Delegate Italy, Portugal and Spain

10 PASCAL MARTIN
Management Board member
Group Senior Vice President, Business Development,
Corporate Operations and Latin America

11 HENRI-PAUL LASCHKAR
Senior Vice President, Asia-Pacific

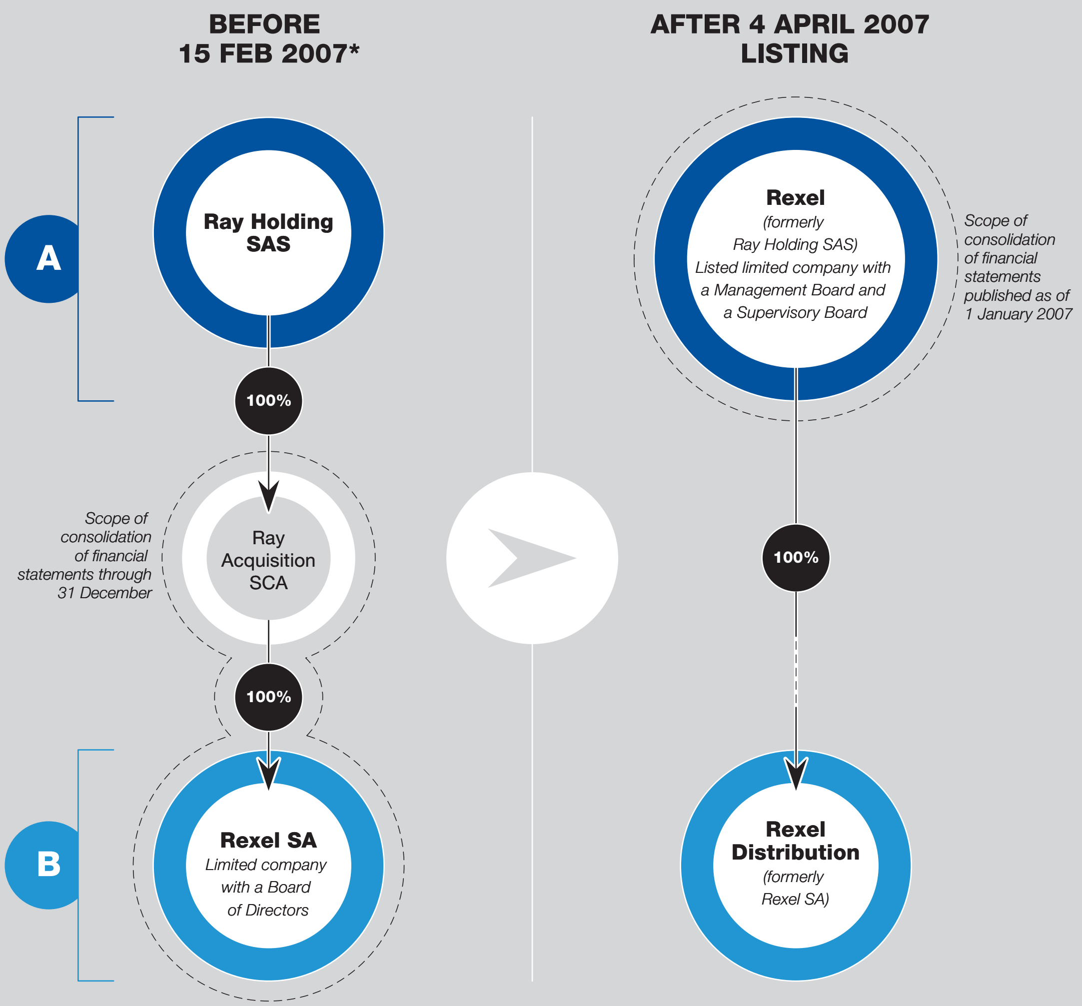
12 WERNER HARDT
Senior Vice President,
Central Europe and Scandinavia

Reorganization of Group entities

In preparation for the IPO of 4 April 2007, the Rexel Group reorganized its governance structure.

Ray Holding SAS, henceforth identified as the listed entity, was transformed into a limited company (*société anonyme*), with a Management Board and a Supervisory Board, on 13 February 2007, so that it could issue securities on the Stock Exchange and separate the management and control functions, which were respectively granted to the Management Board and the Supervisory Board.

To ensure the continuity of Rexel Group communications and corporate identity, Ray Holding SAS changed its company name to Rexel on 15 February 2007. On the same day, Rexel (the company listed until April 2005) was renamed Rexel Distribution. Consequently, the consolidated financial statements published by the Group are those of Rexel, formerly Ray Holding SAS.



** Date of company name change.*
A: Group Parent Company.
B: Operating structure .

Corporate governance in 2007

STATUTORY AUDITORS

Principal auditors
Ernst & Young Audit / KPMG Audit
Deputy auditors
Mr. Gabriel Galet / JC André et Autres

THE MANAGEMENT BOARD

The Management Board is vested with the broadest powers to act in the name of the company, within the limits of its corporate purpose, and subject to the powers entrusted to the Supervisory Board and the General Shareholders' Meeting under the law and by-laws.

Jean-Charles Pauze, Chairman of the Management Board
Nicolas Lwoff, Group Senior Vice President, Finance, Control and Legal Affairs
Pascal Martin, Group Senior Vice President, Business Development, Corporate Operations and Latin America
Jean-Dominique Perret, Group Senior Vice President, Human Resources

THE EXECUTIVE COMMITTEE

The Executive Committee assists the Management Board with the management of the Group's main businesses. The Executive Committee is a special body for discussing strategic planning, coordinating initiatives, reviewing performance and initiating cross-functional projects in compliance with the Group's corporate governance. (See page 7).

THE SUPERVISORY BOARD

(4 April 2007)

The Supervisory Board exercises ongoing control over the company's management by the Management Board, performing the controls and verifications that it deems appropriate. It oversees management of the Group and reports to shareholders. It appoints the Chairman and the members of the Management Board.

Chairman: Roberto Quarta
Vice Chairman: Patrick Sayer
Members*:

- François David**
- Fritz Fröhlich**
- Xavier Marin
- Luis Marini-Portugal
- Djamal Moussaoui
- David Novak
- Guido Padovano
- Joseph L. Rice

Observer: Joe Adorjan

SUPERVISORY BOARD COMMITTEES

Audit Committee

The members of the Audit Committee* are Fritz Fröhlich (Chairman), Luis Marini-Portugal, Djamal Moussaoui and David Novak. Its role is to assist the Supervisory Board with decision making and to issue recommendations on finance, accounting and internal controls.

Nomination Committee

The members of the Nomination Committee are Fritz Fröhlich, Guido Padovano, Roberto Quarta and Patrick Sayer. Its main missions are to issue recommendations on potential nominations, to replace/dismiss members of the Management Board, Executive Committee and Supervisory Board, and to ensure that independent members on the Supervisory Committee effectively meet independence criteria.

Compensation Committee

The members of the Compensation Committee are François David, Luis Marini-Portugal, Guido Padovano and Roberto Quarta. Its main missions are to make recommendations and issue opinions on the compensation of Management Board and Executive Committee members and on stock option grants and free shares policy.

Strategic Committee

The members of the Strategic Committee are François David, Xavier Marin, Djamal Moussaoui and David Novak. Its main missions are to issue recommendations for the Supervisory Board on strategic planning and annual budget proposals as well as on any of the Group strategic projects (such as acquisitions, disvestments or investments).

Internal rules of the Supervisory Board are available on the Group's website: www.rexel.com

** An independent member will be appointed at a future date.*
*** Independent member.*

In 2006, corporate governance of the Rexel Group was expressed through the Board of Directors of Rexel Distribution and its committees.

Corporate governance in 2006

THE BOARD OF DIRECTORS

In addition to carrying out its legal obligations, particularly the approval of the annual and half-year financial statements, the meetings of the Board of Directors of Rexel Distribution worked on the following in 2006:

- Group strategy;
- Approval of quarterly financial statements;
- Financial policy controls;
- Main investment projects concerning acquisitions or disvestments.

The Board of Directors met five times in 2006. Average attendance was 94%.

The Board of Directors carried out a self-evaluation of its functioning and organization during the year 2006. The conclusions of this self-evaluation recorded the transparency and quality of the information provided to Board members, enabling them to fully carry out their missions.

THE COMMITTEES

The Audit Committee

The Audit Committee, comprised of Xavier Marin (Chairman), David Novak and Djamal Moussaoui, met four times during the year. The Committee's main tasks were to examine the annual, half-year and quarterly financial statements, to oversee the activity of the Group Audit department, to examine the fiscal situation of the Group subsidiaries, Group debt and general financial policy.

The Appointments and Compensation Committee

The Appointments and Compensation Committee, comprised of Guido Padovano (Chairman), Robert Quarta and Patrick Sayer, met once in 2006. The Committee's main tasks involved nominations to the Executive Committee, compensation for Group executives and compensation for the observer.

The Acquisition and Disvestment Committee

The Board of Directors decided to specialize the work of the Strategic Committee by transforming it into an Acquisition and Disvestment Committee. Beyond a certain threshold, this Committee is charged with exploring, evaluating and issuing recommendations on significant investment and divestment projects at the operating level, and asset acquisition or disvestment proposals being considered by the Group.

The Acquisition and Disvestment Committee, comprised of David Novak (Chairman), Xavier Marin and Djamal Moussaoui, met twice during the year to discuss acquisition projects.

NB: *Rexel's 2006 Annual Report, which includes the Directors' Report, the Activity Report and the Sustainable Development Report, can be viewed or downloaded from the Group's website: www.rexel.com*

Strategy

Contents

The Group's development strategy is based on three pillars: accelerating organic growth, enhancing operating profitability and pursuing selective external growth. With these three pillars of sustainable, profitable growth, the Group has launched an ongoing improvement process. This strategy is carried via three cross-functional leverages: logistics, information systems and, of course, the men and women that make up the Group's workforce.

One strategy, three pillars

ACCELERATING ORGANIC GROWTH OVER THE LONG TERM

The development of market share lies at the heart of the Group's strategy as a source of growth and economies of scale. For Rexel, this implies mainly **strengthening its local leadership by expanding the branch network**. Each year, the Group plans to create about forty new branches as it works towards its 2009 target of generating sales of €200 million to €300 million.

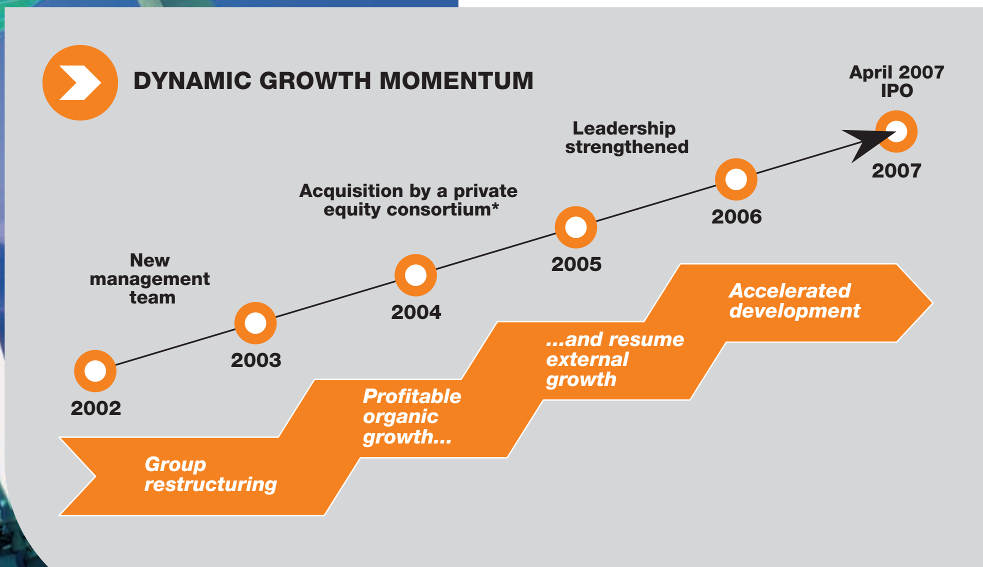
The next goal is the **deployment of a multi-network commercial structure** in countries where the Group has a significant market share. Already well underway, this strategy will be pursued through new acquisitions or the reorganization of the existing network. The Group's sales policy is also based on **enhancing its marketing tools and complementary distribution channels**, such as e-commerce.

Lastly, Rexel better meets customer expectations by strengthening its **offer of value-added services**, a very strong differentiation factor in the electrical supplies distribution market. The development of services should enable the Group to gain market share, notably with **key accounts**, a segment that harbors significant growth potential.

IMPROVING OPERATING PROFITABILITY AND RETURN ON CAPITAL EMPLOYED

Since 2004, Rexel has structurally improved operating profitability through a series of measures that were further advanced in 2005 and 2006:

- **Optimizing supplier relations** creates a major leveraging effect for strengthening profitability, both in terms of sales growth (product expertise) and supply chain management;
- An active policy of **optimizing sales prices**, designed to maximize the gross margin over the long term while maintaining competitiveness;
- Ongoing efforts to **streamline information systems** but also **adapt logistics structures** to the density of the branch network and to customer expectations, with the creation of regional logistics centers and hub (parent branches). The goal is to improve product availability for customers while reducing inventory.



** Consisting mainly of Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity*

As a distributor, Rexel also pays special attention to **reducing working capital requirements** by focusing on two key indicators: the inventory turn rate and the reduction of payment periods between customers on the one hand and suppliers on the other.

The Group aims therefore at enhancing its profitability and cash flows while optimizing capital employed. By doing so, Rexel targets a continuous development of value creation for all its shareholders.

PURSUIT OF GROWTH THROUGH ACQUISITIONS

A **selective acquisition policy** is the third pillar of the Group's strategy.

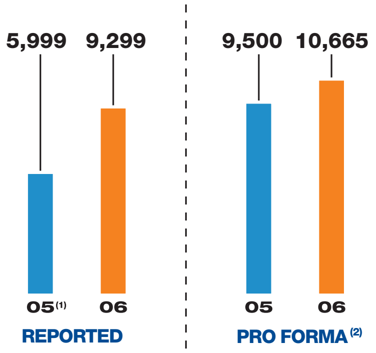
Concretely, this policy consists of **acquiring small and mid-sized companies, which are complementary in terms of sector or region**, in areas where the Group is already active or that will **enhance its expertise or business model**.

With nine acquisitions in 2006 – including GE Supply (Gexpro), which doubled Rexel's size in the United States and made it the market leader – the Group has confirmed its role as a key player in the consolidation of a market that is still highly fragmented. For the period 2007-2009, Rexel's target is to make small and mid-sized acquisitions each year capable of generating additional annual sales growth of 2% to 3%. In markets with strong growth potential in North America, Asia and central and southern Europe, the Group intends to strengthen its presence.

The development of market share lies at the heart of the Group's strategy as a source of growth and economies of scale.

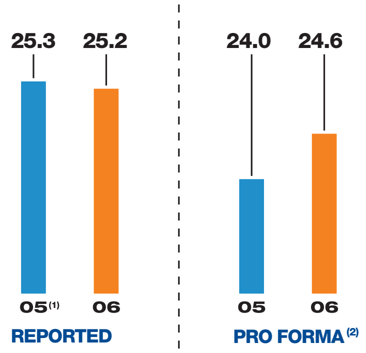
Logistics center (Hub), Gexpro, Chicago, United States

Rexel* key figures in 2006



Consolidated sales (€m)

Organic growth in 2006 was calculated on a comparable basis [3] at a high level of 11.1% compared with 2005. This expansion reflected market share gains in numerous countries, included inflation effect due to higher copper prices and a strong sales dynamic.

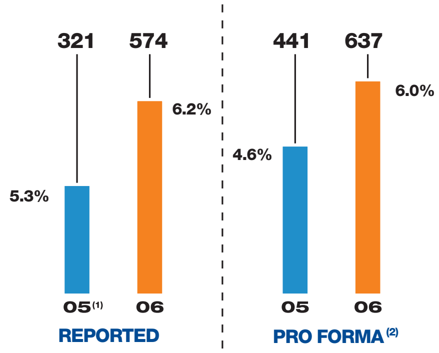


Gross margin (as a % of sales)

Based on pro forma data, the gross margin stood at 24.6% in 2006 compared with 24.0% in 2005. Of this 60 basis point increase, around 40 basis points were attributable to non-recurrent effects due to a rise in copper prices during 2006 and some 20 basis points to the improvement in purchasing and selling terms and growth in higher value-added product families.

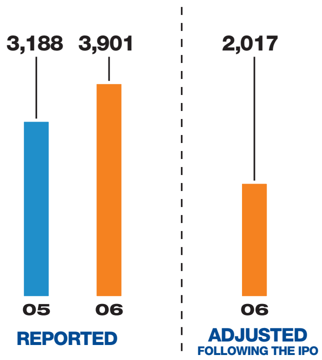
** **Rexel:** Entity listed since April 4, 2007, previously Ray Holding SAS. The corporate name change took place on February 15, 2007. On the same date, the former entity Rexel SA, a subsidiary of Ray Holding SAS, changed its corporate name to **Rexel Distribution**.*

(1) Reflects the consolidation of Rexel Distribution from March 16, 2005.
(2) Pro forma data: reflects the effect of the acquisitions and disvestments completed during 2005 and 2006 as if they had been effective on January 1, 2005.
(3) Comparable basis: at constant scope of consolidation, exchange rates and number of working days.



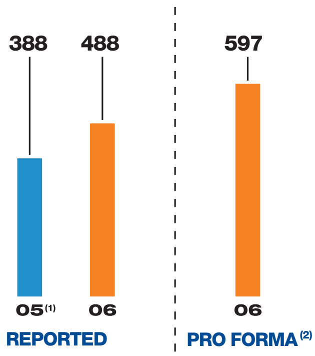
Operating income before other income and other expenses - EBITA (in €m and as a % of sales)

The EBITA margin came to 6.0% in 2006 compared with 4.6% in 2005, on a pro forma basis. This increase was attributable mainly to an improvement in gross margin, efficiency gains and the positive non-recurring impact of higher copper prices. Excluding this non-recurring positive impact, which amounted to €57 million in 2006, the adjusted pro forma 2006 EBITA margin worked out at 5.4%, i.e. €580 million.



Net debt (€m)

Net debt (including the shareholders' loan) came to €3,901 million at December 31, 2006 compared with €3,188 million at December 31, 2005. This increase was driven notably by the acquisitions made in 2006, particularly the GE Supply deal.
Following the IPO-related transactions, which included a primary market issue of €1,000 million and the conversion of the €1,040 million shareholders' loan into capital, adjusted net debt at December 31, 2006 is €2,017 million.



Free cash flow before interest and tax paid (€m)

Free cash flow before interest and tax paid came to €488 million in 2006 compared with €388 million in 2005. The steep increase in EBITA was offset partially by an increase in the Working Capital Requirement (WCR) resulting from strong sales growth. At constant scope, the WCR was reduced, as a percentage of sales, from 14.0% in 2005 to 13.7% in 2006.

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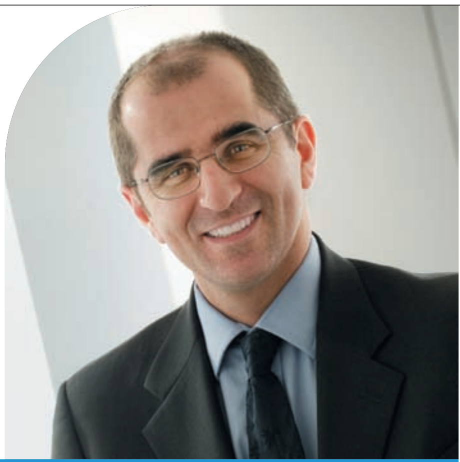


Questions for Nicolas Lwoff

Member of the Management Board, Group Senior Vice President, Finance, Control and Legal Affairs

Why did Rexel decide to return to the Stock Market?

Being listed on the Stock Market will help accelerate our development strategy. Since we reached our targets more quickly than expected, we decided to return to the Stock Market this year, only two years after going private. This move will enable us to improve shareholders' equity and reduce debt while bringing together the necessary conditions to seize growth opportunities.

How was the balance sheet strengthened?

With a €1 billion capital increase and the conversion of the shareholders' loan into equity of over €1 billion, Rexel has significantly strengthened its balance sheet. LBO-related debt was either reimbursed, as was the case for €600 million in senior subordinated notes, or refinanced: we replaced the 2005 senior credit agreement with a new 2007 five-year senior credit agreement offering much more attractive margins. The ratio of net debt (including the shareholders' loan) to adjusted pro forma EBITDA narrowed from 6, at year-end 2006, to nearly 3 after these operations.

What is the current position of the private equity consortium*?

The private equity funds have renewed their confidence in Rexel's strategy and management by opting to continue supporting the Group's development: they did not sell their Rexel shares during the public offer. They are therefore still majority shareholders with over 70% of equity after the operation.

Now that Rexel is listed again, what are the core elements of your financial policy?

Rexel's financial policy is geared towards cash flow generation. This is achieved by improving the operating margin, controlling operational investments and continuing to reduce working capital requirements (WCR), expressed as a percentage of sales. WCR can be controlled through the optimization of logistics and management of trade receivables.

On a pro forma basis, free cash flow before interest and tax paid came to around €600 million in 2006. We can use this high cash flow level to finance bolt-on acquisitions and to continue strengthening our balance sheet.

As to operating investment, we operate in a sector with low capital intensity. In 2006, our main investments, excluding external growth, involved streamlining our information systems, improving and developing our branch networks and optimizing logistics facilities. Operating investments represented only 0.7% of sales in 2006.

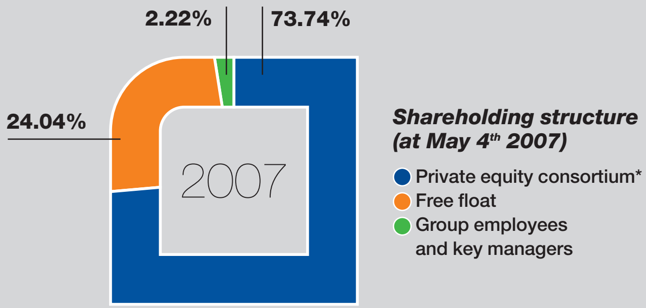
Could you describe Rexel's dividend distribution policy?

Given the quality of Rexel's earnings, we should be able to implement an active dividend distribution policy as of 2008, for the year 2007, by distributing 30% to 35% of net consolidated income to our shareholders.

What are your targets for 2009-2010?

Based on an adjusted** pro forma 2006 EBITA margin of 5.4%, we plan to boost the margin by 100 basis points in the medium term. We also plan to reduce working capital requirements by 1% of sales within the same timeframe. Furthermore, we intend to maintain investment within a range of between 0.6% and 0.8% of sales. This strategy should allow us optimize cash flow generation and return on capital employed.

** Equity funds consisting mainly of Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity.*
*** Adjusted for the €57 million estimated non-recurring net impact on stock from changes in the price of copper-based cables.*



Rexel on the Stock Market

Rexel was listed on the Eurolist market of Euronext Paris on April 4th 2007 following the Open Price and international private placement launched on 21 March 2007.

SHARE PRICE (IN EUROS)

IPO price (at 4 April 2007)	€16.50
Number of shares (at 4 April 2007)	253,548,639
Market capitalization (at 4 April 2007)	€4.184 million

The Group's share price can be followed on: www.rexel.com

SHARE PROFILE

ISIN: FR0010451203

Code: RXL

Listing place: Euronext Paris

Market: Eurolist by Euronext - Compartment A

Indices: SBF 120, SBF 250, CAC MID100, CAC AllShares.

2007 DIARY

2 August: Second-quarter results

13 November: Third-quarter results

SHAREHOLDER CONTACT:

Tel.: +33(0)800 666 111

actionnaires@rexel.com

GOOD PRACTICES IN FINANCIAL COMMUNICATION

Rexel has always strived to practice the highest level of transparency in terms of financial communication. With its return to the Stock Market, Rexel is strengthening its financial communications. In addition to the publication of quarterly results and the annual report, Rexel will launch a new semi-annual *Letter to Shareholders* and will create a section dedicated to shareholders on the Group's website: www.rexel.com. Rexel also plans to organize meetings in Paris and in the regions, where shareholders can ask questions directly to the Group's executive management.

** Comprised mainly of Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity.*

2006 news

Contents

CHINA

After the creation of a second joint venture in Shanghai in February 2006, the Group took a 51% stake in Huazhang Electric Automation, a specialist in the distribution of automated industrial systems, in February 2007. Rexel has been active in China for six years and is the leading international electrical supplies distributor in the Beijing and Shanghai regions. It is continuing its strategy of building selective partnerships in product segments and regions with strong development potential.

ITALY

Rexel Italia has entered a new development phase with the integration of ElettroBergamo, a company based in the Milan region. This major acquisition will help consolidate the customer portfolio, strengthen positions in Northern Italy – one of the most dynamic regions in the country – and round out its offer in electrical supplies and automated industrial systems.

COUNTRY HIGHLIGHTS

UNITED KINGDOM

The two distribution networks, Rexel Senate and Denmans, continue to report strong growth in the UK. This solid performance is the fruit of a close collaboration with key suppliers, a focus on small contractors in the residential market and the development of its own distributor brands. Moreover, the redeployment of certain branches and the optimization of logistics through the creation of seven regional hubs has enabled the Group to provide customers with greater proximity and product availability.

POLAND

The group took a new regional foothold and strengthened its position in central Europe with the acquisition of the Polish V-Center, which is highly active in the Katowice industrial region.

AUSTRALIA

Rexel has signed a three-year contract in Australia, worth over 50 million euros, to become the Australian distributor of electrical supplies for BHP Billiton, the world's largest diversified resources company. It provides tailor-made services at 28 coal, oil and uranium extraction sites in all six Australian states. At the beginning of 2007, Rexel also purchased NCA, a voice-data-image specialist.

GERMANY

Rexel performed well in Germany in 2006, thanks particularly to an upturn in the construction sector. Industry was also in better health: in March, Rexel signed an agreement with Volkswagen to furnish electrical supplies at nine of the carmaker's production sites in Germany, with the prospect of increased business in the longer term.

CANADA

Business was strong in 2006, notably due to the acquisition of Kesco Electric Supply Ltd., based in eastern Ontario, by Nedco, one of the Group's two Canadian banners. Westburne also strengthened its business with the Syncrude consortium, an association of enterprises operating the world's largest oil-sand fields in Alberta. As part of this major contract, two dedicated Rexel branches have been opened on the production sites.

AUSTRIA

Founded by J. Schäcke in Salzburg in 1946, the Schäcke network has experienced rapid growth. Acquired by Rexel in 1996, it celebrated its 60th anniversary in 2006.

With seven sales outlets and over 300 employees, this network boasts a 28% market share in Austria. Its quality products and services as well as its expertise in leading-edge technologies are strengths that set the company apart from competitors.

SWEDEN

For a tighter control of its delivery deadlines, Rexel's Swedish subsidiary opted to purchase a fleet of trucks. Forty-five utility trucks marked with Selga's colors with teams of in-house drivers deliver products within a radius of 400 kilometers. This service enables us to provide our customers with much-appreciated flexibility.

UNITED STATES

In addition to the major acquisition of GE Supply, which hoisted Rexel to the number one position in the United States, in early 2006 the Group acquired Capitol Light and Supply, the leader in the New England electrical supply distribution market and a national partner in the distribution of brand name lighting products. The Group also acquired the Georgia-based DH Supply, offering an opportunity to boost its position in the Greater Atlanta region.

Rexel's North American activities were reorganized with the creation of IESC, a holding company located in Dallas, Texas. This entity is responsible for optimizing synergies and monitoring management of the two independent banners, Rexel Inc. and GE Supply (renamed Gexpro on 4 May 2007).

In 2006, Rexel Inc. won numerous contracts: in the lighting market, for example, it will supply lighting equipment for the *Wilson Bridge* in Maryland, which is the biggest bridge renovation project in the United States, and Rexel will provide renovation work and urban lighting equipment for the *Street Lighting* project in Washington DC. As part of this project, the Group is working on a control system that will improve maintenance and significantly reduce costs.

2006 KEY FIGURES FOR THE US

Pro forma sales of €4.2 million

7,500 employees

473 branches

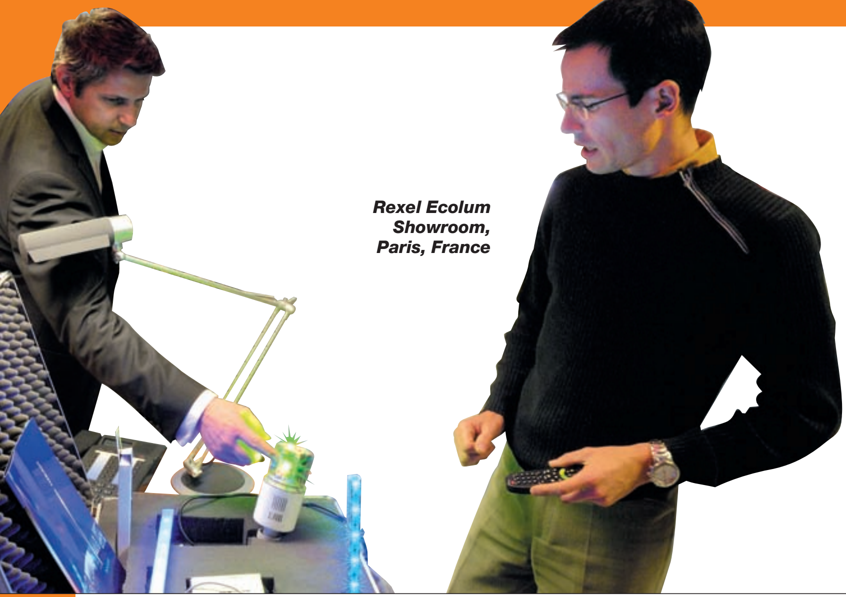
7% market share

PORTUGAL

Rexel Portugal strengthened its offer for small contractors. Located in the center of Porto, the 140 m² showroom presents lighting, security and communications products, electrical supplies and the Gigamedia and BizLine product lines.

SWITZERLAND

Thanks to the February 2006 acquisition of Elektro-Material, the national leader in wholesale distribution of electrical supplies, Rexel has become number one in Switzerland. Through its network of 7 branches and 500 employees, Rexel has reinforced its presence in German-speaking Switzerland, and in central Europe in general. This also represented an opportunity for the Group to strengthen its experience in e-commerce.



Rexel Ecolum Showroom, Paris, France

Rexel France is transforming itself to better serve customers – with the deployment of two sales networks, Rexel and Coaxel, the optimization of logistics and IT resources, the labeling of branches, and the introduction of new sales and marketing initiatives.

REXEL FRANCE

Reorganization and new growth dynamics

Rexel branch in Maisons-Alfort, France

INCREASING PROXIMITY

In 2006, Rexel France completed restructuring by switching from six regional entities to two national networks: **Rexel** and **Coaxel**. Although their distribution business is similar, the two networks provide differentiated solutions for each end-market, while sharing logistics and IT facilities.

At the same time, Rexel France is developing **labels of expertise**: *Inexel*, which is geared towards the 150,000 electricians/contractors in the residential market, and *Neoxis* and *DXI*, for industrial customers.

These three labels are true quality pledges to our customers, the assurance of a multi-brand, multi-supplier guarantee, appropriate services, fair prices and greater product availability. The results can be seen just a year after launching the new system: a better-balanced offer is generating new sales, and sales teams are more dedicated than ever to serving customers.

The company also introduced new dynamics. These include: **Dynamic communications**, with the creation of *Inexel TV*, a satellite television channel broadcasts in every Inexel labeled branch. The channel broadcasts information on products, suppliers, technical installations, and other programs that are likely to interest contractors. **Dynamic products**, with the creation of "innovation corners". **Dynamic marketing**, with the organization in 2006 of five major trade shows – *L'événement électrique (The Electric Event)* – in Lille, Lyon, Nantes, Nancy and Paris. Host to 25,000 visitors and 180 participating manufacturers, these trade shows were the ideal occasion to exchange information

A better-balanced offer is generating new sales, and sales teams are more dedicated than ever to serving customers.

Rexel branch in Metz, France

2006 KEY FIGURES

- 40% market share
- Sales up 10% to €2.25bn
- 5,700 employees, 443 branches
- 50% of sales to electricians and small contractors

on new trends and innovations, and a unique opportunity to strengthen the ties between Rexel and its customers and suppliers. **Environmental dynamics**, with promotional offers for energy-saving products, products using renewable energy sources, and new waste collection facilities in branches for recycling electrical and electronic components – with more stringent constraints than those recommended by the new WEEE standard.

TOWARDS EVER MORE EFFECTIVE CUSTOMER SERVICE

In 2006, Rexel France focused on optimizing logistics and IT tools and facilities. **Logistics facilities** were improved, notably through the set up of a unique platform for all branches in the Greater Paris region (opening and extension of the regional logistics centre in Roissy-en-Brie). This was followed by **IT facilities**: the company launched two new commercial websites – *rexel.fr* and *coaxel.fr* – that were gradually enriched with new features (decision-making tools, order follow-up, etc.). These websites complement the existing IT tools for key corporate accounts (online catalogues, EDI, etc.), and will help develop **e-commerce**. Moreover, a new single IT system for sales management was deployed in the 443 branches, providing each customer an equivalent level of service anywhere in the country.

Customer service was also improved through stronger commitments in terms of product availability and delivery times, and by building up the company's commercial presence in major economic areas. The company pursued its policy of opening new outlets and relocating branches in order to respond more effectively to the changing urban environment and new communications channels. Lastly, the consolidation of supplier partnerships remains a top priority to achieve the Group's goal of bringing significant innovations to market more rapidly.

In 2007, all of this dynamic momentum will be maintained and expanded in an innovative manner, as part of an ever-stronger determination to improve customer service.

2006, a year rich in ACQUISITIONS

Rexel CLS branch in Boston, United States

EXTERNAL GROWTH LIES AT THE CORE OF REXEL'S STRATEGY

Estimated at about €145 billion, the world electrical supplies distribution market is still highly fragmented and has strong growth potential. As the sector leader, currently with a world market share of just 7%, Rexel plans to continue playing a major role in this consolidation movement.

Our strategy is to acquire small and mid-sized companies that complement our existing operations from a sector or geographic standpoint, in regions where we are already established or have scope to enrich our expertise and our business model. Geographically, priority will go to North America, certain European countries (the UK, Italy and Eastern Europe) and Asia, where there are markets with strong growth potential.

Transactions in 2006 perfectly illustrate our acquisition policy: ACS in Australia, DH Supply in the United States, Kesco in Canada and ElettroBergamo in Italy significantly strengthened existing positions in local markets or complementary regions, while the acquisition of CLS in the US, Elektro-Material in Switzerland, V-Center in Poland and Hualian in China rounded out the Group's presence in areas with strong growth potential. Integration of the activities of GE Supply (renamed Gexpro on 4 May 2007) also enriched the Group's expertise in large-scale project management, while

By enhancing value creation and optimizing synergies within the Group, the acquisition of regional companies helps target customers better by providing a denser territorial coverage. They boost Rexel's position as the leading international distribution network in terms of added value, and its key role in the consolidation of a fragmented market. In 2006, the Group accelerated external growth through nine acquisitions. It plans to pursue an active acquisition policy.

IN 2006, TOTAL ACQUISITIONS ACCOUNTED FOR ADDITIONAL PRO FORMA SALES OF

2.4

BILLION EURO

the integration of its electrical supplies distribution business has made it possible to create a second network to complement the Rexel Inc. trade name in the United States.
This regional development strategy enables the Group to build greater proximity to customers, optimize logistics facilities and offer suppliers a more attractive sales platform. Each acquisition generates cost synergies and additional revenues through a systematic integration process.

NEW TARGETS

For the period 2007-2009, the target is to make small and mid-sized acquisitions ranging in value from €150 million to €250 million a year in order to generate additional sales growth of 2% to 3% annually. The group will also consider major acquisitions, such as Gexpro (formerly GE Supply), when the opportunity arises. In early 2007, the Group actively pursued its acquisition policy with three new acquisitions in Australia, France and China.

WITH GEXPRO (EX-GE SUPPLY), REXEL BECOMES THE LEADER IN THE AMERICAN MARKET

With the August 2006 acquisition of one of its main American competitors – GE Supply, General Electric's electrical supplies distribution division renamed Gexpro on 4 May 2007 – Rexel has strengthened its world leadership position while becoming the leader in the United States. In a market of nearly €60 billion, one of the most dynamic in the world, the Group now has a 7% market share.

Gexpro is a major reference in the electrical supplies distribution sector. It has over 2,500 employees working in 150 branches in the United States, Ireland (where Rexel has also become the leader) and Hungary, as well as in several Asian countries (Indonesia, Malaysia, Singapore and Thailand).
The integration of Gexpro is proceeding according to plan. Of the €100 million in cumulative potential synergies over four years, half have already been secured. They can be equally divided between purchasing and the integration of back office functions (logistics and administrative platforms, information systems, etc.).

In terms of expertise, there is no shortage of potential development synergies. Gexpro contributes attractive new sources of growth to be deployed within the Group: Rexel Inc. will capitalize on Gexpro's presence in certain customer segments, but also on its recognized expertise in large-scale project management and outsourced services, which are in high demand from key accounts. Another key factor: e-commerce already accounts for 10% of the sales of the new American entity.

REXEL ACQUISITIONS IN 2006

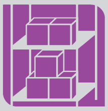
JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER

- **FEBRUARY** – ***CHINA*** **Hualian Electric Equipment Company**; ***SUISSE*** **Elektro-Material A.G.**
- **MAY** – ***ITALY*** **Elettro Bergamo**
- **JUNE** – ***UNITED STATES*** **Capitol Light and Supply**
- **JULY** – ***CANADA*** **Kesco**; ***POLAND*** **V-Center**
- **AUGUST** – ***UNITED STATES*** **GE Supply (Gexpro)**; ***AUSTRALIA*** **ACS**
- **SEPTEMBER** – ***UNITED STATES*** **DH Supply**

Rexel, Inc., Washington, United States

To be the leader and market driver in a given market means listening to customers and anticipating their needs in order to provide them with ever more added value. It is imperative to provide global solutions and services that best respond to changing market trends.

PERSONALIZED TRAINING



CUSTOMER STOCK MANAGEMENT

ALTERNATIVE OFFER

CONTRACTOR ASSISTANCE

ELECTRONIC TRANSACTIONS

PROJECT MANAGEMENT

CUSTOMIZED DELIVERY

COST MANAGEMENT

SERVICES

Permanent innovation

REXEL DOES MORE THAN JUST DISTRIBUTE PRODUCTS

It offers a **complete product line and integrated solutions**, combined with **high value-added services**. Technical studies, personalized advice and training – customers now expect real assistance in making choices and in installing products, particularly when it comes to sophisticated solutions.

To meet customer expectations, the Group designs **specialized solutions** for each market (residential, industrial, commercial), application (security, communications, controls, etc.) and specific customer category (contractors, industrial companies, etc.).

In 2006, Rexel continued to enlarge its range of electrical supplies based on broad market trends: ever stronger demands in terms of **security** and **comfort**; growing importance of **home automation**; demand for **environmentally-friendly products**, which help save energy and respect the environment.

The Group also distributes new products that are increasingly easy to use: pre-cabled kits, **pre-assembled products integrated in global solutions**, etc. Packaging and mailing have also been improved to facilitate product installation, storage and transport.

Another factor that helps differentiate us in the eyes of our customers is **product availability**. Various experiments were conducted to adapt to contractors' needs. In London, for example, where daytime traffic is particularly heavy, special stores equipped with access codes were created so that customers could pick up their orders at the end of the day or even during the night. In Sweden and Switzerland, "local stocks" cover the entire country and guarantee to buyers that they can pick up their products within an hour after placing an order. Lastly, in isolated regions in Canada, Rexel has installed containers close to oil extraction areas where customers can come and serve themselves directly.

In addition to these increasingly high-performance offers, Rexel proceeded with the remarkably successful rollout of e-commerce in 2006.

e-commerce

THREE QUESTIONS FOR STEPHANE CLARION

Group e-commerce Manager

What was Rexel's e-commerce strategy in 2006?

Rexel wants to position itself as the most dynamic online player in the electrical supplies distribution sector. Thanks to the Group's 23 commercial websites and EDI systems, Rexel reported strong growth in e-commerce sales at the end of 2006. Our target is to reach 10% of sales by 2010. To reach this goal, a specific organization has been set up at the Group level, and countries have strengthened their dedicated teams. A meeting of European e-commerce managers was held in Paris in January 2007 to accelerate the deployment of local initiatives. Some countries are already far advanced in this area. In 2006, new websites were launched in the UK and in Belgium, and two commercial websites were put online in France: *rexel.fr* and *coaxel.fr*. The group will also rely on the expertise of Gexpro (previously GE Supply) – which already generates over 10% of sales via the web – to strengthen its positions, notably with key accounts.

How does e-commerce benefit customers?

In countries in which e-commerce already generates a significant share of sales, we can see that sales teams are more productive, sales growth is stronger and margins are higher.

Small contractors using online services appreciate the immediate availability of reliable, customized information as well as the possibility of checking prices or availability, drawing up an estimate, placing an order and monitoring it in real time, 24 hours a day. In the future, we could more systematically address product information and branch news to customers depending on their needs and preferences (brands, manufacturers, etc.). For key accounts, Rexel has set up personalized electronic catalogues with interconnections for placing orders, billing and, increasingly often, payments using *purchase cards*.

For all customer categories, these facilities generate considerable productivity gains and build customer loyalty over the long term. In the end, everybody wins!

What are the next challenges in terms of e-commerce for Rexel?

The big challenge is to accelerate the growth of these new online services while ensuring that the productivity gains benefit the end customer, via proactive commercial proposals, more in-depth knowledge of products, greater availability of sales representatives to provide customers with advice and to help them grow etc. All countries will be involved in this effort as part of a global approach based on sharing best practices, encouraging ground-breaking and sharing specific e-commerce resources.

2006 KEY FIGURES

- E-commerce accounts for 5% of 2006 pro forma sales
- 23 commercial websites
- Switzerland: 30% of sales, the Netherlands: 23%, Gexpro (previously GE Supply): 10%

Gexpro branch in Boston, United States

A new *employer branding*

"Our business is constantly developing, just like your career": Rexel has chosen this message as part of its **new recruiting strategy**. The goal is to attract the best employees and win their loyalty within the framework of very active "race for talents".

This **employer branding** was launched in March 2007 in our four main recruiting countries: Canada, France, the United Kingdom and the United States. We will gradually spread the campaign to other countries in the second half of 2007.

FOCUS

Rexel Opportunity 07

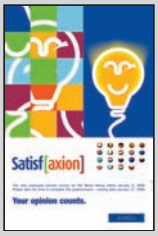
Employees and shareholders

As part of its initial public offering, Rexel decided to strongly encourage employees to participate in the share issue. Employees were offered the possibility of purchasing shares under preferential terms through the Employee Shareholding Plan: "Rexel Opportunity 2007".

This plan was open to 96% of Group employees, operating in 21 countries. Relayed in the field by "ambassadors", the plan was supported by a major communications campaign. Nearly 20% of employees subscribed to the plan, clearly demonstrating their confidence in the Group's future.

To attract the largest number of candidates, who often hesitate to enter the little-known universe of trade distribution, Rexel wanted to present itself in a strong manner, as a fast-growing, constantly evolving international group and world leader. The Group offers numerous career opportunities for candidates seeking to work in a dynamic, responsive environment. We opted for a **modern look** in our choice of visuals and **simplicity** in terms of our message.

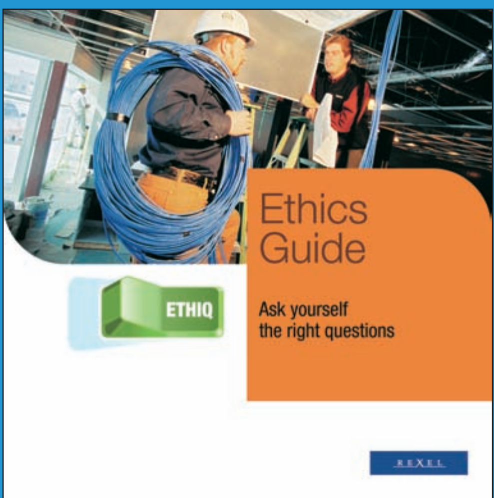
The **employer branding** is also relayed on Rexel's website and on a variety of communications media: job fair posters, recruitment brochures and employment announcements in the press and online. These communication tools will mainly be used at job fairs and notably in faculties and business schools, with the main target being recent graduates.



Confident, motivated employees

Working conditions, customer focus, management, internal communication… The results of the third Employee Opinion Survey, which was addressed to 95% of Group employees in January 2006, show that general satisfaction is rising with regard to the 14 topics covered by the survey. Employees are confident in the Group strategic capacities and they have a clear vision of their responsibilities while showing mutual respect for each other. Subsidiaries are more motivated than ever to set up **action plans** designed to address identified local issues. For example: special days were organized for customers in Hungary, an intranet site was created for the employees of Rexel Portugal, and a quarterly newsletter was launched for New Zealand employees. These are just a few of the initiatives blossoming in many countries!

ON **HR**



Ethics at work

At Rexel, ethics is not an abstract notion. It is written into the principles and concrete practices defined in the **Group Ethics Guide**, compiled in 2006 and distributed to each employee in early 2007. This Guide is the fruit of the joint efforts of managers from the head office and subsidiaries, as well as of numerous employees in the field and in related departments. A valuable tool for sharing values and best practices, the Guide encourages all employees to ask themselves the right questions in order to **make decisions and act in a responsible manner**. In each country, ethics officers circulate information and respond to questions from employees.

RESPECTING the environment

***V**oluntarily committed to helping reduce greenhouse gas emissions, Rexel has positioned itself as a "distributor of energy savings". The stakes are high: to promote energy-efficient electrical supplies, to build customer and employee awareness of the need to preserve the environment, and to organize recycling.*

Recommending energy-saving products, Rexel, Inc. branch, Washington, United States

CONCRETE ACTIONS

In 2006, Rexel set up **concrete actions plans** that directly implicate branch networks. In France, the Group has launched a major awareness-building and training program designed to promote energy savings. Working in close collaboration with manufacturing partners and ADEME, the French Environment and Energy Management Agency, Rexel France invited contractors to attend information meetings in the 450 branches of the Rexel and Coaxel networks. The idea was to present products that save energy or use renewable energy sources (solar water-heaters, heat pumps, etc.), with the goal of helping them advise end consumers and guide their decisions. Brochures providing sales arguments and describing best practices were distributed at these meetings. For many years, Rexel has also been committed to **recycling waste electrical supplies**, and in 2006, the Group accelerated its efforts. As part of the application of European Waste Electrical and Electronic Equipment (WEEE) Directive, the Group has set up recycling containers for lighting products in several branches in selected countries.

In march 2007, Rexel published its first **Sustainable Development report**. A step forward to strengthen links with all stakeholders.

INNOVATIVE INITIATIVES

Initiated in 2005, **Rexel's Sustainable Development Charter** lists ten actions for better respecting the environment. The charter is now implemented in 13 countries and 1,838 branches. Among **particularly innovative initiatives**: Rexel Deutschland - *green partner* - offers contractors training in how to install products with "renewable energy" labels for houses and buildings; and Nedco, a subsidiary of Rexel Canada, has teamed up with the electrical power company Hydro-Quebec to develop an energy consumption optimization program and to label lighting products that comply with environmental standards.

Recycling Container for fluorescent tubes

Financial **review**

Contents

2006, Rexel* Simplified Directors' Report

Rexel is the number one worldwide distributor of electrical supplies. Rexel operates in three main regions: Europe, North America and Asia-Pacific.

In 2006, Rexel posted consolidated sales of €9,298.9 million, up 26% versus 2005 on a reported basis. On a comparable basis and constant number of business days, sales rose 11.1%. Each geographic area contributed to sales growth thanks to marketing initiatives, a favorable economic environment and higher copper prices (about half of 2006 sales growth on a comparable basis is estimated to be due to the increase in copper prices). Acquisitions, net of disvestments, lifted sales by €1,002 million in 2006. Exchange rate fluctuations had a positive impact on sales of €20.1 million, reflecting principally the appreciation of the Canadian dollar against the euro, which was partly offset by the weakness of the American, New Zealand and Australian currencies against the euro.

In 2006, Rexel's end markets were globally favorable: in Europe, the residential and commercial construction markets experienced very strong growth in the biggest countries for the Group. In the United States, demand in the residential construction market was not as strong in 2006, while the industrial market continued to develop and services reported growth in the commercial and corporate construction sectors. In the Asia-Pacific region, the growth of industrial and commercial markets more than offset the decline in the residential construction market.

In parallel with solid organic growth, the Group made major acquisitions in 2006, notably in the United States. In August 2006, the Group acquired GE Supply, General Electric's B-to-B electrical supply distribution activity.

The acquisition price totaled $725 million, including a cash payment of $606 million.
2006 was also highlighted by an active policy of mid-sized acquisitions. In Europe, Rexel became the leader in Switzerland and Ireland with the acquisition of Elektro-Material and Kelliher, respectively. With ElettroBergamo, Rexel has acquired a strong position in northern Italy. The Group has also taken a foothold in Poland with V-Center.
In North America, the Canadian banner Nedco strengthened its presence in Ontario with the acquisition of Kesco. With the acquisition of DH Supply in the United States, the Group doubled its size in Atlanta, and with CLS, it became a key player in New England.
In the Asia-Pacific region, the Hualian joint venture will enable Rexel to develop its lighting business in the Shanghai region. The group also entered the Thailand and Singapore markets via GE Supply.

In 2006, the Group strengthened its profitability and grew its cash-flows: the gross margin held steady at 25.2% compared with the reported figure for the previous year. On a comparable basis, the margin was up 60 basis points compared to a 2005 margin of 24.6%. About two thirds of this 60 bps increase are due to the rise in copper prices, while about a third can be attributed to Group efforts to boost the gross margin.

In 2006, the Group continued to optimize its logistics organization in each of its business areas. In Europe, three regional distribution centers were opened or restructured in France, Germany and the Netherlands. In North America, the Group continued to develop its hub and spoke model, with the opening of new satellite branches linked to existing hubs. In the Asia-Pacific region, two regional distribution centers were opened.

In 2006, the Group continued to improve its cost structure. Administrative and marketing expenses were reduced to 19.1% of sales in 2006 , down from 19.6% of sales in 2005 on a comparable basis (19.9% on a reported basis). This improvement integrates an increase in the cost basis of about 0.25% of sales due to measures taken to favor the Group future developments: accelerated opening of North American branches and lighting showrooms in the Asia-Pacific region, implementation of new employee shareholding plans in France and Australia, development of customer database management tools in the UK and central Europe, and rollout of a sales management system in France.
Personnel expenses declined on a comprable basis to 11.4% of sales in 2006 from 11.7% in 2005. On a comparable basis, the average number of Group employees was 23,101 in 2006, compared to 22,743 in 2005, a limited increase of 1.6%.

EBITA increased 78.8% over the reported figure for 2005, or 37.3% on a comparable basis and 23.7% excluding the estimated non-recurring net impact on stock from changes in the price of copper-based cables. Expressed as a percentage of sales, the EBITA margin rose to 6.2% on a comparable basis in 2006 and to 5.4% (from 5% in 2005) excluding the above-mentioned non-recurring impact estimated to €57 million. This increase was generated in each of the geographic area and is due to the improvement in the gross margin and tight control over sales expenses. This increase was reinforced by cash flows improvement which amounted to €597 billion in 2006 on pro forma data.

(1) According to sector information by geographic area, in compliance with IAS 14.

* **Rexel:** ***Entity listed since April 4, 2007, previously Ray Holding SAS. The corporate name change took place on February 15, 2007. On the same date, the former entity Rexel SA, a subsidiary of Ray Holding SAS, changed its corporate name to*** **Rexel Distribution.**

Rexel* consolidated financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF EURO)	2006	2005 (a)
Sales	9,298.9	5,999.3
Cost of goods sold	(6,953.3)	(4,484.4)
Gross profit	**2,345.6**	**1,514.9**
Distribution and administrative expenses	(1,772.0)	(1,194.1)
Operating income before other income and expenses	**573.6**	**320.8**
Other income	9.0	4.4
Other expenses	(58.9)	(13.5)
Operating income	**523.7**	**311.7**
Financial income	31.8	20.9
Interest expense on borrowings	(254.4)	(178.2)
Other financial expenses	(29.4)	(20.2)
Financial expenses (net)	**(252.0)**	**(177.5)**
Net Income before income tax	**271.7**	**134.2**
Income tax	(82.8)	4.2
Net income	**188.9**	**138.4**
Attributable to:		
Equity holders of the parent	188.9	138.3
Minority interests	-	0.1
Earnings per share (in euro)	3.00	2.81
Fully diluted earnings per share (in euro)	2.96	2.81

(a) Including Rexel Distribution from acquisition date as of March 16, 2005.

* ***Rexel:*** *Entity listed since April 4, 2007, previously Ray Holding SAS. The corporate name change took place on February 15, 2007. On the same date, the former entity Rexel SA, a subsidiary of Ray Holding SAS, changed its corporate name to* ***Rexel Distribution***

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF EURO)	2006	2005
ASSETS		
Goodwill	2,553.6	2,318.5
Intangible assets	696.9	632.4
Property, plant & equipment	268.5	237.6
Long-term investments	39.3	45.9
Deferred tax assets	136.2	82.4
Total non-current assets	**3,694.5**	**3,316.8**
Inventories	1,117.0	849.0
Trade accounts receivable	2,026.9	1,507.1
Income tax receivable	54.6	7.1
Other accounts receivable	437.0	326.2
Assets classified as held for sale	50.7	-
Cash and cash equivalents	473.1	434.7
Total current assets	**4,159.3**	**3,124.1**
Total assets	**7,853.8**	**6,440.9**
EQUITY		
Share capital	630.5	630.5
Share premium	1.6	1.6
Reserves and retained earnings	350.9	207.3
Total equity attributable to equity holders of the parent	**983.0**	**839.4**
Minority interests	5.6	2.8
Total equity	**988.6**	**842.2**
LIABILITIES		
Shareholders' loan (long-term portion)	543.0	521.6
Financial liabilities (long-term portion) excluding shareholders' loan	3,204.4	2,472.8
Employee benefits	133.7	114.0
Deferred tax liabilities	173.5	133.9
Provisions and other non-current liabilities	58.0	73.6
Total non-current liabilities	**4,112.6**	**3,315.9**
Shareholders' loan (current portion)	496.9	475.6
Financial liabilities (current portion) excluding shareholders' loan	109.5	131.9
Accrued interest	20.3	20.9
Trade accounts payable	1,616.1	1,283.8
Income tax payable	25.8	15.3
Other current liabilities	481.6	355.3
Liabilities classified as held for sale	2.4	-
Total current liabilities	**2,752.6**	**2,282.8**
Total liabilities	**6,865.2**	**5,598.7**
Total equity and liabilities	**7,853.8**	**6,440.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF EURO)	2006	2005 [a]
Cash flows from operating activities		
Operating income	523.7	311.7
Depreciation, amortisation and impairment of assets	108.9	44.1
Employee benefits	(4.1)	(4.2)
Change in other provisions	(0.9)	6.1
Other non-cash operating items	3.5	(7.2)
Interest paid	(196.6)	(138.4)
Income tax paid	(127.8)	(53.1)
Operating cash flows before change in working capital requirements	**306.7**	**159.0**
Change in inventories	(33.3)	11.9
Change in trade and other receivables	(221.8)	(103.6)
Change in trade and other payables	139.4	186.7
Changes in other working capital items	17.8	(13.3)
Change in working capital	**(97.9)**	**81.7**
Net cash from operating activities	**208.8**	**240.7**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(62.8)	(50.9)
Proceeds from disposal of property, plant and equipment	17.4	6.4
Acquisition of subsidiaries, net of cash acquired	(840.3)	(2,215.3)
Proceeds from disposal of subsidiaries, net of cash disposed of	0.3	28.8
Change in long-term investments	19.3	1.2
Net cash from investing activities	**(866.1)**	**(2,229.8)**
Cash flows from financing activities		
Proceeds from the issue of share capital	-	631.5
Proceeds from shareholders' loan	-	963.0
Proceeds from long-term borrowings	-	676.0
Repayment of long-term borrowings	(1.9)	(24.9)
Net change in credit facilities and other financial borrowings	415.6	128.6
Net change in securitisation	315.0	64.3
Payment of finance lease liabilities	(27.0)	(19.6)
Net cash from financing activities	**701.7**	**2,418.9**
Net increase in cash and cash equivalents	44.4	429.8
Cash and cash equivalents at the beginning of the period	434.7	
Effect of exchange rate changes on cash and cash equivalents	(6.0)	4.9
Cash and cash equivalents at the end of the period (December 31)	**473.1**	**434.7**

(a) Including Rexel Distribution from acquisition date as of March 16, 2005.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(IN MILLIONS OF EURO)	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS AND OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	FAIR VALUE	TOTAL ATTRIBUTABLE TO THE GROUPE	MINORITY INTERESTS	TOTAL
At January 1, 2005	**0.1**					**0.1**		**0.1**
Foreign exchange translation differences				68.7		68.7	0.2	68.9
Cash flow hedges					(0.7)	(0.7)		(0.7)
Income and expenses recognized directly in equity	**-**	**-**	**-**	**68.7**	**(0.7)**	**68.0**	**0.2**	**68.2**
Net income			138.3			138.3	0.1	138.4
Total recognized income and expense for the period	**-**	**-**	**138.3**	**68.7**	**(0.7)**	**206.3**	**0.3**	**206.6**
Issue of share capital	630.4	1.6				632.0		632.0
Share-based payments			1.0			1.0		1.0
Minority interests in companies acquired or sold						-	2.5	2.5
At December 31, 2005	**630.5**	**1.6**	**139.3**	**68.7**	**(0.7)**	**839.4**	**2.8**	**842.2**
Foreign exchange translation differences				(63.4)		(63.4)	(0.4)	(63.8)
Cash flow hedges					13.0	13.0		13.0
Income and expenses recognized directly in equity	**-**	**-**	**-**	**(63.4)**	**13.0**	**(50.4)**	**(0.4)**	**(50.8)**
Net income			188.9			188.9	-	188.9
Total recognized income and expense for the period	**-**	**-**	**188.9**	**(63.4)**	**13.0**	**138.5**	**(0.4)**	**138.1**
Issue of share capital						-		-
Share-based payments			5.1			5.1		5.1
Minority interests in companies acquired or sold						-	3.2	3.2
At December 31, 2006	**630.5**	**1.6**	**333.3**	**5.3**	**12.3**	**983.0**	**5.6**	**988.6**

INFORMATION BY GEOGRAPHICAL SEGMENT

	EUROPE		NORTH AMERICA		ASIA PACIFIC [b]		OTHER OPERATIONS AND MARKETS [b]		CONSOLIDATED	
FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF EURO)	2006	2005 [a]	2006	2005 [a]	2006	2005 [a]	2006	2005 [a]	2006	2005 [a]
Income statement items										
Sales	4,588.4	3,919.5	4,016.6	2,736.1	635.7	583.3	58.2	138.4	9,298.9	7,377.3
Operating income before depreciation and other income & expenses	358.3	248.8	242.5	138.1	40.4	34.7	(4.1)	5.5	637.1	427.1
Depreciation	(34.4)	(28.5)	(15.6)	(11.4)	(3.4)	(3.9)	(10.1)	(11.8)	(63.5)	(55.6)
Operating income before other income & expenses	323.9	220.3	226.9	126.7	37.0	30.8	(14.2)	(6.3)	573.6	371.5
Goodwill impairment	(23.6)								(23.6)	-
Cash flow statement item										
Capital expenditures net of disposals	(25.7)	(29.6)	(18.4)	(16.5)	(3.8)	(2.9)	2.5	(0.2)	(45.4)	(49.2)
Balance sheet items										
Goodwill	1,466.1	1,377.7	957.5	798.2	129.0	135.2	1.0	7.4	2,553.6	2,318.5
Non-current assets (excluding deferred tax assets & goodwill)	645.4	597.1	273.1	183.2	50.3	53.4	35.9	82.2	1,004.7	915.9
Current assets (excluding income tax receivable)	2,095.1	1,691.7	1,261.9	756.7	211.2	186.4	63.4	47.5	3,631.6	2,682.3
Current liabilities (excluding tax liabilities & current portion of financial liabilities)	(1,291.1)	(1,083.8)	(638.3)	(407.4)	(122.9)	(109.6)	(47.8)	(38.3)	(2,100.1)	(1,639.1)

(a) Including Rexel Distribution on a twelve-month basis as if the acquisition had been made on January 1, 2005..
(b) China was previously presented in "Other operations" and has been reclassified to the "Asia Pacific" area in 2005 and 2006..

Rexel Distribution* consolidated financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF EURO)	2006	2005
Sales	9,298.9	7,377.3
Cost of goods sold	(6,953.3)	(5,514.6)
Gross profit	**2,345.6**	**1,862.7**
Distribution and administrative expenses	(1,764.2)	(1,491.0)
Operating income before other income and expenses	**581.4**	**371.7**
Other income	10.2	6.3
Other expenses	(61.1)	(41.0)
Operating income	**530.5**	**337.0**
Financial income	31.6	23.9
Interest expense on borrowings	(149.4)	(103.9)
Other financial expenses	(29.4)	(38.8)
Financial expenses (net)	**(147.2)**	**(118.8)**
Net income before income tax	**383.3**	**218.2**
Income tax	(116.2)	(82.0)
Net income	**267.1**	**136.2**
Attributable to :		
Equity holders of the parent	267.1	136.2
Minority interests	-	-

* ***Rexel Distribution****: previously Rexel SA. The corporate name change took place on February 15th 2007. On the same date, Ray Holding SAS changed its corporate name to* ***Rexel****.*

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF EURO)	2006	2005
ASSETS		
Goodwill	1,495.3	1,221.8
Intangible assets	166.6	91.3
Property, plant & equipment	242.9	211.0
Long-term investments	33.1	45.9
Deferred tax assets	68.8	45.6
Total non-current assets	**2,006.7**	**1,615.6**
Inventories	1,117.0	849.8
Trade accounts receivable	2,026.9	1,507.1
Income tax receivable	1.0	7.0
Other accounts receivable	442.1	318.3
Assets classified as held for sale	50.7	-
Cash and cash equivalents	468.0	416.9
Total current assets	**4,105.7**	**3,099.1**
Total assets	**6,112.4**	**4,714.7**
EQUITY		
Share capital	68.5	68.5
Share premium	543.6	642.6
Reserves and retained earnings	435.6	250.4
Total equity attributable to equity holders of the parent	**1,047.7**	**961.5**
Minority interests	5.7	3.2
Total equity	**1,053.4**	**964.7**
LIABILITIES		
Financial liabilities (long-term portion)	2,557.6	1,827.4
Employee benefits	114.9	93.4
Deferred tax liabilities	24.4	6.0
Provisions and other non-current liabilities	58.0	74.6
Total non-current liabilities	**2,754.9**	**2,001.4**
Financial liabilities (current portion)	169.6	99.2
Accrued interest	3.7	4.1
Trade accounts payable	1,616.1	1,283.7
Income tax payable	27.5	15.4
Other current liabilities	484.8	346.2
Liabilities classified as held for sale	2.4	-
Total current liabilities	**2,304.1**	**1,748.6**
Total liabilities	**5,059.0**	**3,750.0**
Total equity and liabilities	**6,112.4**	**4,714.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31 (IN MILLIONS OF EURO)	2006	2005
Cash flows from operating activities		
Operating income	530.5	337.0
Depreciation, amortization and impairment of assets	111.0	55.6
Employee benefits	(2.9)	(5.3)
Change in other provisions	(5.9)	2.4
Other non-cash operating items	3.7	9.4
Interest paid	(138.5)	(101.4)
Income tax paid	(124.1)	(69.5)
Operating cash flows before change in working capital requirements	**373.8**	**228.2**
Change in inventories	(32.5)	(4.1)
Change in trade and other receivables	(221.8)	(90.0)
Change in trade and other payables	139.4	95.0
Changes in other working capital items	17.2	37.8
Change in working capital	**(97.7)**	**38.7**
Net cash from operating activities	**276.1**	**266.9**
Cash flows from investing activities		
Acquisition of property, plant and equipment	(62.8)	(57.6)
Proceeds from disposal of property, plant and equipment	17.2	8.4
Acquisition of subsidiaries, net of cash acquired	(840.3)	(18.7)
Proceeds from disposal of subsidiaries, net of cash disposed of	0.3	32.9
Change in long-term investments	19.3	(6.0)
Net cash from investing activities	**(866.3)**	**(41.0)**
Cash flows from financing activities		
Proceeds from the issue of share capital	0.2	19.2
Repurchase of own shares	-	0.4
Proceeds from long-term borrowings	-	-
Repayment of long-term borrowings	-	(33.1)
Net change in credit facilities and other financial borrowings	509.1	680.2
Net change in securitisation	315.0	(46.1)
Payment of finance lease liabilities	(27.0)	(23.3)
Dividends paid and other distributions	(150.1)	(499.7)
Net cash from financing activities	**647.2**	**97.6**
Net increase in cash and cash equivalents	57.0	323.5
Cash and cash equivalents at the beginning of the period	416.9	89.5
Effect of exchange rate changes on cash and cash equivalents	(5.9)	3.9
Cash and cash equivalents at the end of the period	**468.0**	**416.9**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(IN MILLIONS OF EURO)	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS AND OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	FAIR VALUE	TREASURY SHARES	TOTAL ATTRIBUTABLE TO THE GROUP	MINORITY INTERESTS	TOTAL
At January 1, 2005	**67.8**	**773.4**	**411.0**	**(35.8)**	**-**	**(2.2)**	**1,214.2**	**3.1**	**1,217.3**
Foreign exchange translation differences				84.4			84.4	0.3	84.7
Cash flow hedges					(0.7)		(0.7)		(0.7)
Income and expenses recognized directly in equity	**-**	**-**	**-**	**84.4**	**(0.7)**	**-**	**83.7**	**0.3**	**84.0**
Net income			136.2				136.2		136.2
Total recognized income and expense for the period	**-**	**-**	**136.2**	**84.4**	**(0.7)**	**-**	**219.9**	**0.3**	**220.2**
Issue of share capital	0.7	18.5					19.2		19.2
Dividends		(149.3)	(350.4)				(499.7)		(499.7)
Net changes in treasury shares						0.4	0.4		0.4
Share-based payments			7.5				7.5		7.5
Minority interests in companies acquired or sold							-	(0.2)	(0.2)
At December 31, 2005	**68.5**	**642.6**	**204.3**	**48.6**	**(0.7)**	**(1.8)**	**961.5**	**3.2**	**964.7**
Foreign exchange translation differences			-	(49.1)			(49.1)	(0.5)	(49.6)
Cash flow hedges					13.0		13.0		13.0
Income and expenses recognized directly in equity	**-**	**-**	**-**	**(49.1)**	**13.0**	**-**	**(36.1)**	**(0.5)**	**(36.6)**
Net income			267.1				267.1	-	267.1
Total recognized income and expense for the period	**-**	**-**	**267.1**	**(49.1)**	**13.0**	**-**	**231.0**	**(0.5)**	**230.5**
Issue of share capital		0.2					0.2		0.2
Dividends and other distributions		(99.2)	(50.9)				(150.1)		(150.1)
Net changes in treasury shares							-		-
Share-based payments			5.1				5.1		5.1
Minority interests in companies acquired or sold							-	3.0	3.0
At December 31, 2006	**68.5**	**543.6**	**425.6**	**(0.5)**	**12.3**	**(1.8)**	**1,047.7**	**5.7**	**1,053.4**

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