

Letter to shareholders

#19
NOVEMBER
2016

Rexel, global leader in the professional distribution of products and services for the energy world

On June 23, 2016, the Board of Directors of your company decided to adopt a new governance structure and split the duties of Chairman and Chief Executive Officer. Consequently, the Board of Directors has appointed Ian MEAKINS as Non-Executive Chairman of the Board and Patrick BERARD as Chief Executive Officer. Both will bring to Rexel broad experience in the professional distribution sector, as well as recognized skills in their respective fields. You will find brief biographies of both on page 2. The Board of Directors deemed these changes essential to allow management to focus all its efforts on implementing and executing the Group's strategy and create value for all stakeholders.

“ Dear Shareholders,



I am very honored to speak to you for the first time in this letter, in my capacity of Non-Executive Chairman. Your company is a leader in its field with strong potential for further profitable growth. I am sure that Patrick Berard with his new executive team supported by the Board will be able to drive superior returns for shareholders over the coming years. I will be delighted to meet you at our next Annual General Meeting, which will be held in Paris on May 23, 2017.

Ian MEAKINS
Non-Executive Chairman
of the Board

“ Dear Shareholders,



It is an honor and a responsibility to have been asked by the Board of Directors to become Chief Executive Officer of Rexel. My responsibility is two-fold: on the one hand, to use my business knowledge acquired within Rexel over 13 years in order to seize opportunities in growing markets and increase our market share; on the other hand, succeed in transforming the marketing methods linked with the various aspects of digitalization, in a profitable way for all our partners: you, our shareholders, but also our customers and suppliers. To do so, we will have to adapt the allocation of resources. I will have the opportunity to detail our plans while presenting Rexel's annual results on 13 February 13, 2017. This plans drove the appointment of my new management team, which is entirely dedicated to operational efficiency for the coming years.

Patrick BERARD
Chief Executive Officer

Ian Meakins

Ian Meakins, 60 years old, was appointed CEO of Wolseley in July 2009 and held that position until August 2016.

He was previously Chief Executive Officer of Travelex, the international foreign exchange and payments business.

Prior to that, he was Chief Executive Officer of Alliance UniChem plc until its merger with Boots in July 2006 and between 2000 and 2004, he was President, European Major Markets and Global Supply for Diageo plc, spending over 12 years with the company in a variety of international management positions.

He was educated at Cambridge University.

Patrick Berard

Patrick Berard, 63 years old, joined Rexel in 2003 as CEO Rexel France and was Senior Vice President Europe since July 2015. He became SVP Southern Europe in 2007.

In 2013, he assumed additional responsibility for Belgium and Luxembourg and in 2014 he was appointed SVP Southern, Central and Eastern Europe.

Before joining Rexel, Patrick Berard was CEO of Pinault Bois & Matériaux (2002-2003), part of the Kering group of companies (formerly PPR).

Prior to that, he was Chief Operating Officer of Antalis (Arjo Wiggins) from 1999 to 2002 and from 1988 to 1999 he held various management positions at Polychrome, including General Manager Europe and Group Vice-President and Executive Committee member of Kodak Polychrome Graphics.

From 1980 to 1987, Patrick Berard worked as a consultant for McKinsey before moving to Thomson as Strategic Development Director for Industry and Engineering.

Patrick Berard began his career in 1978 at the Pulp and Paper Research Institute of Canada.

He holds a Doctorate in Economics from the University of Grenoble.

New Executive Committee

On November 1st, Patrick BERARD, CEO of Rexel, appointed a new Executive Committee mainly composed of key country/region managers, in order to reinforce its focus on operational efficiency and excellence in execution. On this occasion, Patrick BERARD declared: "This new organization will benefit our clients and suppliers and leverage the Group's strengths to continue developing our leading positions in the industry".

The new Executive Committee, now comprising 11 members, of which 6 are in charge of key business units, will be headed by and report to Patrick BERARD and will also include:

Group functions



> Catherine Guillouard

Group CFO and Deputy CEO

Catherine Guillouard has been Group CFO since May 2013 and was appointed Group Deputy CEO in May 2014. She was already an Executive Committee member.



> Sébastien Thierry

General Secretary and Secretary of the Board of Directors

Sébastien Thierry has been VP, Group Legal Affairs since December 2014.



> Mathieu Larroumet

Group Business Transformations

Mathieu Larroumet joined Rexel in January 2013 as MCI Director («Marchés Chantiers Infrastructures») for Rexel France and Southern Europe and then successively became Europe Business Transformation Director in July 2015 and Strategy, Business Transformation & M&A Director for Europe in February 2016.



> Frank Waldmann

Group Human Resources

Frank Waldmann joined Rexel in October 2014 as Human Resources Director for Central and Eastern Europe and Germany and then became VP Human Resources for Europe in May 2016.

Business Operations



> Vincent Demange

CEO Rexel France

Vincent Demange joined Rexel in January 2016 as General Manager for Rexel France.



> Brian McNally

CEO Rexel North America

Brian McNally joined Rexel in August 2014 as Executive VP and CEO of Rexel North America. He was already an Executive Committee member.



> John Hogan

UK General Manager

John Hogan joined Rexel in 2005. He has been CEO of Rexel UK since February 2013. Previously he was CEO of Newey & Eyre and Parker Merchanting.



> Eric Gauthier

CEO Rexel Asia-Pacific

Eric Gauthier was appointed Senior VP Asia-Pacific in September 2016. He was already an Executive Committee member.



> Joakim Forsmark

Nordics General Manager

Joakim Forsmark joined Rexel in 2005 as General Manager of Selga and then became General Manager for Sweden in 2009. In August 2016, he was appointed Nordics General Manager.



> Jeff Baker

President and CEO Platt Electric Supply & Rexel Commercial & Industrial

Jeff Baker has been President and CEO of Platt Electric Supply, a company based in the Pacific Northwest and California that was acquired by Rexel in 2012. His responsibilities were extended earlier this year to also include Rexel Commercial & Industrial across the US.

NEWS

Rexel publishes its 2015 Activity and Sustainable Development Report

Find out about the Group's innovations and intelligent solutions designed for installers, industrial clients, and energy specialists, as well as insights on Rexel's commitments to its employees, the environment, and society as a whole by browsing the [dedicated website](#), reading the [interactive version](#) or downloading the [PDF](#).



Launch of a new employee share purchase plan in 14 countries

Entitled Opportunity16 and open to nearly 90% of Rexel Group's employees, this is the fifth such plan following those offered in 2007, 2010, 2012 and 2013. With Opportunity16, Rexel aims to actively engage its employees in its strategic roadmap as key contributors to the Group's growth.



Rexel Quality Trading trains young Thai electricians

Rexel Quality Trading, a Group subsidiary in Thailand, launched a project to develop training for young Thai electricians in partnership with the Rexel Foundation, Schneider Electric and the Thai Ministry of Labor. This 5-year program includes the creation of a training module and training kits as well as training for teachers. Read more about the Foundation's latest projects on its website <http://www.rexelfoundation.com/>



Results as of september 30, 2016

On October 28, Rexel published its results for the third quarter and the first nine months of the year.

€9.7 bn

Revenue

€400 m

Operating
margin¹

€133 m

Recurring
net income

In the quarter, sales amounted to €3.194 billion, down 5.6%. This decline included negative effects linked to currencies for 1.6%, to calendar for 0.6% and to the change in copper-based cable prices for 0.9%. On a constant and same-day basis, sales in the quarter were down 3.7%, with Europe down 1.6%, North America down 6.0% (mainly due to the Industrial end-market and the drop in sales to the oil and gas industry) and Asia-Pacific down 5.6% (mainly due to Asia).

Gross margin increased in all regions and stood at 23.9% for the Group as a whole (compared with 23.5% in the third

quarter of 2015). Operating margin¹ (adjusted EBITA margin) was 4.0%, down 51 basis points from 4.5% in the third quarter of 2015: 21 basis points were due to one-off effects (including a €3 million charge related to the “Opportunity16” employee share plan launched in September) and 30 basis points are mainly due to a lower absorption of operating expenses due to the sales drop.

In the first nine months of the year, sales stood at 9.704 billion euros, down 3.2%. On a constant and same-day basis, sales were down 2.5% (Europe: -0.8%, North America: -4.9% and

Asia-Pacific: -3.0%). Gross margin was 24.3% (compared with 24.1% in the first nine months of 2015) and operating margin (adjusted EBITA margin) was 4.1% (compared with 4.3% in the first nine months of 2015). Net income from continuing operations (excluding the impact of the disposal of Rexel’s Latin American activities in 2015) increased by 47.0%, compared to the first nine months of 2015. This increase mainly reflects lower net financial expenses. Our recent refinancing efforts (see article on next page) have significantly lowered our average effective interest rate on gross debt; however, our financial expenses for the first nine months of 2015 included a significant non-recurring charge related to the refinancing operations carried out during the previous year.

[Read more about 2016 results also available on Rexel’s website](#)

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

2016 Outlook

We confirm our guidance for the current year, at the low-end of the range given in February, on the basis of our performance over the first nine months of the year and our expectations for the last quarter:

- > **Organic sales decline on a constant and same-day basis of at most 3%** (February guidance was “organic sales growth on a constant and same-day basis of between -3% and +1%”),
- > **Adjusted EBITA margin of at least 4.1%** (February guidance was “adjusted EBITA margin of between 4.1% and 4.5%”),
- > **Solid free cash flow generation of:**
 - > Between 70% and 80% of EBITDA, before interest and tax (unchanged),
 - > Between 35% and 45% of EBITDA, after interest and tax (unchanged).

Continued optimization of financing in order to further reduce the cost of financing of the Group and enhance its indebtedness structure

In 2015, Rexel had already repaid ahead of time a euro-denominated bond, representing almost €500 million bearing a coupon of 7,000%, and had also refinanced a bond line in dollars, also representing almost €500 million and bearing a coupon of 6.125%, through the issuance of a new euro-denominated bond line of €500 million bearing a coupon of 3.250% (maturity: June 2022).

In 2016, Rexel continued its policy of optimizing its financing both through the refinancing of a €650 million euro-denominated bond with a 5.125% coupon, which was replaced by the issuance of a new bond with a 3.500% coupon (maturity: June 2023) and through the early repayment of USD170 million (approximately €150 million) on its 500 million-euro bond line issued in 2013 with a 5.250% coupon. In 2016, Rexel also extended its Senior Credit Agreement (revolving line) of approximately €1 billion, undrawn to date, until June 2021.

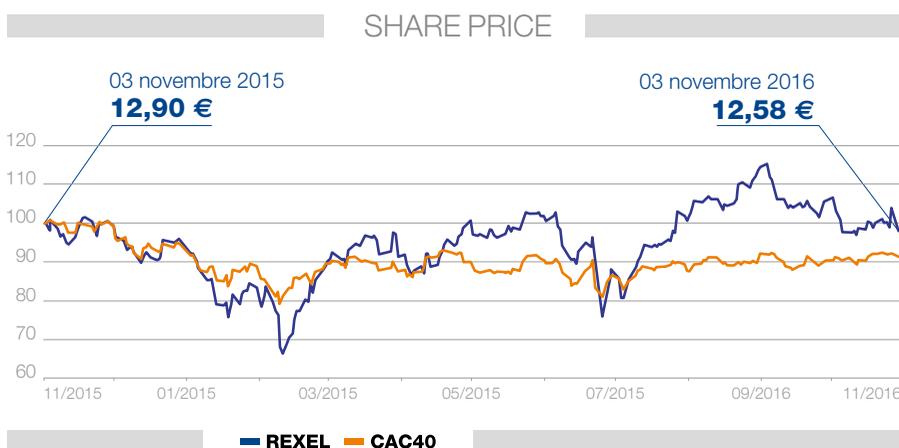
All these operations aim both to reduce the average effective interest rate on Rexel's gross debt, which decreased from 4.9% in 2014 to 3.6% in the first nine months of 2016, and to enhance the Group's financial structure.

Shareholder's Meeting

Rexel's Annual General Meeting of shareholders was held on May 25, 2016 in Paris.

The shareholders approved all the resolutions, notably the distribution of a dividend of €0.40 per share, representing 45% of the Group's recurring net income, whose payment took place on July 5.

Shareholders also ratified the cooption as directors of Elen Phillips and Marianne Culver, decided by the Board of Directors held on March 8, 2016 and approved the renewal of Elen Phillips, Marianne Culver and Thomas Farrell as directors for four years.



2017 Calendar

Monday, February 13

> 2016 Full-Year results

Friday, April 28

> 2017 First-Quarter results

Tuesday, May 23

> Shareholders' Meeting, Paris

Monday, July 31

> 2017 Second-Quarter and Half-Year Results

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Company details

> ISIN **FR0010451203**

> Mnemonic code **RXL**

> Market **Eurolist by NYSE Euronext**

At October 31, 2016

> Number of shares
302.3 million

> Market capitalisation
€3.8 bn