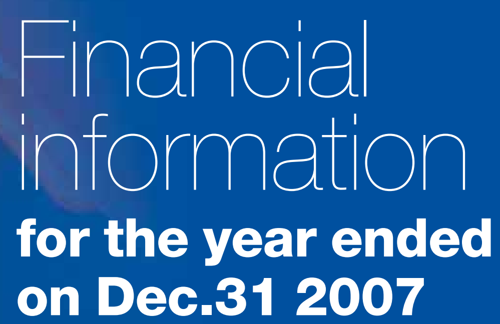
Financial information for the year ended on Dec.31 2007



Rexel

ELECTRICAL SUPPLIES

Limited Liability Company (société anonyme)
with Management Board and Supervisory Board
and share capital of 1,279,969,135 euros
Registered office: 189-193, boulevard Malesherbes
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I. Activity report

This document is a free translation into English of the activity report for the year ended on December 31, 2007 issued in the French language and is provided solely for the convenience of English speaking readers. In the event of any ambiguity or discrepancy between this unofficial translation and the activity report for the year ended on December 31, 2007, the French version will prevail.

1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Organized in December 2004, Rexel is a holding company which acquired Rexel Distribution and its subsidiaries via its subsidiary, Ray Acquisition S.C.A., on March 16, 2005. Rexel shares have been listed for trading on the Eurolist market of Euronext Paris since April 4, 2007.

Numbers and percentages in this document may be calculated on the basis of numbers expressed in thousands of euros, or other currencies, and, accordingly, may differ from the numbers and percentages calculated on the basis of the numbers presented.

1.1 | Financial Situation of the Group

1.1.1 | Group Overview

The Group believes to be the worldwide leader in the professional distribution of low and ultra-low voltage electrical products based on sales and number of branches. The Group's business is organized around the three main geographic areas in which it operates: Europe, North America, and the Asia-Pacific zone. This geographic segmentation was determined on the basis of long-term economic trends, market characteristics, technical standards, products and suppliers operating in the countries within each geographic zone, as well as the proximity of markets. Operations deemed of lower materiality relative to the Group's operations as a whole are aggregated and presented under a separate segment called "Other Operations", as defined below. This segment also includes unallocated corporate overhead expenses.

In the year 2007, the Group recorded consolidated sales of €10,704.4 million, of which €5,041.9 million were generated in Europe (47% of sales), €4,806.1 million in North America (45% of sales), €797.2 million in the Asia-Pacific zone (7% of sales), and €59.3 million related to Other Operations (1% of sales).

The Europe zone consists principally of France (which accounts for approximately 50% of the Group's consolidated sales in this zone), Germany, the United Kingdom, Austria, Switzerland, The Netherlands, Sweden, Italy, Belgium, Spain, Ireland and Portugal, as well as several Central European countries (Slovenia, Hungary, Slovakia, the Czech Republic, Poland and Russia).

The North America zone consists of the United States and Canada. The United States represents approximately 80% of the Group's consolidated sales in this zone and Canada the remaining 20%.

The Asia-Pacific zone consists of Australia, New Zealand, and China, as well as certain countries in Southeast Asia (Indonesia, Malaysia, Singapore and Thailand). Australia accounts for approximately 65% of the Group's consolidated sales in this zone and New Zealand close to 20%.

The Other Operations segment includes Chile, which represented approximately 0.5% of the Group's sales and certain businesses managed at Group level (Bizline, Citadel and Conectis). Unallocated corporate overhead (mainly occupancy and personnel costs of the Paris headquarters) are also included in this segment, as well as the elimination of inter-segments operations.

The analysis below covers the Group's sales, gross profit, distribution and administrative expenses and operating income before other income and other expenses (EBITA) separately for each of the three geographic segments, as well as the Other Operations segment.

1.1.2 | Seasonality

Notwithstanding the relatively low degree of seasonality within the Group's sales, there is seasonality in cash flows due to variations in working capital requirements, with, generally, a weaker first quarter, comparable second and third quarters, and a stronger fourth quarter.

1.1.3 | Effects of the evolution of copper price

The Group is indirectly exposed to fluctuations in copper prices in connection with the distribution of cable products. Cables accounted for approximately 20% of the Group's sales, and copper accounts for approximately 60% of the composition of cables. This exposure is indirect since cables prices also

depend on suppliers' commercial policies and on the competition environment in the Group's markets. Changes in copper price have an estimated so-called "recurring" effect and an estimated so called "non-recurring" effect on the Group's performance:

- The recurring effect corresponds to the change in value of the copper part included in the selling price of cables from one period to another and reflects the Group's ability to pass on to its customers the changes in cables purchase price linked to the evolution of copper price. The effect mainly relates to sales;

- The non-recurring effect corresponds to the effect of copper price variations on the selling prices of cables between the moment they are purchased and the time they are sold, until all such inventory is sold (direct effect on gross profit), offset, when appropriate, by the non-recurring portion of changes in the distribution and administrative expenses (essentially, the variable portion of compensation of sales personnel, which accounts for approximately 10% of the variation in gross profit and has an effect on EBITA).

1.1.4 | Comparability of the Group's operating results

The Group has undertaken a number of acquisitions and disposals, and exchange rates may fluctuate significantly. Additionally, the number of working days in each period has an impact on the Group's consolidated sales. Finally, changes in copper price have an impact on Group's financial performance. For these reasons, a comparison of the Group's reported operating results over different periods may not provide a meaningful comparison of its underlying business performance. Therefore, in the analysis of the Group's consolidated results below, financial information is also presented restated for the following adjustments.

Exclude the effects of acquisitions and disposals

The Group restates results to exclude the effects of acquisitions and disposals. Generally, the Group includes the results of an acquired company in its consolidated financial statements at the date of its acquisition and ceases to include the results of a divested company at the date of its disposal. To neutralize the effects of acquisitions and disposals on the analysis of its operations, the Group compares the results of the current year against the results of the preceding year, assuming that the preceding year would have had the same scope of consolidation for the same period as the current year.

In 2006, the Group acquired Elektro-Material A.G. (Switzerland), Elettro Bergamo (Italy), V-Center (Poland), GE Supply (United States), DH Supply (United States), Capitol Light and Supply (United States), Kesco (Canada), and ACS (Australia). Furthermore, in May 2006, the Group formed company with a Chinese partner, Shanghai Bailian Group Co Ltd., to operate Hualian, Electric & Lighting Equipment Co, a distributor of electrical products based in Shanghai. The total amount of such investments was €840.3 million in 2006. The Group made no divestitures in 2006.

In the year 2007, the Group acquired NCA (Australia), APPRO 5 (France), Clearlight Electrical (United-Kingdom), Tri-Valley Electric Supply (United States), Boutet (Belgium), EIW (Australia) as well as 51% of Huazhang Electric Automation (China). The total amount of such investments was €116.8 million for the year 2007 including prices adjustments on previous acquisitions. In the same period, the Group disposed of the activity of the company Kontakt Systeme in Switzerland, deemed non-core, for an amount of €4.9 million.

Exclude the effects of fluctuations in exchange rates

Fluctuations in currency rates against the euro affect the euro value of the Group's sales, expenses and other balance sheet items as well as the income statement. Nonetheless, the Group has a relatively low exposure to the transaction risk of dealing in different currencies, as cross-border transactions are limited. To neutralize the currency translation effect on the comparability of its results, the Group compares its historical figures for the current year against the same period of the prior year figures, using for these figures the same euro exchange rates as in the current year.

Exclude the non-recurring effect related to changes in copper price

For the analysis of financial performance on a constant and adjusted basis, the estimated non-recurring effect related to changes in copper price, as described in paragraph 1.1.3 – "Effects of the evolution of copper price" here above, is excluded from the information presented for both the current and the previous periods. Such information is referred to as "adjusted" in the rest of this document.

Exclude the effects of different numbers of working days in each period to analyze sales

The Group's sales in a given period compared to another period are affected by the number of working days, which changes between periods. In the analysis of its consolidated sales, the Group neutralizes the effect of different numbers of working days between the two periods presented by comparing its historical figures for each month in the current year against the prior year figures, adjusted proportionally to the number of working days during the current year. This analysis by number of working days would not be relevant to the Group's other consolidated income statement items.

Accordingly, in the following discussion of the Group's consolidated results, the following information may be provided for comparison purpose:

- On a constant basis, meaning excluding the effect of acquisitions and disposals and the effect of fluctuations in exchange rates. Such information is used for comparison on sales and headcounts;
- On a constant basis and same number of working days, meaning on a constant basis and restated for the effect of different numbers of working days in each period. Such information is used only for comparison related to sales;
- On a constant basis, adjusted, meaning on a constant basis and adjusted for the estimated non-recurring effect related to changes in copper price. Such information is used for comparison related to gross profit, distribution and administrative expenses and EBITA.

This information does not derive from accounting systems but is the best estimate of comparable data in accordance with the principles set out above.

EBITA is used to monitor the Group's performance. EBITA is defined as operating income before other income and expenses and is not an accepted accounting measure under IFRS. The table below sets out the reconciliation from actual operating income to adjusted EBITA on a constant basis:

	Quarter ended December 31,		Year ended December 31,	
(in millions of euros)	2007	2006	2007	2006
Operating income	130.7	124.8	570.5	523.7
(-) Other income and expenses	27.2	43.0	77.9	49.9
EBITA	**157.9**	**167.8**	**648.4**	**573.6**
External growth	-	0.6	-	62.7
Foreign exchange effect	-	(3.6)	-	(13.6)
Non recurring effect related to copper	10.1	(6.6)	9.5	(56.6)
Adjusted EBITA on a constant basis	**168.0**	**158.2**	**657.9**	**566.1**

1.2 | Comparison of the financial results as at December 31, 2007 and December 31, 2006

In the year 2007, Rexel continued to improve its operating performance and cash flow generation: sales grew by 2.9% on a constant basis and same number of working days compared to the year 2006 to €10,704.4 million. Adjusted operating income before other income and other expenses (adjusted EBITA) grew 16.2% on a constant basis to €657.9 million, representing 6.1% of sales in the year 2007 compared to 5.5% of sales in the year 2006. Free cash flow, after net investments and before interest and taxes paid, reached €670.4 million compared to €487.8 million in the same period of 2006.

Europe and the Asia-Pacific zone, accounting for 54% of consolidated sales, posted 6.0% and 12.6% sales growth respectively, which more than offset the decrease in sales in North America (representing 45% of consolidated sales), which was 1.6% on a constant basis and same number of working days.

Rexel's end-markets in the industrial and commercial businesses expanded in the year 2007 in Europe. The residential construction remained at high levels in the area in most countries, despite the downturn noticed in Germany and in the United-Kingdom. In the Asia-Pacific zone, the growth was high in the commercial and industrial markets, especially in the mining industry, while the residential construction remained favorable in Australia. In the United States, the residential and residential-related commercial end-markets remained negative in comparison with the same period of last year.

In this situation, Rexel pursues implementing its operating levers – including development of customers' services, continuous improvement of pricing structures and enrichment of suppliers' partnerships – and is ahead of forecast synergies from the integration of the US based network Gexpro (formerly GE Supply). On a constant basis, the adjusted gross margin thus improved from 24.2% of sales in the year 2006 to 24.5% in the year 2007.

Rexel is continuously improving its logistic structures and the productivity of its support functions. Finally, Rexel launched a cost reduction plan in the US in the beginning of 2007, in order to adapt to the current activity trends. These actions, together with strict costs containment in the other zones, resulted in an increase of distribution and administrative expenses limited to 1.5% in the year 2007 compared to the year 2006 and to 1.7% in the fourth quarter of 2007 compared to the fourth quarter of 2006.

Combination of the organic growth, a gross margin improvement and a strict costs control, resulted in a significant increase of adjusted EBITA on a constant basis in the year 2007 compared to 2006.

The significant improvement of operating profitability in the year 2007 came along with a strong cash flow generation, especially through the continuing reduction of working capital requirements. As a percentage of sales, this latter decreased from 14.5% on a constant basis at December 31, 2006 to 13.4% at December 31, 2007. This 110 basis points improvement includes 70 basis points related to the one-off effect of the repayment in 2007 of the tax installments paid in 2006 by French companies as well as the one-off effect of the earn-out accrued in the period in respect of the 2007 acquisitions. Excluding one-offs, the working capital requirement at December 31, 2007 was 13.6% of sales. Free cash flow before interest and taxes paid increased by 37.4% compared to the year 2006, to €670.4 million.

In the year 2007, Rexel pursued its bolt-on acquisition strategy in the electrical equipment business: 7 acquisitions were finalized in the year, in Australia, in China, in France, in the United States, in the United-Kingdom, and in Belgium. Had these operations been completed on January 1st, 2006, sales and adjusted EBITA would have amounted respectively to €10,809.5 million and €664.2 million in 2007 and €10,466.5 million and €570.7 million in 2006.

Finally, on December 24, 2007, Rexel launched a recommended cash offer for all of the shares and bonds of its competitor Hagemeyer. Rexel and Sonepar agreed to selected assets disposals in case the offer is successful.

1.2.1 | Rexel's consolidated financial results

The following table sets out Rexel's consolidated income statement for the fourth quarters and years 2007 and 2006, in millions of euros and as a percentage of sales.

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	2,722.6	2,722.9	(0.0)%	10,704.4	9,298.9	15.1%
Gross profit	654.2	664.0	(1.5)%	2,615.6	2,345.6	11.5%
Distribution and administrative expenses[1]	(496.3)	(496.2)	0.0%	(1,967.2)	(1,772.0)	11.0%
EBITA[2]	157.9	167.8	(5.9)%	648.4	573.6	13.1%
Other income and expenses[3]	(27.2)	(43.0)		(77.9)	(49.9)	
Operating income	130.7	124.8	4.7%	570.5	523.7	8.9%
Financial expenses[3]	(26.2)	(70.5)	(62.9)%	(319.2)	(252.0)	26.7%
Income tax[3]	(47.9)	(16.5)	190.3%	(107.8)	(82.8)	30.1%
Net income[3]	56.6	37.8	49.9%	143.5	188.9	(24.0)%
Net income, excluding items related to Rexel's IPO	74.7	37.8	97.6%	312.2	188.9	65.3%
as a % of sales	*2.7%*	*1.4%*		*2.9%*	*2.0%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	**2,722.6**	**2,659.5**	**2.4%**	**10,704.4**	**10,376.0**	**3.2%**
Same number of working days			*1.3%*			*2.9%*
Gross profit	664.2	646.2	2.8%	2,626.5	2,506.1	4.8%
as a % of sales	*24.4%*	*24.3%*		*24.5%*	*24.2%*	
Distribution and administrative expenses	(496.2)	(488.0)	1.7%	(1,968.6)	(1,940.0)	1.5%
as a % of sales	*(18.2)%*	*(18.3)%*		*(18.4)%*	*(18.7)%*	
EBITA[2]	**168.0**	**158.2**	**6.2%**	**657.9**	**566.1**	**16.2%**
as a % of sales	***6.2%***	***5.9%***		***6.1%***	***5.5%***	

[1] Including depreciation	(24.0)	(17.4)	38.5%	(77.0)	(63.5)	21.3%

[2] EBITA = Operating income before other income and other expenses.

[3] Including items related to Rexel's IPO.

Sales

In the year 2007, Rexel's consolidated sales grew 15.1% to reach €10,704.4 million, a 2.9% growth on a constant basis and same number of working days. Acquisitions accounted for an increase of €1,329.0 million, partly offset by the effect of changes in exchange rates, in an amount of €252.0 million, mainly due to the depreciation of the US and Canadian dollars against the Euro. In the fourth quarter of 2007, sales grew 1.3% on a constant basis and same number of working days.

The following table analyzes the changes in sales growth between 2006 and 2007, on a reported basis and on a constant basis and same number of working days:

		Growth 2007 vs. 2006					
		Q1	Q2	H1	Q3	Q4	YTD
Growth on a constant basis and same number of working days		5.9%	3.3%	4.5%	1.4%	1.3%	2.9%
Number of working days effect		(0.4)%	0.4%	0.0%	(0.0)%	1.1%	0.3%
Organic growth	(1)	*5.5%*	*3.7%*	*4.5%*	*1.4%*	*2.4%*	*3.2%*
External growth		27.7%	27.1%	27.4%	7.9%	0.5%	14.3%
Foreign exchange		(3.6)%	(2.1)%	(2.8)%	(2.5)%	(2.8)%	(2.7)%
Total of external growth and foreign exchange	(2)	*24.2%*	*25.1%*	*24.7%*	*5.5%*	*(2.3)%*	*11.6%*
Actual growth (1) x (2)		31.0%	29.6%	30.3%	6.9%	(0.0)%	15.1%

(1) Organic growth compounded with external growth and foreign exchange

Increase in copper-based cables prices in the year 2007, that represent approximately 20% of the Group's sales, accounted for approximately 10% in the 2.9% Group's sales growth on a constant basis and same number of working days. In the fourth quarter of 2007, cables prices were lower than in the fourth quarter of 2006 in all areas because of less favorable market conditions. This decrease in copper-based cables prices resulted in a negative effect estimated to approximately 1% on the sales of the last quarter of 2007 compared to the same period of the previous year.

Gross profit

In the year 2007, gross margin was 24.4% compared to 25.2% in the year 2006. On a constant basis, adjusted gross margin improved by 30 basis points from 24.2% in the year 2006 to 24.5% in the year 2007. This improvement reflects an on-going improvement resulting from operating levers including pricing initiatives, partnership development with suppliers and synergies from the successful Gexpro integration and a non-recurring favorable effect of specific commercial initiatives, which occurred essentially in the first quarter 2007.

In the fourth quarter of 2007, adjusted gross margin improved by 10 basis points compared to the one of the fourth quarter of 2006 on a constant basis.

Distribution and administrative expenses

Rexel pursued the improvement of its costs structure over the period. Distribution and administrative expenses as a percentage of sales decreased from 19.1% in the year 2006 to 18.4% in the year 2007. On a constant basis, adjusted distribution and administrative expenses increased by 1.5% between 2006 and 2007, compared to a 3.2% increase in sales at actual number of working days and a 4.8% increase in gross margin. Adjusted personnel expenses increased by 2.3% on a constant basis while the average number of employees increased by 0.4%. At December 31, 2007, the number of employees was reduced by 356 persons compared to the end of December 2006 on a constant basis, mainly in North America, in order to adapt the Group's costs structure to the current activity trend in this zone, where headcounts were reduced by 449 persons. At December 31, 2007, total number of employees was 25,596. Other distribution and administrative expenses increased by 0.3% between the year 2006 and the year 2007.

In the fourth quarter of 2007, distribution and administrative expenses increased by 1.7% compared to the fourth quarter of 2006, a 10 basis points improvement as a percentage of sales. Personnel expenses increased by 0.6% on a constant basis in the quarter.

Operating income before other income and other expenses (EBITA)

Operating income before other income and other expenses (EBITA) reached €648.4 million in the year 2007, a 13.1% increase compared to the year 2006 on a reported basis. On a constant basis,

adjusted EBITA increased by 16.2% while EBITA margin improved from 5.5% in 2006 to 6.1% in 2007, a 60 basis points improvement. This improvement includes 20 basis point related to specific non-recurring commercial actions in the first quarter of 2007. This evolution stemmed from the performance of all zones. EBITA margin strongly improved in Europe and Asia-Pacific while North America managed to keep a flat EBITA margin level in a difficult economic situation, through the improvement in its gross profit and the strict control of its distribution and administrative expenses. In the fourth quarter of 2007, adjusted EBITA increased by 6.2% on a constant basis compared to the fourth quarter of 2006 and improved by 30 basis points as a percentage of sales to 6.2% in the fourth quarter of 2007 compared to 5.9% in the fourth quarter of 2006.

Other income and other expenses

In the year 2007, other income and other expenses amounted to a net expense of €77.9 million and included €61.4 million of costs related to the IPO of Rexel completed in April 2007, in respect of employees shares purchase plan and free shares allocation plan for amounts of €7.8 million and €53.6 million respectively. The disposal of the non-core activity of the Kontakt Systeme company, operating in Switzerland and in Germany, resulted in a capital loss of €4.0 million. In addition, a €4.2 million impairment loss was recognized on the Group's investments in the Czech Republic due to a difficult local economic situation.

Financial expenses

In the year 2007, net financial expenses were €319.2 million (compared to €252.0 million in 2006), including €165.9 million non-recurring costs related to the Group's debt restructuring following its IPO.

Debt restructuring related expenses were recorded in the second quarter of 2007 in an amount of €165.9 million and included (i) a redemption premium of €89.6 million for the early repayment of the Senior Subordinated Notes and (ii) the write-off on the Senior Subordinated Notes and the 2005 Senior Credit Agreement transaction costs for €76.3 million.

The effective interest rate on gross financial indebtedness was 6.0% in the year 2007. Due to the Senior Subordinated Notes repayment in the second quarter of 2007, effective interest rate was reduced to 5.6 % in the fourth quarter of 2007.

Tax expenses

The effective tax rate was 42.9% at December 31, 2007 compared to 30.5% at December 31, 2006. The September 2006 effective tax rate included the non-recurring effect of the utilization of unrecognized tax losses. Excluding non-recurring items, including especially the non-deductible expenses related to the free shares allocation plan, the effective tax rate would have been approximately 33% at December 31, 2007.

Net income

Net income amounted to €143.5 million in the year 2007 and €56.6 million in the fourth quarter of 2007. Excluding IPO related costs detailed in note°2.1.2 to the Rexel Group's consolidated financial statements at December 31, 2007, it would have been €312.2 million in the year 2007, compared to €188.9 million in the year 2006, a 65.3% increase.

1.2.2 | Europe

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	1,338.3	1,287.5	3.9%	5,041.9	4,588.4	9.9%
Gross profit	347.6	339.7	2.3%	1,343.5	1,250.3	7.5%
Distribution and administrative expenses	(244.6)	(240.6)	1.7%	(968.8)	(926.4)	4.6%
EBITA[(1)]	103.0	99.1	3.9%	374.7	323.9	15.7%
as a % of sales	*7.7%*	*7.7%*		*7.4%*	*7.1%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA

	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	**1,338.3**	**1,296.6**	**3.2%**	**5,041.9**	**4,745.7**	**6.2%**
Same number of working days			*2.2%*			*6.0%*
Gross profit	352.1	337.5	4.3%	1,348.0	1,250.4	7.8%
as a % of sales	*26.3%*	*26.0%*		*26.7%*	*26.3%*	
Distribution and administrative expenses	(244.7)	(240.6)	1.7%	(969.3)	(948.1)	2.2%
as a % of sales	*(18.3)%*	*(18.5)%*		*(19.2)%*	*(19.9)%*	
EBITA[(1)]	**107.4**	**96.9**	**10.8%**	**378.7**	**302.3**	**25.3%**
as a % of sales	***8.0%***	***7.5%***		***7.5%***	***6.4%***	

[(1)] EBITA = Operating income before other income and other expenses.

In the year 2007, sales increased by 9.9% in Europe compared to the year 2006 and reached €5,041.9 million. Acquisitions, mainly completed in 2006, including Elektro-Material A.G. in Switzerland, Gexpro business in Ireland and Elettro Bergamo in Italy, accounted for a €167.5 million increase. The disposal of the Kontakt Systeme company in Switzerland resulted in a negative effect of €7.7 million on sales compared to 2006. On a constant basis and same number of working days, sales increased by 6.0%.

In France, sales amounted to €2,427.5 million in the year 2007, a 6.8% increase on a constant basis and same number of working days. This growth notably stemmed from selling performance with contractors (approximately 55% of sales), which posted an increase in sales of approximately 10%. Cables and conduits sales, as well as building equipments sales, grew by approximately 10% in volume over the period. In Germany, sales amounted to €435.7 million in the year 2007, a 1.1% decrease on a constant basis and same number of working days. This performance was realized in a particularly difficult environment in the south of Germany and followed the decision to refocus the Rexel offer on its core products, thus reducing exposure on white and brown products and on solar equipments, which have lower margins. Excluding these two products families, that account for approximately 10% of sales, the increase in sales is around 1.1%, driven by sales of industrial and automation products, which account for approximately 30% of sales and posted a near-double-digit growth. In the United-Kingdom, sales amounted to €337.9 million in the year 2007, a 6.3% increase on a constant basis and same number of working days. This above-market growth was particularly strong with the large contractors, which grew by more than 28% over the year, more especially in the commercial market. This performance resulted from the selling dynamism of both banners and from the development of their marketing tools, including in particular this year the implementation of a customers' loyalty program. 12 branches increased the networks density, of which 8 are branches of the Clearlight company, acquired in 2007. In Benelux, sales increase by 15.9% on a constant basis and same number of working days to €395.4 million. This significantly higher than market growth was notably high with the small and medium contractors in Belgium and with the large contractors in The Netherlands. Rexel Belgium strengthened its network through the acquisition of the Boutet company in 2007 and is still completing its offer to the industrial market.

In the fourth quarter of 2007, sales growth amounted to 2.2% on a constant basis and same number of working days (including 4.0% in France, -10.8% in Germany and 6.8% in the United-Kingdom). The residential construction market, including the renovation activity, turned down, mainly in Germany, the United-Kingdom and Ireland, while commercial and industrial markets remained steady. In Germany, a strong competition in the south areas combined with Rexel's decision to refocus on higher margins core products and a strong base effect in the fourth quarter of 2006 due to customers' purchases anticipating the increase in VAT on January 1st, 2007. In addition, compared to the fourth quarter of 2006, the decrease in cables prices in the fourth quarter of 2007 resulted in an approximately 1% reduction in sales growth while the suppliers prices increases were lower on other product families, especially in France.

In the year 2007, gross profit amounted to €1,343.5 million, a 7.5% increase compared to 2006. On a constant basis, adjusted gross margin improved by 40 basis points and reached 26.7% of sales in the year 2007 compared to 26.3% in the year 2006. This performance mainly stemmed from on-going improvements, including purchasing conditions and customers' prices management. In the fourth quarter of 2007, adjusted gross margin posted a 30 basis points increase on a constant basis.

In the year 2007, distribution and administrative expenses amounted to €968.8 million, i.e. 19.2% of sales compared to 20.2% in 2006. On a constant basis, adjusted distribution and administrative expense increased by 2.2%. Adjusted personnel expenses increased by 3.2% on a constant basis compared to a 0.3% increase of average headcount on a constant basis. Number of employees increased from 12,595 at December 31, 2006 on a constant basis to 12,619 at December 31, 2007. Some actions, including in the logistics area, such as the implementation of a national distribution center in Austria, resulted in an above-inflation increase in personnel expenses over the period. Administrative and distribution expenses however increased by 1.7% in the fourth quarter on a constant basis. In the same period, personnel expenses increased by 2.7%. Operating expenses however remained under a strict control over the period, strengthened in the fourth quarter due to the downturn in economic indicators. As a result, administrative and distribution expenses as a percentage of sales improved by 30 basis points in the fourth quarter.

Operating income before other income and other expenses (EBITA) amounted to €374.7 million, a 15.7% increase compared to the year 2006. On a constant basis, adjusted EBITA increased by 25.3% and reached 7.5% of sales in the year 2007 compared to 6.4% in the year 2006. In the fourth quarter of 2007, adjusted EBITA increased by 10.8% on a constant basis compared to the fourth quarter of 2006, and improved by 50 basis points as a percentage of sales, from 7.5% in the fourth quarter of 2006 to 8.0% in the fourth quarter of 2007.

1.2.3 | North America

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	1,153.1	1,250.9	(7.8)%	4,806.1	4,016.6	19.7%
Gross profit	245.1	270.7	(9.4)%	1,043.9	896.2	16.5%
Distribution and administrative expenses	(192.8)	(205.8)	(6.2)%	(808.3)	(669.3)	20.8%
EBITA[(1)]	52.3	64.9	(19.5)%	235.6	226.9	3.8%
as a % of sales	*4.5%*	*5.2%*		*4.9%*	*5.6%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	**1,153.1**	**1,158.0**	**(0.4)%**	**4,806.1**	**4,872.0**	**(1.4)%**
Same number of working days			*(1.3)%*			*(1.6)%*
Gross profit	250.5	252.0	(0.6)%	1,050.6	1,048.7	0.2%
as a % of sales	*21.7%*	*21.8%*		*21.9%*	*21.5%*	
Distribution and administrative expenses	(192.8)	(193.8)	(0.5)%	(809.5)	(806.3)	0.4%
as a % of sales	*(16.7)%*	*(16.8)%*		*(16.9)%*	*(16.5)%*	
EBITA[(1)]	**57.7**	**58.2**	**(0.9)%**	**241.1**	**242.4**	**(0.5)%**
as a % of sales	***5.0%***	***5.0%***		***5.0%***	***5.0%***	

[(1)] EBITA = Operating income before other income and other expenses.

In the year 2007, sales in North America amounted to €4,806.1 million, a 19.7% increase compared to the year 2006. This increase resulted from the acquisitions in 2006 in an amount of €1,113.7 million, despite a €258.3 million unfavorable evolution of US and Canadian dollars against the Euro. On a constant basis and same number of working days, sales decreased by 1.6%, the sales performance in Canada offsetting only partially the decrease in the United States.

In the United States, sales amounted to €3,785.9 million in the year 2007, a 2.4% decrease on a constant basis and same number of working days. This evolution resulted from a particularly high level of activity in the year 2006, especially due to the increase in cables sales and to the reconstruction activity in the wake of the Katrina hurricane, which resulted in a 0.6% negative impact on the evolution between 2006 and 2007. Excluding the cables family, sales were stable on a constant basis and same number of working days in the United-States in 2007 compared to 2006. The decrease of residential construction in 2007 had effects on residential-related commercial projects. In Canada, sales amounted to €1,020.2 million in the year 2007, a 1.5% increase on a constant basis and same number of working days. This increase was driven by the mining activity and the high level of construction markets in the West, as well as the commercial activity in Quebec. The increase in the Canadian dollar compared to the US dollar adversely affected the competitiveness of the industrial sector, especially in Ontario, and consequently reduced the sales growth. Finally, the cables purchase and selling prices strongly decreased in the end of the year in the Canadian market.

In the fourth quarter of 2007, sales decreased by 1.3% on a constant basis and same number of working days, notably because of the negative residential market trend in the United-States. Excluding cables, sales in the fourth quarter of 2007 were up by approximately 1% compared to the fourth quarter of 2006. The sales variation in the fourth quarter on a constant basis and same number of working days was a decrease of 1.5% in the United States and of 0.7% in Canada.

In the year 2007, gross profit amounted to €1,043.9 million, a 16.5% increase compared to the year 2006, mainly due to changes in scope of consolidation in the United States and changes in exchange rates against the Euro. On a constant basis, adjusted gross margin improved by 40 basis points from 21.5% in the year 2006 to 21.9% in the year 2007. This improvement notably stemmed from the implementation of purchasing synergies since Gexpro acquisition in August 2006 and commercial

initiatives. In the fourth quarter of 2007, adjusted gross margin was 10 basis points below the one in the fourth quarter of 2006 on a constant basis. Unlike the previous quarters, the fourth quarter benefited only to a lower extent from the purchasing synergies implemented as soon as the fourth quarter of 2006 after the acquisition of Gexpro in August 2006. In addition, the share of lower margins projects and "direct" sales increased in the last quarter of 2007 due to the downturn of the residential construction market.

Distribution and administrative expenses amounted to €808.3 million in the year 2007, i.e. 16.8% of sales, the same figure as in 2006. On a constant basis, adjusted distribution and administrative expenses increased by 0.4%. Adjusted personnel costs increased by 1.0% on a constant basis. In the context of the implementation of a cost reduction plan in North America to adapt to current sales trends in the electrical distribution business, headcount was reduced by 5.1% in this activity in the year 2007 compared to the end of December 2006 (6.3% in the United States). In North America, headcount was reduced from 10,126 at December 31, 2006 to 9,677 at December 31, 2007 on a constant basis. Distribution and administrative expenses in the fourth quarter of 2007 were reduced by 0.5% compared to the fourth quarter of 2006, due to focus on costs and a favorable base in 2006.

Operating income before other income and other expenses (EBITA) thus amounted to €235.6 million in the year 2007, a 3.8% increase compared to the year 2006. On a constant basis, adjusted EBITA decreased by 0.5%, remaining at 5.0% of sales. In the fourth quarter of 2007, adjusted EBITA decreased by 0.9% compared to the fourth quarter of 2006, but remained at 5.0% of sales.

1.2.4 | Asia-Pacific

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	216.2	169.8	27.4%	797.2	635.7	25.4%
Gross profit	53.8	44.3	21.5%	202.3	169.4	19.4%
Distribution and administrative expenses	(41.3)	(35.0)	18.1%	(152.1)	(132.4)	14.9%
EBITA[(1)]	12.5	9.3	34.1%	50.2	37.0	35.7%
as a % of sales	*5.8%*	*5.5%*		*6.3%*	*5.8%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	**216.2**	**191.3**	**13.0%**	**797.2**	**704.4**	**13.2%**
Same number of working days			*11.3%*			*12.6%*
Gross profit	53.9	47.8	12.8%	202.2	179.7	12.6%
as a % of sales	*24.9%*	*25.0%*		*25.4%*	*25.5%*	
Distribution and administrative expenses	(41.3)	(38.9)	6.2%	(152.0)	(142.7)	6.6%
as a % of sales	*(19.1)%*	*(20.4)%*		*(19.1)%*	*(20.2)%*	
EBITA[(1)]	**12.6**	**8.9**	**42.2%**	**50.2**	**37.0**	**35.4%**
as a % of sales	***5.8%***	***4.6%***		***6.3%***	***5.3%***	

(1) EBITA = Operating income before other income and other expenses.

In the year 2007, sales in the Asia-Pacific zone increased by 25.4% compared to the year 2006 to €797.2 million, or 12.6% on a constant basis and same number of working days.

In the year 2007, sales in Australia amounted to €527.0 million, an 8.6% increase on a constant basis and same number of working days from the year 2006. Rexel considers that this growth exceeds the one of the Australian market, supported by strong industrial and mining businesses and a fair non-residential construction level. In the year 2007, sales growth was particularly high in Queensland, New South Wales and Western Australia. In these two latter states, the acquisition in late October 2007 of EIW and its 16 branches will strengthen the commercial dynamism of the current banners. In New-Zealand, sales amounted to €145.7 million, a 1.2 % decrease compared to 2006 on a constant basis and same number of working days in an economic environment affected by the downturn of the residential and commercial construction markets in the second half-year of 2007. In Asia, sales amounted to €124.5 million in the year 2007, a 65.6% increase on a constant basis and same number of working days compared to the year 2006, which evidences the fast development of professional distribution channel in these countries.

In the fourth quarter of 2007, sales increase on a constant basis and same number of working days compared to the fourth quarter of 2006 was 11.3%. In Australia, this growth was 8.6%.

In the year 2007, gross profit increased by 19.4% to €202.3 million. On a constant basis, adjusted growth margin decreased by 10 basis points in the zone, due to the significant growth in Asia where gross margin is lower. In Australia, gross margin improved, notably through the centralization of the purchasing function and a favorable mix evolution towards higher margin products. In the fourth quarter of 2007, gross margin decreased by 10 basis points in the area, mainly due to the increasing share of Asia where margins are lower, despite the strong improvement of the gross margin in Australia in the quarter.

Distribution and administrative expenses were €152.1 million in the year 2007, i.e. 19.1% of sales compared to 20.8% in the year 2006. On a constant basis, adjusted distribution and administrative expenses increased by 6.6% compared to the year 2006, including the effect of increasing building and occupancy costs following the renewal of some of the lease agreements and the opening of new

branches. In 2007, the network benefited from the acquisition or opening of 24 branches, i.e. an 8% increase in the number of branches. Adjusted personnel costs increased by 8.0% on a constant basis compared to a 1.1% increase of the average headcount, due to wages increase and key employees retention plans. Headcount increased from 2,635 at December 31, 2006 to 2,687 at December 31, 2007 on a constant basis. In the fourth quarter of 2007, adjusted distribution and administrative expenses increased by 6.2% on a constant basis, a 120 basis points improvement as a percentage of sales.

Operating income before other income and other expenses (EBITA) thus amounted to €50.2 million in the year 2007, a 35.7% increase compared to the year 2006. On a constant basis, adjusted EBITA increased by 35.4%, from 5.3% of sales in the year 2006 to 6.3% in the year 2007. In the fourth quarter of 2007, adjusted EBITA increased by 42.2% compared to the fourth quarter of 2006, a 120 basis points improvement as a percentage of sales, from 4.6% of sales in the fourth quarter of 2006 to 5.8% in the fourth quarter of 2007.

1.2.5 | Other operations

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	15.0	14.7	2.2%	59.2	58.2	1.8%
Gross profit	7.7	9.3	(19.9)%	25.9	29.7	(13.3)%
Distribution and administrative expenses	(17.6)	(14.8)	15.9%	(38.0)	(43.9)	(14.1)%
EBITA[(1)]	(9.9)	(5.5)	78.2%	(12.1)	(14.2)	(15.7)%
as a % of sales	*(64.5)%*	*(37.0)%*		*(20.2)%*	*(24.4)%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2007	2006	Changes in %	2007	2006	Changes in %
Sales	**15.0**	**13.6**	**10.7%**	**59.2**	**53.9**	**9.9%**
Same number of working days			*7.3%*			*9.9%*
Gross profit	7.7	8.9	(14.3)%	25.7	27.3	(5.9)%
as a % of sales	*50.9%*	*65.6%*		*43.4%*	*50.7%*	
Distribution and administrative expenses	(17.4)	(14.7)	18.2%	(37.8)	(42.9)	(11.9)%
as a % of sales	*(114.8)%*	*(108.1)%*		*(63.7)%*	*(79.7)%*	
EBITA[(1)]	**(9.7)**	**(5.8)**	**69.3%**	**(12.1)**	**(15.6)**	**(22.5)%**
as a % of sales	***(63.9)%***	***(41.8)%***		***(20.4)%***	***(29.0)%***	

[(1)] EBITA = Operating income before other income and other expenses.

The Other Operations segment includes Chile, which represented approximately **0.5**% of the Group's sales in 2007 and certain businesses managed at Group level (Bizline, Citadel and Conectis). Unallocated corporate overhead (mainly occupancy and personnel costs of the Paris headquarters) are also included in this segment, as well as elimination of inter-segments operations.

1.3 | Outlooks regarding 2008

Upon successful completion of its offer for Hagemeyer and shortly after the end of the tender period, Rexel will host a presentation to provide details of the combined group and its objectives.

Excluding Hagemeyer, and in current market conditions, Rexel expects its organic sales in 2008 to be at or above their 2007 level. Rexel expects its 2008 adjusted EBITA margin to be at or above the restated level of 2007 of 5.9%, which excludes the 20 basis points of favourable non-recurring items relating to the first quarter 2007.

2. | LIQUIDITY AND CAPITAL RESOURCES OF THE GROUP

2.1 | Cash flow as at December 31, 2007 and December 31, 2006

The following table sets out Rexel's cash flow for the fourth quarters and years ended December 31, 2007 and December 31, 2006.

(in millions of euros)		Quarter ended December 31,		Year ended December 31,	
		2007	2006	2007	2006
Operating cash flow[1]		174.8	186.3	704.0	631.1
Interest	(a)	(25.3)	(52.4)	(217.7)	(196.6)
Taxes	(a)	(17.5)	(36.6)	(41.8)	(127.8)
Changes in working capital requirement		64.9	48.3	(13.0)	(97.9)
Cash flow from operating activities	(b)	196.9	145.6	431.5	208.8
Cash flow from investing activities		(151.2)	(21.5)	(184.2)	(866.1)
Including operating capital expenditures[2]	*(c)*	*(20.1)*	*(14.0)*	*(20.6)*	*(45.4)*
Cash flow from financing activities		(17.5)	(108.7)	(200.9)	701.7
Net cash flow		28.2	15.4	46.4	44.4
Free cash flow:					
- before interest and taxes (b) – (a) + (c)		**219.6**	**220.6**	**670.4**	**487.8**
- after interest and taxes (b) + (c)		**176.8**	**131.6**	**410.9**	**163.4**

(1) Before interest, taxes and changes in working capital requirement.
(2) Net of disposals.

2.1.1 | Cash flow from operating activities

Rexel's cash flow from operating activities was a €431.5 million inflow in the year 2007 compared to €208.8 million in the year 2006. In the fourth quarter of 2007, cash flow from operating activities amounted to a €196.9 million inflow compared to €145.6 million in the fourth quarter of 2006.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements grew from €631.1 million in the year 2006 to €704.0 million in the year 2007. This mainly resulted from the improvement in operating income before depreciation, other income and other expenses (EBITDA) which rose from €637.1 million in the year 2006 to €725.4 million in the year 2007, a 13.9% increase.

Interest and taxes

In the year 2007, interest paid amounted to €217.7 million compared to €196.6 million in the year 2006. This increase was mainly due to the payment of the redemption premium for the Senior Subordinated Notes in an amount of €89.6 million pursuant to the refinancing operations following the initial public offering of Rexel. Interest decreased from €52.4 million in the fourth quarter of 2006 to €25.3 million in the fourth quarter of 2007, reflecting the strengthening of the Group's financial structure.

In the year 2007, €41.8 million income taxes were paid compared to €127.8 million paid in the year 2006. In the year 2006, due to the termination of the previous French tax group, Rexel's French entities paid tax installments on their own profits. These installments were repaid by the French authorities in an amount of €53.4 million in the second quarter of 2007 because of tax credits at the level of the tax group headed by Rexel in France.

Changes in working capital requirement

Cash consumed by changes in working capital requirement amounted to €13.0 million in the year 2007 compared to €97.9 million in the year 2006. This change stemmed from the optimization of inventory turn and from the increase in D.P.O. (days of payables outstanding). As a percentage of the last twelve months sales converted using exchange rates effective as at the end of the period, the

working capital requirement decreased from 14.5% at December 31, 2006 on a constant basis to 13.4% at December 31, 2007. This 110 basis points improvement includes 70 basis points related to the one-off effect of the repayment in 2007 of the tax installments paid in 2006 by French companies as well as the one-off effect of the earn-out accrued in the period in respect of the 2007 acquisitions. Excluding one-offs, the working capital requirement at December 31, 2007 was 13.6% of sales.

2.1.2 | Cash flow from investing activities

Rexel's cash flow from investing activities consists of acquisitions and disposals of fixed assets, as well as financial investments. Cash flow from investing activities amounted to a €184.2 million outflow in the year 2007 compared to €866.1 million in the year 2006.

(in millions of euros)	Quarter ended December 31,		Year ended December 31,	
	2007	2006	2007	2006
Acquisitions of operating fixed assets[1]	(20.1)	(14.0)	(20.6)	(45.4)
Acquisitions of financial fixed assets[1]	(77.0)	(9.2)	(111.9)	(840.0)
Net change in long-term investments	(54.1)	1.7	(51.7)	19.3
Cash flow from investing activities	(151.2)	(21.5)	(184.2)	(866.1)

[1] Net of disposals.

Acquisitions and disposal of tangible fixed assets

Acquisition of operating fixed assets, net of disposals, were a €20.6 million outflow in the year 2007 compared to €45.4 million in the year 2006.

In the year 2007, gross capital expenditures amounted to €72.7 million, i.e. 0.7% of the sales of the period, of which €29.3 million related to IT systems, €26.6 million to the renovation of existing branches and the opening of new branches, €24.9 million to logistics and €1.7 million to other investments. Changes in the related suppliers payable amounted to €9.8 million, accounting for a reduction in the capital expenditures of the year. Disposals of fixed assets in the year 2007 amounted to €52.1 million and mainly related to a sale and leaseback transaction in the first quarter, on commercial premises in Switzerland in an amount of €45.8 million (€42.0 million net of related taxes).

In the year 2006, gross capital expenditures amounted to €62.8 million, i.e. 0.7% of the sales of the period, including €29.3 million related to IT systems, €18.5 million to the renovation of existing branches and the opening of new branches, €10.8 million to logistics and €4.2 million to other investments. Moreover, Rexel disposed of fixed assets amounting to €17.4 million, including operating premises in France, Belgium, Sweden, and the United-Kingdom.

Financial investments

Rexel's net financial investments represented a net outflow of €111.9 million in the year 2007 compared to €840.0 million in the year 2006. In the year 2007, financial investments included mainly a price adjustment paid in March 2007 related to the acquisition of GE Supply for US $9.7 million (€7.8 million) and the acquisition of APPRO 5 in France for €6.7 million, Clearlight Electrical in the United-Kingdom for £5.3 million (€7.8 million), Tri-Valley Electric Supply in the United States for US $1.5 million (€1.2 million), Boutet in Belgium for €6.8 million and EIW in Australia for Australian $132.8 (€84.8 million). Financial investments also included the acquisition of the Rexel Distribution subsidiary shares in accordance with liquidity agreements on share options plans from 2002 and 2003, in an amount of €3.9 million. In the second and third quarters of 2007, Rexel disposed of the business of the company Kontakt Systeme for a net amount of €4.9 million.

In the year 2006, financial investments included the acquisitions of Elektro-Material A.G. for a cash consideration of CHF297.8 million (€191.4 million), Elettro Bergamo S.r.l. for a cash consideration of €9.4 million, Capitol Light and Supply for a cash consideration of US $167.4 million (€131.6 million), Gexpro for a cash consideration of US $605.6 million (€474.3 million), DH Supply for a cash consideration of US $35.4 million (€28.4 million) and V-Center in Poland for a cash consideration of €2.7 million.

Changes in long-term investments

Net cash from changes in long term investments were a net outflow of €51.7 million in the year 2007 compared to a net inflow of €19.3 million in the year 2006. Net cash used in the year 2007 mainly reflected the acquisition of Hagemeyer shares for an amount of €56.6 million (including transaction costs), which represent 1.8% of the total share capital of Hagemeyer. Net cash inflow in the year 2006 mainly included a €18.4 million equity loan repayment regarding the sale in 2003 of Gardiner, the security business of the Group.

2.1.3 | Cash flow from financing activities

Cash flow from financing activities is comprised of changes in indebtedness, share capital issuances and payment of dividends.

In the year 2007, financing activities accounted for €200.9 million outflow compared to €701.7 million inflow in the year 2006. The net proceeds from the initial public offering in the second quarter of 2007 were €1,005.0 million. Rexel contracted a new 2007 Senior Credit Agreement that permitted, together with the proceeds from the initial public offering, to repay in full the 2005 Senior Credit Agreement and the Senior Subordinated Notes. After an additional repayment in the third quarter, these operations resulted in an overall outflow of €1,212.9 million. Repayments of finance lease liabilities amounted to €26.9 million. Finally, various other changes resulted in a €33.9 million net inflow.

In the year 2006, financing activities resulted in net cash inflows of €701.7 million, including a net increase in securitization programs in an amount of €315.0 million. In addition, €456.8 million were drawn down under term loan B3A of the 2005 Senior Credit Agreement to finance the acquisition of Gexpro, €168.4 million under term loan D to finance the acquisitions of Capitol Light and Supply, DH Supply and Elettro Bergamo. Finance lease repayments amounted to €27.0 million. The other operations in the period resulted in a €211.5 million net inflow.

2.2 | Sources of financing of the Group

In addition to the cash from operations and equity, the Group's main sources of financing are multilateral credit lines, debt issuances and securitization programs. At December 31, 2007, Rexel's consolidated net debt amounted to €1,606.6 million, and was made up as follows:

	December 31, 2007			December 31, 2006		
(in millions of euros)	Current	Non current	Total	Current	Non current	Total
Shareholders' loan	**-**	**-**	**-**	**496.9**	**543.0**	**1,039.9**
Senior subordinated notes and indexed bonds	-	54.8	54.8	17.5	652.8	670.3
Senior credit facility	-	960.6	960.6	45.3	1,559.1	1,604.4
Securitization	-	1,012.1	1,012.1	-	1,007.5	1,007.5
Bank loans	5.9	5.0	10.9	5.3	5.3	10.6
Bank overdrafts and other credit facilities	45.1	-	45.1	34.0	-	34.0
Finance lease obligations	16.9	37.5	54.4	27.7	62.3	90.0
Less transaction costs	-	(16.1)	(16.1)	-	(82.6)	(82.6)
Carrying amount of liabilities	**67.9**	**2,053.9**	**2,121.8**	**129.8**	**3,204.4**	**3,334.2**
Total financial debt and accrued interest			**2,121.8**			**4,374.1**
Cash and cash equivalents			(515.2)			(473.1)
Net financial debt[(1)]			**1,606.6**			**3,901.0**
Gearing[(2)]			**50%**			**141%**
Net debt / EBITDA ratio[(3)]			**2.3**			**4.1**

[(1)] Including shareholders' loan.

[(2)] Net financial debt (excluding shareholders' loan) / Group's consolidated equity (including shareholders' loan).

[(3)] Net financial debt (excluding shareholders' loan) / EBITDA of the last 12 months, as set out in the senior credit agreements.

Changes between the two dates are mainly related to the restructuring operations of the Group's financing following the listing for trading on the Eurolist market of Euronext Paris (see note 20 – "Financial liabilities" to Rexel's Consolidated Financial Statement as of December 31, 2007).

II. Consolidated financial statements as of December 31, 2007

This document is a free translation from French to English of Rexel's original consolidated financial statements for the year ended December 31, 2007 and is provided solely for the convenience of English speaking readers. In the event of any ambiguity or discrepancy between this unofficial translation and the original consolidated financial statements for the year ended December 31, 2007, the French version will prevail.

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Consolidated income statement

(in millions of euros)	***Notes***	For the year ended December 31 **2007**	**2006**
Sales	***5***	10,704.4	9,298.9
Cost of goods sold		(8,088.8)	(6,953.3)
Gross profit		**2,615.6**	**2,345.6**
Distribution and administrative expenses	***6***	(1,967.2)	(1,772.0)
Operating income before other income and expenses		**648.4**	**573.6**
Other income	***8***	6.9	9.0
Other expenses	***8***	(84.8)	(58.9)
Operating income		**570.5**	**523.7**
Financial income		43.0	31.8
Interest expense on borrowings		(172.3)	(254.4)
Refinancing related expenses	***2.1***	(165.9)	-
Other financial expenses		(24.0)	(29.4)
Financial expenses (net)	***9***	*(319.2)*	*(252.0)*
Net Income before income tax		**251.3**	**271.7**
Income tax	***10***	(107.8)	(82.8)
Net income		**143.5**	**188.9**
Attributable to:			
Equity holders of the parent		143.0	188.9
Minority interests		0.5	-
Earnings per share:			
Basic earnings per share (*in euros*)	***17***	0.65	1.50
Fully diluted earnings per share (*in euros*)	***17***	0.64	1.48

Consolidated balance sheet

(in millions of euros)	***Notes***	**As of December 31** **2007**	**2006[1]**
Assets			
Goodwill	***11.1***	2,608.3	2,562.5
Intangible assets	***11.1***	686.0	696.9
Property, plant & equipment	***11.2***	272.1	268.5
Long-term investments	***11.3***	76.8	39.3
Deferred tax assets	***10.2***	127.4	127.3
Total non-current assets		**3,770.6**	**3,694.5**
Inventories	***12.1***	1,143.2	1,117.0
Trade accounts receivable	***12.2***	2,018.5	2,026.9
Income tax receivable		1.4	54.6
Other accounts receivable	***12.3***	422.6	437.0
Assets classified as held for sale	***12.4***	-	50.7
Cash and cash equivalents	***13***	515.2	473.1
Total current assets		**4,100.9**	**4,159.3**
Total assets		**7,871.5**	**7,853.8**
Equity			
Share capital	***15***	1,280.0	630.5
Share premium	***15***	1,409.9	1.6
Reserves and retained earnings		531.4	350.9
Total equity attributable to equity holders of the parent		3,221.3	983.0
Minority interests		6.0	5.6
Total equity		**3,227.3**	**988.6**
Liabilities			
Shareholders' loan (long-term portion)	***20***	-	543.0
Other financial liabilities (long-term portion) excluding shareholders' loan	***20***	1,999.1	3,204.4
Employee benefits	***19***	125.6	133.7
Deferred tax liabilities	***10.2***	161.5	173.5
Provision and other non-current liabilities	***18***	52.8	58.0
Total non-current liabilities		**2,339.0**	**4,112.6**
Shareholders' loan (current portion)	***20***	-	496.9
Other financial liabilities (current portion) excluding shareholders' loan	***20***	118.1	109.5
Accrued interest	***20***	4.6	20.3
Trade accounts payable		1,659.3	1,616.1
Income tax payable		24.0	25.8
Other current liabilities		499.2	481.6
Liabilities classified as held for sale	***12.4***	-	2.4
Total current liabilities		**2,305.2**	**2,752.6**
Total liabilities		**4,644.2**	**6,865.2**
Total equity and liabilities		**7,871.5**	**7,853.8**

[1] As per the requirements of IFRS 3, certain preliminary estimates in the fluctuation of the acquisitional cost of Gexpro have been revised in the 12 months following acquisition (see note 4.1.1).

Consolidated statement of cash flows

(in millions of euros)	***Note***	For the year ended December 31 **2007**	**2006**
Cash flows from operating activities			
Operating income		570.5	523.7
Depreciation, amortisation and impairment of assets		85.2	108.9
Employee benefits		(6.4)	(4.1)
Change in other provisions		(5.0)	(0.9)
Other non-cash operating items		59.7	3.5
Interest paid		(217.7)	(196.6)
Income tax paid		(41.8)	(127.8)
Operating cash flows before change in working capital requirements		*444.5*	*306.7*
Change in inventories		(50.5)	(33.3)
Change in trade and other receivables		(11.2)	(221.8)
Change in trade and other payables		54.3	139.4
Changes in other working capital items		(5.6)	17.8
Change in working capital		*(13.0)*	*(97.9)*
Net cash from operating activities		431.5	208.8
Cash flows from investing activities			
Acquisition of property, plant and equipment		(72.7)	(62.8)
Proceeds from disposal of property, plant and equipment		52.1	17.4
Acquisition of subsidiaries, net of cash acquired	***4.2.3***	(116.8)	(840.3)
Proceeds from disposal of subsidiaries, net of cash disposed of	***12.4***	4.9	0.3
Change in long-term investments		(51.7)	19.3
Net cash from investing activities		(184.2)	(866.1)
Cash flows from financing activities			
Proceeds from the issue of share capital		1,005.0	-
Repurchase of treasury shares	***15.1***	(8.3)	-
Net change in credit facilities and other financial borrowings	***20***	(1,212.9)	415.6
Net change in securitisation	***20***	42.2	315.0
Payment of finance lease liabilities	***20***	(26.9)	(27.0)
Repayment of long-term borrowings		-	(1.9)
Net cash from financing activities		(200.9)	701.7
Net increase in cash and cash equivalents		46.4	44.4
Cash and cash equivalents at the beginning of the period		473.1	434.7
Effect of exchange rate changes on cash and cash equivalents		(4.3)	(6.0)
Cash and cash equivalents at the end of the period		**515.2**	**473.1**

Consolidated statement of recognised income and expense

(in millions of euros)	For the period ended December 31 2007	2006
Net income	**143,5**	**188,9**
Foreign currency exchange discrepancies	(24,2)	(63,8)
Cash flow hedges (net of tax)	(6,9)	13,0
Equity available for sale (net of tax)	(0,3)	0
Income and expenses recognised directly in equity	*(31,4)*	*(50,8)*
Total recognised income and expense for the period	**112,1**	**138,1**
Attributable to:		
Equity holders of the parent	111,7	138,5
Minority interest	0,4	(0,4)

Consolidated statement of changes in shareholders' equity

(in millions of euros)	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, 2006	**630.5**	**1.6**	**139.3**	**68.7**	**(0.7)**	**-**	**839.4**	**2.8**	**842.2**
Foreign currency exchange discrepancies	-	-	-	(63.4)	-	-	(63.4)	(0.4)	(63.8)
Cash flow hedges	-	-	-	-	13.0	-	13.0	-	13.0
Income and expenses recognised directly in equity	**-**	**-**	**-**	**(63.4)**	**13.0**	**-**	**(50.4)**	**(0.4)**	**(50.8)**
Net income	-	-	188.9	-	-	-	188.9	-	188.9
Total recognised 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**
Foreign currency exchange discrepancies	-	-	-	(24.1)	-	-	(24.1)	(0.1)	(24.2)
Cash flow hedges	-	-	-	-	(6.9)	-	(6.9)	-	(6.9)
Titres disponibles à la vente	-	-	(0.3)	-	-	-	(0.3)	-	(0.3)
Income and expenses recognised directly in equity	**-**	**-**	**(0.3)**	**(24.1)**	**(6.9)**	**-**	**(31.3)**	**(0.1)**	**(31.4)**
Net income	-	-	143.0	-	-	-	143.0	0.5	143.5
Total recognised income and expense for the period	**-**	**-**	**142.7**	**(24.1)**	**(6.9)**	**-**	**111.7**	**0.4**	**112.1**
Issue of share capital	649.5	1,408.3	14.7	-	-	-	2,072.5	-	2,072.5
Share-based payments	-	-	62.4	-	-	-	62.4	-	62.4
Treasury shares	-	-	-	-	-	(8.3)	(8.3)	-	(8.3)
Dividends paid	-	-	-	-	-	-	-	-	-
Minority interests in companies acquired or sold	-	-	-	-	-	-	-	-	-
At December 31, 2007	**1,280.0**	**1,409.9**	**553.1**	**(18.8)**	**5.4**	**(8.3)**	**3,221.3**	**6.0**	**3,227.3**

Notes

1. | GENERAL INFORMATION

Rexel (formerly Ray Holding S.A.S.) was incorporated on December 16, 2004. Shares of Rexel were admitted to trading on the Eurolist market of Euronext Paris on April 4, 2007. The group consists of Rexel and its subsidiaries (together referred to here as 'the Group' or 'Rexel').

The Group's business is the distribution of low and ultra low voltage electrical products to professional customers, and serves the needs of a large variety of customers and markets in the fields of construction, industry and services. The product offer covers electrical installation equipment, conduits and cables, lighting, security and communication, climate control, tools, and white and brown products. The principal markets in which the Group operates are in Europe, North America (United States and Canada) and Asia-Pacific (mainly in Australia, New Zealand and China).

The present consolidated financial statements cover the period from January 1, 2007 to December 31, 2007. They have been authorised for issue by the Management Board on February 11, 2008.

2. | SIGNIFICANT EVENTS FOR THE PERIOD ENDING DECEMBER 31, 2007

2.1 | Initial public offering and debt restructuring

During the year ended December 31, 2007, Rexel was introduced to the stock market. The following transactions are described in the offering circulars filed to the Financial Markets Authority (AMF) on March 20, 2007, registered with the numbers 07-093 and 07-094.

Initial public offering (IPO) of Rexel

In April 2007, Rexel shares were admitted to trading on the Eurolist market, through both a retail offering in France and a global offering to international investors for newly issued shares. The initial offering share price was fixed at €16.5 per share, which resulted in gross proceeds for the newly issued capital of €1 billion. Concurrently, an employee offering resulted in additional proceeds of €32.6 million. Lastly, share subscription rights issued in 2005 as part of a management shareholding scheme have been exercised and resulted in a share capital increase of €15.2 million (see note 15).

In addition, Rexel has entered into several free shares schemes to top executives and certain key employees. In connection with these plans, 5,022,190 free shares were granted on April 11, 2007 subject to service and performance conditions (see note 16).

Restructuring of indebtedness

Concurrently to these transactions, the structure of the Group's indebtedness was modified as follows:

- Capitalisation of the shareholders' loan: On April 4, 2007, the General Meeting of Rexel's shareholders approved the incorporation of the shareholders' loan into the company's capital for an amount of €1,052.9 million, including the interest accrued as of this date;
- Paying off of the Senior Subordinated Notes: these bonds with a total par value of €600.0 million were redeemed in April, 2007.
- Refinancing of the 2005 Senior Credit Agreement for an amount of €1.6 billion and drawing of the 2007 Senior Credit Agreement, which was entered into on February 15, 2007, for a total value of €1.3 billion, and put into effect on April 17, 2007 following the execution of the initial public offering (see note 20.1.2).

2.1.1 | Impact on shareholders' equity and indebtedness of the group

The impact of the restructuring of capital, initial public offering, and refinancing on equity and debt as of December 31, 2007 is presented in the table below:

(in millions of euros)	**Impact on equity**	**Impact on net debt**
IPO proceeds	1,000.0	(1,000.0)
Employee Offering [(1)]	31.1	(32.6)
Share Subscription warrants	15.2	(15.2)
Transaction costs [(1)]	(28.0)	42.9
Capitalization of shareholders' loan	1,052.9	(1,052.9)
Subordinated notes redemption premium [(1)]	(58.8)	89.6
Write down of past transaction costs [(1)]	(50.0)	76.3
Total increase (decrease)	**1,962.4**	**(1,891.9)**

(1) After tax

The initial public offering related costs (retail offering in France, international offering to investors, and employee offering) amounted to €42.9 million before tax and were recorded against the share premium. Consequently to these transactions, Rexel's share capital amounted to €1,280.0 million divided in 255.993.827 shares with a par value of €5 each.

2.1.2 | Impact on the income statement

The impact on net income as of December 31, 2007 of the IPO-related transactions was an additional expense of €168.7 million including:

- the premium for early redemption of the Senior Subordinated Notes for €89.6 million (€58.8 million net of tax) and the write-down of the transaction costs relating to the Senior Subordinated Notes and the 2005 Senior Credit Agreement for €76.3 million (€50.0 million net after tax), both recorded as financial expenses.
- the effect of the employee offering and the free share scheme amounted to respectively €7.8 million before tax (€6.3 million net of tax) and €53.6 million (without any tax effect), both recorded under the line item "other expenses". The overall estimated expense relating to the free shares scheme is estimated at €74.4 million and is spread over the vesting period (see note 16).

2.2 | Issuance of an offer on Hagemeyer

On December 24, 2007, Rexel launched a recommended offer to acquire outstanding shares of Hagemeyer at a price of €4.85 per share, thus valuing Hagemeyer at €3.1 billion. The closing date of the offer is set on March 4, 2008.

This offer will be financed through a €5.4 billion syndicated credit loan entered into on December 19, 2007 (see note25.2).

3. | SIGNIFICANT ACCOUNTING POLICIES

3.1 | Statement of compliance

These consolidated financial statements (hereafter referred to as “the financial statements”) for the period ended December 31, 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

3.2 | Basis of preparation

The financial statements are presented in euro. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed frequently. The effect of changes in accounting estimates is accounted for during the period in which they are made and all subsequent periods.

Information related to the main estimates and judgments made on the application of accounting policies which have the most significant effect on the financial statements are described in the following notes:

- Business combinations (notes 3.5 and 4),
- Impairment of intangible assets and goodwill (notes 3.5 and 11.1),
- Employee benefits (notes 3.13 and 19)
- Provisions and contingent liabilities (notes 3.15, 18 and 23)
- Measurement of financial instruments (notes 3.9.4 and 21)
- Recognition of deferred tax assets (notes 3.19 and 10)
- Measurement of share-based payments (notes 3.14 and 16)

The accounting policies for the year ended December 31, 2007 are identical to those used in the consolidated financial statements for the year ended December 31, 2006, since new accounting standards and interpretations effective in 2007 and described below have had no effect on the Group’s financial statements.

3.2.1 | Accounting standards and interpretations effective in 2007

IFRS 7 “Financial Instruments : Disclosures” and the amendment to IAS 1 “Presentation of Financial Statements – Capital Disclosures” require extensive disclosures about the significance of financial instruments for an entity’s financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks arising from financial instruments, to which the entity is exposed.

In addition, the following interpretations were mandatory from January 1, 2007:

- IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies” addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular accounting for revaluation of non-monetary items and related deferred tax accounting.
- IFRIC 8 “Scope of IFRS 2 Shared-based Payment” requires that IFRS 2 be applied to all equity instruments transactions in which the consideration for the goods and services received is lower than the

fair value of the share-based payment. As equity instruments are issued in connection with an Employee Share Purchase Plan, this interpretation has no effect on the Group's financial statements

- IFRIC 9 "Reassessment of Embedded Derivatives" requires that reassessment of whether an embedded derivative should be separated from the underlying host contract should be made according to IAS 39 criteria only when the entity becomes party to the contract or when there are changes to the contract resulting in significant changes in expected cash flows.
- IFRIC 10 "Interim Financial Reporting and Impairment" prohibits the reversal of an impairment loss recognised in a previous interim period in respect to goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will apply prospectively from the date that the Group first applied the measurement criteria of IAS 36 "Impairment of Assets" and IAS 39 "Financial instruments: Recognition and Measurement" respectively (i.e. January 1, 2004).

These interpretations had no significant effect on the Group's financial statements for the year ended December 31, 2007.

3.2.2 | Accounting standards and interpretations approved by the European Union not yet in effect

IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions" gives guidance on how to account for and evaluate equity instruments granted by a parent company to a subsidiary's employees.

IFRIC 11 will be mandatory for consolidated financial statements covering fiscal years from March 1, 2007, with possible earlier application. The Group has not opted for earlier application of the above interpretation. This interpretation should not have any effect on the Group's financial statements when applied.

IFRS 8 ("Operating Segments") supersedes IAS 14 ("Segment Reporting") and adopts a full management approach to identifying and measuring the result of reportable operating segments. IFRS 8 will be applicable from January 1, 2009. The company has elected not to apply IFRS 8 by anticipation.

3.3 | Basis of consolidation

Subsidiaries and associates

Subsidiaries (including special purpose entities) are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, presently or potentially, exercisable voting rights are taken into account.

Entities over which the Group has a significant influence are accounted for using the equity method.

The financial statements of subsidiaries are included in the financial statements from the date control is obtained until the date control ceases.

Inter-company transactions

Inter-company balances, unrealised gains and losses, and income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements.

Minority interests

Minority interests represent the portion of profit and loss and net assets not held by the Group. They are presented separately in the income statement and separately from equity attributable to equity holders of the parent.

3.4 | Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The functional currency of Rexel and the presentation currency of the Group's financial statements are the Euro.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate prevailing at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where hedge accounting is applied (see note 3.9.5). Non-monetary assets and liabilities that are measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated into euro at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into euro at rates approximating the foreign exchange rates ruling at the dates of the transactions. All resulting translation differences are recognised as a separate component of equity (foreign currency translation reserve).

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on disposal.

Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in profit or loss. Gains and losses accumulated in equity are recognised in the income statement when the foreign operation is disposed of.

3.5 | Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Under this method, the purchase price is allocated to assets acquired, liabilities and contingent liabilities assumed based on their estimated fair values as of the acquisition date. Any excess of the purchase price over the estimated fair value of the net assets acquired is allocated to goodwill. The estimate of the fair value of the net assets acquired is subject to revision as additional information becomes available within a twelve-month period starting from the acquisition date.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment or as soon as there is an indication that the cash-generating unit may be impaired (the impairment testing policy is described in note 3.7).

When goodwill is allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Intangible assets other than goodwill are stated at cost less accumulated amortisation (see below) and impairment losses (see note 3.7).

Identifiable intangible assets existing at the date of acquisition in a business combination are recognised as part of the purchase accounting and measured at fair value. Intangible assets are considered identifiable if they arise from contractual or legal rights or are separable.

Strategic partnerships acquired in business combinations arise from contractual rights. Their valuation is determined on the basis of a discounted cash flow model.

Distribution networks are considered separable assets as they could be franchised. They correspond to the value added to each branch through the existence of a network, and include notably banners and catalogues. Their measurement is performed using the royalty relief method based on royalty rates used for franchise contracts, taking their profitability into account. The royalty rate ranges from 0.4% to 0.8% of sales depending on each country.

Strategic partnerships and distribution networks are regarded as having an indefinite useful life when there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group. They are not amortised and are tested for impairment annually or as soon as there is an indication that these assets may be impaired.

Computer software purchased for routine processing operations is recognised as an intangible asset. Internally developed software which enhances productivity is capitalised.

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested for impairment at each annual balance sheet date, at least. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment of indefinite useful life for this asset continues to be justified. If not, a change in the useful life assessment from indefinite to finite is made on a prospective basis. Other intangible assets are amortised from the date that they are available for use. Estimated useful lives of capitalised software development costs range from five to ten years.

3.6 | Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 3.7).

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. For assets in progress, the Group has elected not to capitalise borrowing costs incurred during the development period.

Leased assets

Lease contracts which substantially transfer to the Group all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are stated at an amount equal to the lower of fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see note 3.7). Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital gains arising from the sale and leaseback of assets are recognised in full upon sale when the lease qualifies as an operating lease and the transaction is realised at fair value. They are spread on a straight-line basis over the lease term in case of a finance lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the finance lease.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement on a straight-line basis as an integral part of the total lease expense.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives are as follows:

Commercial and office buildings	20 to 35 years
Building improvements and operating equipment	5 to 10 years

Transportation equipment	3 to 8 years
Computers and hardware	3 to 5 years

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each balance sheet date.

3.7| Impairment

The carrying amounts of the Group's assets, other than inventories (see note 3.8), trade and other accounts receivable (see note 3.9.3), and deferred tax assets (see note 3.19), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

The recoverable amount of intangible assets that have an indefinite useful life and of intangible assets that are not yet available for use is estimated annually or as soon as there is an indication of impairment.

Goodwill is not amortised but subject to an impairment test, as soon as there is an indication that it may be impaired, and at least once a year. Indications that goodwill may be impaired include material adverse changes of a lasting nature affecting the economic environment or the assumptions and objectives made at the time of acquisition.

An impairment loss is recognised whenever the carrying amount of an asset or of its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement (in "Other expenses").

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a *pro rata* basis.

Calculation of the recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets) when the effect is material.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group performs impairment tests of goodwill at the country level, which represents the lowest level within the entity at which operations are monitored by management for the purpose of measuring return on investment.

Reversal of impairment losses

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses in respect of goodwill may not be reversed.

With respect to other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8| Inventories

Inventories are mainly composed of goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated by reference to a first-in first-out basis, including freight in costs, net of any purchase rebates. Net realisable value is the estimated selling price at balance sheet date, less the

estimated selling expenses, taking into account technical or marketing obsolescence and risks related to slow moving inventory.

3.9| Investments

3.9.1 | Long-term investments

Long-term investments principally include investments in non-consolidated companies and other shareholdings, deposits required for operating purposes, and loans.

Investments in non-consolidated companies and other shareholdings are classified as assets available-for-sale and measured at fair value. When fair value is not reliably measurable, investments are stated at cost less impairment losses when necessary. Changes in fair value are recognised in equity and transferred to profit or loss when the asset is sold or permanently impaired.

3.9.2 | Held for trading instruments

Financial instruments held for trading mainly include marketable securities and are stated at fair value, with any resulting gain or loss recognised in profit or loss.

The fair value of financial instruments classified as held for trading is their quoted bid price at the balance sheet date. Change in fair value is recognised in profit or loss.

3.9.3 | Trade and other accounts receivable

Trade and other accounts receivable are measured initially at fair value and subsequently measured at amortised cost using the effective interest rate method (see note 3.12) less impairment losses.

Impairment losses from estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The principal factors considered in recognizing these potential impairments include actual financial difficulties or overdue receivables in excess 30 days.

3.9.4 | Derivative financial instruments

Derivative financial instruments that qualify for hedge accounting according to IAS 39 are classified as hedges. The derivative financial instruments that do not qualify for hedge accounting, although set up for the purpose of managing risk (the Group's policy does not authorise speculative transactions), are designated as and accounted for as trading instruments.

Derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, when derivatives qualify for hedge accounting, the recognition of any resulting gain or loss is dependent on the nature of the item being hedged (see note 3.9.5). They are counted as assets or liabilities depending on their fair value.

Interest rate & foreign exchange risks

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks.

In accordance with Group procedures, derivative financial instruments are not used for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Commodity risks

The Group uses commodity derivatives including put options to hedge economically part of its exposure to the price fluctuation of certain commodities. Such transactions are notably entered into on copper as the price of copper represents a significant portion of the price of cable distributed by the Group.

When such derivatives do not qualify for cash flow hedge accounting, they are accounted for as trading instruments and the gain or loss arising from the fair value measurement of the derivatives is presented in "other financial expenses" in the income statement.

Fair value estimates

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

3.9.5 | Hedge accounting

Cash flow hedges

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e., when interest income or expense is recognised).

For cash flow hedges, other than those covered by the two preceding policy statements, the associated cumulative gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point is retained in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

Fair value hedges

Fair value hedge accounting is used when a derivative financial instrument is designated as a hedge of the variability of the fair value of a recognised asset or liability (or firm commitment), including fixed rate indebtedness such as indexed bonds and other fixed rate borrowings.

The hedging instrument is measured at fair value with changes in fair value recognised in the income statement. The hedged item is remeasured to fair value in respect of the hedged risk. Any resulting adjustment to the carrying amount of the hedged item related to the hedged risk is recognised in the income statement.

Hedge of monetary assets and liabilities denominated in foreign currency

When a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in profit or loss (“natural hedge”).

3.9.6 | Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits with banks and other short-term highly liquid investments subject to an insignificant risk of changes in value.

3.10| Non-current assets held for sale and discontinued operations

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRS. Then, on initial classification as held for

sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell.

3.11| Share capital

Repurchase of equity instruments

When an equity instrument is repurchased by the entity, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends are recognised as a liability in the period in which the distribution has been approved by the shareholders.

3.12| Financial liabilities

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the proceeds (net of the transaction costs) and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Effective interest rate

The effective interest rate is the rate that exactly discounts the expected stream of future cash flows through to maturity to the current net carrying amount of the liability on initial recognition. When calculating the effective interest rate of a financial liability, future cash flows are determined on the basis of contractual commitments.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the issue of the financial liability. Transaction costs include fees and commissions paid to agents and advisers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums, or allocations of internal administrative or overhead expenses.

For financial liabilities that are carried at amortised cost, transaction costs are included in the calculation of amortised cost using the effective interest rate method and, in effect, amortised through the income statement over the life of the instrument.

Net financial debt

Net financial debt includes interest-bearing borrowings and accrued interest less cash and cash equivalents.

3.13| Employee benefits

Group companies operate various pension schemes. Some of these schemes are funded by insurance companies or trustee-administered funds in accordance with local regulation.

Pension and other long-term benefits include two categories of benefit:

- post-employment benefits including pensions, medical benefits after retirement and severance payments,
- other long-term benefits (during employment) mainly including jubilees and long service leaves.

These benefits are classified as either:

- defined contribution plans when the employer pays fixed contributions into a separate entity recognised as an expense in profit and loss and will have no legal or constructive obligation to pay further contributions, or

- defined benefit plans when the employer guarantees a future level of benefits.

The Group's net obligation in respect of defined post-employment benefit plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed periodically by an independent actuary using the projected unit credit method.

The liability recognised in the balance sheet in respect of defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs.

When the benefits of a plan are improved (reduced), the portion of the increased (decreased) benefit relating to past service by employees is recognised as an expense (income) in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense (income) is recognised immediately in profit or loss.

The Group recognises actuarial gains and losses (resulting from changes in actuarial assumptions) using the corridor method. Under the corridor method, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

When the calculation results in plan assets exceeding Group's liabilities, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any currently available future refunds from the plan or reductions in future contributions to the plan.

The current and past service costs are presented in the income statement as part of the personnel expense.

The interest expenses (income) relating to the unwinding of the discounting of the defined benefit obligation and the expected return on plan assets are presented in financial income and expenses.

Other long-term benefits

Long-term benefits mainly include jubilees or long service leaves. The Group's net obligation in respect of long-term benefits, other than post-employment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted at a rate equal to the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the Group's obligations.

Actuarial gains and losses are immediately recognised in the income statement.

3.14| Share-based payment transactions

Free shares and stock option programmes allow the Group employees to acquire shares of the Group entities. The fair value of options granted is recognised as a personnel expense with a corresponding increase in other reserves in equity (when the plan qualifies as equity-settled) over the period during which the employees become unconditionally entitled to the options (the vesting period). The expense is based on Group's estimates of the acquired equity instruments in accordance with conditions of granting.

The fair value is measured at grant date using a Black & Scholes model or a binomial model in accordance with the characteristics of the plans.

The proceeds received net of any directly attributable costs are recognised as an increase in share capital (for the nominal value) and share premium when equity instruments are exercised.

3.15| Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when the amount can be estimated reliably.

If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Restructuring

A restructuring is a programme that is planned and controlled by management that materially changes either the scope of the business or the manner in which that business is conducted.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Certain restructuring expenses are presented in "Other expenses". Restructuring costs principally include personnel costs (severance payments, early retirement costs, notice time not worked), branch closure costs, and indemnities for the breach of non-cancellable agreements.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Provisions for disputes and litigations

Provisions for disputes and litigation include estimated costs for risks, disputes, litigation and third party claims, and the probable costs associated with warranties given by the Group in the context of the disposal of non-current assets or subsidiaries.

These provisions also include costs of personnel disputes and tax litigation. A provision is not made for tax assessments received or in course of preparation when it is considered that the assessment is not justified or when there is a reasonable probability that the Group will succeed in convincing the tax authority of its position.

Any accepted assessment is recorded as a liability when the amount can be reasonably estimated.

3.16| Sales

Revenue arising from the sale of goods is presented in sales in the income statement. Sales are recognised when the significant risks and rewards of ownership have been transferred to the buyer, which usually occurs with the delivery or shipment of the product.

Sales are recognised net of customer rebates and discounts.

The Group may enter into direct sales (as opposed to warehouse sales) whereby the product is sent directly from the supplier to the customer without any physical transfer to and from the group's warehouse. The Group is acting as principal and therefore recognises the gross amount of the sale transaction.

3.17| Financial expenses (net)

Financial expenses (net) comprise interest payable on borrowings calculated using the effective interest rate method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in profit or loss (see note 3.9.5).

Interest income is recognised in profit or loss as it accrues, using the effective interest rate method. Dividend income is recognised in profit or loss on the date the entity's right to receive payment is established which in the case of quoted securities is the ex-dividend date. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

3.18| Other income and other expenses

Operating items which significantly affect the current operating performance before financial items and taxation are presented as separate line items "Other income" and "Other expenses". Income and expenses arising from abnormal or unusual events are included in these line items. They comprise capital gains and

losses, significant impairment losses, certain restructuring expenses, separation costs and other items such as significant provisions for litigation.

3.19| Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income tax levied by the same tax jurisdiction and the Group intends to settle its current tax assets and liabilities on a net basis.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Information as to the calculation of income tax on the profit for the periods presented is included in note 10.

3.20| Segment reporting

A segment is a group of assets and operations that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates in the single business segment of the distribution of electrical products so that the Group only discloses segment reporting information for geographical segments.

Operations that are substantially similar are combined as a single segment. Factors considered in identifying such segments include the similarity of economic and political conditions, the proximity of operations, and the absence of special risks associated with operations in the various areas where the group operates. Segments are also determined to be similar when they exhibit similar long-term financial performance. In addition, operations, which are deemed non-material, non-specific, unallocated, or non-core are presented under the segment ‘other operations’.

3.21| Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertibles notes and share options granted to employees.

4. | BUSINESS COMBINATIONS

4.1 | Follow up of 2006 acquisitions

4.1.1 | Acquisition of GE Supply

In accordance with the purchase agreement signed on July 11, 2006, the Group concluded on March 6, 2007 a transaction relating to the purchase price of GE Supply and in connection with a working capital requirement adjustment, under which the Group undertook to pay General Electric an amount of US$9.7 million (€7.1 million). This amount was paid on March 8, 2007. GE Supply has been renamed Gexpro during the period ended December 31, 2007.

The purchase agreement for Gexpro included certain assets located in China, Malaysia, and Indonesia. The effective transfer of these assets was made, after obtaining the necessary administrative authorisation, for an amount of US$2.9 million (€2.3 million) on January 1, 2007 for China, May 6, 2007 for Malaysia and June 3, 2007 for Indonesia. These assets were consolidated from their acquisition dates.

In addition, during the year ended 2007, the preliminary estimate of deferred tax assets was adjusted against goodwill, for a total amount of of US$11.7 million (€8.5 million). This adjustment was recognised retroactively on the date of the acquisition.

These transactions resulted in an increase of Gexpro goodwill of US$24.3 million (€17.7 million based on the average exchange rate), which amounts to US$197.3 million as of December 31, 2007 (€134.0 million) in comparison with US$173.0 million as of December 31, 2006 (€131.3 million).

4.1.2 | Acquisition of V-Center

On November 2, 2006, the Group acquired V-Center, an electrical equipment distributor located in Katowice (Poland). This company was consolidated from January 1, 2007. The goodwill related to this acquisition amounts to €3.7 million as of December 31, 2007.

4.2 | Acquisitions for the period ended December 31, 2007

4.2.1 Acquisition of EIW

On October 31, 2007, the Group acquired the assets of EIW Holdings; an electrical supplies distributor operating in Western Australia and New South Wales. EIW Holdings is comprised of 16 agencies, 9 of which are located in Western Australia and 7 in New South Wales. The total consideration of the transaction amounted to AU$132.8 million (€84.8 million), including acquisition costs of AU$0.8 million (€0.5 million) and based on an enterprise value of AU$154.6 million. The acquisition price included a discounted earn-out for an amount of AU$11.2 million, to be paid in October 2009, subject to performance conditions based upon 2007 and 2008 EBITDA for fiscal years 2007 and 2008. The goodwill related to this acquisition, determined on a provisional basis, amounted to AU$113.2 million (€72.3 million) as of the date of acquisition. The company was consolidated from November 1, 2007.

4.2.2 | Other Acquisitions

During the period ended December 31, 2007, Rexel also completed the following acquisitions, which are not deemed to be material on the financial situation of the company:

Acquisition of Network Connect Australia Pty (NCA)

On February 28, 2007, the Group acquired Network Connect Australia Pty Ltd (NCA), a company located in Australia, specialised in the distribution of communication solutions. This entity was consolidated from March 1, 2007. The amount of the transaction was AU$3.6 million (€2.3 million), including acquisition costs of AU$0.2 million and an earn-out payment of AU$0.4 million. The goodwill related to this acquisition, determined on a provisional basis, amounts to €1.4 million as of December 31, 2007.

Acquisition of APPRO 5

On March 9, 2007, the Group completed the acquisition of APPRO 5, an electrical equipment distribution company located in France, for an amount of €7.1 million. This entity has been consolidated as of this date. The goodwill related to this transaction, determined on a provisional basis, amounted to €5.2 million as of December 31, 2007.

Acquisition of Huazhang Electrical Automation

On March 16, 2007, the Group acquired control, through a shareholding of 51%, of Huazhang Electrical Automation Co. LTD, a Hong Kong based company that distributes automatisms and industrial equipment controls in Hong Kong and in the west of China. This entity has been consolidated as of this date. The transaction amounted to CNY36.4 million (€3.5 million), including an estimated earn-out based on the 2007 operating income before net financial expenses and income taxes. The Group has the option to extend its shareholding to 70% in 2009. The purchase price will be based on the operating income at the date of the execution of the option. The goodwill related to this transaction, determined on a provisional basis, amounted to €2.9 million as of December 31, 2007.

Acquisition of Clearlight Electrical Company Ltd

On June 29, 2007, the Group acquired the company Power Industries Ltd, which holds the shares of Clearlight Electrical Company Ltd, located in Great Britain and specialised in the distribution of electrical material in the London and Essex regions. This entity has been consolidated as of this date. The transaction amounted to £5.3 million (€7.8 million), including indebtedness of £0.6 million. The goodwill related to this transaction, determined on a provisional basis, amounted to €6.0 million as of December 31, 2007.

Acquisition of Boutet SA

On July 1, 2007, the Group acquired the assets of Boutet SA, the leading company in East Belgium in the electrical material distribution business. This entity has been consolidated as of this date. The transaction amounted to €6.8 million. The goodwill related to this transaction, determined on a provisional basis, amounted to €5.1 million as of December 31, 2007.

4.2.3 | Assets and liabilities acquired during the period

The assets and liabilities acquired during the year ended December 31, 2007, stated at their estimated fair value and determined at their acquisition date are as follows, and represent the allocated purchase prices of V-Center, Huazhang, Electrical Automation, NCA, APPRO 5, Clearlight, Boutet, EIW and Gexpro's assets in Asia.

(in millions of euros)	**EIW** *AUD*	**EIW** *Euros*	**Other** *Euros*	**Total** *Euros*
Intangible assets……	16.0	10.2	0.0	10.3
Tangible assets……	2.3	1.5	1.3	2.8
Other financial assets ……	0.2	0.1	0.0	0.1
Other non-current assets……	0.8	0.5	0.3	0.9
Stocks……	7.9	5.1	10.2	15.3
Trade accounts receivable……	33.5	21.4	21.3	42.8
Other accounts receivable……	6.2	4.0	2.5	6.5
Cash and cash equivalents……	3.0	1.9	2.0	3.9
Financial liabilities……	(16.5)	(10.5)	(4.1)	(14.6)
Trade accounts payable……	(16.1)	(10.3)	(20.4)	(30.7)
Other current liabilities……	(17.8)	(11.4)	(4.4)	(15.8)
Net assets acquired (excluding *goodwill*)……	**19.5**	**12.5**	**9.0**	**21.5**
Goodwill acquired……	113.2	72.3	24.9	97.2
Cash consideration……	**132.8**	**84.8**	**33.9**	**118.7**
	-	-	-	-
Cash acquired……	(3.0)	(1.9)	(3.1)	(5.0)
Outstanding deferred payment……	(11.5)	(7.4)	(2.0)	(9.3)
Acquisition of V-Center in 2006……	-	-	(4.2)	(4.2)
Net cash outflow related to acquisitions during the period……	**118.3**	**75.5**	**24.6**	**100.2**

During the period, net cash outflows resulting from acquisitions are as follows:

(in millions of euros)	
Net cash outflow due to transactions during the period……	**100.2**
Gexpro price adjustment……	7.8
Earn-out payments……	2.3
Other ……	6.5
Net cash outflow this period……	**116.8**

4.2.4 \| Effects of acquisitions on sales and operating income

Had the acquisitions described here been completed by January 1, 2007, consolidated sales and operating income before other income and expenses throughout the fiscal year closing December 31, 2007 would be as follows:

(in millions of euros)	**Europe**	**North America**	**Asia - Pacific**	**Other markets and activities**	**Consolidated amount**
Sales……	5,060.4	4,806.1	883.9	59.2	10,809.6
Operating profits before other revenues and expenses ……	375.2	235.6	56.1	(12.1)	654.8

5. | SEGMENT REPORTING

The Group operates in the business of the distribution of electrical products, which represents its only business segment. Segment information is therefore presented in respect to the Group's geographical segments, which are the primary basis of segment reporting. The geographical segments presented under IFRS have been determined by reference to the criteria defined by IAS 14.

The Group has determined the geographical segments to be the continents where the Group operates. Operations in each continent present similar business model characteristics. Economic and market conditions in the sector are usually comparable on a continent level. The segment "Other operations" includes holding companies and operations in Latin America.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical segment information for the periods ended December 31, 2007 and December 31, 2006

(in millions of euros)	Europe		North America		Asia Pacific		Other operations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sales……	5,041.9	4,588.4	4,806.1	4,016.6	797.2	635.7	59.2	58.2	10,704.4	9,298.9
Operating income before depreciation and other income & expenses……	409.7	358.3	266.9	242.5	53.9	40.4	(5.1)	(4.1)	725.4	637.1
Depreciation ……	(35.0)	(34.4)	(31.3)	(15.6)	(3.7)	(3.4)	(7.0)	(10.1)	(77.0)	(63.5)
Operating income before other income & expenses……	374.7	323.9	235.6	226.9	50.2	37.0	(12.1)	(14.2)	648.4	573.6
Goodwill impairment ……	(8.2)	(23.6)	-	-	-	-	-	-	(8.2)	(23.6)
Cash flow statement item										
Capital expenditures net of disposals……	8.1	(25.7)	(22.9)	(18.4)	(3.3)	(3.8)	(2.5)	2.5	(20.6)	(45.4)
Balance sheet items										
Goodwill……	1,475.8	1,466.1	927.7	966.4	204.5	129.0	0.4	1.0	2,608.4	2,562.5
Non-current assets (excluding deferred tax assets & goodwill)……	649.7	645.4	256.4	273.1	56.4	50.3	72.4	35.9	1,034.9	1,004.7
Current assets (excluding income tax receivable	2,097.8	2,095.1	1,153.9	1,261.9	269.9	211.2	62.7	63.4	3,584.3	3,631.6
Current liabilities (excluding tax liabilities & current portion of financial liabilities)……	(1,325.0)	(1,291.1)	(598.9)	(638.3)	(168.3)	(122.9)	(66.3)	(47.8)	(2,158.5)	(2,100.1)

6. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

(in millions of euros)	For the year ended December 31	
	2007	2006
Personnel costs (salaries & benefits) ……	1,181.5	1,062.3
Building and occupancy costs ……	210.0	185.7
Other external costs ……	474.1	423.2
Depreciation expense ……	77.0	63.5
Bad debt expense ……	24.6	37.3
Total distribution and administrative expenses	**1,967.2**	**1,772.0**

7. | SALARIES AND BENEFITS

(in millions of euros)	For the year ended December 31	
	2007	**2006**
Salaries and social security charges	1,137.5	1,021.2
Share-based payments	1.0	5.1
Pension and other post-retirement benefits-defined benefit plans	12.1	14.3
Other employee benefits	30.9	21.7
Total employee expenses	**1,181.5**	**1,062.3**

8. | OTHER INCOME & OTHER EXPENSES

(in millions of euros)	For the year ended December 31	
	2007	**2006**
Capital gains	3.6	3.7
Other operating income	1.8	3.4
Release of provisions	1.5	1.9
Total other income	**6.9**	**9.0**
Restructuring costs	(11.9)	(9.8)
Loss on non-current assets disposed of	(0.9)	(23.8)
Costs related to transactions following the IPO	(61.4)	-
Goodwill impairment	(8.2)	(23.6)
Other operating expenses	(2.4)	(1.7)
Total other expenses	**(84.8)**	**(58.9)**

8.1 | Other income

Capital gains

For the year ended December 31, 2007, capital gains consisted mainly of gain on disposals of buildings, yielding €2.8 million in France and €0.4 million in the United States.

For the year ended December 31, 2006, capital gains consisted mainly of gains on disposal of non-current assets in Sweden, Belgium, the United Kingdom and in France.

Other operating income

For the year ended December 31, 2007, other operating income included a curtailment gain for €1.3 million on pension scheme following Kontakt Systeme business disposals (see note 11).

For the year ended December 31, 2006, other operating income mainly included (i) an indemnity received following the settlement of a litigation in Ireland of €0.7 million and (ii) curtailment gains of €2.2 million resulting from a pension scheme closure in the United Kingdom and the termination of employees in connection with a restructuring in Switzerland.

8.2 | Other expenses

Restructuring costs

For the year ended December 31, 2007, restructuring costs amounted to €11.9 million and mainly related to reorganisation plans in the United States for €4.1 million, in Germany for €1.8 million and in the Netherlands for €1.0 million; Gexpro separation costs for €3.6 million; and costs related to the closure of Kontakt System business for €1.0 million (see note 11).

For the year ended December 31, 2006, restructuring expenses were mainly incurred in France by the merger of the five regional divisions, in Germany by the closure of a logistic centre, in the United States, by the closure of a foreign operation and in The Netherlands, due to reorganisation of logistics.

Loss on non-current assets disposed of

For the year ended December 31, 2007, losses on assets disposed of were related mainly to buildings in the United States for €0.4 million.

For the year ended December 31, 2006, loss on assets disposed of were related to buildings in France and the depreciation of technological assets resulting from the disengagement from certain software and related developments due to changes in the organisation in France and in the distribution network strategy following the acquisitions made in the United States in 2006.

Costs related to transactions following the IPO

For the year ended December 31, 2007, the impacts of the employee offering and the free share scheme amounted to €7.8 million and €53.6 million respectively (see notes 2 and 16).

Goodwill impairment

For the year ended December 31, 2007, goodwill impairment amounted to €8.2 million and was related to operations in the Czech Republic for €4.2 million, due to a difficult local economic environment and in Switzerland in the company Kontakt Systeme. In connection with the disposal of the connectic and telematic business of Kontakt Systeme on June 4, 2007 and on August 28, 2007 respectively, the carrying value was brought to its fair value less selling costs, resulting in an additional impairment of €4.0 million (see note 11 – assets classified as held for sale).

For the year ended December 31, 2006, impairment losses recognised on goodwill amounted to €23.6 million and were mainly related to operations in Hungary, for €13.0 million and to the company Kontakt Systeme, for €10.0 million.

Other operating expenses

For the year ended December 31, 2007, other costs consist primarily of a £1 million (€1.5 million) charge related to the resolution of a litigation in the United Kingdom (see note 23 – "Litigations").

For the year ended December 31, 2006, other items are mainly comprised of expenses incurred in connection with the integration of GE Supply.

9. | FINANCIAL EXPENSES (NET)

(in millions of euros)	For the year ended December 31 2007	2006
Expected return on empoyee benefit plan assets	21.3	20.6
Interest income on cash and cash equivalents	5.4	3.0
Interest income on receivables and loans	3.2	3.5
Gain on financial instruments held for trading	12.7	4.4
Other financial income	0.4	0.3
Financial income	**43.0**	**31.8**
Interest expence on financial debt (stated at amortised costs)	(177.6)	(253.3)
- Interest expense on shareholders' loan.............................	*(13.0)*	*(44.7)*
- Interest expense on senior debt.......................................	*(76.5)*	*(89.9)*
- Interest expense on Senior Subordinated Notes	*(18.8)*	*(57.4)*
- Interest expense on securitisation	*(53.8)*	*(38.0)*
- Interest expense on other financing	*(4.5)*	*(5.3)*
- Interest expense on finance leases	*(4.9)*	*(5.7)*
- Amortisation of transaction costs	*(6.1)*	*(12.3)*
Reclassifying income gains and losses on the preceding derivative insruments deferred in equity	10.6	(1.5)
Gain (loss) on hedging (foreign exchange rate)	0.1	0.1
Amount reclassified from equity to profit and loss............	1.1	0.1
Foreign exchange gain (loss) on financial liabilities.............	(6.5)	0.2
Interest expense on borrowings	**(172.3)**	**(254.4)**
Write-down of transaction costs	(76.3)	-
Premium for early redemption of the Senior Subordinated Notes	(89.6)	-
Refinancing costs	**(165.9)**	**-**
Interest cost of employee benefit obligation and other long-term liabilities (discounting effect)	(21.8)	(20.6)
Change in fair value of commodity derivatives	(0.4)	(7.3)
Financial expenses (other)	(1.8)	(1.5)
Other financial expenses	**(24.0)**	**(29.4)**
Financial expenses (net)	**(319.2)**	**(252.0)**
Financial expenses recounted in equity		
Change in the fair value of interest rate derivatives	(11.5)	19.8
Foreign currency exchange discrepancies	(24.2)	(63.8)

The above financial items include the following amounts related to assets and liabilities which are not measured at fair value through profit and loss:

	2007	2006
Interest income from financial assets	8.6	6.5
Interest expense from financial liabilities	(177.6)	-253.3

Gain and loss on exchange of financial debt

The foreign currency exchange losses mainly arise from the repayment of loans granted to subsidiaries in the United States and in Switzerland, which were initially qualified as net investments in foreign operations, for an amount of €5.5 million.

10.| INCOME TAX

Rexel and its French subsidiaries have formed a tax group from January 1, 2006. Rexel uses tax consolidation in other countries where similar options exist.

10.1 | Income tax expense

(in millions of euros)	For the year ended December 31	
	2007	**2006**
Current tax	(98.7)	(75.7)
Deferred tax	(9.1)	(7.1)
Total income tax expense	**(107.8)**	**(82.8)**

10.2 | Deferred tax assets and liabilities

Changes in net deferred tax assets are as follows:

(in millions of euros)	**2007**	**2006**
At the beginning of the period	**(46.2)**	**(51.5)**
Net income	(9.1)	(7.1)
Change in consolidation scope	(5.3)	(6.4)
Translation differences	1.9	2.5
Other changes	24.6	16.3
At the end of the period	**(34.1)**	**(46.2)**

For the year ended December 31, 2007, other changes consist essentially of different relative tax assets: (i) €14.7 million of expenses linked to the initial public offering related costs recorded against the share premium (see note 2.1.1), (ii) €4.7 million of fair value of derivative instruments recognised directly as equity; and (iii) €5.2 million of tax losses prior to the acquisition of Rexel, whose recoverability has become likely in 2007.

Deferred tax assets and liabilities are broken down as follows:

(in millions of euros)	As of December 31	
	2007	**2006**
Intangible assets	(184.8)	(186.1)
Property, plant and equipment	(7.8)	(10.7)
Financial assets	1.5	(1.1)
Trade accounts receivable	9.2	11.6
Inventories	2.5	7.4
Employee benefits	42.3	43.2
Provisions	2.4	7.5
Financing fees	(5.0)	(17.1)
Other items	9.8	4.6
Tax losses carried forward	134.1	156.5
Deferred tax assets / (liabilities), net	**4.2**	**15.8**
Valuation allowance on deffered tax assets	(38.3)	(62.0)
Net deferred tax assets / (liabilities)	**(34.1)**	**(46.2)**
of which deferred tax assets	127.4	127.3
of which deferred tax liabilities	(161.5)	(173.5)

The valuation allowance on net deferred tax assets, totalling €38.3 million as of December 31, 2007 (from €62.0 million as of December 31, 2006) results from analysing the net deferred tax assets recoverability by tax entity.

10.3 | Effective tax rate

(in millions of euros)	**2007**	**2006**
Income before tax	251.3	271.7
Theoretical tax rate	*34.4%*	*34.4%*
Income tax calculated at the theoretical tax rate	(86.5)	(93.5)
Effect of tax rates in foreign juridictions	12.6	5.2
Effect of tax rate variations	(4.7)	-
Effect of fiscal deficits used and unrecognized	1.1	9.8
Non-deductible expenses, tax exempt revenues and effect of changes in tax rates	(30.2)	(4.3)
Actual income tax expense	**(107.7)**	**(82.8)**
Effective tax rate	***42.9%***	***30.5%***

In 2007, income tax expense includes the effect of non-deductible costs related to the free shares scheme and employee offering for an amount of €19.6 million.

In 2006, income tax expense included tax saving resulting from the utilisation of tax losses incurred subsequently to the acquisition of Rexel Distribution by Rexel Développement S.A.S.(formerly Ray Acquisition S.C.A.), which were not recognised as of December 31, 2005.

11.| LONG-TERM ASSETS

11.1| Goodwill and intangible assets

(in millions of euros)	Strategic partnerships	Distribution networks and banners	Software and other intangible assets[1]	**Total intangible assets**	**Goodwill[2]**
Gross carrying amount as of January 1, 2006 ……………………………………	**358.8**	**185.0**	**195.7**	**739.5**	**2,318.5**
Change in consolidation scope …………………	101.8	-	6.0	107.8	398.8
Increase ……………………………………	-	-	20.5	20.5	-
Decrease ………………………………………	-	-	(0.1)	(0.1)	(5.4)
Translation differencies ………………………	(17.2)	-	(4.7)	(21.9)	(97.2)
Other changes ……………………………	-	0.6	(0.5)	0.1	(28.2)
Gross carrying amount as of December 31, 2006 ……………………..	**443.4**	**185.6**	**216.9**	**845.9**	**2,586.5**
Change in consolidation scope …………………	-	-	11.9	11.9	109.3
Increase ……………………………………	-	-	21.1	21.1	-
Decrease ………………………………………	-	-	(12.0)	(12.0)	-
Translation differencies ………………………	(6.9)	-	(7.5)	(14.4)	(50.0)
Other changes ……………………………	(32.7)	-	30.1	(2.6)	(4.7)
Gross carrying amount as of December 31, 2007 ……………………..	**403.8**	**185.6**	**260.5**	**849.9**	**2,641.1**
Accumulated depreciation and depreciation as of January 1, 2006 …..	**-**	**-**	**(107.1)**	**(107.1)**	**-**
Amortisation expense ………………………	-	-	(23.0)	(23.0)	-
Impairment losses ………………………………..	-	-	(21.8)	(21.8)	(23.6)
Decrease of amortisation …………………….	-	-	0.2	0.2	-
Translation differencies ………………………	-	-	2.7	2.7	(0.4)
Accumulated depreciation and depreciation as of December 31, 2006	**-**	**-**	**(149.0)**	**(149.0)**	**(24.0)**
Change in consolidation scope …………………	-	-	(0.7)	(0.7)	-
Amortisation expense …………….	-	-	(27.8)	(27.8)	-
Impairment losses ………………………………..	-	-	-	-	(8.2)
Decrease of amortisation …………………….	-	-	11.6	11.6	-
Translation differencies ………………………	-	-	2.2	2.2	0.1
Other changes ……………………………	-	-	(0.2)	(0.2)	(0.7)
Accumulated amortisation and depreciation as of December 31, 2007	**-**	**-**	**(163.9)**	**(163.9)**	**(32.8)**
Carrying amount at January 1, 2006	**358.8**	**185.0**	**88.6**	**632.4**	**2,318.5**
Carrying amount at December 31, 2006	**443.4**	**185.6**	**67.9**	**696.9**	**2,562.5**
Carrying amount at December 31, 2007	**403.8**	**185.6**	**96.6**	**686.0**	**2,608.3**

[1] Including customer relationships

[2] In accord with IFRS 3, certain preliminary estimations with regard to changes in the price of acquisition of Gexpro have been revised in the 12 months following its acquisition. In this respect, the provisional estimate of deferred tax assets was adjusted by US$ 11.7 million with a similar correction in goodwill (see note 4.1.1)

Goodwill

Goodwill arising in a business combination represents future economic benefits arising from assets that are not capable of being identified individually according to IFRS, such as market shares; the assembled work force and the potential to develop existing businesses. In the wholesale business, such synergies notably include those expected in terms of purchasing, logistics, network density and administration.

Goodwill is allocated by country based on the value in use determined in accordance with note 3.7. Cash flows used to calculate the value in use of each cash-generating unit are based on a three year business plan extrapolated over a period of five years after taking into account a terminal value. The discount rate applied was determined on the basis of the weighted average cost of capital calculated for each country. A single perpetual growth rate of 2.0% was used to calculate the terminal value.

At December 31, 2007, goodwill was tested for impairment. This resulted in an impairment loss of €8.2 million mainly related to investments in the Czech Republic for €4.2 million and in Switzerland for €4.0 million in the company Kontakt Systeme. In connection with the disposal of its activities during the fiscal year, Kontakt's net assets were brought to its fair value less cost to sell. With respect to the investment in the Czech Republic, the recoverable amount was determined on the basis of the present value of estimated future discounted cash flows. The following discount rates were used to assess the value in use:

	2007	**2006**
Europe	6.2% to 11.0%	6.7% to 10.7%
North America	7.3% to 7.9%	7.9% to 8.3%
Asia Pacific	7.8% to 9.5%	7.7% to 9.5%

The impairment loss at December 31, 2006 of €23.6 million mainly related to investments in Hungary (€13.0 million) due to a difficult local economic environment and to a non-core Swiss company (€10.0 million). This company being classified as held for sale as of December 31, 2006, it was valued at its estimated selling price less costs to sell. In respect of the investment in Hungary, the recoverable amount was determined on the basis of the present value of estimated future discounted cash flows. After impairment, goodwill on investments in Hungary was fully impaired and the recoverable amount of the goodwill relating to the Swiss company amounted to €4.7 million.

With regard to the assessment of value in use of the cash-generating units, management estimates that no possible reasonable change in the key assumptions used could cause the recoverable amount of the units to be significantly lower than their carrying amount.

Intangible assets

In accord with the principle enunciated in note 3.5, distribution networks and strategic partnerships are not amortised but rather tested annually for depreciation or as soon as there is an indication of impairment.

At December 31, 2007, distribution networks and strategic partnerships were tested for impairment and the calculations did not evidence any impairment.

Impairment losses recognised in 2006 related to the write down of internally developed software.

11.2| Property, plant & equipment

(in millions of euros)	Land & Buildings	Plant & Equipment	Other tangible assets	**Total property, plant and equipment**
Gross carrying amount as of January 1, 2006 ……………………………………………..	**206.0**	**408.5**	**56.8**	**671.3**
Change in consolidation scope ………………	93.4	62.6	-	156.0
Increase ………………………………………	3.1	36.3	2.5	41.9
Decrease ………………………………………	(17.2)	(20.3)	(0.5)	(38.0)
Translation differencies ………………………	(3.1)	(17.3)	-	(20.4)
Other changes ………………………………	(79.0)	17.2	(25.8)	(87.6)
Gross carrying amount as of December 31, 2006 ………………………………..………	**203.2**	**487.0**	**33.0**	**723.2**
Change in consolidation scope ………………	0.7	6.0	-	6.7
Increase ………………………………………	2.7	55.9	2.9	61.5
Decrease ………………………………………	(9.4)	(20.6)	(3.0)	(33.0)
Translation differencies ………………………	(4.2)	(11.1)	(1.2)	(16.5)
Other changes ………………………………	2.8	2.6	(4.5)	0.9
Gross carrying amount as of December 31, 2007 ……………………………………..	**195.8**	**519.8**	**27.2**	**742.8**
Accumulated depreciation and depreciation as of January 1, 2006 …...	**(70.3)**	**(323.2)**	**(40.2)**	**(433.7)**
Amortisation expense ……………………..…	(24.9)	(31.0)	-	(55.9)
Depreciation expense ………………………..	(7.8)	(31.0)	(2.0)	(40.8)
Impairment losses ……………………..…....	-	-	-	-
Decrease ……………………………………..	6.0	15.7	0.4	22.1
Translation differences ……………………..	1.1	13.5	-	14.6
Other changes ………………………………	31.3	(11.0)	18.7	39.0
Accumulated depreciation and depreciation as of December 31, 2006……………………………………………...	**(64.6)**	**(367.0)**	**(23.1)**	**(454.7)**
Change in consolidation scope ………………	-	(2.8)	-	(2.8)
Amortisation expense ……………………..	(5.9)	(36.5)	(2.1)	(44.5)
Impairment losses ……………………………	-	(4.8)	-	(4.8)
Decrease of amortisation ……………………..	2.1	18.4	3.0	23.5
Translation differencies ………………………	1.2	7.5	0.9	9.6
Other changes ………………………………	0.3	1.5	1.2	3.0
Accumulated amortisation and depreciation as of December 31, 2007 .	**(66.9)**	**(383.7)**	**(20.1)**	**(470.7)**
Carrying amount at January 1, 2006…..	**135.7**	**85.3**	**16.6**	**237.6**
Carrying amount at December 31, 2006	**138.6**	**120.0**	**9.9**	**268.5**
Carrying amount at December 31, 2007	**128.9**	**136.1**	**7.1**	**272.1**

For the year ended December 31, 2006, other changes consisted essentially of tangible assets in Switzerland classified as held for sale.

11.3|| Long-term investments

(in millions of euros)	As of December 31	
	2007	2006
Loans	3.9	8.8
Deposits	5.3	15.9
Other financial assets	67.6	14.6
Long-term investments	**76.8**	**39.3**

As of December 31, 2007, other financial assets include the fair value of derivatives due within more than one year for €9.1 million compared to €7.0 million as of December 31, 2006 (see note 21.1 on interest rate risk), and the fair value of Hagemeyer N.V.'s shares, purchased on the market during the fourth quarter of 2007 as a prerequisite to the offer on Hagemeyer's shares (see note 25.2) for the amount of €50.4 million and representing 1.8% of Hagemeyer N.V.'s capital. These shares, classified under IAS 39 as "available for sale assets," were acquired at the price of €4.68 per share, and re-measured through equity on December 31, 2007 based on the stock market price on that date (€4.68); this €0.3 million change in value was recognised against equity

12.| CURRENT ASSETS

12.1| Inventories

(in millions of euros)	As of December 31	
	2007	2006
Cost	1,228.3	1,212.7
Allowance	(85.1)	(95.7)
Inventories	**1,143.2**	**1,117.0**

Changes in allowance for inventories:

(en millions d'euros)	2007	2006
Allowance for inventories as of January 1	(95.7)	(67.8)
Change in consolidation scope	(2.4)	(21.5)
Net change in allowance	10.5	(9.7)
Translation difference	2.4	3.3
Other changes	0.1	-
Allowance for inventories as of December 31	**(85.1)**	**(95.7)**

12.2| Trade accounts receivable

(in millions of euros)	As of December 31	
	2007	**2006**
Nominal value ……………………………………………	2,104.1	2,119.8
Impairment losses ………………………………………	(85.6)	(92.9)
Trade accounts receivable ……………………………	**2,018.5**	**2,026.9**

Trade accounts receivable include taxes collected on behalf of the fiscal authorities that, in certain circumstances, may be recovered when the client goes into default. These recoverable taxes amounted to €281.3 million as of December 31, 2007 (€190.4 million as of December 31, 2006).

The Group has enacted credit assurance programmes in most major countries. Trade accounts receivable covered by these programmes amounted to €767.4 million as of December 31, 2007 (€563.1 million as of December 31, 2006).

Finally, in certain countries, the Group benefits from supplementary guarantees in specific local jurisdictions, notably in the United States. Trade accounts receivable covered by these guarantees represented €242.5 million as of December 31, 2007.

Changes in impairment losses:

(in millions of euros)	**2007**	**2006**
Impairment losses on trade accounts receivable as of January 1………………………………………	**(92.9)**	**(69.6)**
Change in consolidation scope ………………………	2.4	(11.9)
Net depreciation ………………………………………	3.7	(13.1)
Translation differences ……………….……………….	1.4	1.7
Other changes …………………………………………	(0.2)	-
Impairment losses on trade accounts receivable as of December 31…………………………………….	**(85.6)**	**(92.9)**

Impairment losses resulting from an individual observation of default risk amounted to €59.9 million (€47.5 million as of December 31, 2006).

The remaining impairment loss recorded corresponds to the risks estimated on the basis of overdue payments.

The repayment schedule for outstanding trade accounts not subject to depreciation is as follows:

(in millions of euros)	As of December 31	
	2007	**2006**
From 1 to 30 days ……………………………………	193.2	220.5

All trade accounts receivable past due 30 days are impaired.

12.3| Other accounts receivable

(in millions of euros)	As of December 31	
	2007	**2006**
Purchase rebates	315.5	310.3
VAT receivable and other sales taxes	33.3	23.2
Prepaid expenses	11.0	15.0
Derivatives	13.5	20.4
Other receivables	49.3	68.1
Total accounts receivable	**422.6**	**437.0**

12.4| Assets classified as held for sale

On March 8, 2007, the Group completed the sale of land and buildings belonging to Elektro-Material A.G., a Swiss subsidiary acquired in February of 2006, for an amount of CHF74.8 million before tax and net of selling costs (€45.8 million). As these assets were stated at fair value as of December 31, 2006, no gain and loss on the disposal was recognised during the period.

On June 4, 2007 and August 24, 2007, assets related to respectively the connectic and telematic business of Kontakt Systeme, operating in Germany and Switzerland, were sold for an amount of CHF7.9 million before tax and net of selling costs (€4.9 million).

Following these business disposals, the Group went into a liquidation process of Kontakt Systeme remaining assets and liabilities.

Based on fair value estimates of the remaining assets of Kontakt Systeme, an additional goodwill impairment of €4.0 million was accounted for on the Group's income statement for the first semester of 2007 on the line "Other expenses".

As of December 31, 2006, the net assets of Kontakt Systeme were classified as held for sale.

13.| CASH AND CASH EQUIVALENTS

(in millions of euros)	As of December 31	
	2007	**2006**
Short-term investments	351.6	244.0
Cash at bank	162.0	226.6
Cash in hand	1.6	2.5
Cash and cash equivalents	**515.2**	**473.1**

As of December 31, 2007, the Group invested in two Certificates of Deposit for a nominal value of €50 million each. These CDs, maturing on January 7 and 14, 2008, have been issued by top-ranked European banks.

Short-term investments include treasury investment funds in compliance SICAVs, as required by the Group's policy which requires funds to be highly liquid, easily convertible to a known amount of cash and subject to a negligible risk of loss.

14.| SUMMARY OF FINANCIAL ASSETS

(in millions of euros)		IAS 39 Category	As of December 31 2007 Carrying amount	2007 Fair value	2006 Carrying amount	2006 Fair value
Loans		L&R	3.9	3.9	8.8	8.8
Deposits		L&R	5.3	5.3	15.9	15.9
Assets available for sale		AFS	50.4	50.4	4.9	4.9
Hedging derivatives	(1)	N/A	9.1	9.1	8.5	8.5
Others		AFS	8.1	8.1	1.2	1.2
Total long-term investments........			**76.8**	**-**	**39.3**	**-**
Trade accounts receivable		L&R	**2,018.5**	**2,018.5**	**2,026.9**	**2,026.9**
Supplier rebates receivable		L&R	315.5	315.5	310.3	310.3
VAT and other sales taxes receivable	(2)	N/A	33.3	N/A	23.2	N/A
Other accounts receivables		L&R	49.3	49.3	68.1	68.1
Hedging derivatives	(1)	N/A	10.4	10.4	19.7	19.7
Other derivative instruments		HTM	3.1	3.1	0.7	0.7
Repaid expenses	(2)	N/A	11.0	N/A	15.0	N/A
Total non-current assets			**422.6**	**-**	**437.0**	**-**
Short-term investments		FV	351.6	351.6	244.0	244.0
Cash		L&R	163.6	163.6	229.1	229.1
Cash and cash equivalents			**515.2**	**-**	**473.1**	**-**

(1) Specific accounting treatment for hedging
(2) Not a financial asset under IAS 39

Loans receivables	L&R
Assets available for sale	AFS
Investments held to maturity	HTM
Fair value through profit or loss	FV
Not applicable	N/A

15.| SHARE CAPITAL AND ISSUANCE PREMIUM

15.1| Changes in share capital and issuance premium

Since January 1, 2007, the Group has registered the following movements in shareholders' equity following the issuance of ordinary shares:

	Number of Shares	Share capital	Issuance premium
		(in millions of euro)	
On January 1, 2005	**8 500**	**0,1**	**-**
Increase in capital - extraordinary decision on March 9, 2005	5 490 000	54,9	-
Increase in capital - extraordinary decision on March 21, 2005	56 980 869	569,8	-
Increase in capital - extraordinary decision on June 30, 2005	304 404	3,0	1,6
Increase in capital - extraordinary decision on October 28, 2005	262 001	2,6	-
On December 31, 2005	**63 045 774**	**630,5**	**1,6**
On January 1, 2007	**63 045 774**	**630,5**	**1,6**
Exercise of share subscription rights	1 518 854	15,2	-
Merger of Rexdir and Rexop	2 085 259	20,9	47,9
Reduction in capital from the cancellation of treasury shares	(2 085 259)	(20,9)	(47,9)
Splitting of the share par value and doubling of the number of shares	**129 129 256**	-	-
Increase in capital by payment of receivables	63 813 323	319,1	733,8
Increase in capital as a result of the Initial Public Offering (IPO)	60 606 060	303,0	654,1
Increase in capital as a result of the offer reserved for employees	2 445 188	12,2	20,4
On December 31, 2007	**255 993 827**	**1 280,0**	**1 409,9**

Exercise of share subscription rights

On June 30, 2005, Rexdir, a special purpose entity designed to hold the investment of several top executives of the Group, was authorised to subscribe 304,404 shares with share subscription rights (*actions à bons de souscriptions d'actions*, hereinafter referred to as "ABSAs") at a price of €15.44 per ABSA, or €10 per share and €0.272 per subscription right (*bon de souscription d'actions*, hereinafter referred to as "BSA"). Each share consists of 20 BSAs exercisable under certain conditions, giving the right to subscribe one share for a price of €10 per BSA. During the Management Board meeting of April 4, 2007, the Chairman authorised the exercise of the BSAs by Rexdir and the issuance of 1,518,854 new shares at a par value of €10.

Merger of the companies Rexdir and Rexop

In order to streamline Rexel's structure of capital before its IPO, the Shareholders' Meeting of April 4, 2007 approved the merger of the companies Rexdir and Rexop, two special purpose entities created to manage the shares issued in respect of the top executives' plan (Rexdir) and the shares issued in respect of a larger group of Rexel executives' and managers' plan (Rexop). The ratio of exchange between Rexel shares and those of the companies being absorbed has been determined to be 0.8948 Rexel shares for each Rexdir share and 0.09938 Rexel shares for each Rexop share. The net value of the assets contributed by the two companies was €60.2 million for Rexdir and €8.6 million for Rexop, leading to the creation of 1,823,258 and 262,001 shares respectively, each worth €10. That translated into a capital increase of €20.9 million, with the remainder being regarded as a merger premium worth €47.9 million.

Reduction in capital from the cancellation of treasury shares resulting from the merger of Rexdir and Rexop

The net assets contributed by the companies Rexdir and Rexop were composed solely of 2,085,259 shares of Rexel, which were cancelled, resulting in a capital decrease of €20.9 million. Taking into account the value of the shares in Rexel retained for the merger, the difference between the value of the contribution of the cancelled shares and their face value, €47.9 million, was deducted from the merger premium.

Upon completion of this operation, the Shareholders' Meeting of April 4, 2007 certified that the share capital was not subjected to any modification and there was no merger premium.

Splitting of the share par value and doubling of the number of shares

After the Company's Management Board had acknowledged, on April 4, 2007, that the requisite that Rexel shares be admitted in the Eurolist stock exchange was met, the face value of a share was divided by two, from €10 to €5, and the number of shares was consequently doubled.

Increase in capital by capitalisation of shareholders' loan

Acting under the mandate given by the Shareholders' Meeting of February 13, 2007, the Company's Management Board executed an issuance of 63,813,323 shares by capitalisation of a loan to Ray Investment S.à.r.l. for an amount of €1,052.9 million, interests included. The value of the shares is identical to those held for the new shares issued in Rexel's IPO, more specifically, €16.5 divided between the face value of €5.0 and the issuance premium of €11.5 per share (See note 20.1.1).

Increase in capital as a result of the IPO

Acting under the mandate given by the Shareholders' Meeting of February 13, 2007, the Company's Management Board decided to issue 60,606,060 shares at face value of €5 apiece on April 11, 2007, in the form of an increase in capital with the cancellation of preferential subscription rights through an IPO. The value of the shares was fixed at €16.5, reflecting an issuance premium of €11.5. The fees stemming from this increase in capital are deducted from the issuance premium for an amount of €42.9 million (before tax).

Increase in capital as a result of the employee offering

Acting under the mandate given by the Shareholders' Meeting of February 13, 2007, the Company's Management Board decided on April 18, 2007 in favor of two capital increases with the cancellation of preferential subscription rights:

- to members of the Rexel Group Savings Plan (PEG) and the Rexel Group International Savings Plan (PEGI), for an amount of €19.3 million, with the issue of 1,436,874 new shares;
- to BNP Paribas Arbitrage SNC, for an amount of €13.3 million, representing 1,008,314 new shares, in order to cover its engagement in Share Appreciation Rights (SARs) issued to certain employees (see note 16.1).

Treasury shares

The Shareholders' Meeting of February 13, 2007 authorised the Company's Management Board, subject to authorisation from the Company's Supervisory Board, with subdelegatation power, to buy shares of the company amounting to a maximum of 10% of the share capital. This programme has a duration of 18 months from the date of the Shareholders' Meeting (ending August 13, 2008).

The objectives of this programme in order of priority are as follows:

- to ensure the liquidity and foster the stock market by having an intermediary investment services provider acting independently, under a liquidity agreement compliant with the code of ethics recognised by the AMF;
- to implement share purchase option plans of the company, in accordance with the provisions of Article L. 225-177 and following of the French Code of Commerce, any attribution of free shares within the framework of any savings plan undertaken in accordance with the provisions of articles L.°443-1 and following of the French Code of Labor, any attribution of free shares in accordance with the provisions of articles L. 255-197-1 and following of the French Code of Commerce, any attribution of shares in the context of profit sharing and the operations to hedge these schemes, under the conditions set by the market authorities and at the time the Management Board or the individual acting on behalf of the Management Board will act;
- to conserve and to provide shares in exchanges or payments concerning external growth, with a limit of 5% of the company's share capital ;
- to provide shares in the occasion of rights attached to securities giving access to capital being exercised, immediate or long term ;
- to cancel all or part of the shares repurchased, subject to the nineteenth decision of the Shareholders' Meeting of February 13, 2007.
- and any other objective compliant with regulation in force.

With this share repurchase programme, in April 2007, the Group entered into a contract with the Rothschild bank to promote the liquidity of Rexel shares for an initial amount of €6.0 million increased to €11 million under the mandate given by the Supervisory Board in November 2007. This amount may be adjusted either up or down as required to ensure the effectiveness of the contract.

On December 31, 2007, Rexel held 585,000 treasury shares acquired at an average price of €15.23 per share, recorded as a reduction in shareholders' equity for an amount of €8.3 million.

15.2| Capital Management

Since April 4, 2007, Rexel's shares have been admitted to the Eurolist market of Euronext Paris. The principal indirect stakeholders of Rexel— investment funds managed by Clayton; Dublier & Rice, Inc., Ray France Investment S.A.S (a subsidiary of Eurazeo S.A.), investment funds managed by Merrill Lynch Global Private Equity (collectively, the "Main Investors"), and Caisse de Dépôt et de Placement du Québec (together with the Main Investors, the "Investors") agreed not to transfer or sell shares of Rexel prior to December 31, 2007. After this period, the Investors agreed to organize the sale of part or all of the shares they hold in Rexel, directly or indirectly, in accordance with certain terms. Each of the Investors may thus:

- sell their Rexel shares into the market subject to a maximum of €10.0 million per rolling 30 day period;
- initiate (i) the sale of Rexel's shares through a block trade with estimated proceeds of at least €75 million; or (ii) an underwritten secondary public offering of Rexel's shares with estimated proceeds of at least €150 million, provided that the other Investors may participate in such block trades or offerings and that no underwritten secondary offering has occurred in the preceding six months.

This agreement will terminate on the later of (i) April 4, 2009, or (ii) the date on which the Main Investors cease to collectively hold, directly or indirectly, 40% of Rexel's share capital. At the latest, such agreement will in any event terminate on April 12, 2012. In addition, this agreement will cease to be applicable to any party when such party's direct or indirect shareholding in Rexel falls below 5%.

Dividend distribution policy

Rexel's objective is to pay annual dividends of approximately 30 to 35 percent of net income.

In compliance with exterior regulations, neither Rexel nor its subsidiaries are subject to specific requirements with regard to their capital.

16. | SHARE-BASED PAYMENTS

16.1 | Employee offering

In the context of an increase in capital reserved for certain employees, Rexel has implemented a Group Savings Plan and an International Group Savings Plan (Plan d'Epargne Groupe Rexel or "PEG"), of which French and affiliated foreign companies can become members.

The subscription is carried out either directly (direct shareholding) or via *fonds commun de placement d'entreprise* (collective employee shareholding vehicle or "FCPE") depending on the country and subscription formula.

Two subscription formulas were proposed to employees:

- a "classic" formula in which the subscriber benefits from a discount to the Retail Offering Price in compensation for a 5-year lock-up period and
- a "leverage" formula in which the subscriber benefits from the guarantee of receiving at expiration of the term of the legal 5-year lock-up period and before taking into account possible tax and social security withholdings, the amount of his or her personal contribution and a multiple of the possible average increase in the price of the Share between the Retail Offering Price and an average of the Share price over the last 24 months of the 5-year lock-up period (if Share price is lower than the Retail Offering Price, the latter is used for the average calculation).

The price of the offering reserved for employees was set at the Management Board meeting of April 4, 2007 on the base of 80% of the Retail Offering Price (€16.5), so €13.2, except for in the following countries:

- in the United States, 85% of the Retail Offering Price, specifically €14.03;
- in Germany, under the "Rexel Germany Levier 2012" formula, 100% of the Retail Offering Price, it being specified that Company BSAs are allocated to German beneficiaries who decide to subscribe to this formula.

In Australia, the United States, Italy, New Zealand, Portugal and Sweden, SARs (Share Appreciation Rights) have been granted by the local employers to the beneficiaries. The SARs are comprised of a determined number of call options to buy Rexel shares with a strike price equal to the IPO price and one put option with a strike price equal to that of the employee offering, so 80% of Retail Offering Price (85% in the U.S.). These companies also entered into hedging agreements to cover the SARs with BNP Paribas, which was the underwriter of the operation, and which subscribed to an increase in capital which was reserved for it by the decision of the Management Board on April 18, 2007.

Benefits granted to employees resulted in an expense of €7.8 million before tax with a counterparty in equity for €4.5 million and a personnel related debt of €3.3 million, at the date of the transaction on April 18, 2007 (see note 8.2). This amount corresponds to the stock discount subscriptions by employees, by common investment funds and by BNP Paribas Arbitrage SNC. The portion corresponding to SAR was recognised as a personnel liability.

SARs are qualified as cash settled instruments which result in the recognition of a personnel related debt. This debt is measured at fair value at the balance sheet date, and is recorded under "other non-current liabilities". As a hedge against possible fluctuations in Rexel share prices, the Group has entered into a hedging contract with BNP Paribas, which is registered as "non current financial assets" for an amount equivalent to that of the SARs. As of December 31, 2007 the fair value of the SARs was €1.3 million.

Changes in value of debt and non current assets are both accounted for on the income statement, resulting in no effect on the net income.

16.2 | Free share scheme

Concurrently with the IPO, Rexel entered into several free share plans for its top executives and key employees amounting to a total of 5,022,190 shares on April 11, 2007. According to local regulations, these employees and executives will either be eligible to receive Rexel shares two years after the granting date

(April 12, 2009), these being restricted during an additional two year period (April 12, 2011), or four years after the granting date with no restrictions.

The issuance of these free shares is subject to the service and performance conditions of the scheme.

The vesting conditions are presented in the following table:

Beneficiaries	Vesting conditions	Number of shares attributed April 11, 2007	Cancellations this period [1]	Number of shares December 31, 2007
Top executives and managers	One year service condition from grant date.	2,556,576		2,556,576
Top executives and managers	Performance conditions based on the consolidated 2007 EBITDA and one year service condition from grant date.	1,193,055		1,193,055
Key employees	Half of the shares will be attributed based on 2007 EBITDA and a one-year service condition from the installation of the plan, and the other half based on 2008 EBITDA and a two-year service condition from grant date.	1,272,559	(74,726)	1,197,833
Total		5,022,190	(74,726)	4,947,464

(1) Service condition unfulfilled

After taking into account assumptions concerning the turnover of beneficiaries and achievement of performance conditions, the expense relating to these equity settled plans, amounts to €74.4 million (without tax effect) based on the offering price of €16.50 per share, and is spread over the vesting period.

As of December 31, 2007, a charge of €53.6 million is accounted for on the line “other charges” (see note 8.2) in counterpart under shareholder’s equity.

16.3| Follow-up on previous plans

Plans issued by Rexel

On October 28, 2005, Rexel established a share option programme that entitles key management personnel to purchase shares of Rexel. These options are vested upon a change of control of the group or an IPO. The number of options that may be exercised is subject to the achievement of a determined internal rate of return on investment when Rexel shareholders dispose of their investment. On May 31, 2006 and October 4, 2006, further options were granted to new entrants.

On November 30, 2005, a share option arrangement was set up for a broader circle of senior employees of the group with vesting conditions based on a four-year service period. Vesting may also result from a change of group control or an IPO. The number of options granted to senior employees is determined at the grant date. On May 31, 2006, further grants were made to new entrants.

In accordance with these programmes, options are exercisable at the fair value of the shares at the date of grant. These plans qualified as equity-settled transactions.

The rights under plans issued on October 28 and November 30, 2005 were were vested upon the initial public offering of Rexel on April 11, 2007. The relative change for fiscal year 2007 totals €1.0 million (see note 7).

Plans issed in 2003 and 2004 by Rexel Distribution prior to its acquisition

Prior to its acquisition by Rexel Développement, S.A.S. (formerly Ray Acquisition S.C.A.), share options arrangements were granted annually by Rexel Distribution (formerly Rexel S.A.) to management personnel. On January 31, 2005, the board of directors enacted the vesting of the options issued under plans with service and performance conditions and outstanding at this date, so that holders of these options may exercise their rights during the squeeze-out procedure of the minority interest which took place in April 2005. Part of these options issued under 2003 and 2004 plans were then exercised.

In addition, Rexel Développement, S.A.S. set up a liquidity mechanism for the beneficiaries of stock options granted under the 2003 and 2004 plans. Rexel Développement, S.A.S. entered into an agreement with certain beneficiaries under the terms of which such beneficiaries undertook to sell to Rexel Développement, S.A.S., if Rexel Développement, S.A.S. wished to purchase them (the "Call") and Rexel Développement, S.A.S. undertook to purchase from the relevant beneficiaries, if they wished to sell them (the"Put") all Rexel Distribution S.A. shares held by beneficiaries of options under the 2003 and 2004 plan and obtained by exercising their 2003 and 2004 options at the end of a four-year lock-up period. In consideration for this liquidity undertaking, the beneficiaries of 2003 and 2004 options to subscribe for shares waived their right to exercise their options in advance under the tender offer followed by the squeeze-out and also irrevocably waived their right to any options that may have been granted to them under the 1998, 1999, 2001 and 2002 plans.

In connection with the 2003 plan, Rexel Développement, S.A.S. has exercised its call option in July 2007 and acquired 361,658 Rexel Distribution shares at €31.12 per share, issued from the exercise of options granted at €21.61 per option.

The liquidity period for the 2004 plan applies from 6 July 2008 until 21 July 2008. This plan is qualified as a cash settlement transaction in relation with the liquidity agreement and is accounted for in financial indebtedness for an amount of 0.9 million euros based on the exercise price of €28.49 per option and on the Rexel Distribution share value of €31.12.

The aggregate expense relating to these two plans were fully booked on previous exercises.

Terms and conditions

The terms and conditions of the options, which are settled exclusively by physical delivery of shares, are as follows:

Date of delivery / beneficiaries	Number of instruments originally delivered	Number of options active as of December 31, 2007	Options term
Options granted to management prior to November 7, 2002	933,943	208,154	10 years
Options granted to management in 2003	623,413	1,134	10 years
Options granted to management in 2004	782,790	491,014	10 years
Total options granted by Rexel Distribution	2,340,146	700,302	
Options granted to key management			
- on October 28, 2005	2,711,000	1 231,002	10 years
- on May 31, 2006	169,236	140,944	
- on October 4, 2006	164,460	267,452	
Options granted to senior employees			
- on November 30, 2005	259,050	474,456	10 years
- on May 31, 2006	34,550	67,976	
Total options granted by Rexel	3,338,296	2,181,830	

Number of stock options

The number of stock options is detailed below:

	Rexel S.A.		Rexel Distribution S.A.S.		
	Plans 2005		Plans 2004	Plans 2003	Plans prior to November 7, 2002
(Number of options)	Executives	Key employees			
Options existing January 1, 2006…………	**2,711,000**	**259,050**	**507,302**	**389,072**	**555,815**
Cancellations during this period…………….	(162,696)	(17,111)	(10,743)	(12,624)	(121,152)
Exercices during this period…………………	-	-	-	(9,071)	-
Granted during this period……………………	333,696	34,550	-	-	-
Options existing December 31, 2006………	**2,882,000**	**276,489**	**496,559**	**367,377**	**434,663**
Options existing January 1, 2007…………	**2,882,000**	**276,489**	**496,559**	**367,377**	**434,663**
Cancellations during this period…………….	-	-	(5,545)	(4,585)	(71,922)
Exercices during this period…………………	-	-	-	(361,658)	(154,587)
Granted during this period……………………	(2,062,301)	(5,273)	-	-	-
Splitting the share par value and doubling the number of	819,699	271,216	-	-	-
Options existing December 31, 2007………	**1,639,398**	**542,432**	**491,014**	**1,134**	**208,154**
Exercisable options at the end of exercise……….	-	-	145553	1134	208154

Fair value of options and assumptions

The fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair value of the services received is measured using an option pricing model. The estimated life of the option is used as an input into the valuation model.

A binomial model has been used for the 2005 plans in order to reflect the characteristics of these plans. Expectations of early exercise are incorporated into the binomial model.

Assumptions and fair value of options	**Rexel**		**Rexel Distribution**	
	2005 plans			
	Key managers (1)	**Senior Employees** (2)	**2004 plans**	**2003 plans**
Pricing model	Binomial	Binomial	Black & Scholes	Black & Scholes
Fair value at measurement date (in euros per option)	€1.42 / €1.94 / €3.81	€7.43 / €5.72	€8.27	€6.18
Share price	€10/€13 /€19	€10/€13	€35.24	€26.89
Initial exercise price	€10/€13 /€19	€10/€13	€35.26	€26.75
Adjusted exercise price (3)	-	-	€28.49	€21.61
Expected volatility (4)	45% / 20%	45% / 20%	28%	28%
Option life (5)	4 to 10 years	4 to 10 years	5 years	5 years
Dividend yield	-	-	2.5%	2.5%
Risk-free interest rate (based on national government bonds)	3.15%	3.15%	3.56%	3.17%

(1) Options granted respectively on October 28, 2005, on May 31, 2006 and on October 4, 2006

(2) Options granted respectively on November 30, 2005, and on May 31, 2006

(3) Adjusted price following the exceptional dividend distribution of €499.7 million on March 4, 2005

(4) Expected volatility for plans of Rexel until divestiture by shareholders (45%) is based on the historical volatility of Rexel shares on the market, adjusted to take into account the current financing structure of Rexel. Upon divestiture by shareholders, the expected volatility is 20%.

(5) Option life is the contractual life under the binomial model and the economic life under the Black and Scholes model

17. | EARNINGS PER SHARE

Information on the earnings and number of ordinary shares included in the calculation is presented below:

	Fiscal year ending December 31	
	2007	**2006**
Net income attributed to ordinary shareholders (*in millions of euros*)..	143.5	188.9
Net income restated from IPO costs……………………………………	312.2	188.9
Weighted average number of ordinary shares (*in thousands*)………..	220,976	126,092
Basic earnings per share (*in euros*) …………………………………	**0.65**	**1.50**
Earnings per share excluding IPO-related transactions *(in euros)*……………………………………………………………………	**1.41**	**1.50**
Net income attributed to ordinary shareholders (*in millions of euros*)..	143.5	188.9
Net income restated from IPO costs……………………………………	312.2	188.9
Average number of balanced shares in circulation (*in thousands)* …….	220,976	126,092
Potential dilutive ordinary shares (*in thousands*)………………………	3,707	1,660
- out of which are share subscription rights (in thousands) …………[1]	-	*1,080*
- out of which are share options (in thousands) …………………… [1]	*1,399*	*202*
- out of which are free shares (in thousands) ……………………… [2]	*2,308*	*378*
Weighted average number of ordinary shares used for the calculation of fully diluted earnings per share (*in millions*)…………..	224,683	127,752
Fully diluted earnings per share (*in euros*) …………………………	**0.64**	**1.48**
Fully diluted earnings per share excluding IPO-related transactions *(in euros)*…………………………………………………	**1.39**	**1.48**

[1] The number of potential diluted shares has been calculated assuming that all conditions to exercise these dilutive instruments were met as of December 31, 2006.

[2] The number of potential diluted shares does not take into account the free shares whose allocation is subject to future performance.

18. | PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(in millions of euros)	As of December 31	
	2007	**2006**
Provisions …………………………………………………	41.4	47.9
Other non-current liabilities ………………………………	11.4	10.1
Total ……………………………………………………	**52.8**	**58.0**

Other non-current liabilities are comprised essentially of debts related to the profit sharing schemes for French employees in the amount of €8.3 million (€7.8 million as of December 31, 2006).

The variation in provisions is detailed below:

(in millions of euros)	Provision for restructuring	Provision for litigation	Other provisions	Provision for vacant properties	**Total provisions**
At January 1, 2006 ……………	**12.5**	**42.6**	**9.7**	**3.0**	**67.8**
Change in consolidation scope …..	-	-	0.7	-	0.7
Increase …………………………….	7.2	3.1	0.5	1.8	12.6
Use …………………………………	(7.1)	(0.4)	(3.1)	(1.2)	(11.8)
Release ……………………………	(0.2)	(16.6)	(0.8)	-	(17.6)
Translation differencies ……………	(0.8)	(1.7)	(0.7)	(0.2)	(3.4)
Other changes ………………………	(0.9)	0.7	(0.1)	(0.1)	(0.4)
At December 31, 2006 …………	**10.7**	**27.7**	**6.2**	**3.3**	**47.9**
Change in consolidation scope …..	-	-	0.2	-	0.2
Increase …………………………….	2.5	12.2	2.3	1.9	18.9
Use …………………………………	(5.6)	(3.3)	(3.4)	(1.1)	(13.4)
Release ……………………………	(0.7)	(8.3)	(1.6)	(2.1)	(12.7)
Translation differencies ……………	0.1	(1.2)	1.6	(0.2)	0.3
Other changes ………………………	0.6	(3.7)	3.3	-	0.2
At December 31, 2007 …………	**7.6**	**23.4**	**8.6**	**1.8**	**41.4**

As of December 31, 2007, provisions consist mainly of:

- provisions of €4.3 million for restructuring in Canada (reorganization and separation of non-strategic activities) and of €1.5 million in the United States;
- litigation provisions generally concerning fiscal matters of €16.4 million in France and of €4.6 million in Canada;
- other provisions for personnel-related litigation of 2.1 million and provisions for warranties and recalls by clients and third-parties.

19. | EMPLOYEE BENEFITS

The Group provides employee benefits under various arrangements, including defined benefit and defined contribution plans. The specific conditions of these plans vary according to the rules applying in each country concerned. These plans include pensions, lump-sum payments on retirement, jubilees, early retirement benefits, and health care and life insurance benefits in favour of former employees, including retired employees. The most significant funded retirement plans are in Canada, the United Kingdom, the United States, the Netherlands and Switzerland, and are managed through vehicles independent of the Group. In France and Italy, the obligations principally concern lump-sum payments on retirement and long service awards (jubilees), and are generally unfunded.

The change in the present value of the obligation in respect of defined benefit plans is as follows:

(in millions of euros)	Defined benefit obligations	
	2007	**2006**
At the beginning of the period	**482.0**	**390.4**
Service cost	12.1	12.5
Interest cost	21.8	20.6
Benefit payments	(22.5)	(21.1)
Employee contributions	3.9	2.9
Actuarial (gain) loss	(29.0)	(16.4)
Change in consolidation scope	0.4	121.1
Translation differencies	(1.9)	(25.0)
Other changes	(5.2)	(3.0)
At the end of the period	**461.6**	**482.0**

The change in the fair value of the defined benefit plan assets breaks down as follows:

(in millions of euros)	Plan assets	
	2007	**2006**
At the beginning of the period	**343.6**	**253.0**
Employer contributions	17.1	16.1
Employee contributions	3.9	2.9
Return on plan assets	15.1	20.3
Benefit payments	(22.2)	(21.0)
Change in consolidation scope	0.2	93.0
Translation differencies	(1.6)	(17.6)
Other changes	(3.0)	(3.1)
At the end of the period	**353.1**	**343.6**

The reconciliation of the liability recognised on the balance sheet with the present value of the obligation in respect of defined benefit plans is as follows:

(in millions of euros)	As of December 31	
	2007	**2006**
Defined benefit obligations	461.6	482.0
Fair value of plan assets	(353.1)	(343.6)
Funded status	**108.5**	**138.4**
Unrecognised actuarial gains and losses	14.4	(4.7)
Effect of the asset cap.......................................	2.7	-
Recognised liability for defined benefit obligations	**125.6**	**133.7**

The expense recognised in the income statement breaks down as follows:

(in millions of euros)	As of December 31	
	2007	2006
Service costs [1]	12.2	12.5
Interest costs [2]	21.8	20.6
Expected return on plan assets [2]	(21.3)	(20.6)
Curtailment and settlement [3]	(1.3)	(2.3)
Amortisation of unrecognised actuarial gains / losses [1]	(2.7)	1.5
Other [1]	2.6	0.3
Expense recognised	**11.3**	**12.0**

[1] Personnel costs (see note 7)

[2] Net financial expenses (see note 9)

[3] Other profits and costs (see note 8)

The main actuarial assumptions at the date of the most recent actuarial valuation are as follows:

(in %)	Canada		United States		United		Euro Zone	
	2007	2006	2007	2006	2007	2006	2007	2006
Discount rate	5.25	5.00	6.25	5.75	5.80	5.10	5.50	4.60
Expected return on plan assets	7.75	7.75	8.00	7.75	6.70	6.40	5.25	5.00
Future salary increases	3.00	3.00	n/a	n/a	2.70	2.70	3.00	3.00
Future pension increases	2.00	2.00	n/a	n/a	2.25	2.25	2.00	2.00

As of December 31, 2007, a 1% increase in medical costs would translate to a €6.0 million increase in the present value of this commitment. A 1% decrease would translate to a decrease of €5.7 million from the present value of this commitment.

As of December 31, 2007, the average allocation of Group funds invested for retirement plans by type of investment is as follows: 47% in stocks, 40% in bonds, 5% in money markets and 8% in other investment categories.

20. | FINANCIAL LIABILITIES

This note provides information about financial liabilities as of December 31, 2007. Financial liabilities include interest-bearing loans, borrowings and accrued interest less transaction costs.

20.1 | Net financial debt

(in millions of euros)	As of December 31					
	2007			2006		
	Current	Non-current	Total	Current	Non-current	Total
Shareholders' loan [1] …………………………………..	***-***	***-***	***-***	***496.9***	***543.0***	***1,039.9***
Senior Subordinated Notes and indexed bonds [2]……….	54.8	-	54.8	17.5	652.8	670.3
Senior credit facility ……………………….………………	-	960.6	960.6	45.3	1,559.1	1,604.4
Securitisation …………………..…………………….….	-	1,012.1	1,012.1	-	1,007.5	1,007.5
Bank loans ……………………..………………………..	5.9	5.0	10.9	5.3	5.3	10.6
Bank overdrafts and other credit facilities [3] ……………..	45.1	-	45.1	34.0	-	34.0
Finance lease obligations ……………………………..….	16.9	37.5	54.4	27.7	62.3	90.0
Less transaction costs …………………………………….	-	(16.1)	(16.1)	-	(82.6)	(82.6)
Carrying amount of liability ……………………………….	***122.7***	***1,999.1***	***2,121.8***	***129.8***	***3,204.4***	***3,334.2***
Total financial debt and accrued interest ………..	**-**	**-**	**2,121.8**	**-**	**-**	**4,374.1**
Cash and cash equivalents ……………………………..			(515.2)			(473.1)
Net financial debt			**1,606.6**			**3,901.0**

[1] Including accrued interests of €35.8 million and capitalised interests of €42.9 millions as of December 31, 2006

[2] No accrued interest as of December 31, 2007 (€17.5 million as of December 31, 2006)

[3] Including accrued interest of €4.5 million as of December 31, 2007 (€2.7 million as of December 31, 2006)

With the exception of an indexed bonds subject to a fair value hedge (€54.8 million on December 31, 2006), all of the Group's financial debt is stated at amortised cost.

In addition, as the Group's financial liabilities essentially consist of variable-rate loans, the value of the financial liabilities, apart from transaction costs, may be considered representative of its fair value. Only one part of the Group's finance lease obligations is financed at a fixed rate.

20.1.1 | Changes in net financial debt

On December 31, 2007 and 2006, changes in net financial debt are as follows:

(in millions of euros)	2007	2006
At January 1 ……………………………………………………………	**3,901.0**	**3,188.1**
Interest expenses (accrued interests and/or capitalised interests) …	13.0	44.6
Reimbursement of shareholder's loan …………………………………	-	(1.9)
Capitalisation of shareholders' loan…………………………………..	(1,052.9)	-
Net change in shareholders' loan	***(1,039.9)***	***42.7***
Reimbursement of Senior Subordinated Notes……….……………	(600.0)	-
Reimbursement of Senior Credit Agreement 2005…………………	(1,596.2)	415.6
Subscription of Credit Agreement 2007……………………………	999.4	-
Other changes………………………………………………………..	(16.1)	(1.9)
Net change in credit facilities………………………………………	**(1,212.9)**	**413.7**
Net change in securitisation……………………………………..…	42.2	315.0
Payment of finance lease liabilities…………………………...….	(26.9)	(27.0)
Net change in financial liabilities	***(1,197.6)***	***701.7***
Change in cash and cash equivalents …………………..……..……	(46.4)	(44.4)
Foreign currency exchange discrepencies ……………………………	(101.6)	(100.2)
Change in consolidation scope ………………………………..…….	15.0	86.1
Amortisation of transaction costs…………………………...………	82.4	12.3
Other changes……………………………………………………………	(6.3)	14.7
At December 31 ……………………………………..………….	**1,606.6**	**3,901.0**

In the year ended December 31, 2007, changes in net financial debt include the following transactions:

Capitalisation of shareholders' loan

On April 4, 2007, prior to the initial public offering of Rexel, a shareholders' loan granted in 2005 by Ray Investment S.à.r.l. to Rexel were incorporated into the capital and share premium for respectively €319.1 million and €733.8 million based on the introduction price.

Reimbursement of the Senior Subordinated Notes of €600 million

On March 16, 2005, Ray Acquisition S.C.A. issued €600.0 million in senior subordinated notes due 2015 (the "Senior Subordinated Notes"), bearing interest annually at 9.375 %.

The outstanding Senior Subordinated Notes have been redeemed in advance on April 16 and April 18, 2007 with funds received through the initial public offering of Rexel and the 2007 Credit Agreement. In accordance with the contractual clause, the Group paid at the redemption date to the holders of the Senior Subordinated Notes a redemption premium for €89.6 million (see note 9 "Refinancing charges").

Refinancing of the 2005 Senior Credit Agreement

In connection with the acquisition of Rexel Distribution, Rexel Développement (formerly Ray Acquisition S.C.A.) entered into a Senior Credit Agreement as of March 16, 2005 for an initial aggregate amount of €2,427 million. It was comprised of five term loan facilities, a revolving credit facility, and a borrowing base facility ("BBF") designed to finance trade receivables.

On April 17, 2007, the six remaining due credit facilities of the 2005 Senior Credit Agreement were entirely reimbursed for an amount of €1.6 billion and refinanced by the drawdown of a facility under the 2007 Credit Agreement for an amount of €1.3 billion.

On August 20, 2007, two drawings under Facility A of the 2007 Credit Agreement have been redeemed in advance, for an amount of €285.0 million. Thereby, as of December 31, 2007, amounts drawn under 2007 Credit Agreement were €960.6 million.

Transaction costs

The amortisation of transaction costs includes mainly the write-down of the transaction costs corresponding to the Senior Subordinated Notes and the 2005 Senior Credit Agreement for €76.3 million.

Transaction costs relating to the 2007 Credit Agreement are presented in the line "other changes" for an amount of €10.4 million.

For the year ended December 31, 2006, net change in credit facility included repayment under the 2005 SCA of (i) the Borrowing Base facility for €57.2 million, cancelled following the implementation of securitisation, (ii) the Revolving Credit Facility for €32.5 million, (iii) and a contractual semi-annual instalments on the Term loan A for €33.2 million and a drawing of (i) €464.5 million under the facility B3A of the 2005 Senior Credit Agreement to finance the acquisition of Gexpro (ii) €169.5 million under facility D to finance the acquisition of Capital Light and Supply Company, DH Supply Company and Elettro Bergamo.

20.1.2 | Description of net financial liabilities

2007 Credit Agreement

On February 15, 2007, Rexel, as borrower and guarantor, entered into a five-year and one day €2.1 billion credit agreement (the "2007 Credit Agreement") with BNP Paribas, Calyon, the Royal Bank of Scotland Plc and HSBC France, as Mandated Lead Arrangers and Original Lenders, and Calyon as Agent. The new Credit Agreement serves to refinance the 2005 Senior Credit Agreement. The Group executed this Credit Agreement concurrently with the initial public offering. The 2007 Credit Agreement includes a multi-currency term credit facility in an initial amount of €1.6 billion ("Facility A"), which was reduced to €1.3 billion at the Credit Agreement implementation date and a multi-currency revolving credit facility in an initial amount of €500.0 million ("Facility B").

Facility A may be used to refinance existing loans (principal, interest and premiums) under the 2005 Senior Credit Agreement. It matures five years and one day from the first drawdown and is available for draw-downs until May 31, 2007. On August 20, 2007, two drawings under Facility A have been redeemed for an amount of €285.0 million. Concurrently to this repayment, the authorised amount under Facility B increased from €500.0 million to 785.0 million.

Facility B may be used to finance the general operating requirements of Group companies, in particular working capital requirements, as well as to finance certain acquisitions that meet the criteria set out in the 2007 Credit Agreement. Drawdowns may be made under Facility B up to one month prior to the maturity date of the 2007 Credit Agreement and are repayable at the end of the term of each drawing made by the borrowing companies (one, two, three, or six months).

Under this agreement, Rexel and certain of its subsidiaries (Rexel Distribution, Rexel Inc, Rexel North America Inc, Rexel Electrical Supply & Services Holding and General Supply & Services Inc) are considered as obligors.

Amounts drawn bear interest at a rate determined in reference to (i) the LIBOR rate when funds are made available in currencies other than the euro or the EURIBOR rate when funds are made available in euros; (ii) the cost relating to lending banks' reserve requirements and fee payments; (iii) the applicable margin, which can vary from 0.30% to 1.35%, depending on the adjusted consolidated debt relative to the adjusted consolidated EBITDA (the "Indebtedness Ratio"). At the drawing date, on April 17, 2007, the applicable margin was 0.65%.

The facilities under the 2007 Credit Agreement as of December 31, 2007 are as follows:

Credit Facility (Term Loan)	Borrower	Amount authorized	Balance due as of December 31, 2007	Currency	Balance due as of December 31, 2007
		(in millions of local currency)			*(in millions of euros)*
A	Rexel Distribution	1,000.0	1,000.0	SEK	105.9
	Rexel Distribution	180.0	180.0	CHF	108.8
	Rexel Inc.	455.0	455.0	USD	309.1
	Rexel North America Inc	320.0	320.0	CAD	221.5
	General Supply & Services Inc	317.0	317.0	USD	215.3
B	Rexel and other obligors	785.0	-	EUR	-
TOTAL					**960.6**

Covenants

Under the terms of the 2007 Credit Agreement, Rexel must, at each of the dates indicated below, maintain an Indebtedness Ratio below the following levels:

Date	Debt Ratio
December 31, 2007	4,75:1
June 30, 2008	4,50:1
December 31, 2008	4,50:1
June 30, 2009	4,50:1
December 31, 2009	4,50:1
June 30, 2010	4,00:1
December 31, 2010	3,75:1
June 30, 2011 and after	3,50:1

As of December 31, 2007, Rexel satisfied this covenant.

Pursuant to the 2007 Credit Agreement, Adjusted Consolidated EBITDA means operating income before other income and other expenses, plus depreciation and amortisation as set forth in the Group's financial statements and:

- includes adjusted EBITDA over the last twelve months of all the companies acquired during the relevant period, pro rata to the group's participation;
- includes proceeds relating to commodity price derivatives to hedge exposure to the price fluctuations of certain commodities which do not qualify for cash flow hedge accounting under applicable IAS standards;
- excludes non-cash expenses relating to employee profit sharing and any share based payments.

Pursuant to the 2007 Credit Agreement, adjusted consolidated net debt means:

- all financial debt (whether the interest with respect to such debt is payable in cash or in kind) converted on the basis of the relevant average exchange rate against euro over the last twelve months when financial debt is denominated in currencies other than euro.
  - excluding transaction costs,
  - excluding intra-group loans,
  - including all indebtedness relating to the issuance of securities that are not mandatorily redeemable into shares,
  - including any other amount raised and accounted for as borrowing under international accounting standards; plus

- accrued interest, including capitalised interest but excluding interest accrued on intra-group loans; minus
- cash and cash equivalents.

Following the 2005 Senior Credit Agreement refinancing, the group cancelled all securities and guarantees provided to secure its obligations under this agreement.

The 2007 Credit Agreement does not include any security and guarantee provision but contains standard clauses for this type of agreement. These include clauses restricting the ability of Group companies which are parties to the 2007 Credit Agreement, as well as certain subsidiaries, to pledge their assets, carry out mergers or restructuring programmes, borrow or lend money, provide guarantees or make certain investments, as well as provisions concerning acquisitions by Group companies. The 2007 Credit Agreement allows partial or total acceleration upon the occurrence of certain events, including the case of a payment default under the 2007 Credit Agreement, failure to comply with the Indebtedness Ratio set forth above, payment defaults or acceleration of other financial debt of certain Group entities (above specified amounts) or other events that are likely to have a material adverse effect of the payment obligations of the borrowers and the guarantors or on their ability to comply with the Indebtedness Ratio as set forth above.

20.1.3 | Securitisation programmes

Securitisation programme features are summarised in the table below:

	(in millions of)	*(in millions of euros)*						
Programme	**Currency**	**Commitment**	**Amount drawn on December 31, 2007**	**Amount of receivables pledged on December 31, 2007**	**Outstanding amount on December 31, 2007**	**Outstanding amount on December 31, 2006**	**Maturity date**	**Rate**
Europe-Australia	EUR	600.0	596.0	866.4	596.0	599.0	20/11/2012	BT & Euro Commercial paper + 0.48%
United States	USD	470.0	470.0	528.8	319.2	327.1	11/03/2012	US commercial paper + 0.33%
Canada	CAD	140.0	140.0	165.0	96.9	81.4	13/12/2012	Canadian commercial paper + 0.45%
TOTAL				**1,560.2**	**1,012.1**	**1,007.5**		

Considering their characteristics, notably the fact that the Group retains a significant part of the late payment and credit risks, these receivables selling programmes cannot be qualified for derecognition under IAS 39 requirements. Assigned receivables therefore remain registered as assets on the Group's balance sheet whereas the amount due is considered a debt.

These programmes are subject to certain covenants concerning the quality of the receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency, and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables).

As of December 31, 2007 Rexel had satisfied all of these covenants.

21. | MARKET RISKS AND FINANCIAL INSTRUMENTS

21.1 | Interest rate hedging

Following the refinancing transactions concurrently with the completion of the initial public offering, the Group's net debt now consists mostly of floating interest rate loans. In order to hedge its exposure to floating rates, the Group has adopted an interest rate hedging strategy aimed at maintaining around two-thirds of the net financial debt at fixed or capped interest rates and one-third at variable interest rates.

Every month the Group monitors the interest rate risk during the treasury committees, with the involvement of the top management. This process enables the Group to assess the efficiency of the hedges and to adapt them to the underlying indebtedness where necessary.

The breakdown of financial debt between fixed and variable rates, before and after hedging, is as follows:

(in millions of euros)	On December 31	
	2007	**2006**
High Yield Bond (Fixed rate)………………………………..	-	600.0
Fixed rate finance leases and other fixed rate debt…...…	40.2	49.7
Fixed rate debt before hedging …………………………….	*40.2*	*649.7*
Variable to fixed rate swaps…………………………………	999.1	1,411.3
Interest rate options - Caps…………………………………	315.9	353.1
Sub total fixed or capped rate debt after hedging	**1,355.2**	**2,414.1**
Variable rate debt before hedging………………………….	2,081.7	3,724.4
Variable to fixed rate swaps………………………………..	(999.1)	(1,411.3)
Interest rate options - Caps…………………………………	(315.9)	(353.1)
Cash and cash equivalents.………………………………..	(515.2)	(473.1)
Sub total variable rate debt after hedging	**251.5**	**1,486.9**
Total financial debt and accrued interests	**1,606.6**	**3,901.0**

In accordance with the policy laid down above, the Group has entered into euro-, US dollar-, Canadian dollar-, Australian dollar- and Swedish Krona- denominated interest –rate swap contracts, exchanging floating rates for fixed rates. It has also entered into US dollar- denominated cap contracts. These swaps mature between March 2008 and March 2010. It is the Group's intention to renew any of these swaps in order to hedge the variability of future interest expense related to its floating interest debt according to the policy described above. The allocation of hedging instruments among currencies hinges upon the Group's expectations concerning the evolution of the interest rates linked to those currencies. Those instruments are classified as cash flow hedges and are measured at fair value.

In addition, the Group entered into a swap paying fixed rates to hedge risks incurred by the evolution of a specified debt.

Fair value hedge derivatives

Fair value of interest rate derivatives as of December 31, 2007

	Total notional amount	Weighted average fixed rate received	Variable rate paid	Fair value *(in millions of euros)*
Swaps paying variable rate				
Euro	45.7	[1]	3M Euribor - 0,08%	9.1
Total	**45.7**			**9.1**

[1] In connection with the issuance in 1998 of a €45.7 million bonds indexed on the Rexel Distribution share price, Rexel Distribution entered into an equity swap to neutralise the risk incurred by the change in the Rexel Distribution share price. This equity swap is paying three-month EURIBOR minus 0.08% and is receiving, at maturity, the final redemption price of the indexed bonds and qualifies as a fair value hedge.

Changes in fair value of the derivatives designated as hedges to the variability of the fair value of liabilities are recognised in profit or loss. The changes in fair value of the fair value hedge derivatives and of the underlying liabilities are recognised as interest expense on borrowings. The change in fair value of these swaps for the period ended December 31, 2007 was a gain of €2 million, matched against a loss resulting from the change in fair value of the related indebtedness.

Cash flow hedge derivatives

Concurrently to the refinancing transactions and in accordance with its interest rate hedging strategy, the Group has unwinded its swaps paying fixed rates and maturing in March 2010, for a notional amount of €200.0 million, AU$82.5 million dollars, CN$152.0 million dollars (due in March 2008) and £23.5 million. These swaps were initially qualified as cash flow hedging instruments. When the contracts were terminated, in April 2007, Rexel received a settlement of €7.4 million equal to the fair value of those instruments. This settlement is recognised immediately in financial income when the hedge item is derecognised and is amortised fully by maturity of the financial instrument, i.e. three years for the major part. For the period ended December 31, 2007, a €2.7 million gain has been recognised on the income statement mainly corresponding to variable rate debt repaid.

As of December 31, 2007, derivative instruments classified as cash flow hedges are as follows:

	Total notional amount currency *(in millions of currency)*	**Maturity**	**Floating rate received**	**Weighted average fixed rate paid**	**Fair value** *(in millions of euros)*
Swaps paying fixed rate					
Euro	50.0	March 2008	1M Euribor	2.77%	0.2
	303.0	March 2010	1M Euribor	3.15%	7.8
US $	68.0	March 2008	3M Libor	4.26%	0.1
	130.0	December 2008	3M Libor	4.95%	(0.7)
	185.0	September 2009	3M Libor	5.25%	(3.1)
	269.0	March 2010	3M Libor	4.64%	(3.3)
Canadian $	112.0	March 2009	3M Libor	3.83%	0.3
	80.0	March 2010	3M Libor	4.02%	0.2
Swedish Krona	430.0	March 2010	3M Stibor	3.36%	1.2
Australian $	41.5	March 2010	3M Libor	6.10%	0.7
Total					**3.3**

	Total notional amount currency *(in millions of currency)*	**Maturity**	**Premium share paid** *(in millions of euros)*	**Floating rate received**	**Weighted average fixed rate paid**	**Fair value** *(in millions of euros)*
Options - Plain vanilla caps						
US $	100.0	March 2009	0.8	3M Libor	5.00%	-
US $	365.0	September 2009	1.7	3M Libor	5.50%	-
Total						**-**

On December 31, 2007, the total notional amount of cash flow hedge swaps and cash flow hedge options were €999 million and €316 million, respectively.

The change in the fair value of the cash flow hedge instruments for the year ended December 31, 2007 was recognised in shareholders' equity for an amount of €16.2 million (before tax).

The following table indicates the periods in which the Group expects the cash flow associated with derivative instruments qualified as cash flow hedges. They will be recognised in profit and loss account following the same schedule:

(in millions of euros)	**Valeur comptable**	**One year**	**Two years**	**Three years**	**Thereafter**
Derivative assets ……………	10.4	5.4	4.1	0.9	-
Derivative liabilities …………	(7.1)	(3.2)	(3.6)	(0.3)	-
Derivatives ……………………	**3.3**	**2.2**	**0.5**	**0.6**	0
Cash flow hedges ………….	(109.7)	(53.5)	(42.5)	(13.8)	0

21.1.1 | Sensitivity to interest rate variation

As of December 31, 2007 an instantaneous rise of 1% in short-term interest rates would lead to an increase in annual interest expense of approximately €7.3 million. This same rise would have a complementary positive impact of €16.0 million on the Group's own equity before taxation related to the appreciation of the fair value of their corresponding hedges.

21.2 | Hedging of fluctuations in foreign currency

Due to the local nature of the Group's operating activities and the local financing of each entity, Group subsidiaries are rarely exposed to currency risk. Except for limited transactions and with an amount lower than €200,000 each, foreign exchange risks are managed centrally by the Group Treasury Department. Exchange exposure arises from external financing in currency other than the euro and in financing of/by Group entities of/by the Parent company in their local currency. In order to neutralise the exposure to the exchange rate risk, the positions in currencies other than the euro are systematically hedged with term contracts with duration generally between one and three months. The hedge contracts are renewed as necessary while exposure remains.

<u>Fair value</u>

The notional amount and the fair value of financial instruments hedging foreign exchange risk as of December 31, 2007 were respectively €32.2 million (€155.8 million forward sales and €123.6 million forward purchases) and €1.3 million.

<u>Sensitivity to variation in the exchange rate</u>

In 2007, nearly two-thirds of the Group's sales on a pro-forma basis were in currencies other than euro, including nearly 40% in US dollars and 10% in Canadian dollars. Also, more than two-thirds of financial debts were demonstrated in currencies other than euro, of which nearly 54% were in US dollars and 17% in Canadian dollars. The presentation currency of the financial statements being the euro, the Group is required to translate into euros those assets, liabilities, revenues and expenses denominated in other currencies in preparing its financial statements.

The results of these operations are included in the Group's consolidated income statement after conversion at the average rate applicable to the period. A 5% increase (or decrease) of euro against the US dollar and the Canadian dollar would have led to a decrease (increase) in sales of respectively €244.0 million and a decrease (increase) in operating income before other income and other expenses of respectively €12 million.

The Group's financial liabilities and shareholder equity are likewise included on its consolidated balance sheet after conversion at the exchange rate at the close of the fiscal year. Thus, a 5% variation in the exchange rate of the U.S. or Canadian dollar considered at the close of the fiscal year on December 31, 2007, would result in a corresponding decrease or increase in financial debt and shareholders' equity of, respectively, €56.9 million and €3.9 million for an appreciation of the euro.

Financial debts are included in the Group's balance sheet after conversion at the closing rate. The above hypothetical changes of the euro as of December 31, 2007 would have decreased the Group's indebtedness denominated in US dollars and Canadian dollars by respectively €43 million and €12 million in the case of a stronger euro and would have increased the Group's indebtedness by respectively €56.9 million and €3.9 million in case of a stronger/(weaker) euro.

The amount of the financial debt per currency of repayment is analysed as follows:

(in millions of euros)	**Euro**	**US dollars**	**Canadian dollars**	**Australian dollars**	**Pounds sterling**	**Swedish kronor**	**Other currency**	**Total**
Financial liabilities …………	538.5	910.3	270.9	126.7	(6.0)	115.0	166.3	2,121.7
Cash and cash equivalents ……………..	(414.0)	(38.5)	-	(14.3)	(4.0)	(16.2)	(28.1)	(515.1)
Net financial position before hedging …………	124.5	871.8	270.9	112.4	(10.0)	98.8	138.2	**1,606.6**
Impact of hedge ……..…..	32.2	(53.3)	49.8	(46.0)	71.5	(8.5)	(45.7)	-
Net financial position after hedging ……………	156.7	818.5	320.7	66.4	61.5	90.3	92.5	**1,606.6**
Impact of a 5% rise in interest rates	***-***	***40.9***	***16.0***	***3.3***	***3.1***	***4.5***	***4.6***	**72.5**

Financial debts are included in the Group's balance sheet after conversion at the closing rate. The above hypothetical changes of the euro as of December 31, 2006 would have decreased the Group's indebtedness denominated in US dollars and Canadian dollars by respectively €43 million and €12 million in the case of a stronger euro and would have increased the Group's indebtedness by respectively €48 million and €13 million in case of a weaker euro.

21.3 | Liquidity Risk

In connection with its indebtedness, the Group will not be subject to any reimbursement obligation in the near to medium term.

The 2007 Senior Credit Agreement, which has a five year and one day term (beginning on the date of the first draw-down) includes a revolving multicurrency facility. The revolving facility has been put in place to cover monthly and seasonal variations in its financing in connection with the Group's securitisation programmes and is also available to finance acquisitions. The Group may be required to repay amounts due under the 2007 Senior Credit Agreement early in the case of the occurrence of certain events or as a result of non-compliance with covenants set out therein.

Lastly, securitisation programmes mature in 2012. The financing arising from these programmes directly depends on the amounts and quality of transferred receivables. In the event that the relevant companies do not comply with certain obligations, these securitisation programmes may need to be repaid early, which could have an adverse effect on the Group's liquidity and financial situation. In addition, if the special purpose entities to which the receivables have been transferred were unable to issue short term debt (commercial paper, *billets de trésorerie*) under conditions that are equal to those available up to now, the Group's liquidity and financial situation could be affected.

The contractual repayment schedule of financial debt is as follows:

(in millions of euros)	**of December 31**	
Due within	**2007**	**2006**
One year……………………………………………..………	119.2	626.7
Two years………………………………………………...…	4.8	43.7
Three years…………………………………………..……..	6.7	102.4
Four years…………………………..…………………….	0.3	130.0
Five years……………………...………………………..	1,983.1	145.9
Thereafter……………………..…………………………	7.7	3,325.4
Total financial Debt ……………………………………	**2,121.8**	**4,374.1**
Interest to be paid ………………………………….	390.8	-
Total net repayable …………………………………..	**2,512.6**	**-**

As of December 31, 2007, the remaining contractual due dates, including interest owed, are as follows:

(in millions of euros) ***Due within :***	**Financial debt**	**Derivatives**	**Total**
One year	212.5	(2.4)	210.1
Two years	96.2	(0.5)	95.7
Three years	97.8	(0.6)	97.2
Four years	91.0	-	91.0
Five years	2,010.7	-	2,010.7
Thereafter	7.9	-	7.9
Total financial Debt	**2,516.1**	**(3.5)**	**2,512.6**

21.4 | Credit risk

The financial instruments that could expose the Group to a concentration of credit risk are principally trade accounts receivable, cash and cash equivalents and derivative instruments. Credit risk in respect of trade accounts receivable is limited due to the large number of customers, the diversity of their activities (contractors, industry, public administration), and their geographical spread in France and abroad. Credit risk in respect of financial instrument hedges is also limited, as the Group enters into interest rate swaps and forward contracts with banks of international reputation. In addition, credit assurance programmes have been erected in most of the Group's significant countries of operation. The maximum risk, that which corresponds to the total outstanding debt after taking into account bonds and recorded depreciation, was €2,018.5 million and is detailed in this document (see 12.2).

The credit risk concerning cash, cash equivalents and hedging instruments is likewise limited by the quality of the counter-parties in question, who are exclusively from reputed international financial establishments. Outstanding debt was €537.8 million as of December 31, 2007, corresponding to the net accounting value of the aforementioned elements.

The maximum credit risk on the Group's other financial assets was €382.1 million and essentially corresponds to supplier discounts receivable.

22. | SUMMARY OF FINANCIAL LIABILITIES

(in millions of euros)		Category IAS 39	December 31 2007 Carrying amount	2007 Fair value	2006 Carrying amount	2006 Fair value
Bonds …………………………………………………		FV	54.8	54.8	52.8	52.8
Other bonds ………………………………………………		AC	-	-	600.0	685.9
Other financial debts, including accrued interest ……..		AC	2,067.0	2,067.0	3,721.3	3,721.3
Total financial liabilities ……………………………..			**2,121.8**	**-**	**4,374.1**	**-**
Trade accounts payable …………………………………		AC	1,659.3	1,659.3	1,616.1	1,616.1
Vendor rebates receivable ………………………………		AC	66.9	66.9	58.9	58.9
Personnel and social obligations ……………………..	(2)	N/A	229.3	N/A	236.4	N/A
VAT receivable and other sales taxes ………………..	(2)	N/A	48.6	N/A	43.4	N/A
Hedging derivatives ……………………………………..	(1)	N/A	7.1	7.1	0.8	0.8
Other derivatives ………………………………………		HTM	1.9	1.9	0.5	0.5
Other receivables …………………………………………		AC	143.0	143.0	129.5	129.5
Prepaid expenses ………………………………………..	(2)	N/A	2.4	N/A	12.1	N/A
Total other debts ………..…………………………			**499.2**	**-**	**481.6**	**-**

(1) Specific accounting measurements for hedging
(2) Not classified as a financial liability under IAS 39

Financial liabilities - stated at amortsed cost	AC
Held to matuirity	HTM
Fair value through profit or loss	FV
Not applicable	N/A

23. | LITIGATION AND CONTINGENCIES

23.1 | Litigation

In 2000, Rexel North America Inc., the Group's Canadian subsidiary, acquired Westburne Inc., a company operating primarily in Canada and the United States. In 2001, Rexel North America Inc. sold the non-core portion of the Westburne Inc. group's business to a third party. The electrical product distribution activities of Westburne Inc. and its subsidiaries were transferred to Rexel, Inc.

The Group is party to several proceedings which are described below. The principal proceedings are set out below. Although the Group believes that its exposure to having to pay significant amounts in connection with these proceedings is limited and that these lawsuits will not have, individually or in the aggregate, a material adverse affect on its financial condition or results of operations, the Group cannot give any assurances to this effect, nor can it predict with certainty what the outcome of these lawsuits will be. The amounts Rexel North America Inc. and Rexel, Inc. may pay, as the case may be, are difficult to quantify.

Rexel North America Inc. (Canada)

In the context of the disposal of Westburne Inc.'s non-core activities, Rexel North America Inc. (Canada) provided the purchaser with an indemnity relating to product liability. This indemnity may be triggered for claims and proceedings notified by the purchaser to Rexel North America Inc. prior to July 1, 2005, as far as these claims and proceedings would have been commended prior to this date and would have been related to products sold prior to the date of the disposal of the non-core activities dated July 1, 2001.

The Westburne Inc. group companies that were disposed of by Rexel North America Inc., as well as their predecessors (principally, the PE O'Hair company) and third-party companies that are not related to the Group, were named as co-defendants in approximately 935 lawsuits filed mainly in California since 1992 on behalf of several thousand plaintiffs. The plaintiffs are claiming damages as a result of alleged exposure to

asbestos contained in products purportedly distributed, including the disposed businesses, from 1950 to 1980. The other co-defendants in these cases include manufacturers, contractors and other distributors.

Rexel North America Inc.'s involvement in these lawsuits arises from the indemnity provided by it to the purchaser of Westburne's businesses. Rexel North America Inc. has denied the allegations in these lawsuits, since it believes that the liability relating the presence of asbestos in the products it sells is principally incumbent on the manufacturers of those products. A number of these claims have been dismissed or settled, and all such settlement amounts payable by Rexel have been for small sums that were covered in their entirety by its insurance policies.

At December 31, 2007, 18 claims that could potentially trigger Rexel North America Inc.'s indemnification obligations to the purchaser of the non-core Westburne Inc. business remained pending. The Group believes that it is likely that the majority of these 18 claims will be rejected or will be settled for amounts that will be covered by Rexel's insurance policies, although it cannot make any assurances to this effect.

Rexel, Inc. (United States)

Rexel, Inc., as the purchaser of the electrical product distribution activities of Westburne Inc. in the United States, along with more than 100 other companies, is or had once been named as a defendant in a number of proceedings in Louisiana, New York, New Jersey and Texas relating to exposure to asbestos containing materials.

At December 31, 2007, Rexel, Inc. had been cleared of all responsibility for the claims filed in New Jersey and Texas. In 2007, Rexel, Inc. obtained a stipulated dismissal (rejection without appeal) of all asbestos-related demands pending in the State of New Jersey and will not pay indemnities to that end. At the date hereof, 39 claims initiated by 161 plaintiffs remain outstanding in Louisiana and two claims initiated by four plaintiffs remain pending in New York.

In the two cases currently pending in New York, the plaintiffs (which are not related to Rexel) claim liability for injuries relating to products sold by a number of companies prior to 1985, including Rexel, Inc. The proceedings have been suspended since October 2003 until the claimants can prove an asbestos-related illness, in accordance with the practice of New York State courts. Given the high number of co-defendants and the state of the proceedings, the Group cannot predict the outcome of these proceedings.

Of the 39 cases pending in Louisiana, 33 claims by 153 third-party plaintiffs allege that they were exposed to asbestos containing materials as a result of general contracting work carried out on the premises of third-party companies by employees of the purchased Westburne Inc. businesses at the same time such claimants were present, between 1950 and 1970. The other defendants in these cases are companies that are not affiliated with the Group and include the owners and lessees of the concerned premises, the manufacturers of the structures and products that allegedly contained asbestos and other distributors and contractors. Legal fees and potential damages that could be awarded with respect to these proceedings and that are assessed against a co-defendant are covered by four insurance companies pursuant to a cost sharing agreement entered into between these companies. To date, settlements arising from these cases have been totally covered pursuant to this cost sharing agreement.

Rexel, Inc. has denied the allegations in these lawsuits based on the argument that its liability has not been proved and that the liability relating to the claims in question is mainly incumbent upon defendants other than Rexel, Inc., such as the owners and lessees of the relevant premises, as well as the manufactures of the structures installed in these premises.

The other six pending cases in Louisiana at December 31, 2007 were initiated by eight plaintiffs who were or claim to have been employees of businesses acquired by Rexel Inc. These claimants allege that that were exposed to asbestos containing materials while they were carrying out general contracting work on the premises of third parties, including petrochemical installations. These procedures are in the initial stages of discovery. The Group believes that Rexel, Inc. could be held liable in these cases only to the extent that the claimants can prove that they were previously employed by the company and that there is a causal link between their employment and the alleged harm. Legal fees and potential damages relating to at least seven of these nine proceedings are partially covered by insurance.

Considering the wide range of these claims, their various states of advancement, the number of defendants and the absence of specific individual demands, the Group cannot give a formulaic estimate of the potential risk encountered: As such, the Group cannot predict the outcome or financial impact that it could be led to bear as a result of these proceedings.

In 2007, Rexel also requested and obtained a rejection of two asbestos-related lawsuits in Louisiana, refusing the demand of 48 plaintiffs for a symbolic indemnity.

Other asbestos-related litigation

In 2007, Rexel obtained a rejection and termination of two pending lawsuits against it in the state of California. In both cases, the plaintiffs alleged exposure (throughout the 1960's) to products or materials containing asbestos sold by a company acquired in 1993 by Rexel, Inc. Rexel, Inc. contested these allegations and has not paid any indemnities to the plaintiffs to obtain a rejection of this claim and termination of the lawsuit. Nevertheless, in one of the proceedings, the Group's legal insurer financed the payment of a symbolic indemnity consisting of attorney's fees upon the finalisation of the ruling and the obtainment of a rejection of the claim. The insurance company took charge of the legal fees and eventual damages and interests linked to these proceedings as per the terms and conditions of our policy.

Other litigation

In December 2005, Rexel Senate—a U.K.-based Group subsidiary—finalised a draft agreement with Wates Construction Group, pursuant to which Rexel Senate was to become the reference distributor of Wates Construction Group. In 2006, disagreement occurred with the carrying out of this agreement and Wates Construction Group instituted a pre-action protocol claiming £8.3 million (approximately €12.3 million). On May 24, 2007, Wates Construction Group and Rexel Senate signed a transaction to settle this litigation without recognising responsibility on either party in which Rexel Senate agreed to pay £1.5 million (approximately €2.2 million). This amount was paid throughout the third trimester of 2007.

Distribution agreement

Rexel has entered into a distribution agreement with a key supplier that requires minimum product purchases of $1.2 billion over the next three years. The supplier, who is also a key customer, also entered into an agreement to purchase products from the Company totalling $1.0 billion. At December 31, 2007, open commitments for the Company and the supplier were $0.6 billion and $0.3 billion, respectively. The agreement contains cure periods for volume shortfalls and provisions that protect the Company against conditions outside its control. Committed volumes are in line with historic annual levels.

23.2 | Contingencies

In connection with the sale of certain assets, the Group has granted the following warranties to the acquirers. These warranties have not been exercised at the date the balance sheets are authorised for issuance.

Environmental matters

Pursuant to the agreement entered into on February 28, 2003 with the Ashtenne Group, a property management company, to sell and lease back 45 European properties, the Group has undertaken to indemnify Ashtenne for costs relating to environmental matters arising as a result of litigation or governmental injunctions. This indemnity is limited to an aggregate maximum amount of €4.0 million (excluding taxes) for the whole of the portfolio, with Group's payments being subject to a minimum threshold of €30,000. The expiry date will occur within 5 years after the termination date of the lease agreement.

Warranty relating to the sale of Gardiner

In connection with its sale of Gardiner to Electra Partners, an investment fund, the Group granted a warranty to the acquirer expiring June 30, 2010, in respect of tax exposure. The warranty is limited to a maximum amount of €60.0 million, with Group's payments being subject to a minimum threshold of €1.0 million.

Warranty relating to the sale of Schrack and its subsidiaries

Pursuant to a share sale agreement of Schrack and its subsidiaries entered into with Hannover Finance, the Group has provided warranties relating to the assets and liabilities transferred to the acquirer. In the event of a breach of these warranties, Hannover Finance will be entitled to a price reduction to cover potential claim damages. Warranty claims for indemnification expire twenty four months after the closing date occurred on August 31, 2005 and forty eight months for tax claims. Warranty claims are limited to €7.0 million with a minimum amount of €0.1 million.

Warranty relating to the sale of Kontakt System

Pursuant to the sale of the shares of the telematics branch of Kontakt System between June 4, 2007 and August 24, 2007, the Group has agreed to provide the purchaser with a warranty with claims limited to 2.3 million Swiss francs expiring eighteen months after the date of the sale extended to the period of limitation for legal fiscal and corporate matters.

24.| RELATED PARTIES

Shareholder loan

Rexel benefited from a shareholders' loan from Ray Investment S.à.r.l., its parent company, and Ray Finance LLP, a subsidiary of the latter, for €9.0 million and €952.2 million respectively, carried at an interest rate of 4.88% for the period ended December 31, 2007 (equal to the annual average of the actual average rate applied by credit institutions on floating rate loans granted to French companies with initial duration of more than two years). The interest charges on this loan amounted to €13.0 million. Concurrently with the issue of Rexel shares to the stock market, the loan granted by Ray Finance LLP was transferred to Ray Investment S.à.r.l. and was compensated with the newly issued capital on April 4, 2007 for an amount of €1,052.9 million, interests included, resulting in the creation of 63,813,323 shares with an introduction price of €16.5 per share (see note 15).

Management share subscription agreement

On June 30, 2005, Rexdir, a special purpose entity designed to gather the investment of several managers of the Group in the acquisition of Rexel Distribution S.A. by Ray Acquisition S.C.A., was authorised to subscribe shares with warrants (ABSA) of Rexel. 304,404 ABSA, at the rate of 20 warrants a share, were issued by Rexel and subscribed by Rexdir for €4.7 million, corresponding to the fair value of these instruments. The exercise of the warrants attached to the shares is subject to the achievement of a determined internal rate of return on its investment, at the time of Rexel's IPO.

During the Board meeting on April 4, 2007, the Chairman of the Board certified the exercise of the BSA and the release of 1,518,854 new shares with a nominal price of €10 (note 15).

Executive compensation

Payments made to the executive committee members of the Group are as follows:

(in millions of euros)	**Fiscal year ended December 31**	
	2007	**2006**
Salaries and other short-term benefits	9.2	8.6
Post-employment benefits (service costs)	1.2	0.7
Indemnities at termination of contract	1.1	-
Free shares and stocks options [(1)].......................................	31.5	0.3

[(1)] Share-based payment expense is detailed in note 16.

Salaries and other short-term benefits comprise the social security contributions and salary-based taxes paid by the Group and well-established as such. Further, funds registered under the title of long-term employment benefits have climbed to €5.2 million as of December 31, 2007 (from €3.3 million on December 31, 2006).

As of December 31, 2007, the executive committee members may receive, subject to presence and performance conditions, 2,747,522 million shares of Rexel under the Free Share Scheme and 541,535 shares under the stock options programme (see 16.2).

Finally, in case of a breach of employment contract, the Group could have to compensate the executive committee members a total amount of €11.3 million.

25.| CONTRACTUAL OBLIGATIONS

25.1 | Contractual Obligations

The following table details the due dates of the Group's financial debts, lease contracts and service agreements:

(in millions of euros)	Payments due as at December 31, 2007					
	Total	**2008**	**2009**	**2010**	**2011**	**> 2011**
Financial debt [(1)]………………………	2,121.8	119.2	4.8	6.7	0.3	1,990.8
Operating leases ……………………	515.3	133.7	102.9	78.1	57.9	142.7
Service agreements …………………	127.9	22.3	22.5	22.5	22.5	38.1

Commitments to lease contracts

The above table presents the minimum lease for uncancellable contracts for buildings and installations for which the due date is more than one year from December 31, 2007.

The total expense for lease contracts was €210.0 million for the year ended December 31, 2007.

Non-cancellable service agreements

As part of its policy of outsourcing IT resources, the Group has concluded service contracts in the United States, France and Canada. The French service contract will expire in 2012. In Canada and the United States, Rexel renegotiated the contracts which were set to expire in 2012 and 2008. The new contracts will expire in 2014. They include commitments to pay and penalties for early termination. Fees remaining due in respect to these IT service agreements come to €127.9 million as of December 31, 2007.

25.2 | Other obligations

Issuance of a public offer on Hagemeyer

On December 21, 2007, Rexel and Hagemeyer issued a joint announcement of a recommended public offer for the purchase of all shares and bonds of Hagemeyer N.V. (hereafter referred to as, "the Offer") by Kelium S.A.S. (hereafter referred to as, "the Offeror"), an indirect subsidiary of Rexel.

A prospectus was thereupon released pursuant to the provisions of the Dutch Securities Trade Supervision (AFM) and the Offeror has made its offer for the following: (i) all the issued and outstanding shares with a nominal value of €1.20 each in the share capital of Hagemeyer (the Shares) at a price of EUR 4.85 per Share (cum dividend) (the Share Offer) and (ii) all issued and outstanding 3.50 percent subordinated convertible bonds due 2012 (the Bond Offer). The Offer sets the value of Hagemeyer at approximately €3.1 billion.

This Offer was recommended unanimously by the Management and Supervisory Board of Hagemeyer. The period of the Offer extends from December 24, 2007 until March 4, 2008.

In addition, Rexel has agreed with Sonepar S.A. (Sonepar) that, subject to the Offer being declared unconditional and completion of any necessary information and/or consultation procedures with employee representative bodies, the assets, entities and businesses of Hagemeyer (other than those of its ACE division) located in the United States of America, Canada, Mexico, Australia, Switzerland, Austria, Sweden, China and Southeast Asia (Malaysia, Thailand and Singapore) as well as six identified branches in Germany (the Sonepar Entities) will be sold on to Sonepar. The agreement concluded between Rexel and Sonepar in this respect sets out a formula to determine the price for such sales, based on the same multiples of revenues and EBITDA (applied to 2007 fiscal year financials) as those on which the price paid in the Share offer is based.

Rexel and Sonepar further announced that they have agreed that, subject to the successful completion of the Offer and completion of any necessary information and/or consultation procedures with employee representative bodies, (i) Rexel will sell all of its current assets and activities in Germany to Sonepar and (ii) Sonepar will sell all of its current assets and activities in Sweden to Rexel. The price of such sales would be calculated in the same manner and based on the same formula as that for the sales of the Sonepar Entities to Sonepar.

Following completion of the Offer, the sale of the Sonepar Entities to Sonepar and the swap between Rexel and Sonepar of their existing operations in Germany and Sweden (the Asset Swap), the overall transaction would have the following net impacts:

- 2006 net sales of perimeter acquired by Rexel: €3.2 billion.
- 2006 net sales of perimeter disposed of to Sonepar: €3.0 billion, including €1.2 billion in Europe.
- Net proceeds to Rexel from the sale of the Sonepar Entities to Sonepar and from the Asset Swap estimated at circa €1.7 billion on an enterprise value basis.

The Offer will be subject to the satisfaction or waiver, as the case may be, of the Offer Conditions, including but not limited to (i) the Offer Condition that at least 66.7 percent of the fully diluted share capital of Hagemeyer as of the Tender Offer Closing Date or the Postponed Tender Offer Closing Date, as the case may be, has been tendered under the offer; (ii) the absence of any material adverse changes affecting Hagemeyer; (iii) the absence of any measure taken that could reasonably be expected to impede the sale and transfer of property to Sonepar of a substantial part of the Sonepar entities, (iv) the absence of any concurrent offer recommended by the Supervisory or Management Boards of Hagemeyer or declared unconditional; (v) the absence of any administrative, regulatory or judicial decision restraining or prohibiting the envisaged operations; and (vi) the obtainment by Rexel and Sonepar of certain requisite authorisations from competition regulatory authorities in the United States and in Europe. In addition, Rexel has agreed with the European community to lease Hagemeyer operations in Ireland, which generated total sales of €30 million in 2007. No later than the fifth day of negotiation following the closing date of the Offer period; the Offeror will announce whether the offer will be declared unconditional.

Offer Financing

On December 19, 2007, Rexel and Kelium entered into a five-year and one day €5.4 billion multicurrency credit agreement (the "Credit Agreement") with Calyon, the Royal Bank of Scotland Plc and HSBC France, CIC, Ing Bank and Natixis, as mandated Lead Arrangers, and Calyon as Agent. The new Credit Agreement serves to finance the Offer on Hagemeyer shares and refinance the 2007 Senior Credit Agreement and Hagemeyer' s existing credit facilities.

The agreement provides for the availability of four credit facilities (Facility A, B, C, D) with the following purposes concurrently with the completion of the Offer:

- Facilities A, C and D are available for respectively €3.1 billion, €1.2 billion and €500 million and may be used to refinance Rexel and Hagemeyer loans existing at the date of the Offer, to finance the Offer including the transaction costs and market purchases of Hagemeyer shares. Facility A matures five years from the execution date; Facility C matures 6 months from the closing date of the Offer with an option to extend to an additional 6-month period the repayment date; Facility D matures 24 months as from the closing date.
- Facility B in an amount of €600 million is repayable five years as from the execution date and may be used to finance the general operating requirements of Group companies, in particular working capital requirements, as well as to finance certain acquisitions that meet the criteria set out in the 2007 Credit Agreement. Drawdowns may be made under Facility B up to one month prior to the maturity date of the Credit Agreement and are repayable at the end of the term of each drawing made by the borrowing companies (one, two, three, or six months).
- Under this agreement, Rexel and certain of its subsidiaries (Rexel Distribution, Rexel Inc, Rexel North America Inc, International Electrical Supply Corp. and General Supply & Services Inc) as well as Hagemeyer, N.V. are considered as obligors.

Amounts drawn bear interest at a rate determined in reference to (i) the LIBOR rate when funds are made available in currencies other than the euro or the EURIBOR rate when funds are made available in euros; (ii) the cost relating to lending banks' reserve requirements and fee payments; (iii) the applicable margin.

Covenants

Under the terms of the Credit Agreement, Rexel must, at each of the dates indicated below, maintain a Leverage Ratio (Net debt to EBITDA) below the following levels:

Accounting date	Maximum leverage ratio
31 December 2007	4.90
30 June 2008	4.90
31 December 2008	4.75
30 June 2009	4.75
31 December 2009	4.50
30 June 2010	4.25
31 December 2010	3.90
30 June 2011 and thereafter	3.50

EBITDA means operating income before other income and other expenses, plus depreciation and amortisation as set forth in the Group's financial statements and:

- includes adjusted EBITDA over the last twelve months of all the companies acquired during the relevant period, pro rata to the group's participation;
- includes proceeds relating to commodity price derivatives to hedge exposure to the price fluctuations of certain commodities which do not qualify for cash flow hedge accounting under applicable IAS standards;
- excludes non-cash expenses relating to employee profit sharing and any share based payments;
- excludes restructuring costs related to the integration of Hagemeyer; and
- adjusted from the nonrecurring impact of the evaluation of copper prices included in cables.

Net debt means any indebtedness for debt-bearing interest (whether in cash or in kind) converted on the basis of the relevant average exchange rate against euro over the last twelve months. When financial debt is denominated in currencies other than the euro, it:

- excludes transaction costs, intercompany loans and financial indebtedness under Facility C;
- includes any indebtedness with respect to securities which are not mandatorily redeemable in shares;
- includes accrued interest other than that with respect to intercompany loans;
- excludes cash and cash equivalents.

The Credit Agreement provides for a pledge of Hagemeyer shares and Kelium shares in favor of the Security Agent on behalf of the financing parties. This Security interest will be released if at any time the leverage ratio is less than 2.25.

The Credit Agreement contains standard clauses for this type of agreement. These include clauses restricting the ability of Group companies which are parties to the Credit Agreement, as well as certain subsidiaries, to pledge their assets, carry out mergers or restructuring programmes, borrow or lend money, provide guarantees or make certain investments, as well as provisions concerning acquisitions by Group companies. The Credit Agreement allows partial or total acceleration upon the occurrence of certain events, including the case of a payment default under the Credit Agreement, failure to comply with the Leverage Ratio set forth above, payment defaults or acceleration of other financial debt of certain Group entities (above specified amounts) or other events that are likely to have a material adverse effect of the payment obligations of the borrowers and the guarantors or on their ability to comply with the Indebtedness Ratio as set forth above.

26.| SUBSEQUENT EVENTS AS OF DECEMBER 31, 2007

On January 31, 2008, General Supply & Services, Inc., a subsidiary of Rexel, acquired Beacon Electric Supply, a distributor of electrical supplies based in San Diego. This company realised net sales of US$49.5 million in 2006 (€33.6 million). The acquisition price, before adjustment, amounts to US$20.7 million plus a maximum earn-out payment of US$3 million (€2.1 million), due in 2009 if achieved.

On January 31, 2008, Rexel Group Australia Pty Ltd acquired the business of ABK Electrical Wholesale Pty Ltd, a distributor of electrical supplies with annual sales of approximately AU$11 million (€6.5 million). The acquisition price before adjustment is AU$2 million (€1.2 million) with a maximum earn-out of AU$2.8 million (€1.7 million), due in 2008 and 2009 if achieved.

The acquisition price, before adjustment, is estimated at CNY51.4 million (€4.8 million). To date, completion of this acquisition, expected to occur in the second half of 2008, is subject to the usual conditions for this type of transaction and especially the approval of the Chinese authorities.

27.| CONSOLIDATED COMPANIES

		%	
FRANCE	**Registered office**	**Interest**	**Control**
Holding and Group service companies			
Rexel S.A.	Paris	Parent company	
Ray Acquisition S.C.A.	Paris	100,00	100,00
Kelium	Paris	100,00	100,00
Rexel Distribution S.A.	Paris	100,00	100,00
Rexel Services S.A.S.	Paris	100,00	100,00
Rexel Développement S.A.R.L.	Paris	100,00	100,00
Société Immobilière d'Investissement Parisienne S.N.C.	Paris	100,00	100,00
Société Logistique Appliquée S.N.C.	Paris	100,00	100,00
Rexel Financement S.N.C.	Paris	100,00	100,00
Rexel Amérique Latine S.A.S.	Paris	100,00	100,00
Asfordis Association	Paris	100,00	100,00
Rexel France S.A.S.	Paris	100,00	100,00
Dismo France S.A.S.	St-Ouen l'Aumône	100,00	100,00
Appro 5 S.A.S.	St Apollinaire	100,00	100,00
Appro 5 Sud S.A.R.L.	St Apollinaire	100,00	100,00
Bizline S.A.S.	Paris	100,00	100,00
Citadel S.A.S.	Paris	100,00	100,00
Comrex Ouest S.A.S.	Paris	100,00	100,00
Conectis S.A.S.	Paris	100,00	100,00

		%	
EUROPE	**Registered office**	**Interest**	**Control**
Germany			
Rexel GmbH	Hanover	100,00	100,00
Rexel Deutschland Elektrofachgrosshandel GmbH	Munich	100,00	100,00
United Kingdom			
CDME UK Ltd	Potters Bar	100,00	100,00
Rexel Senate Ltd	Potters Bar	100,00	100,00
100.00Denmans Electrical Wholesalers Ltd	Potters Bar	100,00	100,00
Martines Ltd	Potters Bar	100,00	100,00
Power Industries Ltd	Erdington	100,00	100,00
Clearlight Electrical Ltd	Erdington	100,00	100,00

EUROPE (continued)	Registered office	% Interest	Control
Sweden			
Selga	Alvsjô	100,00	100,00
Svenska Elecktroengros AB	Alvsjô	100,00	100,00
EL Materiel AB	Alvsjô	100,00	100,00
Electriska Standardkatalogen AB	Alvsjô	100,00	100,00
John Martensson Elmaterial AB	Alvsjô	100,00	100,00
Mellansvenka Electriska AB	Alvsjô	100,00	100,00
Austria			
Rexel Central Europe Holding GmbH	Vienna	100,00	100,00
Rexel Austria GmbH	Vienna	100,00	100,00
Schäcke GmbH	Vienna	100,00	00,00
Regro Elektro-Grosshandel GmbH	Vienna	100,00	100,00
Beli Vermogensverwaltungs GmbH	Vienna	100,00	100,00
Netherlands			
CDME BV	Amsterdam	100,00	100,00
Rexel Nederland BV	Gouda	100,00	100,00
Italy			
Rexel Italia SpA	Agrate Brianza	100,00	100,00
Spain			
Rexel Material Electrico SA	Barcelona	100,00	100,00
Belgium			
Rexel Belgium SA	Brussels	100,00	100,00
Portugal			
Rexel Distribuição de Material Elecrico SA	Alfragide	100,00	100,00
Ireland			
Rexel Electrical Supply & Services Holding Ltd	Dublin	100,00	100,00
M Kelliher 1998 Ltd	Dublin	100,00	100,00
Switzerland			
Finelec Developpement SA	Sion	100,00	100,00
Switzerland			
Elektro Material AG	Zurich	100,00	100,00
Luxembourg			
Mexel SA	Luxemburg	100,00	100,00
HTF GmbH	Luxemburg	100,00	100,00
Czech Republic			
Rexel CZ	Prostejov	100,00	100,00
Elvo AS	Brno	100,00	100,00
Slovakia			
Hagard Hal AS	Nitra	100,00	100,00
Hungary			
Mile Kft	Budapest	100,00	100,00
Rexel Hungary General Supply & Services LLC	Budapest	100,00	100,00
Slovenia			
Elektronabava d.o.o.	Ljubljana	100,00	100,00
Poland			
V-Center Ltd	Katowice	100,00	100,00
Russia			
Est-Elec Ltd	Moscow	100,00	100,00

		%	
		Interest	Control
SOUTH AMERICA			
Chile			
Rexel Chile SA	Santiago	100,00	100,00
Rexel Electra SA	Santiago	100,00	100,00

		%	
SOUTH AMERICA (continued)			
Chile (continued)			
Flores y Kersting SA	Santiago	100,00	100,00

		%	
NORTH AMERICA	**Registered office**	**Interest**	**Control**
United States			
International Electrical Supply Corp.	Wilmington	100,00	100,00
Rexel Inc.	Dallas	100,00	100,00
Rexel USA Inc.	Dallas	100,00	100,00
SKRLA LLC	Dallas	100,00	100,00
SPT Holdings Inc	Dallas	100,00	100,00
Summers Group Inc	Dallas	100,00	100,00
Rexel of America LLC	Dallas	100,00	100,00
Branch Group Inc	Dallas	100,00	100,00
Southern Electric Supply Company Inc	Dallas	100,00	100,00
CES Bahamas Limited	Dallas	99,80	99,80
General Supply & Services Inc.	Shelton	100,00	100,00
Unilec Corporation	Arizona	100,00	100,00
Supply Operations Inc.	Denver	100,00	100,00
GE Supply Logistics LLC	Irving	100,00	100,00
Gesco General Supply & Services Puerto Rico LLC	Puerto Rico	100,00	100,00
General Supply & Services Malaysia LLC	Shelton	100,00	100,00
General Supply & Services Macau LLC	Shelton	100,00	100,00
General Supply & Services Indonesia LLC	Shelton	100,00	100,00
General Supply & Services Malaysia SA Holding LLC	Shelton	100,00	100,00
Canada			
Rexel North America Inc	St Laurent	100,00	100,00
Rexel Canada Electrical Inc	St Laurent	100,00	100,00
Kesco Electric Supply Limited	Petersborough	100,00	100,00

ASIA-PACIFIC		% Interest	% Control
China			
Rexel Hailongxing Electrical Equipment Co Ltd	Beijing	65,00	65,00
Comrex International Trading Shanghai Co Ltd	Shanghai	100,00	100,00
Rexel Hualian Electric Equipment Commercial Co Ltd	Shanghai	65,00	65,00
Comrex Hong Kong Ltd	Hong Kong	100,00	100,00
Huazhang Electric Automation Holding Co Ltd	Hong Kong	51,00	51,00
Zhejiang Huazhang Electric Trading Co Ltd	Huanzhou	51,00	100,00
GE Supply Co Ltd	Shanghai	100,00	100,00
Singapore			
Gexpro Supply Asia Pty Ltd	Singapour	100,00	100,00
Thaïland			
Rexel General Supply and Services Co Ltd	Bangkok	100,00	100,00

	Registered office	% Interest	% Control
Australia			
Rexel Pacific Pty Ltd	Sydney	100,00	100,00
Rexel Group Australia Pty Ltd	Sydney	100,00	100,00

ASIA-PACIFIC (continued)	Registered office	% Interest	% Control
Australia (continued)			
Australian Regional Wholesalers Pty Ltd	Milton	100,00	100,00
Page Data Pty Ltd	Sydney	100,00	100,00
ACS Automated Control Systems Pty Ltd	Perth	100,00	100,00
EIW Holding Pty Ltd	Perth	100,00	100,00
Lear & Smith Group Pty Ltd	Perth	100,00	100,00
Lear & Smith Holding Pty Ltd	Perth	100,00	100,00
Lear & Smith Investment Pty Ltd	Perth	100,00	100,00
Lear & Smith Electrical Wholesalers Pty Ltd	Perth	100,00	100,00
EIW Wangara Pty Ltd	Perth	100,00	100,00
EIW Kewdale Pty Ltd	Perth	100,00	100,00
EIW Malaga Pty Ltd	Perth	100,00	100,00
EIW Metro Pty Ltd	Perth	100,00	100,00
EIW O'Connor Pty Ltd	Perth	100,00	100,00
EIW Osborne Park Pty Ltd	Perth	100,00	100,00
EIW Bunbary Pty Ltd	Perth	100,00	100,00
EIW Geraldton Pty Ltd	Perth	100,00	100,00
Kalgoorlie Pty Ltd	Perth	100,00	100,00
New Zealand			
Redeal Ltd	Auckland	100,00	100,00

III. Statutory auditors’ report

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

REXEL, SA

Registered office: 189-193 boulevard Malesherbes – 75017 Paris.
Share capital: €1 279 969 135

Statutory auditors' report on the consolidated financial statements

Year ended December 31, 2007

To the Shareholders,

Following our appointment as statutory auditors by our general meetings, we have audited the accompanying consolidated financial statements of REXEL for the year ended December 31, 2007.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion, the consolidated financial statements, give a true and fair vew of the assets, liabilities, and financial position of the group at December 31, 2007 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

2. Justification of our assessment

In accordance with the requirements of article L.823-9 of the French Commercial Law (Code of Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

As disclosed in note 3.2, the group makes estimates and assumptions, particularly in respect of the measurement of financial instruments (note 3.9.4), intangible assets (note 3.5), employee benefits (note 3.13) , share-based payments (note 3.14) , provisions (3.15) and deferred taxation (note 3.19), we have examined the related available documentation supporting these estimates, and assessed their reasonableness.

Note 4 "Business combinations", discloses the accounting principles and methods, applied in respect of acquisitions carried out in the form of a purchase of assets or of a business. We have verified that the acquisitions have been treated in accordance with IFRS using the purchase method of accounting. The acquisition price has been allocated by the company to identifiable assets, liabilities and contingent liabilities on the basis of the estimated fair value of the acquired assets and assumed liabilities. We have examined the related available documentation, and have assessed the reasonableness of the estimates used.

These assessements were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

3. Specific verifications

In accordance with professional standards applicable in France, we have also verified the information given in the group management report. We have no matters to report regarding its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, le 13 février 2008

KPMG Audit

ERNST & YOUNG AUDIT

Hervé Chopin

Pierre Bourgeois

Jean Bouquot

REXEL

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