

# letter

No. 3

## to Rexel's shareholders

LEADING DISTRIBUTOR WORLDWIDE OF ELECTRICAL SUPPLIES

October 2008

message from the Chairman



## Strong performance in first half 2008

Dear Shareholders,

In a challenging environment, Rexel recorded a solid first half 2008. The Group's organic sales growth was up 2.3%\* compared to the same period of 2007, reflecting a positive contribution from all three geographic zones where the Group is situated. Sales growth was driven

**"Rexel accelerates gains from its enhanced European platform and allocates its resources to higher growth market segments. With activity slowing down, Rexel continues to focus on adjusting its cost base. Against this backdrop, Rexel confirms its Full Year 2008 objectives."**

by industrial and commercial activities: significant public sector projects in France and in the United States and a surge of activity in the oil, gas and natural resources sectors, especially in North America and Australia. Business

development in key accounts and a greater contribution of e-commerce were also growth drivers.

Other financial indicators also reflect a solid performance: profitability improved by 5.9% on a comparable basis, adjusted EBITA margin reached 5.6% of sales compared to 5.4% during the first half of 2007. Net income stood at €259.4 million, up 72%. During the second quarter, Rexel significantly

reduced its debt. This was particularly due to the sale to Sonepar of certain Hagemeyer entities and asset swaps occurring ahead of schedule.

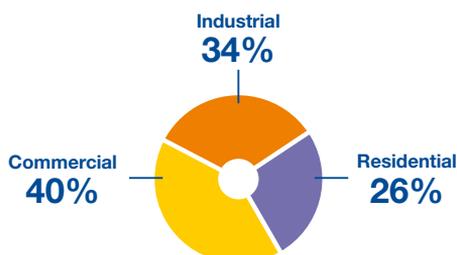
The first six months also marked the completion of the Hagemeyer transaction, which has significantly reinforced our European presence (now 58% of sales on an annual basis) and rebalanced our profile in geographical terms. In the second quarter, the Group began benefitting from the first cost synergies of this transaction; synergies that will continue to grow in the future.

I hope that you'll enjoy reading this letter, and that it will help you further understand Rexel's business, whilst at the same time keeping you up to date with company news.

Jean-Charles Pauze  
Chairman of the Management Board

\* On a constant and same day basis

sales breakdown by end market\*



\* Figures as at June 30, 2008

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Rexel

ELECTRICAL SUPPLIES

# First-half results

The first six months of 2008 showed a strong performance, both financial and operational, in the midst of an economic slowdown. It also saw the completion of the acquisition of Hagemeyer, a major industrial transaction which enables Rexel to be more powerful and more resilient, and will create value in the coming years.

Numbers and comments on a significant semester...

## Solid operating profitability Strong cash flow

### Sales

With the inclusion of Hagemeyer on April 1, 2008, Rexel's sales increase reached 12.9% in the first-half 2008. 15.7% of sales growth is attributed to acquisitions. Fluctuations in currencies, notably the depreciation of the US dollar against the euro, had a negative impact of 5.5%. On a constant and same day basis, Rexel recorded a 2.3% sales growth.

In Europe, sales increased by 2.3%, driven by Northern Europe, with particularly satisfying business performances in Scandinavia and Germany. North America achieved limited growth of 0.5% in the first semester of 2008. In the Asia-Pacific region, organic growth remained stable at 8.5%.

### Current operating income\*

In first half 2008, current operating income (EBITA) reached 5.6% of sales compared to 5.4% for the same period of 2007.

This 20 basis points increase is mainly due to gross margin improvement. It reflects a tighter control and better discipline in the implementation of the Group's pricing policies as well as the emphasis placed on high added-value products. Rexel will start benefitting from purchasing synergies with Hagemeyer in the second half of 2008.

In addition, during this period, cost adaptation measures were implemented in North America and in Europe in order to offset the effects of a slowing economy. At June 30, 2008, headcount was down 1.6% at Group level vs. December 31, 2007 (down 3.1% in North America and down 1.4% in Europe). Rexel will continue to pursue these efforts, rolling out additional downsizing plans at country level from the third quarter of 2008 onwards.

Key figures as at June 30, 2008  
(in € million constant and adjusted basis)

#### GROUP



#### EUROPE



#### NORTH AMERICA



#### ASIA-PACIFIC



\* Excluding non-recurring net impact from changes in the copper-based cable prices and before other income and expenses.

#### pro forma key figures for first half 2008

Sales<sup>(1)</sup>  
**+2.3%**  
€5,991 m

Current Operating Income<sup>(2)</sup>  
**+5.9%**  
€335 m

Net Income<sup>(3)</sup>  
**+72.1%**  
€259 m

Free Cash Flow<sup>(4)</sup>  
**€358 m**

(1) on a constant and same day basis; +12.9% on published basis  
(2) adjusted basis, 5.6% of sales vs. 5.4% in the first half year 2007

(3) before I.P.O. related costs  
(4) before interest and taxes

## Net income

Net income for the first half of 2008 rose to €259 million compared with €19 million in the same period of 2007, the latter figure being impacted by I.P.O.-related costs.

Excluding these costs, the net result showed an increase of 72.1% in comparison to the first half of 2007.

## Financial structure

Free cash flow rose to €219 million thanks to strong operating income, to a further reduction in working capital, and to net capital expenditure, which constituted an inflow of €17 million.

After the acquisition of Hagemeyer, net debt stood at €4,764 million on March 31, 2008. After asset sales to and swap with Sonepar, net debt declined to €3,147 million on June 30, a reduction of 34%.

## E-commerce

# 7.1%

of Group sales are from e-commerce; double figure growth during the first half of 2008

## Key accounts

# 15%

of sales; growth of 4.1% during the first half of 2008

## Hagemeyer synergies

# €8 million

around of synergies expected in the second half of 2008.



## Integration of Hagemeyer

The first half of 2008 saw the completion of the Hagemeyer deal: the sale of assets by Rexel to Sonepar and assets swap on June 30, 2008, ahead of schedule, and the signature in July for the sale of Hagemeyer's electrical supplies distribution activity in Ireland.

The acquisition of Hagemeyer reinforces Rexel's presence in Europe and improves the geographical balance of the Group.

The synergies between Rexel and Hagemeyer, notably linked to the reorganization of administrative activities, are now being implemented as planned.

In the second half of the year, the rationalisation of purchasing and head office costs will produce synergies amounting to around €8 million.

## Market focus



In Europe, the industrial and commercial markets led growth during the first six months of 2008 whilst the residential market was down in certain countries such as the United Kingdom, France and Spain.

In North America, the industrial market was dynamic, particularly in the oil and mining industries. The residential market continued to fall, whilst the majority of other sectors of commercial construction continued to weaken during the second quarter of 2008.

In the Asia-Pacific region, the progression of commercial and industrial markets remained steady whilst in Australia, the residential market remained favourable.



## YOUR QUESTIONS



### DID REXEL BUY ALL HAGEMEYER SHARES?

Approximately 1.14% of the Hagemeyer shares have not been tendered to the offer. As per Dutch law, a squeeze out procedure has been initiated before the Court of Amsterdam (Netherlands). The Amsterdam Court should be issuing its order during the first months of 2009.

Appropriate publicity will be made upon issuance of such order. Individual shareholders who are still holding Hagemeyer shares will be informed by their financial intermediary.

The price per share will be the same as for the offer. Payment will be made shortly after the squeeze out procedure is closed.

# strategy in action

## Oil, gas and mining activities driving strong growth

Boosted by the acceleration of worldwide demand for energy and raw materials, the oil, gas and mining industries are booming. For several years, Rexel has been developing specific expertise in these markets.

Relocation of sales outlets closer to operating sites, the development of specific online catalogues and the creation of dedicated teams – all these initiatives have been successfully implemented by the Group. Capitalizing on experience, Rexel has developed its skills and identified best practices to be shared across the Group, whilst adapting its service offer to meet the highly specific needs of customers in these industries. The Group operates in various geographical zones: mines in Chile, oil sands in Canada, oil and mineral extraction in Australia, and the petrochemical industry in the United States.



### Rexel servicing BHP Billiton

In 2002, Rexel became the exclusive distributor of the giant mining group BHP Billiton in Australia, resulting in revenue over €53 million for the period 2006-2008.

The Group has 28 sites throughout the six Australian states. The geographic proximity of Rexel Australia's sales outlets to the mines offers a sizeable advantage in procuring electrical supplies: optimizing product delivery times and guaranteeing availability. An online purchasing platform has also been set up, allowing the mining group to save time and gain efficiency. In addition, Rexel Australia provides technical consulting services to BHP Billiton.

at a glance

## E-commerce

Group's sales via e-commerce have markedly expanded and now account for 7% of global sales. For example:

- In 2007, more than 10% of Rexel Belgium's sales were via the Internet. Customers can access 400,000 items and order online until 7pm for a next-day delivery.
- In France, the websites [www.rexel.fr](http://www.rexel.fr) and [www.coaxel.fr](http://www.coaxel.fr) provide detailed product information; a monthly e-mail is sent to 40,000 contacts, promoting specific products and complementary services are also offered.



- In the USA, Gexpro has extensively customized their online services: customers of this Rexel subsidiary can obtain a precise quotation by visiting [www.gexpro.com](http://www.gexpro.com). Late in 2008, Gexpro will be launching websites dedicated to customers of its most buoyant sectors, such as automation and energy.

## Acquisitions

since June 30, 2008

### New Zealand: Egleys

- €8 million annual sales
- 32 employees, 2 branches

### The Netherlands: Busbroek

- €7 million annual sales
- 14 employees, 1 branch

### France: Espace Elec

- €14 million annual sales
- 49 employees, 6 branches

### France: Francofa

- €21 million annual sales
- 64 employees, 6 branches



## YOUR QUESTIONS

### GIVEN THE PRESENT DIFFICULT ECONOMIC CLIMATE, IS REXEL CONFIDENT THAT SYNERGIES WITH HAGEMEYER WILL BE ACHIEVED?

Of the anticipated synergies with Hagemeyer, 95% are cost-related and therefore little dependent on the economic situation. 80% will surge from reductions in administrative and purchase costs and the remaining 15% from reductions in logistics and I.T. costs. Furthermore, revenue synergies of 5% have been identified. Making the most effective use of our client portfolio should ensure that this estimation will increase. In total, between now and 2011, anticipated synergies should rise to €50 million per year, which is 1.5% of the pro forma sales of the Hagemeyer retained assets.

# our commitments

## Protecting the environment every day

As the leading worldwide distributor of electrical supplies, Rexel provides expert advice and solutions aimed at better controlling and reducing energy consumption. Promotion of renewable energy products (solar, wind and heat pumps) has also been encouraged. The Group's strategy relating to green solutions is aimed at offering solutions through a variety of tools (catalogues, dedicated sites, devoted teams etc.) and at reinforcing consulting services in the control of energy consumption.

### In the United States

Gexpro has developed expertise in the area of low-consumption energy solutions. The 'Venetian' hotel-casino chain (based in Las Vegas, USA and in Macau, China) and the Safeway supermarket chain, both have used Gexpro's consulting services to cut their annual electricity consumption by 65% and 35% respectively. In addition, Gexpro has just launched a green catalogue detailing dedicated energy-saving products.



### In the Netherlands

Rexel Netherlands launched a campaign called 'What a Wonderful World' which rewards customers purchasing products with a low environmental impact. For each transaction, these customers receive a card with a code allowing them to access a website to win prizes. The site is sponsored by Philips, Schneider Electric, Moeller Electric, ABB and Hager.



### focus

### In China



To assist earthquake victims in the province of Sichuan last May, Rexel China organized an employee collection. For each Chinese Yuan (CNY) contributed by an employee, Rexel China contributed 1 CNY, Rexel Asia Pacific contributed 2 CNY and the Rexel Group contributed 4 CNY. In addition to financial assistance, Rexel Hailongxing, a Beijing based subsidiary, offered generators and a variety of tools being sought in the aftermath.

### In the United Kingdom

Newey & Eyre and Parker Merchants have developed a highly-focused Training & Development offer across the organisation. Aimed at significantly raising employee skill levels 'from the field up', the complete offer covers Sales, Customer Service, Finance, Leadership & Management Skills, and various specialist programmes. It is designed as a Learning itinerary to accompany employees throughout their career.

## YOUR QUESTIONS

### IN THE PRESENT STOCK MARKET, WHAT ARE THE BENEFITS OF REXEL SHARES?

The main advantages of Rexel are the flexibility of its cost structure in the backdrop of a difficult economic context and its strong capacity to generate cashflow. In addition to this, Rexel is well-balanced in terms of geographies and end markets. Rexel also has a strong and diversified territorial foothold with 2,600 branches. Finally, Rexel will benefit greatly from synergies with Hagemeyer which will enhance its value in the coming years.

# Rexel share at a glance

## Important times at the AGM



Following its stock market listing on April 4, 2007, Rexel held its first Annual General Meeting on May 20, 2008 in Paris. 191.5 million shares were represented, accounting for a quorum of 80.6%, of which there were 165 individual shareholders. All the proposed resolutions were adopted by the Supervisory Board. In particular, a programme of share buy-back was authorised. Furthermore, a dividend of €0.37 per share was approved and was paid out on June 30, 2008.

## Getting to know you

More than 200 shareholders attended an information meeting organised by the "Fédération française des clubs d'investissement" (French federation of investment associations) which took place in Rennes on June 17, 2008. Of the 120 participants who completed a satisfaction survey, 69% considered the company presentation and the quality of response either good or excellent. It was a unique opportunity for discussion between the shareholders and Group management. A second meeting was held in Strasbourg on September 18, 2008 during which Rexel's second half year results were detailed.

Visit [www.rexel.com](http://www.rexel.com) to follow our stock exchange progress and to see the video transcript of the AGM.

### share performance until August 29, 2008 - base 100 as at December 31, 2007



### share information

ISIN: FRO010451203

Market: Eurolist by NYSE Euronext

Number of shares (as at August 29, 2008): 255,993,827

Market capitalization (as at August 29, 2008): € 2.650 bn

Indexes: NEXT 150, SBF 120, SBF 250,  
CAC MID 100, CAC AllShares

### calendar

Publication of the third quarter results 2008

November 12, 2008

Meeting with shareholders

Paris, March 6, 2009

### want to know more?



**A GROUP ON THE MOVE**  
This brochure gives an overview of the foundations of Rexel's leadership in the various aspects of its business: its market, its supply, its services and its expertise. Available by mail upon request or downloadable at [www.rexel.com](http://www.rexel.com)

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## YOUR QUESTIONS

### HOW DOES REXEL COMMUNICATE WITH ITS SHAREHOLDERS?

Twice a year Rexel publishes its "Letter to Rexel's Shareholders". There is also a toll-free number in place 0800 666 111 (available from a fixed line in France) for any questions or document requests. Rexel also holds meetings with its shareholders both in Paris and the provinces. Finally the AGM is an opportunity to bring together the Group and its shareholders – Rexel management invites you all to attend.

...see you soon!