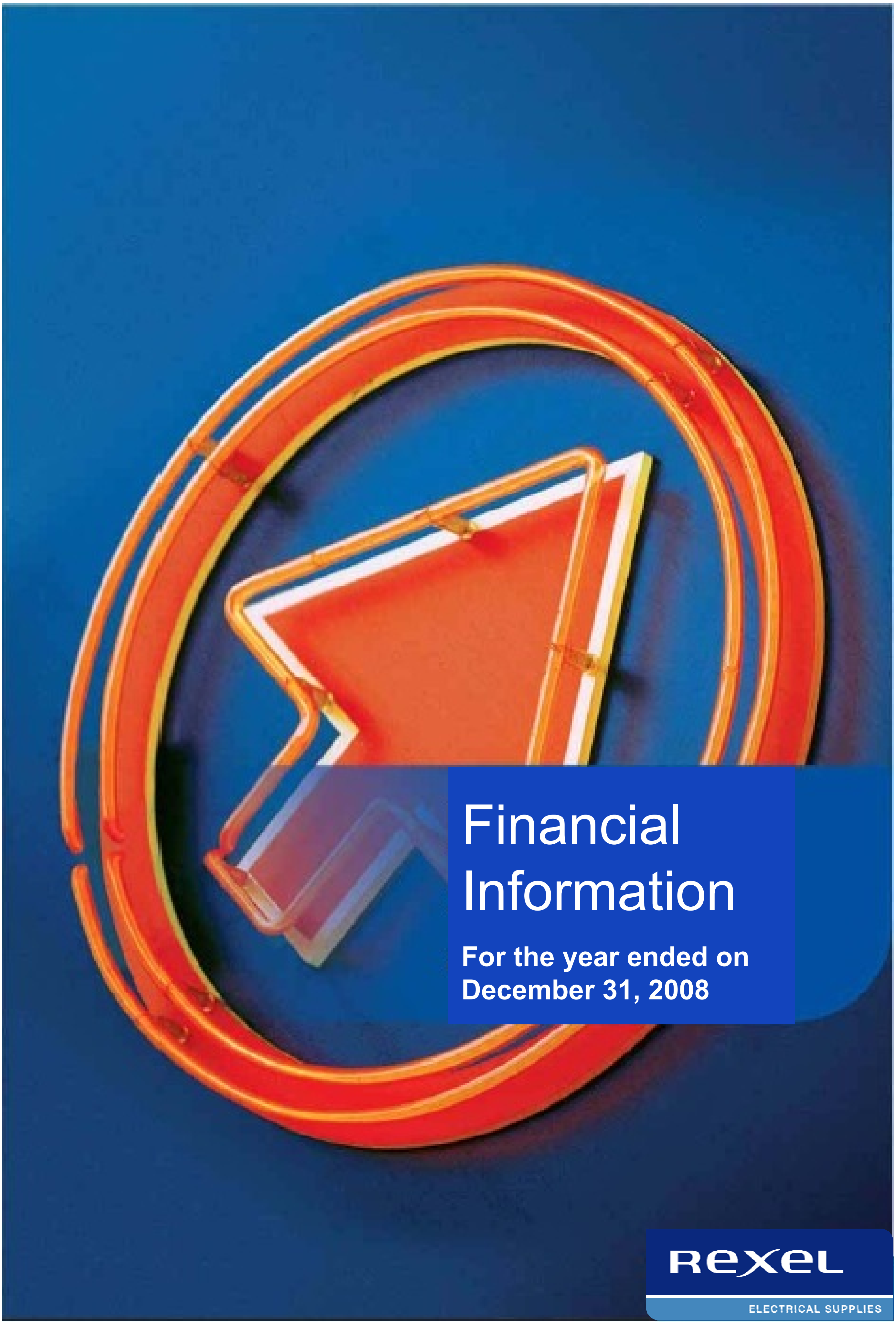

Financial Information

For the year ended on December 31, 2008

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
75017 Paris
479 973 513 R.C.S. Paris

Financial information for the year ended December 31, 2008

I. Activity report

This document is a free translation into English of the activity report for the year ended on December 31, 2008 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, 2008, 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 Ray Acquisition S.C.A., its direct subsidiary, on March 16, 2005. Rexel shares have been listed on the Eurolist market of Euronext Paris since April 4, 2007.

Following the tender offer in The Netherlands, ended on March 25, 2008 and initiated in connection with the agreement entered into on November 22, 2007 between Rexel, Sonepar, and Hagemeyer, Rexel acquired control of Hagemeyer N.V., a Netherlands based company operating as a worldwide distributor of electrical supplies.

Concurrently, Rexel entered into agreements with Sonepar regarding the transfer to Sonepar of the businesses of Hagemeyer (other than those of its Agencies / Consumer Electronics ("ACE") segment) located in the United States, Canada, Mexico, Australia, Switzerland, Austria, Sweden, China, and Southeast Asia (Malaysia, Thailand and Singapore), as well as of six branches located in Germany (the "Sonepar Entities"). In addition, Rexel committed itself to transfer to Sonepar its current business in Germany and Sonepar committed itself to transfer to Rexel its current business in Sweden. All of these operations were completed by June 30, 2008.

The retained Hagemeyer entities were consolidated from March 31, 2008. As a consequence, the assets and liabilities of these entities are included in the Group consolidated balance sheet while their revenues, costs and cash flows are included in the consolidated income statement and cash flow statement only since April 1, 2008. The former business of the Group in Germany, transferred to Sonepar in the second quarter, has been excluded from the scope of consolidation since March 31, 2008. The business acquired from Sonepar in Sweden is consolidated from July 1, 2008. In addition, a pro forma income statement is disclosed in section 1.3 in order to reflect the effect of these transactions as if they had occurred on January 1, 2008. This pro forma income statement also reflects the effect of the disposal of the electrical distribution business of Hagemeyer in Ireland because of Rexel's commitment to the European competition authorities to such disposal.

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 is a 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 and non-core operations 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 2008, the Group recorded consolidated sales of €12,861.6 million, of which €7,166.6 million were generated in Europe (56% of sales), €4,404.8 million in North America (34% of sales), €881.9 million in the Asia-Pacific zone (7% of sales), and €408.3 million related to Other Operations (3% of sales).

The Europe zone consists of France (which accounts for approximately 35% of Group consolidated sales in this zone), Germany, the United Kingdom, Ireland, Austria, Switzerland, The Netherlands, Sweden, Italy, Belgium, Spain, and Portugal, as well as several Central European countries (Slovenia, Hungary, Slovakia, the Czech Republic, Poland and Russia). Following the acquisition of Hagemeyer, the Europe zone also includes Finland, Norway and the Baltic States from the second quarter of 2008.

The North America zone consists of the United States and Canada. The United States represents approximately 77% of the Group's consolidated sales in this zone and Canada the remaining 23%.

The Asia-Pacific zone consists of Australia, New Zealand and China, as well as India and certain countries in Southeast Asia (Indonesia, Malaysia, Singapore, Thailand and Vietnam). Australia accounts for approximately 70% of the Group's consolidated sales in this zone and New Zealand close to 15%.

The Other Operations segment includes ACE, the Agencies / Consumer Electronics division acquired from Hagemeyer from the beginning of the second quarter of 2008, which represented approximately 3% of the Group's sales on a yearly basis. It also includes Chile, which represented less than 0.5% of the Group's sales in the same period 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.

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, about half of annual free cash flow generated in the first half, a low third quarter due to an increase in working capital requirements as a result of higher sales in September, and a strong 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 18% of the Group's sales, and copper accounts for approximately 58% of the composition of cables. This exposure is indirect since cables prices also depend on suppliers' commercial policies and on the competitive 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 related to the change in copper-based cables price corresponds to the change in value of the copper part included in the selling price of cables from one period to another. This effect mainly relates to sales;
- The non-recurring effect related to the change in copper-based cables price 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).

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 adjusts 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 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. This amount is the price paid for the shares or assets acquired reduced by the acquired cash. 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.

In the year 2008, the Group acquired Beacon Electric Supply Company, an electrical supplies distributor in the area of San Diego in the United States, the business of the ABK Electrical Wholesale Pty.Ltd Company, an electrical supplies distributor in Australia, Egleys Electrical in New Zealand, Espace Elec and NFM SA in France, and B.V. Electrotechnische Groothandel J.K. Busbroek in The Netherlands. These acquisitions amounted to €59.0 million net of cash acquired, including prices adjustments on previous acquisitions.

In 2008, the Group also acquired Hagemeyer in an offering that ended on March 25, 2008. As of December 31, 2008, Rexel owned 99.13% of the outstanding shares and all of the convertible bonds outstanding for an amount of approximately €3.2 billion through its subsidiary Kelium. The transfer of the agreed activities to Sonepar was completed in June for an amount of approximately €1.6 billion. In addition, Rexel disposed of its activities in Germany to Sonepar for an amount of €177 million and acquired from Sonepar its activities in Sweden for an amount of €86 million. In total, the assets sale to and assets swap with Sonepar resulted for Rexel in a reduction of its net debt of approximately €1.7 billion.

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-based cables 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 is not deemed relevant to the Group's other consolidated income statement items.

Exclude the effect of the amortization of the intangible assets recognized in preliminary allocation of the purchase price of Hagemeyer

Since the acquisition of Hagemeyer and in order to make the information comparable to the one of the previous periods, the amortization of the intangible assets recognized in the purchase price of

Hagemeyer allocation is excluded from the Adjusted figures. This restatement takes effect after the completion of the Hagemeyer Offer, i.e. from the second quarter of 2008 onward. This restatement has an effect on EBITA only, as defined below, which is then referred to as "Adjusted EBITA".

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 two following elements:

    - The estimated non-recurring effect related to changes in copper-based cable price;

    - The amortization of the intangible assets recognized in the allocation of the purchase price of Hagemeyer.

  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 an 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)	2008	2007	2008	2007
Operating income before other income and other expenses (EBITA)	**120.1**	**157.9**	**630.0**	**648.4**
External growth		29.8		80.7
Foreign exchange effect		(0.1)		(21.5)
Non recurring effect related to copper	56.1	15.7	60.9	1.5
Amortization of intangible assets recognized in the allocation of the purchase price of Hagemeyer	2.7	3.0	8.5	9.0
Adjusted EBITA on a constant basis	**178.9**	**206.3**	**699.4**	**718.1**

1.2 | Comparison of the financial results as at December 31, 2008 and December 31, 2007

Rexel recorded full year sales of €12,861.6 million, up 20.2% on an actual basis. The rise in sales included €2,592.0 million from acquisitions net of divestitures, partially offset by €402.7 million in adverse exchange rate fluctuations, mainly due to the depreciation of the US dollar against the euro.

On a constant basis and same number of working days, sales were down 0.8% in the full year. While year-to-end-September sales were up 1.6%, the global economic downturn led to a marked slump in the fourth quarter (-6.7%) of which the sharp drop in copper-based cables price accounted for approximately one third.

Despite lower sales, Rexel achieved full year Adjusted EBITA margin of 5.4%:

- Gross margin, restated for the non-recurring items in the first quarter of 2007, rose by 20 basis points, due to the successful implementation of operating levers, notably the optimization of the supply chain, and a favourable product mix, as well as initial purchasing synergies with Hagemeyer;

- Distribution and administrative expenses were kept under tight control (+0.6%), showing the Group’s responsiveness to rapid changes in market conditions.

In the fourth quarter, the 6.7% decline in sales, mitigated by a 10 basis points improvement in Adjusted gross margin, led to a 50 basis points contraction in Adjusted EBITA margin on a constant basis. Distribution and administrative expenses were reduced by 3.3%, reflecting the acceleration of cost-cutting actions taken since the beginning of the year. As of December 31, 2008, headcount was 6.0% lower than a year ago on a constant basis.

Full year net income attributable to equity holders of Rexel rose 61.0% to €230.2 million:

- Operating income before other income and expenses was impacted by the non-recurring effect resulting from the sharp decrease in copper price, which is estimated at €60.9 million;

- Other income and expenses amounted to a net loss of €76.6 million: in 2008, capital gains (€119.9 million) were offset by restructuring expenses (€75.6 million of which €27.7 million related to Hagemeyer integration) and a goodwill and assets impairment charge (€97.1 million);

- Net financial expenses amounted to €210.2 million compared with €319.2 million in 2007, which included IPO-related debt refinancing costs.

In the fourth quarter, non-recurring charges of €125 million net of tax (including the effect resulting from the sharp decrase in copper price, goodwill and asset impairment, mainly in Spain, and restructuring expenses) led to a net loss attributable to equity holders of Rexel of €62.8 million.

Free cash flow before interest and tax paid increased 17.7% to €789.1 million in the full year, reflecting:

- A further reduction in working capital as a percentage of sales, to 12.6% from 13.0% a year ago on a constant basis, excluding the estimated recurring effect resulting from copper-based cables price evolution;

- Capital expenditure of €96.8 million in 2008, partially offset by €88.1 million of disposals of fixed assets, leading to a net cash outlay of €8.7 million in 2008 (€20.6 million in 2007).

After €186.7 million of net interest paid and €109.8 million of income tax paid, full year free cash flow amounted to €492.6 million, up 19.9% compared with the previous year.

Net debt was reduced to €2,932.0 million on December 31, 2008, compared with €3,213.2 million on September 30, 2008, thanks to strong fourth quarter free cash flow of €235.6 million.

In December 2008, Rexel closed a new securitization of trade receivables programme, optimizing its sources of financing in terms of cost and maturity. This 5-year programme is based on trade receivables from Hagemeyer's activities following their integration. It is aimed at refinancing facility D of the 2008 Senior Credit Agreement which was originally designed as a bridge financing. The maximum amount to be drawn under this new programme is €600 million, of which €266 million were drawn as of December 31, 2008.

As of December 31, 2008, the Group's liquidity amounted to €1.3 billion including €716 million of cash net of overdrafts and €585 million of undrawn revolver credit. Rexel's liquidity therefore largely exceeds the €790 million mandatory senior debt repayments until end-2011.

As of December 31, 2008, the leverage ratio calculated as per the 2008 Senior Credit Agreement covenant stood at 3.60x, compared with the year-end commitment of 4.75x.

1.2.1 | Rexel's consolidated financial results

The following table sets out Rexel's consolidated income statement for the years and fourth quarters 2008 and 2007, in millions of euros and as a percentage of sales.

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	3,423.6	2,722.6	25.7%	12,861.6	10,704.4	20.2%
Gross profit	775.1	654.2	18.5%	3,062.3	2,615.6	17.1%
Distribution and administrative expenses(1)	(655.0)	(496.3)	32.0%	(2,432.3)	(1,967.2)	23.6%
EBITA(2)	120.1	157.9	(23.9)%	630.0	648.4	(2.8)%
Other income and expenses	(102.7)	(27.2)		(76.6)	(77.9)	
Operating income	17.4	130.7		553.4	570.5	
Financial expenses	(69.3)	(26.2)		(210.2)	(319.2)	
Income tax	(10.6)	(47.9)		(111.7)	(107.8)	
Net income	(62.5)	56.6		231.5	143.5	
as a % of sales	*(1.8)%*	*2.1%*		*1.8%*	*1.3%*	
(1) Including depreciation	(28.0)	(24.0)	16.7%	(102.5)	(77.0)	33.1%

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

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31, Rexel + Hagemeyer (3)			Year ended December 31, Incl. Hagemeyer (3) from April 1st		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	3,423.6	**3,636.7**	**(5.9)%**	12,861.6	**12,893.7**	**(0.2)%**
Same number of working days			*(6.7)%*			*(0.8)%*
Gross profit	831.9	881.4	(5.6)%	3,124.1	3,129.1	(0.2)%
as a % of sales	*24.3%*	*24.2%*		*24.3%*	*24.3%*	
Distribution and administrative expenses	(653.0)	(675.1)	(3.3)%	(2,424.7)	(2,411.0)	0.6%
as a % of sales	*(19.1)%*	*(18.6)%*		*(18.9)%*	*(18.7)%*	
EBITA(2)	**178.9**	**206.3**	**(13.3)%**	**699.4**	**718.1**	**(2.6)%**
as a % of sales	***5.2%***	***5.7%***		***5.4%***	***5.6%***	
Adjusted EBITA excluding the non-recurring items in Q1 2007 (4)	**178.9**	**206.3**	**(13.3)%**	**699.4**	**702.1**	**(0.4)%**
as a % of sales	***5.2%***	***5.7%***		***5.4%***	***5.4%***	

(3) Hagemeyer retained activities.
(4) Specific non-recurring commercial actions.

Sales

In the year 2008, Rexel's consolidated sales increased by 20.2% to reach €12,861.6 million, a 0.8% decrease on a constant basis and same number of working days. Acquisitions net of divestitures accounted for an increase of €2,592.0 million, mainly related to the Hagemeyer transaction, while the negative effect of changes in exchange rates amounted to €402.7 million, mainly due to the depreciation of the US dollar against the Euro. In the fourth quarter of 2008, sales decreased by 6.7% on a constant basis and same number of working days.

The following table analyzes the changes in sales growth between the years 2007 and 2008, on a reported basis and on a constant basis and same number of working days:

		Growth 2008 vs. 2007					
		Q1	Q2	H1	Q3	Q4	Year
Growth on a constant basis and same number of working days		3.1%	1.7%	2.3%	0.4%	(6.7)%	(0.8)%
Number of working days effect		(1.9)%	1.8%	0.2%	0.7%	0.8%	0.6%
Organic growth	(a)	*1.2%*	*3.5%*	*2.5%*	*1.1%*	*(5.9)%*	*(0.2)%*
External growth		1.3%	29.2%	15.7%	32.2%	33.1%	24.2%
Foreign exchange		(4.7)%	(6.2)%	(5.5)%	(4.7)%	0.5%	(3.8)%
Total of external growth and foreign exchange	(b)	*(3.4)%*	*23.1%*	*10.2%*	*27.4%*	*33.6%*	*20.5%*
Actual growth (a) x (b) [1]		(2.3)%	27.3%	12.9%	28.8%	25.7%	20.2%

[1] Organic growth compounded with external growth and foreign exchange

In the year 2008, decrease in copper-based cables prices accounted for approximately (0.3)% in the (0.8)% Group's sales variation on a constant basis and same number of working days and (2.0)% in the (6.7)% variation in the fourth quarter.

Gross profit

In the year 2008, gross margin was 23.8% compared to 24.4% in 2007. On a constant basis, Adjusted gross margin remained stable compared to 2007 to 24.3%. Excluding the favourable non-recurring effect in the first quarter of 2007, Adjusted gross margin improved by 20 basis points. This improvement reflects the successful implementation of operating levers, notably the optimization of supply chain as well as purchasing synergies with Hagemeyer, together with a favourable product mix.

In the fourth quarter of 2008, Adjusted gross margin increased by 10 basis points compared to the fourth quarter of 2007 on a constant basis.

Distribution and administrative expenses

Rexel pursued the optimization of its costs structure over the period to adapt to the current activity trends. Distribution and administrative expenses as a percentage of sales increased from 18.4% in the year 2007 to 18.9% in the year 2008, notably due to a mix effect related to the consolidation from the second quarter of the Hagemeyer retained activities. On a constant basis, Adjusted distribution and administrative expenses increased by 0.6% between 2007 and 2008. Adjusted personnel expenses decreased by 0.8% on a constant basis as a result of the headcount reductions implemented, notably, in North America and in Europe (in particular in Spain and the United-Kingdom). At December 31, 2008, the number of employees was 32,967, to be compared to 35,085 at December 31, 2007 on a constant basis, namely a 6.0% reduction. During the fourth quarter of 2008, Rexel continued adapting its cost base in the United States, Asia Pacific and in Europe to address activity decrease in different countries. As a result, Adjusted distribution and administrative expenses decreased by 3.3% in the quarter compared to the fourth quarter of 2007 on a constant basis.

Operating income before other income and other expenses (EBITA)

Operating income before other income and other expenses (EBITA) reached €630.0 million in the year 2008, a 2.8% decrease compared to 2007 on a reported basis. On a constant basis, excluding the non-recurring favourable effect in the first quarter of 2007, Adjusted EBITA decreased by 0.4% and Adjusted EBITA margin remained stable at 5.4%. In the fourth quarter of 2008, Adjusted EBITA decreased 13.3% and represented 5.2% of sales, i.e. 50 basis points below last year.

Other income and other expenses

In the year 2008, other income and other expenses amounted to a net expense of €76.6 million and included a €104.9 million capital gain on the disposal of German operations to Sonepar and a

€10.1 million capital gain on the disposal of logistic centres in France. They also principally included a €87.4 million goodwill impairment charge in respect of the Group's operations in Spain, Czech Republic, Italy, New-Zealand, Finland and Poland, as well as €9.7 million impairment charge on other long-lived assets. Restructuring expenses amounted to €75.6 million, including Hagemeyer's integration expenses for €27.7 million. Finally, non-cash charges in respect of free shares granted in April 2007 concurrently to the IPO of Rexel accounted for €19.7 million.

Financial expenses

In the year 2008, net financial expenses were €210.2 million compared to €319.2 million in 2007. Net financial expenses included €11.0 million non-recurring costs related to the 2008 Group's refinancing and a €7.8 million foreign exchange gain related to the repayment of loans to the Hagemeyer entities sold to Sonepar. In 2007 net financial expenses included €165.9 million related to the Group's debt restructuring following its IPO. As from the second quarter of 2008, financial expenses reflect mainly the terms of the new Senior Credit Agreement entered into for the Hagemeyer transaction and the related increased debt. In the fourth quarter of 2008, net financial expenses thus amounted to €69.3 million compared to €26.2 million in the fourth quarter of 2007.

Tax expenses

The effective tax rate was 32.5% at December 31, 2008 compared to 42.9% at December 31, 2007.

In the year 2007, the effective tax rate included the effect of non-recurring IPO related costs, especially non-deductible expenses related to the free shares allocation plan. In the year 2008, excluding mainly the effects of the non taxable gain relating to the transfer to Sonepar of Rexel's operations in Germany, of the non deductible goodwill impairment mentioned above, of free shares and tax losses not recognized, the effective tax rate would have been approximately 31%.

Net income

Net income amounted to €231.5 million in the year 2008, of which €230.2 million attributable to equity holders of Rexel, compared to €143.5 million in the year 2007. In the fourth quarter of 2008, after €52.0 million goodwill impairment charge and €39.1 million restructuring expenses (before tax), net income amounted to a net loss of €62.5 million compared to a net profit €56.6 million in the fourth quarter of 2007.

1.2.2 | Europe

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	1,954.5	1,338.3	46.0%	7,166.6	5,041.9	42.1%
Gross profit	451.5	347.6	29.9%	1,773.7	1,343.5	32.0%
Distribution and administrative expenses	(392.9)	(244.6)	60.6%	(1,420.0)	(968.8)	46.6%
EBITA(1)	58.6	103.0	(43.1)%	353.7	374.7	(5.6)%
as a % of sales	*3.0%*	*7.7%*		*4.9%*	*7.4%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31, Rexel + Hagemeyer (2)			Year ended December 31, Incl. Hagemeyer (2) from April 1st		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	**1,954.5**	**2,093.5**	**(6.6)%**	**7,166.6**	**7,175.6**	**(0.1)%**
Same number of working days			*(6.5)%*			*(0.7)%*
Gross profit	495.6	527.7	(6.1)%	1,823.8	1,819.5	0.2%
as a % of sales	*25.4%*	*25.2%*		*25.4%*	*25.4%*	
Distribution and administrative expenses	(391.5)	(391.8)	(0.1)%	(1,414.9)	(1,384.3)	2.2%
as a % of sales	*(20.0)%*	*(18.7)%*		*(19.7)%*	*(19.3)%*	
EBITA(1)	**104.1**	**135.9**	**(23.4)%**	**408.9**	**435.2**	**(6.1)%**
as a % of sales	***5.3%***	***6.5%***		***5.7%***	***6.1%***	
Adjusted EBITA excluding the non-recurring items in Q1 2007	**104.1**	**135.9**	**(23.4)%**	**408.9**	**427.2**	**(4.3)%**
as a % of sales	***5.3%***	***6.5%***		***5.7%***	***6.0%***	

(1) EBITA = Operating income before other income and other expenses.
(2) Hagemeyer retained activities.

In the year 2008, sales increased by 42.1% in Europe compared to 2007 and reached €7,166.6 million. Acquisitions accounted for a €2,508.8 million increase, essentially due to the acquisition of Hagemeyer, and divestments accounted for a €341.7 million decrease, essentially related to the disposal of Rexel Germany and Kontakt Systeme in Switzerland, while changes in exchange rates accounted for a €33.4 million decrease. On a constant basis and same number of working days, the sales decreased by 0.7% in the year 2008 as a result of the further deterioration in economics and copper-based cables price decreases in the fourth quarter of 2008, with a 6.5% decrease, nearly every country posting a decrease.

In France, sales amounted to €2,483.0 million in 2008, a 2.5% increase on a constant basis and same number of working days. The Group estimates that it outperformed the market on a full year basis. This growth notably stemmed from small and medium contractors (approximately 30% of sales), with whom sales grew approximately 5% in the year 2008. By product family, sales growth was driven by electrical installation equipments and climate control, which increased by approximately 5% and 10% respectively over the period. In the fourth quarter, sales increased by 1.3% on a constant basis and same number of working days.

In the United-Kingdom, sales amounted to €943.2 million in the year 2008, a 3.1% decrease on a constant basis and same number of working days. Rexel historical banners posted a 0.4% decrease in the year despite poor market conditions, mainly attributable to the development of small contractors in the commercial end-market and branches opening, while the banners acquired from Hagemeyer recorded a 4.2% decrease as they suffer from the downturn of the construction market and projects on hold. In the fourth quarter, sales in the United-Kingdom decreased by 9.7% on a constant basis and same number of working days affecting all banners.

In Germany sales amounted to €771.3 million in the year 2008, a 0.5% increase on a constant basis and same number of working days. This performance reflects the activity of Rexel Germany for the first quarter of 2008 only and the one of Hagemeyer Germany in the three last quarters of 2008. In the first quarter of 2008, Rexel Germany recorded a 1.1% sales decrease on a constant basis and same number of working days resulting from a difficult environment in the south of the country and negative cables sales evolution. In the last three quarters of 2008, Hagemeyer Germany recorded a sales growth of 0.7% on a constant basis and same number of working days. Residential construction continued losing momentum and industrial end-market started slowing down particularly in the automotive sector. Sales to industrial customers, which represented approximately 30% of total sales, still recorded a positive increase in the period. This was the result of added-value service development to this market segment, through twenty industrial competence centres in Germany fully dedicated to assist the industrial customer base. In the fourth quarter of 2008 sales decreased by 4.1% on a constant basis and same number of working days impacted by the slowdown of the market.

In Scandinavia sales amounted to €707.2 million in the year 2008, a 3.1% increase on a constant basis and same number of working days, driven by Norway. Sales in Norway recorded a 9.2% increase mainly with large contractors and MRO customers' activity and despite a market slowing down in residential and industrial areas, thus outperforming the market. In Sweden, increase in sales amounted to 1.7% but started slowing down with lower sales to large projects and large accounts. Rexel estimates that it outperformed the market. The activities in Finland recorded 1.5% decrease in sales and are in a downturn trend, however succeeding in focusing on high added value segments. In the fourth quarter of 2008, sales in Scandinavia decreased by 4.1% on a constant basis and same number of working days starting being impacted by the general economic slowdown.

In the year 2008, gross profit amounted to €1,773.7 million, a 32.0% increase compared to 2007. On a constant basis, Adjusted gross margin was 25.4% of sales in the year 2008, stable versus 2007. On-going improvements were offset by the favourable non-recurring effects in the first quarter of 2007. Excluding these effects, Adjusted gross margin in the year 2008 is estimated to be 20 basis points higher than in 2007. In the fourth quarter of 2008, Adjusted gross margin was 20 basis points higher than in the fourth quarter of 2007 on a constant basis, at 25.4% of sales. These performances are mainly due to favourable changes in product and customer mix and from better purchasing terms, including synergies from the Hagemeyer acquisition.

In the year 2008, distribution and administrative expenses amounted to €1,420.0 million, i.e. 19.8% of sales compared to 19.2% in 2007. On a constant basis, Adjusted distribution and administrative expenses increased by 2.2%. Synergies resulting from the integration of Hagemeyer are progressing in accordance with expectations. In order to adapt costs to the economic downturn, specific cost reduction actions were implemented, whose full effect will only be reflected in the coming months. Lease and maintenance expenses posted an above-inflation increase due to commercial and logistic initiatives. In the logistics area, the implementation of a national distribution centre in Austria, the transfer and improvement of several logistic centres in France as well as the sale and partial leaseback of 7 logistics platforms representing 125,000 m^2, resulted in the increase in expenses. Adjusted personnel expenses remained stable on a constant basis. The number of employees was reduced by 5.9% compared to December 31, 2007 on a constant basis mainly in Spain and the United Kingdom, to 19,831 at December 31, 2008. Adjusted administrative and distribution expenses decreased by 0.1% in the fourth quarter on a constant basis.

Operating income before other income and other expenses (EBITA) amounted to €353.7 million, a 5.6% decrease compared to 2007. On a constant basis and excluding the effect of non-recurring items in the first quarter of 2007, estimated Adjusted EBITA decreased by 4.3% and Adjusted EBITA margin decreased by 30 basis points. In the fourth quarter of 2008, Adjusted EBITA decreased by 23.4% on a constant basis compared to the fourth quarter of 2007, and Adjusted EBITA margin decreased by 120 basis points from 6.5% to 5.3% of sales. Even though cost reduction plans were implemented in 2008, the full effect of the actions of the fourth quarter will only be reflected in the financial performance of 2009.

1.2.3 | North America

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	1,142.6	1,153.1	(0.9)%	4,404.8	4,806.1	(8.3)%
Gross profit	236.0	245.1	(3.7)%	946.8	1,043.9	(9.3)%
Distribution and administrative expenses	(189.2)	(192.8)	(1.9)%	(735.8)	(808.3)	(9.0)%
EBITA(1)	46.8	52.3	(10.5)%	211.0	235.6	(10.4)%
as a % of sales	*4.1%*	*4.5%*		*4.8%*	*4.9%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	**1,142.6**	**1,205.8**	**(5.2)%**	**4,404.8**	**4,490.2**	**(1.9)%**
Same number of working days			*(7.9)%*			*(2.2)%*
Gross profit	248.0	262.5	(5.5)%	958.8	981.6	(2.3)%
as a % of sales	*21.7%*	*21.8%*		*21.8%*	*21.9%*	
Distribution and administrative expenses	(189.2)	(202.9)	(6.7)%	(735.7)	(756.0)	(2.7)%
as a % of sales	*(16.6)%*	*(16.9)%*		*(16.7)%*	*(16.9)%*	
EBITA(1)	**58.8**	**59.6**	**(1.4)%**	**223.1**	**225.6**	**(1.1)%**
as a % of sales	***5.1%***	***4.9%***		***5.1%***	***5.0%***	
Adjusted EBITA excluding the non-recurring items in Q1 2007	**58.8**	**59.6**	**(1.4)%**	**223.1**	**217.6**	**2.5%**
as a % of sales	***5.1%***	***4.9%***		***5.1%***	***4.8%***	

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

In the year 2008, sales in North America amounted to €4,404.8 million, an 8.3% decrease compared to 2007. This decrease mainly resulted from the €315.9 million unfavourable evolution of the US and Canadian dollars against the Euro. On a constant basis and same number of working days, sales decreased by 2.2% in 2008 compared to 2007. In the fourth quarter of 2008, sales decreased by 7.9% on a constant basis and same number of working days, impacted by the economic downturn.

In the United States, sales amounted to €3,401.5 million in the year 2008, a 3.9% decrease on a constant basis and same number of working days. The downturn of residential construction continued while commercial end-markets weakened and some industrial segments continued slowing down in the fourth quarter of 2008. Overall, the banking and credit crisis led to cancellations or postponements of projects. Despite the economic environment, Rexel implemented initiatives which contributed to sales growth in some governmental/institutional projects, and also specific industrial end-markets, such as in wastewater treatment plants. Sales decreased by 11.5% on a constant basis and same number of working days in the fourth quarter of 2008, reflecting the increased slowdown of the overall economics in the United States.

In Canada, sales amounted to €1,003.3 million in the year 2008, a 4.2% increase on a constant basis and same number of working days. Sales were affected by a softening economy, in particular in the industrial sector, notably in Ontario and Quebec, but also in the forestry operations in British Columbia. Sales teams were able to refocus on the growing sectors at regional level such as oil sands projects in Alberta and institutional and commercial projects in Eastern Canada and Ontario. In the fourth quarter of 2008, sales thus increased by 7.1% on a constant basis and same number of working days, confirming the trend observed in the third quarter and the success of the initiatives implemented.

In the year 2008, gross profit amounted to €946.8 million, a 9.3% decrease compared to 2007, mainly due to changes in exchange rates against the Euro. On a constant basis, Adjusted gross margin decreased by 10 basis points at 21.8% of sales compared to 2007. This evolution is notably the result of the favourable non-recurring effect in the first quarter of 2007. Excluding this effect, Adjusted gross margin posted an estimated growth of 10 basis points. This improvement came from a better control in the implementation of Group pricing policies and improvement in purchasing terms. In the fourth quarter of 2008, Adjusted gross margin decreased by 10 basis points compared to the fourth quarter of 2007 on a constant basis, from 21.8% in the fourth quarter of 2007 to 21.7% in the fourth quarter of 2008, due to market pressure and increased direct sales mix but demonstrating the Group's ability to protect its margin in a situation of significant sales downturn.

Distribution and administrative expenses amounted to €735.8 million in the year 2008, i.e. 16.7% of sales, compared to 16.8% in 2007. On a constant basis, Adjusted distribution and administrative expenses decreased by 2.7%. Adjusted personnel costs decreased by 3.6% on a constant basis due to staff reductions started in 2007 and continued in the year 2008 in order to adapt to current sales trends. Headcount was reduced from 9,707 at December 31, 2007 to 8,817 at December 31, 2008 on a constant basis, i.e. a 9.2% decrease. Adjusted distribution and administrative expenses in the fourth quarter of 2008 were reduced by 6.7% on a constant basis compared to the fourth quarter of 2007.

Operating income before other income and other expenses (EBITA) thus amounted to €211.0 million in the year 2008, a 10.4% decrease compared to 2007, more than half of it due to changes in foreign exchange rates. On a constant basis and excluding the effect of non-recurring items in the first quarter of 2007, Adjusted EBITA posted a 2.5% growth, i.e. a 30 basis improvement as a percentage of sales, reflecting the Group's ability to maintain its gross margin in a declining environment and to reduce its distribution and administrative expenses. In the fourth quarter of 2008, Adjusted EBITA margin improved by 20 basis points compared to the fourth quarter of 2007 on a constant basis to 5.1%.

1.2.4 | Asia-Pacific

REPORTED	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	195.6	216.2	(9.5)%	881.9	797.2	10.6%
Gross profit	45.9	53.8	(14.7)%	214.7	202.3	6.1%
Distribution and administrative expenses	(34.4)	(41.3)	(16.7)%	(154.6)	(152.1)	1.6%
EBITA[(1)]	11.5	12.5	(8.0)%	60.1	50.2	19.8%
as a % of sales	*5.9%*	*5.8%*		*6.8%*	*6.3%*	

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31,			Year ended December 31,		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	**195.6**	**195.2**	**0.2%**	**881.9**	**829.9**	**6.3%**
Same number of working days			*0.6%*			*5.9%*
Gross profit	46.5	47.3	(1.6)%	214.3	207.3	3.4%
as a % of sales	*23.8%*	*24.2%*		*24.3%*	*25.0%*	
Distribution and administrative expenses	(34.4)	(36.3)	(5.0)%	(154.6)	(154.9)	(0.2)%
as a % of sales	*(17.6)%*	*(18.6)%*		*(17.5)%*	*(18.7)%*	
EBITA[(1)]	**12.1**	**11.0**	**9.6%**	**59.7**	**52.4**	**13.9%**
as a % of sales	***6.2%***	***5.6%***		***6.8%***	***6.3%***	

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

In the year 2008, sales in the Asia-Pacific zone increased by 10.6% compared to 2007 to €881.9 million, or 5.9% on a constant basis and same number of working days. Acquisitions in late 2007 had an €82.5 million positive effect, partially off-set by changes in exchange rates, which accounted for €49.8 million. On the same basis, sales increase was 0.6% in the fourth quarter of 2008 compared to the fourth quarter of 2007.

In the year 2008, sales in Australia amounted to €612.6 million, a 6.3% increase on a constant basis and same number of working days from 2007. Despite slowing down of the residential market, industrial and mining markets were still strong. Australian banners outperformed the market in the year, based on Rexel's estimates and recorded high sales growth in Western Australia, Queensland and New South Wales for both specialists and generalists. Industrial key accounts and large national contractors were the main growth drivers, reinforced by a network optimisation. In the fourth quarter of 2008, sales were stable compared to the fourth quarter of 2007 on a constant basis and same number of working days, slowing down compared to the beginning of the year due to deteriorated market conditions.

In New-Zealand, affected by the downturn of the residential and commercial construction markets, sales amounted to €128.9 million, a 1.6% decrease compared to 2007 on a constant basis and same number of working days.

In Asia, sales amounted to €140.4 million in the year 2008, an 11.7% increase on a constant basis and same number of working days compared to 2007, which evidences the fast development of the Group's different banners particularly driven by the lighting and automation segments and the panel building customers. In the fourth quarter, sales increase amounted to 5.5% on a constant basis and same number of working days impacted by high project sales in 2007, slow down of the steel and automotive industry and close selection of customer to limit credit risk.

In the year 2008, gross profit increased by 6.1% to €214.7 million. On a constant basis, Adjusted growth margin decreased by 70 basis points in the zone, mainly due to a gross margin decrease in Australia (increased mix of key accounts and more projects with lower gross margin but also lower distribution and administrative expenses) and to a lesser extent due the growth in Asia where gross margin is lower (mix effect). In the fourth quarter of 2008, gross margin decreased by 40 basis due to the growth margin decrease in Australia.

Distribution and administrative expenses were €154.6 million in the year 2008, i.e. 17.5% of sales compared to 19.1% in the year 2007. On a constant basis, Adjusted distribution and administrative expenses decreased by 0.2% compared to 2007, while sales grew 6.3%. Adjusted personnel costs increased by 0.8% on a constant basis. Headcount increased from 2,700 at December 31, 2007 to 2,721 at December 31, 2008 on a constant basis, as a result of sales increase. In the fourth quarter of 2008, Adjusted distribution and administrative expenses decreased by 5.0% due to non-recurring pension charge in 2007, but also reflecting the efficient cost control and measures implemented.

Operating income before other income and other expenses (EBITA) amounted to €60.1 million in the year 2008, a 19.8% increase compared to 2007. On a constant basis, Adjusted EBITA increased by 13.9%, from 6.3% of sales in the year 2007 to 6.8% in 2008. In the fourth quarter of 2008, Adjusted EBITA increased by 9.6% compared to the fourth quarter of 2007, a 60 basis points improvement as a percentage of sales, from 5.6% of sales in the fourth quarter of 2007 to 6.2% in the fourth quarter of 2008.

1.2.5 | Other operations

REPORTED	Quarter ended December 31,		Year ended December 31,	
(in millions of euros)	2008	2007	2008	2007
Sales	130.9	15.0	408.3	59.2
Gross profit	41.7	7.7	127.1	25.9
Distribution and administrative expenses	(38.5)	(17.6)	(121.9)	(38.0)
EBITA(1)	3.2	(9.9)	5.2	(12.1)
as a % of sales	*2.4%*	*(66.0)%*	*1.3%*	*(20.2)%*

CONSTANT BASIS ADJUSTED FINANCIAL DATA	Quarter ended December 31, Rexel + Hagemeyer (2)			Year ended December 31, Incl. Hagemeyer (2) from April 1st		
(in millions of euros)	2008	2007	Change in %	2008	2007	Change in %
Sales	**130.9**	**142.2**	**(8.0)%**	**408.3**	**398.0**	**2.6%**
Same number of working days			*(8.8)%*			*1.0%*
Gross profit	41.8	43.9	(4.7)%	127.2	120.7	5.5%
as a % of sales	*32.0%*	*30.9%*		*31.2%*	*30.3%*	
Distribution and administrative expenses	(37.9)	(44.1)	(14.2)%	(119.5)	(115.8)	3.2%
as a % of sales	*(29.0)%*	*(31.1)%*		*(29.3)%*	*(29.1)%*	
EBITA(1)	**3.9**	**(0.2)**	**-**	**7.7**	**4.9**	**60.0%**
as a % of sales	***3.0%***	***(0.2)%***		***1.9%***	***1.2%***	

(1) EBITA = Operating income before other income and other expenses.
(2) Hagemeyer retained activities.

In the last three quarters of 2008, the Agencies / Consumer Electronics activity recorded a 0.7% decrease of its sales on a constant basis and same number of working days from 2007 with flat sales in Asia, positive sales in the Netherlands offsetting decrease in Australia. This decrease was more than compensated by the strong increase in sales in Chile, 9.9% compared to 2007. In the fourth quarter of 2008, ACE sales decreased by 10.4% mainly due Netherlands and Asia. The Asian agencies business, focused on the sales of luxury goods through retail shops, was impacted by lower store traffic resulting from the economic environment. Sales in the Netherlands suffered, on top of the global environment, from high sales in the last quarter of 2007 following the launch of the LCD flat TV screen. In Australia, sales decreased as a consequence of deteriorating market conditions.

Operating income before other income and other expenses (EBITA) improved significantly due to the combination of the good performance of ACE and Chile, and to the cost control in corporate holdings.

1.3 | Rexel Group consolidated pro forma income statement

The pro forma income statement for the year 2008 and 2007 was prepared so as to reflect the effect of (i) the completion of the public purchase offer of all of the outstanding shares and bonds of Hagemeyer, (ii) the completion of the asset swap agreed upon with Sonepar and (iii) the disposal of the electrical supplies distribution business of Hagemeyer in Ireland, as if these operations were completed on January 1, 2008. The assumptions and principles used for its preparation are disclosed in the section 20.2 of the *Document de reference* registered by the *Autorité des Marchés Financiers* on April 30, 2008 under number R.08-046. In addition, the pro forma income statement for the year 2007 was prepared using the same exchange rates as the one used for the year 2008 (average rates over the period).

	Year ended December 31,		
(in millions of euros)	2008	2007	Change in %
Sales	**13,735.0**	**13,728.6**	**0.1%**
Same number of working days			*(0.2)%*
Gross profit	3,262.5	3,316.8	(1.6)%
as a % of sales	*23.8%*	*24.2%*	
Distribution and administrative expenses	(2,624.1)	(2,600.5)	0.9%
Operating income before other income and other expenses (EBITA)	638.4	716.3	(10.9)%
Adjusted EBITA	***712.6***	***736.3***	**(3.2)%**
as a % of sales	***5.2%***	***5.4%***	
Adjusted EBITA excluding the non-recurring items in Q1 2007	**712.6**	**720.3**	**(1.1)%**
as a % of sales	***5.2%***	***5.2%***	

Comparison of the Group performance between the two periods is affected by the non-recurring favourable effect in the first quarter of 2007. Excluding this effect, Adjusted EBITA decreased by 1.1% and Adjusted EBITA margin remained stable compared to 2007 at 5.2%.

1.3.1 | *Reconciliation of the reported consolidated income statement of Rexel with the pro forma consolidated income statement*

The “Hagemeyer and assets swap” column in the table below reflects the impact of Hagemeyer entities excluding those transferred to Sonepar and the operations of Hagemeyer in Ireland disposed of in the third quarter of 2008. This column also includes the effect of the disposal to Sonepar of Rexel historical operations in Germany and the acquisition of Sonepar activity in Sweden.

December 31, 2008 *(in millions of euros)*	Rexel	Hagemeyer and assets swap	Other Operations related restatements	Pro forma
Sales	**12,861.6**	**873.4**	**-**	**13,735.0**
Cost of goods sold	(9,799.3)	(673.2)	-	(10,472.5)
Gross profit	**3,062.3**	**200.2**	**-**	**3,262.5**
Adjusted Gross profit	*3,124.1*	*202.1*	-	*3,326.2*
Distribution and administrative expenses	(2,432.3)	(188.8)	(3.0)	(2,624.1)
Operating income before other income and other expenses (EBITA)	**630.0**	**11.4**	**(3.0)**	**638.4**
Adjusted EBITA	*699.4*	*13.2*	-	*712.6*
Other income and expenses	(76.6)	(13.8)	-	(90.4)
Operating income	**553.4**	**(2.4)**	**(3.0)**	**548.0**
Net financial expense	(210.2)	(0.5)	(11.1)	(221.8)
Net income before income tax	**343.2**	**(2.9)**	**(14.1)**	**326.2**
Income tax	(111.7)	8.2	(2.6)	(106.1)
Net income	**231.5**	**5.3**	**(16.7)**	**220.1**
Depreciation	(102.5)	(8.3)	(3.0)	(113.8)

1.3.2 | *Pro forma income statement by geographic zone*

The following table discloses the split by geographic zone of pro forma sales, Adjusted gross profit and Adjusted EBITA for 2008. Adjusted EBITA is EBITA excluding the amortization of intangible assets recognized in the purchase price of Hagemeyer preliminary allocation, restated for the estimated non-recurring effect related to changes in copper-based cable price.

December 31, 2008 *(in millions of euros)*		Europe	North America	Asia Pacific	Other operations	Total pro forma
Sales		**7,941.1**	**4,404.8**	**881.9**	**507.2**	**13,735.0**
Adjusted Gross profit		1,998.7	958.8	214.3	154.4	3,326.2
	as a % of sales	*25.2%*	*21.8%*	*24.3%*	*30.4%*	*24.2%*
Adjusted EBITA		**424.2**	**223.1**	**59.7**	**5.6**	**712.6**
	as a % of sales	***5.3%***	***5.1%***	***6.8%***	***1.1%***	***5.2%***

The breakdown of pro forma sales in the year 2008 is the following:

	In millions of euros	Change 2008 vs. 2007	
		Actual number of working days	Same number of working days
Group Total	**13,735.0**	**0.1%**	**(0.2)%**
Europe	**7,941.1**	**0.2%**	**-**
Of which:			
France	2,483.0	2.1%	2.5%
United-Kingdom	1,177.3	(2.2)%	(2.6)%
Germany	872.4	4.1%	3.0%
Scandinavia	934.6	5.6%	4.6%
North America	**4,404.8**	**(1.9)%**	**(2.2)%**
Asia - Pacific	**881.9**	**6.3%**	**5.9%**
Other operations	**507.2**	**5.1%**	**4.3%**

1.4 | Outlook

Given the sharp deterioration of the economy, Rexel anticipates a marked drop in 2009 sales, reflecting the combined effect of volume declines and a lower copper price.

In this challenging environment, management's priority is to defend profitability, continue to deleverage the balance sheet and anticipate growth opportunities; Rexel is therefore taking strong actions in 2009 to:

- Accelerate the cost adjustments initiated in 2007-2008 through a cost saving plan of at least €110 million currently being implemented;
- Maximize net cash flow, continuing to focus on working capital, reducing gross capital expenditure by 25% and suspending the payment of a dividend; and
- Continue to capture targeted development opportunities in fast growing segments such as energy efficiency solutions, public projects and key accounts.

More than ever, building on its recently enhanced market leadership, Rexel is committed to protecting its margins and continuing to generate strong operating cash flow. Management is confident that Rexel will emerge stronger from the current economic downturn.

2. | LIQUIDITY AND CAPITAL RESOURCES OF THE GROUP

2.1 | Cash flow as at December 31, 2008 and December 31, 2007

The following table sets out Rexel's cash flow for the quarters and years ended December 31, 2008 and Decembre 31, 2007.

(in millions of euros)		Quarter ended December 31, 2008	Quarter ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007
Operating cash flow[1]		119.3	174.8	664.1	704.0
Interest	(a)	(53.2)	(25.3)	(186.7)	(217.7)
Taxes	(a)	(26.0)	(17.5)	(109.8)	(41.8)
Changes in working capital requirement		208.6	64.9	133.7	(13.0)
Cash flow from operating activities	(b)	248.7	196.9	501.3	431.5
Cash flow from investing activities		(38.9)	(151.2)	(1,476.1)	(184.2)
Including operating capital expenditures[2]	*(c)*	*(13.1)*	*(20.1)*	*(8.7)*	*(20.6)*
Cash flow from financing activities		(133.1)	(17.6)	1,220.8	(200.9)
Net cash flow		76.7	28.1	246.0	46.4
Free cash flow:					
- before interest and taxes (b) – (a) + (c)		**314.8**	**219.6**	**789.1**	**670.4**
- after interest and taxes (b) + (c)		**235.6**	**176.8**	**492.6**	**410.9**
Working capital as a % of sales[3]				**12.0%**	**14.1%**
Working capital as a % of sales[3], on a constant basis				**12.0%**	**13.0%**

[1] Before interest, taxes and changes in working capital requirement.
[2] Net of disposals.
[3] Working capital, end of period, divided by last 12-month sales

2.1.1 | Cash flow from operating activities

Rexel's cash flow from operating activities was an €501.3 million inflow in the year 2008 compared to €431.5 million in 2007. In the fourth quarter of 2008, cash flow from operating activities amounted to a €248.7 million inflow compared to a €196.9 million inflow in the fourth quarter of 2007.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements decreased from €704.0 million in the year 2007 to €664.1 million in the year 2008. The operating income before depreciation, other income and other expenses (EBITDA) increased from €725.4 million in the year 2007 to €732.5 million in the year 2008. The additional EBITDA related to the integration of Hagemeyer entities was partially offset by the sharp fall of copper price observed in the fourth quarter of 2008. Restructuring and integration costs incurred in 2008 amounted to €55.5 million, compared to €16.0 million in the year 2007.

Interest and taxes

In the year 2008, interest paid amounted to €186.7 million compared to €217.7 million in 2007. The 2007 cash-out included €89.6 million in respect of the redemption premium for the Senior Subordinated Notes pursuant to the refinancing operations following the initial public offering of Rexel, paid on April 4, 2007. From the second quarter of 2008, interest paid reflects the terms of the new Senior Credit Agreement entered into for the Hagemeyer transaction.

In the year 2008, €109.8 million income taxes were paid compared to €41.8 million paid in the year 2007. The second quarter of 2007 included a non-recurring tax refund from the French authorities for an amount of €53.4 million.

Changes in working capital requirement

Cash generated by changes in working capital requirement amounted to €133.7 million in the year 2008 compared to €13.0 million used in 2007. As a percentage of the last twelve month sales, the working capital requirement decreased from 13.0% at December 31, 2007 on a constant basis to 12.0% at December 31, 2008. At the end of 2008, working capital includes the effect of the decrease in copper-based cables for an estimated 60 basis points, i.e. a 12.6% level before such decrease. The remaining 40 basis points improvement corresponds to the adaptation of the Group's working capital to a lower level of activity from the fourth quarter onwards.

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 €1,476.1 million outflow in 2008 compared to a €184.2 million outflow in 2007.

	Quarter ended December 31,		Year ended December 31,	
(in millions of euros)	2008	2007	2008	2007
Acquisitions of operating fixed assets[(1)]	(13.1)	(20.1)	(8.7)	(20.6)
Acquisitions of financial fixed assets[(1)]	(23.9)	(77.0)	(2,321.0)	(111.9)
Net change in long-term investments	(1.9)	(54.1)	853.6	(51.7)
Cash flow from investing activities	(38.9)	(151.2)	(1,476.1)	(184.2)

[(1)] Net of disposals.

Acquisitions and disposal of tangible fixed assets

Acquisition of operating fixed assets, net of disposals, were a €8.7 million outflow in the year 2008 compared to a €20.6 million outflow in 2007.

In 2008, gross capital expenditures amounted to €88.6 million, i.e. 0.7% of the sales of the period, of which €28.7 million related to IT systems, €36.3 million to the renovation of existing branches and the opening of new branches, €20.6 million to logistics and €3.0 million to other investments. Disposals of fixed assets in the year 2008 amounted to €88.1 million and mainly related to a sale and leaseback transaction in the year 2008, on 7 logistic centres in France for an amount of €62.9 million, to company cars in the United-Kingdom for an amount of €10.1 million and a building in The Netherlands for an amount of €3.1 million. Net changes in the related payables and receivables amounted to €8.2 million, accounting for an increase in the capital expenditures of the period.

In 2007, gross capital expenditures amounted to €82.5 million, i.e. 0.8% of the sales of the period, including €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. Disposals of fixed assets amounted to €52.1 million, mainly including a sale and leaseback transaction of commercial premises in Switzerland for an amount of €45.8 million (€42.0 million net of related taxes). Net changes in the related payables and receivables amounted to €9.8 million, accounting for a reduction in the capital expenditures of the period.

Financial investments

Rexel's net financial investments represented a net outflow of €2,321.0 million in 2008 compared to €111.9 million in 2007.

In 2008, outflows in respect of financial investments mainly included the completion of the Hagemeyer offer for an amount of €3,082.2 million net of cash acquired. The disposal of the Sonepar entities in June 2008 resulted in an inflow of €732.0 million. The net proceeds resulting from the transaction with Sonepar are comprised of a €177.0 million cash inflow in respect of the disposal of Rexel's historical business in Germany and a €83.8 million cash outflow in respect of the acquisition of Sonepar's business in Sweden. The other investments are comprised of the acquisition of Beacon in the United States for US $19.3 million (€12.6 million), ABK Electric Wholesale Pty.Ltd Company in Australia for AUD 3.3 million (€1.8 million), Egley in New Zealand for NZD 11.5 million (€6.3 million), Espace Elec and NFM SA in France for €6.6 million and €4.4 million respectively, and B.V. Electrotechnische Groothandel J.K. Busbroek in The Netherlands for €4.3 million. They also included earn-out relating to the acquisition of Huazhang in China for €7.3 million, of ElettroBergamo for €2.0 million and of ABM, a former Hagemeyer entity, for €11.2 million, and a €2.5 million price adjustment related to the EIW company in Australia. Financial investments also included the acquisition of the Rexel Distribution subsidiary shares in accordance with liquidity agreements on share option plans from 2002 to 2003, in an amount of €1.2 million.

In 2007, financial investments included mainly a price adjustment paid in March 2007 and 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 million (€84.8 million). Financial investments also included the acquisition of the Rexel Distribution subsidiary shares in accordance with liquidity agreements on share option plans from 2002 to 2003, in an amount of €3.9 million. In 2007, Rexel also disposed of the business of the company Kontakt Systeme for a net amount of €4.9 million.

Changes in long-term investments

Net cash from changes in long term investments represents a net inflow of €853.6 million in 2008 compared to a net outflow of €51.7 million in 2007.

Net cash recorded in 2008 mainly reflected the intercompany loan repayment from the Sonepar entities for an amount of €852.4million.

Net cash used in 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.

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 2008, financing activities accounted for a €1,220.8 million inflow. The net change in credit facilities accounted for €1,030.8 million and was comprised of the drawing under the new Senior Credit Agreement for €4,256.3 million, net of transaction fees. This amount was used to acquire the Hagemeyer shares and bonds for €3,153.1 million, as well as to repay the 2007 Senior Credit Agreement for €947.5 million and refinance Hagemeyer pre-acquisition debt for €260.0 million. Following the sale to Sonepar of non-retained Hagemeyer entities in June and the implementation of a European securitization programme in December 2008, Rexel repaid €1,927.6 million of the Senior Credit Agreement. In May 2008, Rexel redeemed the bonds issued in 1998 for a net amount of €45.7 million corresponding to the par value of the bond issuance. Repayments of finance lease liabilities amounted to €66.3 million and securitization programmes increased by €354.0 million, including the implementation of the new programme in December. In June 2008, a €0.37 dividend was paid to the shareholders, for a total amount of €94.4 million.

In 2007, financing activities accounted for a €200.9 million outflow. 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.

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, 2008, Rexel's consolidated net debt amounted to €2,932.0 million, and was made up as follows:

	December 31, 2008			December 31, 2007		
(in millions of euros)	Current	Non current	Total	Current	Non current	Total
Senior subordinated notes and indexed bonds	-	-	-	54.8	-	54.8
Senior credit facility	178.2	2,225.9	2,404.1	-	960.6	960.6
Securitization	-	1,255.0	1,255.0	-	1,012.1	1,012.1
Bank loans	5.2	3.7	8.9	5.9	5.0	10.9
Bank overdrafts and other credit facilities	91.4	-	91.4	45.1	-	45.1
Finance lease obligations	9.6	17.4	27.0	16.9	37.5	54.4
Less transaction costs	-	(47.4)	(47.4)	-	(16.1)	(16.1)
Total financial debt and accrued interest	**284.4**	**3,454.6**	**3,739.0**	**122.7**	**1,999.1**	**2,121.8**
Cash and cash equivalents			(807.0)			(515.2)
Net financial debt			**2,932.0**			**1,606.6**

Changes between the two dates are mainly related to financing of the offer on Hagemeyer shares and bonds (see note 19 – "Financial liabilities" to Rexel's Consolidated Financial Statements as of December 31, 2008).

In the context of this acquisition, Rexel refinanced its pre-existing debt as well as the Hagemeyer one and entered into a €5.4 billion senior credit agreement whose terms and conditions are disclosed in note 19 to the financial statements as at December 31, 2008.

On December 31, 2008, the Group had slightly above €1 billion of cash available including cash and cash equivalents as well as undrawn revolver credit. Rexel's available liquidity is well above mandatory debt repayments until mid-2011.

Under the terms of the Senior Credit Agreement, Rexel must maintain, at the end of each rolling twelve-month period indicated below, a Pro Forma Leverage Ratio below the following levels:

Date	Pro Forma Leverage Ratio
December 31, 2008	4.75:1
June 30, 2009	4.75:1
December 31, 2009	4.50:1
June 30, 2010	4.25:1
December 31, 2010	3.90:1
June 30, 2011 and after	3.50:1

As of December 31, 2008 this ratio was 3.60, thus satisfying the covenant. The corresponding headroom represents 32.1%.

II. Consolidated financial statements as of December 31, 2008

This document is a free translation from French to English of Rexel's original consolidated financial statements for the year ended December 31, 2008 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, 2008, the French version will prevail.

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Consolidated income statement

(in millions of euros)	*Note*	For the year ended December 31 2008	2007
Sales	***4***	12,861.6	10,704.4
Cost of goods sold		(9,799.3)	(8,088.8)
Gross profit		**3,062.3**	**2,615.6**
Distribution and administrative expenses	***5***	(2,432.3)	(1,967.2)
Operating income before other income and expenses		**630.0**	**648.4**
Other income	***7***	124.4	6.9
Other expenses	***7***	(201.0)	(84.8)
Operating income		**553.4**	**570.5**
Financial income		74.7	43.0
Interest expense on borrowings		(224.8)	(172.3)
Refinancing related expenses		(11.0)	(165.9)
Other financial expenses		(49.1)	(24.0)
Financial expenses (net)	***8***	*(210.2)*	*(319.2)*
Net Income before income tax		**343.2**	**251.3**
Income tax	***9***	(111.7)	(107.8)
Net income		**231.5**	**143.5**
Attributable to:			
Equity holders of the parent		230.2	143.0
Minority interests		1.3	0.5
Earnings per share:			
Basic earnings per share (*in euros*)	***16***	0.90	0.65
Fully diluted earnings per share (*in euros*)	***16***	0.88	0.64

Consolidated balance sheet

(in millions of euros)	*Note*	As of December 31 2008	2007
Assets			
Goodwill	***10.1***	3,662.5	2,608.3
Intangible assets	***10.1***	927.3	686.0
Property, plant & equipment	***10.2***	317.1	272.1
Long-term investments	***10.3***	54.3	76.8
Deferred tax assets	***9.2***	238.1	127.4
Total non-current assets		**5,199.3**	**3,770.6**
Inventories	***11.1***	1,329.0	1,143.2
Trade accounts receivable	***11.2***	2,363.3	2,018.5
Income tax receivable		4.0	1.4
Other accounts receivable	***11.3***	477.7	422.6
Assets classified as held for sale		4.6	-
Cash and cash equivalents	***12***	807.0	515.2
Total current assets		**4,985.6**	**4,100.9**
Total assets		**10,184.9**	**7,871.5**
Equity			
Share capital	***14***	1,280.0	1,280.0
Share premium	***14***	1,409.9	1,409.9
Reserves and retained earnings		534.4	531.4
Total equity attributable to equity holders of the parent		**3,224.3**	**3,221.3**
Minority interests		24.4	6.0
Total equity		**3,248.7**	**3,227.3**
Liabilities			
Interest bearing debt	***19***	3,454.6	1,999.1
Employee benefits	***18***	175.4	125.6
Deferred tax liabilities	***9.2***	222.3	161.5
Provision and other non-current liabilities	***17***	223.8	52.8
Total non-current liabilities		**4,076.1**	**2,339.0**
Interest bearing debt	***19***	276.1	118.1
Accrued interest	***19***	8.3	4.6
Trade accounts payable		1,930.0	1,659.3
Income tax payable		21.5	24.0
Other current liabilities		624.2	499.2
Total current liabilities		**2,860.1**	**2,305.2**
Total liabilities		**6,936.2**	**4,644.2**
Total equity and liabilities		**10,184.9**	**7,871.5**

Consolidated statement of cash flows

(in millions of euros)	***Note***	**For the year ended December 31 2008**	**2007**
Cash flows from operating activities			
Operating income		553.4	570.5
Depreciation, amortisation and impairment of assets		196.6	85.2
Employee benefits		(15.1)	(6.4)
Change in other provisions		25.3	(5.0)
Other non-cash operating items [(1)]		(96.1)	59.7
Interest paid		(186.7)	(217.7)
Income tax paid		(109.8)	(41.8)
Operating cash flows before change in working capital requirements		*367.6*	*444.5*
Change in inventories		139.0	(50.5)
Change in trade and other receivables		185.1	(11.2)
Change in trade and other payables		(187.4)	54.3
Changes in other working capital items		(3.0)	(5.6)
Change in working capital		*133.7*	*(13.0)*
Net cash from operating activities		**501.3**	**431.5**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(96.8)	(72.7)
Proceeds from disposal of property, plant and equipment	***7.1***	88.1	52.1
Acquisition of subsidiaries, net of cash acquired	***3.2***	(3,226.2)	(116.8)
Proceeds from disposal of subsidiaries, net of cash disposed	***3.1.3***	905.2	4.9
Change in long-term investments		853.6	(51.7)
Net cash from investing activities		**(1,476.1)**	**(184.2)**
Cash flows from financing activities			
Proceeds from the issue of share capital		-	1,005.0
(Repurchase) / Disposal of treasury shares		(3.3)	(8.3)
Net change in credit facilities and other financial borrowings	***19.2***	1,030.8	(1,212.9)
Net change in securitisation	***19.2***	354.0	42.2
Payment of finance lease liabilities	***19.2***	(66.3)	(26.9)
Dividends paid	***14.2***	(94.4)	-
Net cash from financing activities		**1,220.8**	**(200.9)**
Net increase in cash and cash equivalents		246.0	46.4
Cash and cash equivalents at the beginning of the period	***12***	515.2	473.1
Effect of exchange rate changes on cash and cash equivalents		45.8	(4.3)
Cash and cash equivalents at the end of the period	***12***	**807.0**	**515.2**

(1) including capital gains and losses disclosed in note 7

Consolidated statement of recognised income and expenses

(in millions of euros)	For the year ended December 31	
	2008	**2007**
Net income	**231.5**	**143.5**
Foreign currency translation	(122.3)	(24.2)
Cash flow hedges (net of tax)	(29.9)	(6.9)
Available for sale securities	0.3	(0.3)
Income and expenses recognised directly in equity	*(151.9)*	*(31.4)*
Total recognised income and expenses for the period	**79.6**	**112.1**
Attributable to:		
Equity holders of the parent	77.6	111.7
Minority interest	2.0	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, 2007	**630.5**	**1.6**	**333.3**	**5.3**	**12.3**	**-**	**983.0**	**5.6**	**988.6**
Foreign currency translation	-	-	-	(24.1)	-	-	(24.1)	(0.1)	(24.2)
Cash flow hedges	-	-	-	-	(6.9)	-	(6.9)	-	(6.9)
Securities available for sale assets					(0.3)		(0.3)		(0.3)
Income and expenses recognised directly in equity	**-**	**-**		**(24.1)**	**(7.2)**	**-**	**(31.3)**	**(0.1)**	**(31.4)**
Net income	-	-	143.0	-	-	-	143.0	0.5	143.5
Total recognised income and expense for the period	**-**	**-**	**143.0**	**(24.1)**	**(7.2)**	**-**	**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)
Minority interests in companies acquired or sold	-	-	-	-	-	-	-	-	-
At December 31, 2007	**1,280.0**	**1,409.9**	**553.4**	**(18.8)**	**5.1**	**(8.3)**	**3,221.3**	**6.0**	**3,227.3**
Foreign currency translation	-	-	-	(123.0)	-	-	(123.0)	0.7	(122.3)
Cash flow hedges	-	-	-	-	(29.9)	-	(29.9)	-	(29.9)
Securities available for sale assets	-	-	-	-	0.3	-	0.3	-	0.3
Income and expenses recognised directly in equity	**-**	**-**	**-**	**(123.0)**	**(29.6)**	**-**	**(152.6)**	**0.7**	**(151.9)**
Net income	-	-	230.2	-	-	-	230.2	1.3	231.5
Total recognised income and expense for the period	**-**	**-**	**230.2**	**(123.0)**	**(29.6)**	**-**	**77.6**	**2.0**	**79.6**
Share-based payments	-	-	22.0	-	-	-	22.0	-	22.0
Treasury shares	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Dividends paid	-	-	(94.4)	-	-	-	(94.4)	-	(94.4)
Minority interests in companies acquired or sold	-	-	-	-	-	-	-	16.4	16.4
At December 31, 2008	**1,280.0**	**1,409.9**	**711.2**	**(141.8)**	**(24.5)**	**(10.5)**	**3,224.3**	**24.4**	**3,248.7**

Notes

1. | GENERAL INFORMATION

Rexel 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 is involved in the business of 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 Group also operates the Agencies-Consumer Electronics division as part of the assets acquired from Hagemeyer in 2008.

The present consolidated financial statements cover the period from January 1st, 2008 to December 31, 2008. They have been authorised for issue by the Management Board on February, 9th 2009.

2. | SIGNIFICANT ACCOUNTING POLICIES

2.1 | Statement of compliance

These consolidated financial statements (hereafter referred to as "the financial statements") for the period ended December 31, 2008 have been prepared in accordance both with the International Financial Reporting Standards (IFRS) as adopted by the European Union and those approved by the IASB and applicable as of December 31, 2008.

2.2 | 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 from the date of revision.

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 2.5 and 3),
- Impairment of intangible assets and goodwill (notes 2.5, 2.7 and 10.1),
- Employee benefits (notes 2.13 and 18)
- Provisions and contingent liabilities (notes 2.15, 17 and 22)

- Measurement of financial instruments (notes 2.9.4 and 20)
- Recognition of deferred tax assets (notes 2.19 and 9)
- Measurement of share-based payments (notes 2.14 and 15)

The accounting policies adopted for the year ended December 31, 2008 are consistent with those used in the consolidated financial statements for the financial year ended December 31, 2007 since new accounting standards and interpretations effective in 2008 and described below had no effect on the Group's financial statements.

2.2.1 Accounting standards and interpretations effective in 2008

The Group adopted the following new and amended IFRS and IFRIC interpretations as of January 1, 2008, except when stated otherwise:

IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions" requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme even if the entity buys the instrument from another party, or the shareholders provide the equity instruments needed. The Group has not issued instruments caught by this interpretation.

IFRIC 12 "Service Concession Arrangements" applies to service concession operators. No entity of the Group is such an operator and therefore this interpretation has no impact on the Group.

Amendment to IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" - Reclassification of Financial Instruments allows reclassifications from held for trading and available for sale categories to other financial asset categories. This amendment became effective on July 1, 2008 and had no impact on the Group financial position.

The Group elected to apply by anticipation IFRIC 14 "IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction". IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 *Employee Benefits*. The Group amended its accounting policy accordingly without any impact on its financial position or performance

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

The Group elected not to apply by anticipation the following new and amended standards and interpretations endorsed by the EU in 2008 and applicable in 2009 financial year:

IAS 1 "Presentation of Financial Statements" has been amended to enhance the usefulness of information presented in the financial statements. The key change is the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with other comprehensive income. IAS 1 revised is effective for financial year starting on or after January 1, 2009 and should have a limited impact on the Group's disclosures as Rexel already presents a statement of recognised income and expenses which is similar to the statement of comprehensive income.

IAS 23 "Borrowing Costs" has been revised to eliminate the option of expensing all borrowing costs and requires these costs to be capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset. This amendment is effective for financial year beginning on or after January 1, 2009 and should have no impact on the Group financial position.

Amendment to IFRS 2 "Share-based Payment" – Vesting Conditions and Cancellations clarifies the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. This amendment is effective for financial years beginning on or after January 1, 2009.

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 1st, 2009. The Group is currently reviewing the potential impact of this standard.

IFRIC 13 "Customer Loyalty Programmes" requires customer loyalty programmes to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period the award credits are redeemed. This interpretation is applicable for fiscal years starting on or after July 1, 2008. The Group is currently assessing the impact of this interpretation which will be implemented in 2009.

2.3 | 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.

2.4 | 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 2.9.5). 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.

2.5 | 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 2.7).

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 2.7).

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.

Customer relationships are recognised when the acquired entity establishes relationships with key customers through contracts. Customer relationships are measured using an excess profit method and are amortised over their useful lives based on historical attrition.

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.

2.6 | 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 2.7).

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 2.7). 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.

2.7 | Impairment

The carrying amounts of the Group's assets, other than inventories (see note 2.8), trade and other accounts receivable (see note 2.9.3), and deferred tax assets (see note 2.19), 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.

2.8 | 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.

2.9 | Investments

2.9.1 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.

2.9.2 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.

2.9.3 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 2.12) 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 aging of overdue receivables in excess of 30 days.

2.9.4 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 2.9.5). They are counted as assets or liabilities depending on their fair value.

<u>*Interest rate & foreign exchange risks*</u>

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.

<u>*Fair value estimates*</u>

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.

2.9.5 Hedge accounting

<u>*Cash flow hedges*</u>

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").

2.9.6 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.

2.10 | 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.

2.11 | 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.

2.12 | 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.

2.13 | 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 when refunds arise from unconditional rights.

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.

2.14 | 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.

2.15 | 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.

2.16 | 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.

2.17 | 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 2.9.5).

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.

2.18 | 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.

2.19 | 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 9.

2.20 | 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’.

2.21 | 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.

3. | BUSINESS COMBINATIONS

3.1 | Hagemeyer Acquisition

Following the tender offer on Hagemeyer's shares and bonds in the Netherlands, ended on March 25, 2008 initiated in accordance with the agreement entered into on November 22, 2007 between Rexel, Kelium (the offeror and an indirect subsidiary of Rexel SA), Sonepar, and Hagemeyer, Rexel acquired control of Hagemeyer N.V, a Netherland based company operating as a worldwide distributor of electrical supplies. This offer was for all of the outstanding shares of Hagemeyer, with a par value of 1.20 euro each, at a price of €4.85 per share (with coupon) and all of the subordinated convertible bonds issued and outstanding bearing interest at a fixed rate of 3.50% and maturing in 2012. All of the required authorizations under the antitrust regulations have been obtained, subject to the divestiture of the Electrical products Distribution business of Hagemeyer in Ireland.

Following the offer period which ended on March 4, 2008 and the additional post closing acceptance period ended on March 25, 2008, Rexel, through Kelium holds, as of December 31, 2008, 585,045,822 of Hagemeyer's outstanding shares, or 99.13% of the ordinary shares of Hagemeyer and 100% of the convertible bonds issued by Hagemeyer, i.e; 133.965 bonds.

Kelium holding more than 95% of the Shares and 100% of the bonds, Kelium requested delisting of the shares and convertible bonds of Hagemeyer in accordance with Dutch law. The delisting therefore occurred on April 21, 2008. Furthermore, Rexel has initiated a takeover squeeze-out procedure in accordance with the Dutch Civil Code in order to acquire the remaining shares not tendered and not held by Kelium or Hagemeyer.

Hagemeyer retained activities have been consolidated as from March 31, 2008.

3.1.1 Assets disposals to Sonepar

Concurrently with the offer on Hagemeyer, Rexel entered into an agreement with Sonepar, on October 23, 2007, to transfer to Sonepar of the businesses of Hagemeyer (other than those of its ACE "Agencies/ Consumer Electronics" division) located in the United States, Canada, Mexico, Australia, Switzerland, Austria, Sweden, China, and Southeast Asia (Malaysia, Thailand and Singapore), as well as of six branches located in Germany (the "Sonepar Entities"). Under this agreement the control of Hagemeyer's businesses was transferred to Sonepar from the completion of the offer, as managing directors of the related entities could be appointed upon nomination by Sonepar. In addition, upon transfer of such businesses to Sonepar, independent members of the Management Board of Hagemeyer (Hold Separate Manager and Trustee) have been appointed to supervise these entities and in particular respect of competition rules in Hagemeyer's activities and to manage their divestiture process.

This agreement provided for a formula for calculating the prices of these disposals, based on the same sales and EBITDA (calculated on the basis of the financial statements for the 2007 financial year) multiples as those on which the price of the tender offer was based. Besides, this divestiture price was increased by (i) the aggregate arrangement fees after tax paid by Rexel for financing the acquisition of Hagemeyer's entities transferred to Sonepar and (ii) a notional interest charge at Euribor + 1% after tax applied to the equity value for such entities.

On June 30, 2008, Rexel executed separate agreements with Sonepar to dispose the non retained Hagemeyer entities. The overall selling price of the divestitures amounted to €731.5 million in aggregate, including arrangement fees and a notional interest charge for €18.6 million net of tax recorded as a reduction of financial expenses. Concurrently with these disposals, loans granted to the Sonepar Entities by Hagemeyer were redeemed when closing these transactions in an amount of €852.6 million.

At the acquisition date, Hagemeyer non-retained assets were classified as assets held for sale on the balance sheet and accounted for at fair value of assets disposed of less costs to sell.

3.1.2 Other transactions entered into with Sonepar concurrently with Hagemeyer acquisition

In addition to the disposal of the Sonepar Entities, the agreement between Rexel and Sonepar provided that Rexel was to transfer to Sonepar its assets and businesses located in Germany and that Sonepar was to transfer to Rexel its assets and businesses located in Sweden. The price of the said transfers was calculated on the basis of the same formula as the pricing for the transfers to Sonepar of certain assets of Hagemeyer. In that respect, Rexel and Sonepar completed these transactions in June 2008.

Disposal of Rexel's business in Germany

On June 20, 2008, Rexel entered into a stock purchase agreement with Sonepar for the sale of Rexel Deutschland Gmbh, the company which operated Rexel's activities in Germany prior to the Hagemeyer's transaction, for a total consideration of €177.0 million. The sale was completed on June 30, 2008 with the effective transfer of the shares to Sonepar. Capital gain on disposal of Rexel Deutschland GmbH amounted to €104.9 million before tax (see note 7.1| Other income and note 9.3 for tax effect. Following the transfer of control of Rexel's business to Sonepar which was deemed at completion of Hagemeyer offer, this company has been deconsolidated as from April 1, 2008 and was presented separately on line "Assets held for sale" as of March 31, 2008. As part of this agreement, Rexel provided warranties on subsequent losses suffered by the buyer in connection with certain claims from third parties and tax claims incurred for periods up to the transaction date with certain limitations. Warranties will expire at the first anniversary of the transaction except for tax matters warranty which will expire at the earlier of three months after the final tax assessment and the statutory limitation period for the relevant tax. Rexel GmbH has retained potential liabilities for certain claims for a maximum amount of €1 million.

Acquisition of Sonepar's business in Sweden

On June 18, 2008, Rexel entered into a stock purchase agreement with Sonepar relating to the acquisition of Moel Aktiebolag and Storel Aktiebolag, two companies operating in Sweden with net sales of €200.1 million in 2007. The total consideration paid for these acquisitions was €84.4 million plus acquisition costs of SEK3.1 million (€0.3 million). As part of this agreement, Sonepar provided warranties on subsequent losses suffered by the buyer in connection with certain claims from third parties and tax claims incurred for periods up to the transaction date with certain limitations. Warranties will expire at the first anniversary of the transaction except for tax matters warranty which will expire at the earlier of three months after the final tax assessment and the statutory limitation period for the relevant tax. These companies have been consolidated as from July 1st, 2008. As at December 31, 2008, the goodwill related to this acquisition and determined on a provisional basis, amounted to €49.7 million (€56.8 million at the acquisition date).

In aggregate, the net proceeds received from the disposal of the non-retained Hagemeyer entities for €731.5 million, and from the asset swap between Rexel's business in Germany and Sonepar's business in Sweden for a net amount of €90.5 million, together with the debt incurred by the Sonepar Entities and transferred to Sonepar amounted to €1.7 billion.

3.1.3 Other transactions entered into with third parties concurrently with Hagemeyer acquisition

The following assets acquired through the business combination with Hagemeyer were disposed of in 2008 and classified as assets held for sale at the acquisition date at their fair value less costs to sell.

Divestiture of Hagemeyer electrical supplies business in Ireland

The acquisition of Hagemeyer was authorised by the European competition authorities subject to the divestiture of Hagemeyer's electrical distribution business in Ireland. In accordance with this commitment, Rexel completed the sale of this business to EWL Electric Limited for €0.9 million (net of selling costs), in July 18, 2008.

Divestiture of Bally Hong Kong

On July 23, 2008, Rexel entered into an agreement to dispose its 25% investment in Bally Hong Kong Ltd, an entity operating within the ACE division of Hagemeyer and specialized in the wholesale of Bally's product in Asia, to Bally International Ltd for an amount of CHF 11.9 million (€8.0 million). In addition, Rexel received a dividend for an amount of HK$19.0 million (€1.5 million) at completion of the transaction.

Proceeds from disposal of subsidiaries, net of cash disposed of amounted to €905.2 million for the year ended December 31, 2008 and mainly related to disposal of Sonepar entities (for €731.5 million) disposal of Rexel's business in Germany (€162.8 million net of cash disposed of) and divestiture of Hagemeyer electrical supplies business in Ireland and Bally Hong Kong (for respectively €0.9 million and 9.5 million).

As of December 31, 2008, the preliminary allocation of the Hagemeyer purchase price is as follows:

Cash consideration for ordinary shares at €4,85 per share(1)……………………….		2,836.1
Cash consideration for convertible bonds(2)……………………………………………		266.0
Estimated acquisition costs……………………………………………………………		51.0
Total cash consideration ……………………………………………………………	**(1)**	**3,153.1**
Fair value of assets disposed of to Sonepar, less costs to sell………………..	**(2)**	**(712.9)**
Net book value of Hagemeyer net assets at March 31,2008 (3)…………………..		1,143.2
less book value of historical goodwill and intangible assets(3)……………………		(216.7)
Conversion of convertible bonds……………………………………………………		110.9
Minority interests………………………………………………………………………		(16.5)
Book value of assets acquired excluding acquired goodwill …………………	**(3)**	**1,020.9**
Estimation of fair value adjustments		
Distribution networks…………………………………………………………………		161.1
Customer relationships ………………………………………………………………		48.9
Private labels …………………………………………………………………………		61.2
Supplier contracts for ACE division …………………………………………………		19.2
Properties ………………………………………………………………………………		19.6
Investment in associates step up ……………………………………………………		5.1
Fair value adjustment of employee benefits liability……………………………….		(1.4)
Deferred income taxes on the above adjustments…………………………………		(83.5)
Total fair value adjustments…………………………………………………………	**(4)**	**230.2**
Fair value of identifiable assets acquired…………………………………………	**(3)+(4)=(5)**	**1,251.1**
Goodwill on acquisition……………………………………………………..	**(1)+(2)-(5)**	**1,189.1**

(1) including ordinary shares acquired on the market during the year ended December 2007 at an average price of € 4,73

(2) net of interests received for the period beginning on March 31, 2007 and ended on March 31, 2008

(3) excluding net assets transferred to Sonepar

3.1.4 *Assets and liabilities acquired*

Assets and liabilities acquired stated at their estimated fair value and determined at their acquisition date are as follows and represents the preliminary allocated purchase prices of Hagemeyer operations and those of Sonepar in Sweden:

(in millions of euros)	**Hagemeyer operations**	**Swedish operations of Sonepar**
Distribution networks	161.1	4.4
Other intangible assets	136.9	3.2
Tangible assets	138.6	4.5
Other financial assets	13.3	-
Other non current assets	183.0	0.3
Inventories	393.5	19.3
Trade accounts receivable	624.8	26.3
Other accounts receivable	77.3	6.5
Assets held for sale	1,586.9	-
Cash and Cash Equivalents	22.4	0.9
Minority interests	(16.5)	-
Interest bearing debt	(332.7)	(5.6)
Trade accounts payable	(547.2)	(19.7)
Provisions	(112.3)	-
Other liabilities	(365.1)	(12.2)
Net assets acquired excluding acquired goodwill	**1,964.0**	**27.9**
Purchased goodwill	1,189.1	56.8
Total cash consideration	**3,153.1**	**84.7**
Cash acquired	(22.4)	(0.9)
Outstanding acquisition costs	(0.5)	-
Shares and acquisition costs paid in 2007	(50.9)	-
Net cash outflow for Hagemeyer acquisition for the period	**3,079.3**	**83.8**

The acquisition of Hagemeyer operations and the Swedish operations of Sonepar resulted in an increase in net sales and operating income before other income and expenses of, respectively €2,778.0 million and €41.1 million.

Had these transactions occurred on January 1, 2008 and including Rexel Germany disposal to Sonepar, Group sales, operating income before other income and expenses and net income would have been respectively €13,735.0 million, €638.4 million and €220.1 million.

3.2 | Other acquisitions

For the period ended December 31, 2008, Rexel completed the following acquisitions, which are not deemed to be material on the financial situation of the company. As a result, neither sales nor profit and loss have been provided for the combined entity, had these acquisitions been effective on January 1, 2008.

On January 31, 2008, General Supply & Services Inc., an indirect subsidiary of Rexel, acquired Beacon Electric Supply Inc., a distributor of electrical equipment based in San Diego with net sales of €32.5 million in 2007. This company has been consolidated as from this date. The acquisition price for the shares amounts to US$21.2 million (€14.4 million), including an earn-out payment of US$1.1 million (€0.7 million) payable subject to conditions in 2009, and acquisition costs for US$0.4 million (€0.3 million). Net cash outflow for the period amounted to €12.6 million. On December 31, 2008 goodwill on acquisition determined on a provisional basis amounted to €8.0 million.

For the period ended December 31, 2008, Rexel acquired the following entities: ABK Electrical Wholesale Pty.Ltd in Australia , Egley Electrical Co Ltd in New Zealand, Espace Elec SAS, NFM SA and CRC SAS in France, Electronishe Groothandel J.K Busbroek B.V in the Netherlands for a total amount of €28.8 million (€23.4 million net of cash acquired). Goodwill on these acquisitions determined on a provisional basis as of December 31, 2008 amounted to €19.0 million.

Net cash outflow resulting from acquisition of subsidiaries during the period is as follows:

Net cash outflow related to Hagemeyer…………………………………..	(3,079.3)
Net cash outflow related to Swedish operations of Sonepar……………	(83.8)
Net cash outflow from other acquisitions…………………………………	(36.0)
Earn-out payments and pruchase price adjustments……………………	(23.0)
Other ………………………………………………………………..	(4.1)
Net cash outflow during the period…………………………………	**(3,226.2)**

4. | 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 the ACE division, operations in Latin America and holding companies as well as eliminations of intercompany sales.

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, 2008 and December 31, 2007

(in millions of euros)	Europe		North America		Asia Pacific		Other operations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales…………………………………………	7,166.6	5,041.9	4,404.8	4,806.1	881.9	797.2	408.3	59.2	12,861.6	10,704.4
Operating income before depreciation and other income & expenses…………………………………….	410.8	409.7	241.1	266.9	65.7	53.9	14.9	(5.1)	732.5	725.4
Depreciation ………………………………	(57.1)	(35.0)	(30.0)	(31.3)	(5.6)	(3.7)	(9.8)	(7.0)	(102.5)	(77.0)
Operating income before other income & expenses…	353.7	374.7	211.0	235.6	60.1	50.2	5.2	(12.1)	630.0	648.4
Goodwill impairment ……….………………	(76.2)	(8.2)	-	-	(11.2)	-	-	-	(87.4)	(8.2)
Cash flow statement item										
Capital expenditures net of disposals…….	(30.0)	8.1	(15.6)	(22.9)	(4.5)	(3.3)	41.4	(2.5)	(8.7)	(20.6)
Balance sheet items										
Goodwill……………………………………	2,585.0	1,475.8	902.2	927.7	174.0	204.5	1.3	0.4	3,662.5	2,608.4
Non-current assets (excluding deferred tax assets & goodwill)……………………………	979.9	649.7	237.3	256.4	46.7	56.4	34.8	72.4	1,298.7	1,034.9
Current assets (excluding income tax receivable and cash & cash equivalents)……………………………	2,698.2	2,097.8	1,070.7	1,153.9	236.3	269.9	164.8	62.7	4,170.0	3,584.3
Current liabilities (excluding tax liabilities & current portion of financial liabilities)……………………………	(1,755.8)	(1,325.0)	(544.5)	(598.9)	(151.1)	(168.3)	(102.8)	(66.3)	(2,554.2)	(2,158.5)

5. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

(in millions of euros)	For the year ended December 31 2008	2007
Personnel costs (salaries & benefits)	1,395.7	1,181.5
Building and occupancy costs	275.7	210.0
Other external costs	619.0	474.1
Depreciation expense	102.5	77.0
Bad debt expense	39.4	24.6
Total distribution and administrative expenses	**2,432.3**	**1,967.2**

6. | SALARIES & BENEFITS

(in millions of euros)	For the year ended December 31 2008	2007
Salaries and social security charges	1,345.5	1,137.5
Share-based payments	2.7	1.0
Pension and other post-retirement benefits-defined benefit plans	14.8	12.1
Other employee benefits	32.7	30.9
Total employee expenses	**1,395.7**	**1,181.5**

7. | OTHER INCOME & OTHER EXPENSES

(in millions of euros)	For the year ended December 31 2008	2007
Capital gains	119.9	3.6
Other operating income	0.1	1.8
Write-back asset impairment	3.0	-
Release of unused provisions	1.4	1.5
Total other income	**124.4**	**6.9**
Restructuring costs	(75.6)	(11.9)
Loss on non-current assets disposed of	(3.6)	(0.9)
Costs related to transactions following the IPO	(19.7)	(61.4)
Goodwill & intangible assets impairment	(87.4)	(8.2)
Tangible assets impairment	(9.7)	-
Other operating expenses	(5.0)	(2.4)
Total other expenses	**(201.0)**	**(84.8)**

7.1 | Other income

Capital gains

For the year ended December 31, 2008, capital gains included a €104.9 million gain related to the disposal of Rexel historical business in Germany to Sonepar (as described in note 3.1). The selling price net of costs was €177.0 million.

In addition, Rexel entered into a sale and leaseback agreement with Gecina Group, a real estate investor, relating to seven logistics platforms which resulted in a capital gain of €10.1 million. The selling price amounted to €62.9 million net of selling costs.

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

Write back of asset impairment

For the year ended December 31, 2008, the 3.0 million write-back of asset impairment was related to the national distribution centre in Portugal which recoverable amount became higher than its carrying value before impairment.

Other operating income

For the year ended December 31, 2008, other operating income was nil. In 2007 it included a curtailment gain for €1.3 million on pension scheme following Kontakt Systeme business disposals for the same period of 2007.

7.2 | Other expenses

Restructuring costs

For the year ended December 31, 2008, this line-item includes mainly restructuring and integration costs following Hagemeyer and Gexpro acquisitions. These costs are detailed by geographical area as follows:

- North America :

Restructuring costs in North America amounted to €20.0 million of which €19.1 million in the United-States and €0.9 million in Canada. In the United States, restructuring programmes (for €13.0 million) aim at reducing the number of regional divisions of both banners (Gexpro and Rexel Inc.), streamlining the branches network and mutualising logistics between the two banners in the North East. In addition, integration costs of Gexpro (re-branding and implementation of synergies) were expensed for €6.1 million.

- Europe :

Restructuring costs in Europe amounted to €53.2 million and mainly related to (i) the Netherlands (closure of Hagemeyer Headquarters for €10.4 million and integration costs for €1.2 million) (ii) the United-Kingdom for €10.0 million (integration costs of Hagemeyer and branch closures), (iii) France for €13.2 million (branch closures, termination of non-core activities and logistic restructuring in the North East division) (iv) Spain for €5.7 million (closure of Rexel historical Headquarters and redundancies), (v) to Corporate (integration costs of Hagemeyer for €5.7 million) and (vi) and other restructuring costs mainly incurred in Northern and Central Europe in connection with the integration of Hagemeyer for €7.0 million in aggregate.

- Asia-Pacific :

Restructuring costs in Asia Pacific amounted to €1.3 million and related to Australia for €0.9 million (termination of data and video system business) and New Zealand for €0.4 million (branch closures).

- Ace division :

Restructuring costs for Ace division amounted to €1.1 million and related to termination of the Lifestyle Business in Australia.

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

Costs related to transactions following the IPO

For the year ended December 31, 2008, the impact of the costs related to transactions following IPO concerns the free shares scheme implemented at the time of the IPO for €19.7 million. This non cash expense has been determined according to provisions IFRS 2 ("Share-based payments").

For the year ended December 31, 2007, impact of the employee offering and the free shares scheme was €7.8 million and €53.6 million respectively.

Goodwill and intangible assets impairment

As a result of economic and market downturn existing at balance sheet date, Rexel recorded a goodwill and intangible assets impairment for respectively €85.0 million and €2.4 million in 2008.

Goodwill impairment of €85.0 million (€8.2 million in 2007) related to Italy for €17.8 million, Spain for €26.6 million (plus €2.4 million relating to intangible assets impairment), Czech Republic for €20.8 million, New-Zealand for €11.2 million, Finland for €4.8 million and Poland for €3.8 million. All these countries are reported in the segment "Europe", except for New-Zealand which is reported in segment "Asia-Pacific".

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 for €4.0 million, as a result of the disposal of the connectic and telematic businesses.

Tangible assets impairment

In 2008, further to goodwill impairment, tangible assets were written-off to their recoverable amount for €9.7 million, mainly related to Italy, Czech Republic, Poland and Latvia.

Other operating expenses

In 2008, pursuant to its long term incentive policy in favour of employees, Rexel intended to launch an Employee Share Purchase Plan in 2008 which had to be cancelled due to unfavourable stock market conditions. Direct costs incurred in connection with this aborted transaction were €2.6 million and are mainly composed of professional fees.

For the year ended December 31, 2007, other costs consisted primarily of a £1 million (€1.5 million) charge related to the settlement of a commercial dispute in the United Kingdom.

8. | FINANCIAL EXPENSES (NET)

(in millions of euros)	For the year ended December 31 2008	2007
Expected return on empoyee benefit plan assets	43.8	21.3
Interest income on cash and cash equivalents	4.1	5.4
Interest income on receivables and loans	2.7	3.2
Gain on financial instruments held for trading	11.8	12.7
Other financial income	12.3	0.4
Financial income	**74.7**	**43.0**
Interest expense on financial debt (stated at amortised costs) :	(224.3)	(177.6)
- Shareholders' loan		*(13.0)*
- Senior debt	*(157.2)*	*(76.5)*
- Senior Subordinated Notes and indexed Bonds	*(0.6)*	*(18.8)*
- Securitisation	*(47.0)*	*(53.8)*
- Other financing	*(16.1)*	*(4.5)*
- Finance leases	*(3.1)*	*(4.9)*
- Amortisation of transaction costs	*(28.6)*	*(6.1)*
- less arrangement fees and interests recharged to Sonepar (1)	*28.3*	*-*
Reclassifying income gains and losses on the preceding derivative instruments deferred in equity	(3.5)	10.6
Change in fair value reclassified from equity to profit and loss (foreign exchange rate)	(6.0)	0.1
Ineffectiveness of cash flow hedge derivatives	(0.1)	1.1
Foreign exchange gain (loss) on financial liabilities (2)	9.1	(6.5)
Interest expense on borrowings	**(224.8)**	**(172.3)**
Write-down of transaction costs (3)	(11.0)	(76.3)
Premium for early redemption of the Senior Subordinated Notes (4)	**-**	(89.6)
Refinancing costs	**(11.0)**	**(165.9)**
Interest cost of employee benefit obligation	(45.2)	(21.8)
Change in fair value of commodity derivatives	**-**	(0.4)
Financial expenses (other)	(3.9)	(1.8)
Other financial expenses	**(49.1)**	**(24.0)**
Financial expenses (net)	**(210.2)**	**(319.2)**

(1) Fees and interests for respectively €18.3 and €10.0 million before tax (€18.6 million net of tax) incurred by Rexel for the acquisition of Hagemeyer according to the October 23, 2007 Agreement (see note 3.1.1)

(2) Including a €7.8 million non recurrent exchange gain arising from the settlement of loans granted to the Sonepar entities.

(3) In 2008, write-down of transaction costs related to the 2007 Senior Credit Agreement. In 2007, write down of transaction costs related to 2005 Senior Credit Agreement and Senior Subordinated Notes in connection with the IPO.

(4) Early redemption premium of the Subordinated Notes in connection with the Group refinancing at the time of the IPO.

9. | 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.

9.1 | Income tax expense

(in millions of euros)	For the year ended December 31	
	2008	**2007**
Current tax	(97.1)	(98.7)
Deferred tax	(14.6)	(9.1)
Total income tax expense	**(111.7)**	**(107.8)**

9.2 | Deferred tax assets and liabilities

Changes in net deferred tax assets are as follows:

(in millions of euros)	**2008**	**2007**
At the beginning of the period	**(34.1)**	**(46.2)**
Net income	(14.6)	(9.1)
Change in consolidation scope	45.0	(5.3)
Translation differences	2.7	1.9
Other changes	16.8	24.6
At the end of the period	**15.8**	**(34.1)**

For the year ended December 31, 2008, change in consolidation scope is essentially related to Hagemeyer's acquisition. Other changes consist essentially of tax effect on fair value of derivative instruments recognised directly as equity (€17.3 million).

For the year ended December 31, 2007, other changes consisted 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, (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:

	As of December 31	
(in millions of euros)	**2008**	**2007**
Intangible assets	(253.7)	(184.8)
Property, plant and equipment	15.8	(7.8)
Financial assets	1.7	1.5
Trade accounts receivable	9.7	9.2
Inventories	2.9	2.5
Employee benefits	44.8	42.3
Provisions	12.8	2.4
Financing fees	0.4	(5.0)
Other items	18.9	9.8
Tax losses carried forward	263.8	134.1
Deferred tax assets / (liabilities), net	**117.1**	**4.2**
Valuation allowance on deferred tax assets	(101.3)	(38.3)
Net deferred tax assets / (liabilities)	**15.8**	**(34.1)**
of which deferred tax assets	238.1	127.4
of which deferred tax liabilities	(222.3)	(161.5)

In 2008, increase in deferred tax liabilities on intangible assets relates to assets recognised as part of the business combination with Hagemeyer (see note 3.1.4) for €70.0 million and deferred tax assets on tax losses carried forward incurred by Hagemeyer entities (mainly in the Netherlands and in the UK) for an amount of €133.4 million.

The valuation allowance on net deferred tax assets, totalling €101.3 million as of December 31, 2008 (from €38.3 million as of December 31, 2007) results from the recoverable amount of net deferred tax assets by tax entity. Valuation allowance is related to Hagemeyer entities for €74.4 million.

9.3 | Effective tax rate

(in millions of euros)	**2008**	**2007**
Income before tax …………………………………………	343.2	251.3
Theoretical tax rate ………………………………………	*34.4%*	*34.4%*
Income tax calculated at the theoretical tax rate ……	(118.2)	(86.5)
Effect of tax rates in foreign juridictions …………………	16.8	12.6
Effect of tax rate variations …….………………………..	0.1	(4.7)
Effect of prior year losses utilised / (current year losses unrecognised) ……..………………………..	(16.7)	1.1
Effect of non-deductible expenses, tax exempt revenues…………..………………………………	6.3	(30.2)
Actual income tax expense	**(111.7)**	**(107.7)**
Effective tax rate	***32.5%***	***42.9%***

In 2008, non deductible expenses and tax exempt revenues essentially includes the favourable effects of the non-taxable gain on disposal of Rexel's business in Germany for an amount of €30.3 million partially compensated by the effect of non-deductible goodwill impairment and free shares expense for respectively €14.0 million and €7.6 million.

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

10. | LONG-TERM ASSETS

10.1 | Goodwill and intangible assets

(in millions of euros)	Strategic partnerships	Distribution networks and banners	Software and other intangible assets[1]	**Total intangible assets**	**Goodwill**
Gross carrying amount as of January 1, 2007 ……………………………………	**185.6**	**443.4**	**216.9**	**845.9**	**2,586.5**
Effect of acquisitions and divestitures …………	-	-	11.9	**11.9**	**109.3**
Additions …………………………………………	-	-	21.1	**21.1**	**-**
Disposals ………………………………………	-	-	(12.0)	**(12.0)**	**-**
Exchange differences ………………………	-	(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 ……………………….	**185.6**	**403.8**	**260.5**	**849.9**	**2,641.1**
Effect of acquisitions and divestitures …………	-	165.5	159.3	**324.8**	**1,230.2**
Additions …………………………………………	-	-	21.2	**21.2**	**-**
Disposals ………………………………………	-	-	(4.1)	**(4.1)**	**-**
Exchange differences ………………………	-	(25.4)	(15.8)	**(41.2)**	**(152.1)**
Other changes [2] ………………………………….	-	-	(85.1)	**(85.1)**	**56.6**
Gross carrying amount as of December 31, 2008 ………………………	**185.6**	**543.9**	**335.9**	**1,065.4**	**3,775.8**
Accumulated amortisation and depreciation as of January 1, 2007 …..	**-**	**-**	**(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**	**-**
Exchange differences ………………………	-	-	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)**
Change in consolidation scope …………………	-	-	(16.3)	**(16.3)**	**-**
Amortisation expense ……………………………	-	-	(42.1)	**(42.1)**	**-**
Impairment losses ………………………………..	-	-	(4.1)	**(4.1)**	**(85.0)**
Decrease of amortisation …………………….	-	-	2.0	**2.0**	**-**
Exchange differences ………………………	-	-	2.3	**2.3**	**4.5**
Other changes [2] ………………………………….	-	-	84.0	**84.0**	**-**
Accumulated amortisation and depreciation as of December 31, 2008	**-**	**-**	**(138.1)**	**(138.1)**	**(113.3)**
Carrying amount at January 1, 2007	**185.6**	**443.4**	**67.9**	**696.9**	**2,562.5**
Carrying amount at December 31, 2007	**185.6**	**403.8**	**96.6**	**686.0**	**2,608.3**
Carrying amount at December 31, 2008	**185.6**	**543.9**	**197.8**	**927.3**	**3,662.5**

[1] Including customer relationships for €47.9 million as of December 31, 2008.

[2] other changes relate to write off of softwares and consist of a transfer of accumulated amortisation that were eliminated against gross carrying amount for €85.0 million.

Change in consolidation scope in 2008

Distribution networks and banners relate to assets acquired through the combination with of Hagemeyer (see note 3.1).

Software and other intangible assets include: (i) customer relationships with key Hagemeyer and Sonepar Sweden industrial customers for €52.0 million with useful life between five and ten years, (ii) Distribution agreements relating to the ACE division business for €19.2 million with an average useful life of six years and (iii) softwares acquired in the normal course of business.

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 2.7. Goodwill arising on Hagemeyer acquisition, determined on provisional basis at December 31, 2008, was allocated, for impairment testing purposes, to the reporting segment Europe which benefits from the synergies of the acquired business.

Cash flow projections used to calculate the value-in-use of each cash-generating unit are based on the three year financial budget reviewed by Senior Management in December 2008 and extrapolated over a period of five years after taking into account a terminal value.

The calculation of value-in-use of cash generating units is sensitive to the discount rate and the perpetual growth rate to extrapolate cash flows beyond the horizon of projections.

The discount rate applied was determined on the basis of the weighted average cost of capital after tax calculated for each country. The weighted average cost of capital reflects the time value of the money and the risk specific to the asset for which cash flow projections have not already been adjusted, considering the financial structure and conditions of an average market participant.

The following discount rates were used to assess the value-in-use:

	2008	**2007**
Europe	7.2% to 12.2%	6.2% to 11.0%
North America	7.4% to 7.6%	7.3% to 7.9%
Asia-Pacific	8.4% to 10.2%	7.8% to 9.5%

A single perpetual growth rate of 2.0% was used to calculate the terminal value, without any change compared to 2007. This rate extrapolates the expected long term inflation on mature markets.

This resulted in an impairment loss of €85.0 million (€8.2 in 2007) due to global economic and market downturn occurred in 2008. Out of this amount, €17.8 million were related to Italy, €26.6 million to Spain, €20.8 million to Czech Republic, €11.2 million to New-Zealand, €4.8 million to Finland and €3.8 million to Poland.

Sensitivity analysis

As of December 31, 2008, discount rates up 50 basis points would result in an €69 million increase in the impairment charge.

A decrease of 50 basis points in the perpetual growth rate would result in a €32 million increase in the impairment.

Intangible assets

In accordance with the principle described in note 2.5 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, 2008 distribution networks and strategic partnerships were tested for impairment together with goodwill based on the value in use of the cash generating unit. As a result of the economic downturn occurred in the fourth quarter of 2008, customer relationships recognised in Spain as part of the Hagemeyer purchase price allocation were impaired by €2.5 million out of €14 million.

10.2 | 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, 2007 ……………………………………………..	**203.2**	**487.0**	**33.0**	**723.2**
Effect of acquisitions and divestitures ……………	0.7	6.0	-	**6.7**
Additions …………………………………………	2.7	55.9	2.9	**61.5**
Disposals ………………………………………	(9.4)	(20.6)	(3.0)	**(33.0)**
Exchange differences ………………………	(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**
Effect of acquisitions and divestitures ……………	122.4	169.6	2.5	**294.5**
Additions …………………………………………	9.7	50.6	6.6	**66.9**
Disposals ………………………………………	(100.7)	(52.5)	(1.8)	**(155.0)**
Exchange differences ………………………	(9.8)	(19.5)	(3.6)	**(32.9)**
Other changes …………………………………..	(3.1)	(30.0)	(2.9)	**(36.0)**
Gross carrying amount as of December 31, 2008 ……………………………………..	**214.3**	**638.0**	**28.0**	**880.3**
Accumulated depreciation and amortisation as of January 1, 2007 …...	**(64.6)**	**(367.0)**	**(23.1)**	**(454.7)**
Amortisation expense ……………………..…	-	(2.8)	-	**(2.8)**
Depreciation expense ………………………………	(5.9)	(36.5)	(2.1)	**(44.5)**
Impairment losses …………………………....	-	(4.8)	-	**(4.8)**
Release ………………………………………..…….	2.1	18.4	3.0	**23.5**
Exchange differences ………………………	1.2	7.5	0.9	**9.6**
Other changes ………………………………	0.3	1.5	1.2	**3.0**
Accumulated depreciation and amortisation as of December 31, 2007……………………………………………...	**(66.9)**	**(383.7)**	**(20.1)**	**(470.7)**
Change in consolidation scope ……………………	(44.3)	(118.1)	(0.3)	**(162.7)**
Depreciation expense ………………………………	(8.8)	(48.8)	(2.8)	**(60.4)**
Impairment losses ………………………………..	0.7	(4.3)	(1.4)	**(5.0)**
Release ………………………………………..…….	39.3	39.8	1.5	**80.6**
Exchange differences ………………………	3.9	15.2	2.7	**21.8**
Other changes ………………………………	0.5	31.2	1.4	**33.1**
Accumulated depreciation and amortisation as of December 31, 2008 .	**(75.6)**	**(468.7)**	**(19.0)**	**(563.3)**
Carrying amount at January 1, 2007	**138.6**	**120.0**	**9.9**	**268.5**
Carrying amount at December 31, 2007	**128.9**	**136.1**	**7.1**	**272.1**
Carrying amount at December 31, 2008	**138.7**	**169.3**	**9.0**	**317.0**

Impairment of property, plant and equipment

In 2008, impairment losses represented the write down of certain property, plant and equipment to the recoverable amount which was recognised in the income statement in the line "other expense – asset impairment" (see note 2.18). The recoverable amount was principally based on value in use and was determined at the level of the cash generating unit, mainly in Italy, Czech Republic and Poland.

Assumptions used to measure the value in use of tangible assets were identical to those factored for goodwill impairment purposes.

10.3 | Long-term investments

	As of December 31	
(in millions of euros)	**2008**	**2007**
Loans ………………………………………………………	2.3	3.9
Deposits ……………………………………………………..	5.8	5.3
Other financial assets ……………………………………	46.2	67.6
Long-term investments ………………………………	**54.3**	**76.8**

As of December 31, 2008, other financial assets include the surplus of the defined benefit plan assets over liabilities in the Hagemeyer post-employment scheme in the Netherlands for €41.9 million (see note 18). Other long-term investment also includes fair value of interest rate options for €2.0 million (see note 20.1).

As of December 31, 2007, other financial assets included the fair value of derivatives due within more than one year for €9.1 million (see note 20.1 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 part of the take-over of Hagemeyer NV (see note 24.2) 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 €4.73 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. As of March 31, 2008, after completion of the Hagemeyer acquisition, the reserve for "Available For Sale Assets" was reversed and goodwill arising on consolidation was computed based on historical cost of the investment in Hagemeyer.

11. | CURRENT ASSETS

11.1 | Inventories

	As of December 31	
(in millions of euros)	**2008**	**2007**
Cost …………………………………………………………	1,431.9	1,228.3
Allowance …………………………………………………	(102.9)	(85.1)
Inventories ……………………………………………..	**1,329.0**	**1,143.2**

Changes in allowance for inventories:

(in millions of euros)	2008	2007
Allowance for inventories as of January 1……………	(85.1)	(95.7)
Change in consolidation scope …………………………	(27.1)	(2.4)
Net change in allowance…………………………………	(3.8)	10.5
Translation difference ……………………………………	5.9	2.4
Other changes …………………………………………..	7.2	0.1
Allowance for inventories as of December 31………	**(102.9)**	**(85.1)**

11.2 | Trade accounts receivable

(in millions of euros)	As of December 31 2008	2007
Nominal value ……..………………………………………	2,470.5	2,104.1
Impairment losses ……………………………………….	(107.2)	(85.6)
Trade accounts receivable ……………………………	**2,363.3**	**2,018.5**

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 €263.8 million as of December 31, 2008 (€281.3 million as of December 31, 2007).

The Group has enacted credit assurance programmes in most major countries. Trade accounts receivable covered by these programmes amounted to €1,017.8 million as of December 31, 2008 (€767.4 million as of December 31, 2007).

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 €225.9 million as of December 31, 2008 (€242.5 million as of December 31, 2007).

Changes in impairment losses:

(in millions of euros)	2008	2007
Impairment losses on trade accounts receivable as of January 1…………………………………………	**(85.6)**	**(92.9)**
Change in consolidation scope …………………………	(18.9)	2.4
Net depreciation …………………………………………	(13.4)	3.7
Translation differences ………………...………………..	2.2	1.4
Other changes ……………………………………………	8.5	(0.2)
Impairment losses on trade accounts receivable as of December 31……………………………………	**(107.2)**	**(85.6)**

Impairment losses resulting from an individual assessment of default risk amounted to €73.6 million (€59.9 million as of December 31, 2007).

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:

	As of December 31	
(in millions of euros)	2008	2007
From 1 to 30 days	272.4	193.2

All trade accounts receivable past due 30 days are impaired in accordance with the principle described in note 2.9.3.

11.3 | Other accounts receivable

	As of December 31	
(in millions of euros)	2008	2007
Purchase rebates	365.2	315.5
VAT receivable and other sales taxes	28.1	33.3
Prepaid expenses	26.9	11.0
Derivatives	5.9	13.5
Other receivables	51.6	49.3
Total accounts receivable	**477.7**	**422.6**

12. | CASH & CASH EQUIVALENTS

	As of December 31	
(in millions of euros)	2008	2007
Short-term investments	586.4	351.6
Cash at bank	219.1	162.0
Cash in hand	1.5	1.6
Cash and cash equivalents	**807.0**	**515.2**

As of December 31, 2008, short-term investments, included treasury investment funds (SICAVs HSBC MONETAIRE, CAAM TRESO ETAT, INVEST PREMIERE) which were stated at their fair value amounting to €283.9 million and five Certificates of Deposit for a nominal value of €265.0 million in aggregate. These CDs, maturing on January 2009 for €115.0 million and on March 2009 for one certificate of €150.0 million, have been issued by the following banks : AIB,CIC, CALYON and ING.

These investments are in compliance with 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.

13. | SUMMARY OF FINANCIAL ASSETS

(in millions of euros)		IAS 39 Category	As of December 31 2008 Carrying amount	2008 Fair value	2007 Carrying amount	2007 Fair value
Loans		L&R	2.3	2.3	3.9	3.9
Deposits		L&R	5.8	5.8	5.3	5.3
Assets available for sale		AFS	1.1	1.1	50.4	50.4
Hedging derivatives	(1)	N/A	-	-	9.1	9.1
Others		AFS	45.1	45.1	8.1	8.1
Total long-term investments			**54.3**	**-**	**76.8**	**-**
Trade accounts receivable		L&R	**2,363.3**	**2,363.3**	**2,018.5**	**2,018.5**
Supplier rebates receivable		L&R	365.2	365.2	315.5	315.5
VAT and other sales taxes receivable	(2)	N/A	28.1	N/A	33.3	N/A
Other accounts receivables		L&R	51.6	51.6	49.3	49.3
Hedging derivatives	(1)	N/A	-	-	10.4	10.4
Other derivative instruments		HTM	5.9	5.9	3.1	3.1
Prepaid expenses	(2)	N/A	26.9	N/A	11.0	N/A
Total non-current assets			**477.7**	**-**	**422.6**	**-**
Short-term investments		FV	586.4	586.4	351.6	351.6
Cash		L&R	220.6	220.6	163.6	163.6
Cash and cash equivalents			**807.0**	**-**	**515.2**	**-**

(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

14. | SHARE CAPITAL AND ISSUANCE PREMIUM

14.1 | Changes in share capital and issuance premium

Since January 1, 2008, 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, 2007	**63,045,774**	**630.5**	**1.6**
Exercise of share subscription rights [1]	1,518,854	15.2	-
Merger of Rexdir and Rexop [2]	2,085,259	20.9	47.9
Reduction in capital from the cancellation of treasury shares [3]	(2,085,259)	(20.9)	(47.9)
Splitting of the share par value and doubling of the number of shares [4]	**129,129,256**	-	-
Increase in capital by payment of receivables [5]	63,813,323	319.1	733.8
Increase in capital as a result of the Initial Public Offering [6]	60,606,060	303.0	654.1
Increase in capital as a result of the offer reserved for employees [7]	2,445,188	12.2	20.4
On December 31, 2007	**255,993,827**	**1,280.0**	**1,409.9**
On December 31, 2008	**255,993,827**	**1,280.0**	**1,409.9**

[1] *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.

[2] *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.

[3] *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.

[4] *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.

[5] *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.

[6] *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 a piece 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).

[7] *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 employees in certain countries.

Treasury shares

The Shareholders' Meeting of May 20, 2008 authorised the Company's Management Board with subdelegatation power, to buy shares of the company amounting to a maximum of 10% of the share capital at a maximum price of €30 per share. This programme is capped to €350 million and has duration of 18 months from the date of the Shareholders' Meeting (ending November 20, 2009).

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 25th decision of the Shareholders' Meeting of May 20, 2008.
- and any other objective compliant with regulation in force.

In connection with this share repurchase programme, Rexel entered into a contract with the Rothschild bank to promote the liquidity of its shares for an amount €11.0 million under a 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, 2008, Rexel held 1,215,015 treasury shares acquired at an average price of €7.358 per share, recorded as a reduction in shareholders' equity for an amount of €8.9 million.

In addition, losses on treasury shares disposed of during the period amounted to €1.8 million net of tax and were recognised as a reduction of equity.

14.2 | 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 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 paid

	For the year ended December 31	
(in millions of euros)	**2008**	**2007**
Declared and paid during the year ………………………………	94.4	-
Dividends on ordinary shares corresponding to…………….. …..	€0,37 per share	-
Proposed distribution ………………………………………………	-	-

15. | SHARE-BASED PAYMENTS

15.1 | Free share schemes

As part of its long term incentive policy, Rexel initiated free share schemes with the following characteristics:

Plans issued in 2008

Rexel entered into several free share plans for its top executives and key managers amounting to a total of initially 1,541,720 shares on June 23, 2008 and with a further increase of 66,241 shares granted on October 1st, 2008. According to local regulations, these employees and executives will either be eligible to receive Rexel shares two years after the granting date (June 24, 2010 or October, 2nd 2010), these being restricted during an additional two year period (June 24, 2012 or October, 2nd 2012), so called "2+2 Plan", or four years after the granting date with no restrictions subsequently, so called "4+0 Plan". The issuance of these free shares is subject to the service and performance conditions of the schemes.

Vesting conditions are presented in the following table:

Beneficiaries	Vesting conditions	Date of delivery		Maximum number of shares attributed on granting date		Variations	Maximum number of shares attributed on December 31, 2008	
		2+2 Plan	4+0 Plan	2+2 Plan	4+0 Plan		2+2 Plan	4+0 Plan
Members of Group Executive Committee	Two years service condition from grant date and performance conditions based on: (i) 2008 EBITDA, (ii) 2007/2009 EBITDA margin increase and (iii) 2009 ratio Net Debt to EBITDA.	24-Jun-10	24-Jun-12	241,211	217,920	-	241,211	217,920
		02-Oct-10	02-Oct-12	-	28,436	-	-	28,436
Other key managers	Two years service condition from grant date and performance conditions based on: (i) 2008 EBITDA and (ii) 2007/2009 EBITDA margin increase	24-Jun-10	24-Jun-12	280,698	801,891	(32,066)	267,480	783,043
		02-Oct-10	02-Oct-12	3,456	34,349	(2,853)	3,456	31,496
Total				**525,365**	**1,082,596**	**(34,919)**	**512,147**	**1,060,895**

The fair value of Rexel's shares granted to employees is estimated to €7.88 per share, based upon the stock price at grant date. The restrictions attached to the dividends until the delivery date of the shares to the beneficiaries are computed as a reduction of the fair value.

For the period ended December 31, 2008, the related expense for these 2008 plans amounted to €2.3 million and is accounted for on line "distribution and administrative expenses".

Plans issued in 2007

Concurrently with the admission of the Company's shares to trading, 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 and 33,991 shares on October 29, 2007. According to local regulations, these employees and executives will either be eligible to receive Rexel shares two years after the granting dates (April 12, 2009 or October 30, 2009), these being restricted during an additional two year period (April 12, 2011 or October 30, 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	Number of shares attributed October 29, 2007	Cancelled in 2007 [1]	Number of shares December 31, 2007	Cancelled in 2008 [1]	Number of shares December 31, 2008
Top executives and managers	One year service condition from grant date [2]	2,556,576			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 [2]	1,193,055			1,193,055	(88,254)	1,104,801
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 [3]	1,272,559	33,991	(74,726)	1,231,824	(96,171)	1,135,653
Total		**5,022,190**	**33,991**	**(74,726)**	**4,981,455**	**(184,425)**	**4,797,030**

[1] Service condition unfulfilled

[2] Vesting conditions fulfilled at December 31, 2008

[3] Performance conditions achieved at December 31, 2008

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, 2008, a charge of €19,7 million is accounted for on the line “other charges” (see note 7.2) in counterpart under shareholder’s equity.

15.2 | Stock option plans

Plans issued by Rexel in 2005

On October 28, 2005, Rexel established a share option programme (Plan No.1) that entitles key management personnel to purchase shares of Rexel. On May 31, 2006 and October 4, 2006, further options were granted to new entrants. The terms and conditions stipulated that the number of options that might be exercised varied based on the annual internal rate of return of funds invested by Ray Investment S.à r.l. in the Group, calculated as of the date and on the basis of the pricing of the initial public offering of the Company.

On November 30, 2005, a share option arrangement was set up for a broader circle of senior employees of the group (Plan No.2) with vesting conditions based on a four-year service period or the occurrence of certain events including in particular admission of the Company’s shares to trading on a regulated market. On May 31, 2006, further grants were made to new entrants.

Options granted under the Plan No.1 and the Plan No.2 were vested upon the Initial Public Offering of Rexel shares in April 2007. The beneficiaries of these options may exercise their option only on the latest date between (i) expiry of a period of non-availability of 4 years as from the time they are granted and (ii) the occurrence of certain events including in particular admission of the Company's shares to trading on a regulated market

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.

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

Prior to its acquisition by Rexel Développement (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 accelerated 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 at that date. The other part was covered by a liquidity mechanism entered into by Rexel Développement and certain beneficiaries. This agreement provided for the repurchase by Rexel Développement of the shares arising on the exercise of the stock options after the four-year lock-up period. This mechanism was activated in July 2007 for the 2003 plan and in for the 2004 plan and the beneficiaries exercised their options.

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, 2008	Options term
Options granted to management prior to November 7, 2002	933,943	168,611	10 years
Options granted to management in 2003	623,413	545	10 years
Options granted to management in 2004	782,790	2,045	10 years
Total options granted by Rexel Distribution	2,340,146	171,201	
Options granted to key manager ("Plan No.1")			
- 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 key employees ("Plan No.2")			
- on November 30, 2005	259,050	472,956	10 years
- on May 31, 2006	34,550	65,976	
Total options granted by Rexel	3,338,296	2,178,330	

Number of stock options

The number of stock options is detailed below:

(Number of options)	Rexel S.A. Plans 2005 Executives	Rexel S.A. Plans 2005 Key employees	Rexel Distribution S.A.S. Plans 2004	Rexel Distribution S.A.S. Plans 2003	Rexel Distribution S.A.S. Plans prior to November 7, 2002
Options existing January 1, 2007…………	**2,882,000**	**276,489**	**496,559**	**367,377**	**434,663**
Cancelled during this period…………………	-	-	(5,545)	(4,585)	(71,922)
Exerciced 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 options………	819,699	271,216	-	-	-
Options existing December 31, 2007……	**1,639,398**	**542,432**	**491,014**	**1,134**	**208,154**
Options existing January 1, 2008…………	**1,639,398**	**542,432**	**491,014**	**1,134**	**208,154**
Cancelled during this period…………………	-	(3,500)	-	(589)	(39,543)
Exerciced during this period…………………	-	-	(488,969)	-	-
Options existing December 31, 2008……	**1,639,398**	**538,932**	**2,045**	**545**	**168,611**
Exercisable options at the end of exercise…	1,639,398	538,932	2,045	545	168,611
Exercice price…………………………………	5€ /6.5€ /9.5€	5€ /6.5€	€28.49	€21.61	€68,38 €55,02 €59,68 €51,99

16. | EARNINGS PER SHARE

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

	For the year ended December 31 2008	2007
Net income attributed to ordinary shareholders (*in millions of euros*)..	230.2	143.5
Weighted average number of ordinary shares (*in thousands*)………..	255,460	220,976
Basic earnings per share (*in euros*) …………………………………	**0.90**	**0.65**
Net income attributed to ordinary shareholders (*in millions of euros*)..	230.2	143.5
Average number of balanced shares in circulation (*in thousands*) ……..(1)	255,460	220,976
Potential dilutive ordinary shares (*in thousands*)……………………….	*6,365*	*3,707*
- out of which are share options (in thousands) ……………………	*826*	*1,399*
- out of which are free shares (in thousands) ……………………… (2)	*5,539*	*2,308*
Weighted average number of ordinary shares used for the calculation of fully diluted earnings per share (*in thousands*) …….	261,825	224,683
Fully diluted earnings per share (*in euros*) ……………………………	**0.88**	**0.64**

(1) After split in two of the value following the decision at the General meeting of April 4, 2007

(2) The number of potential dilutive shares does not take into account the free shares whose allocation is subject to future performance

17. | PROVISIONS AND OTHER NON-CURRENT LIABILITIES

(in millions of euros)	As of December 31 2008	2007
Provisions	168.6	41.4
Other non-current liabilities	55.2	11.4
Total	**223.8**	**52.8**

Other non-current liabilities are comprised essentially of fair value of derivatives instruments for €45.0 million (see note 20.1) and debts related to the profit sharing schemes for French employees in the amount of €10.3 million (€8.3 million as of December 31, 2007).

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, 2007	**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**
Change in consolidation scope	1.8	5.6	18.8	85.7	**111.9**
Increase	22.9	9.5	7.6	11.4	**51.4**
Use	(6.0)	(1.2)	(3.0)	(6.0)	**(16.2)**
Release	(0.1)	(1.3)	(0.6)	(1.0)	**(3.0)**
Translation differencies	(0.8)	(0.6)	(1.5)	(13.5)	**(16.4)**
Other changes	(1.9)	(0.2)	(0.3)	1.9	**(0.5)**
At December 31, 2008	**23.5**	**35.2**	**29.6**	**80.3**	**168.6**

As of December 31, 2008, provisions consist mainly of:

- accrued expenses of €8.4 million for restructuring in France (branch closures and termination of non core business), €3.5 million in the United States (reorganization of regional divisions), €2.9 million in Canada (reorganisation and separation of non strategic activities), €1.9 million in Spain (integration of ABM);
- litigation reserves concerning fiscal matters of €25.2 million in France (see note 22.2), €5.6 million in the Netherlands and of €3.7 million in Canada;
- other reserves for claims incurred in normal course of business including commercial litigation of €11.0 million, personnel-related litigation of €4.1million and claims for warranties granted to customers ;
- provision for vacant properties including a reserve for onerous contract relating to the national distribution centre in the UK acquired as part of the business combination with Hagemeyer for €51.9 million.

For the year ended December 31, 2008, change in consolidation scope related to Hagemeyer entities for €112.2 million and mainly included reserve for various onerous contract in the UK for €75.9 million, reserve for the exposure related to legal proceedings (see note 22.1) for €10 million, reserve for warranty granted on ACE Division products for €7.6 million and a reserve for Group tax risks for 5.6 million.

18. | 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 usually unfunded.

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

	Defined benefit obligations	
(in millions of euros)	**2008**	**2007**
At the beginning of the period	**461.6**	**482.0**
Service cost	14.9	12.1
Interest cost	45.2	21.8
Benefit payments	(43.6)	(22.5)
Employee contributions	3.1	3.9
Actuarial (gain) loss	(51.0)	(29.0)
Change in consolidation scope	560.0	0.4
Translation differencies	(65.9)	(1.9)
Other changes	(0.2)	(5.2)
At the end of the period	**924.1**	**461.6**

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

	Plan assets	
(in millions of euros)	**2008**	**2007**
At the beginning of the period	**353.1**	**343.6**
Employer contributions	27.7	17.1
Employee contributions	3.2	3.9
Return on plan assets	(91.4)	15.1
Benefit payments	(43.7)	(22.2)
Change in consolidation scope	525.8	0.2
Translation differencies	(45.0)	(1.6)
Other changes	(1.0)	(3.0)
At the end of the period	**728.7**	**353.1**

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	
	2008	2007
Defined benefit obligations ………………………………	924.1	461.6
Fair value of plan assets ……………………………………	(728.7)	(353.1)
Funded status ………………………………………………	**195.4**	**108.5**
Unrecognised actuarial gains and losses …………………	(61.9)	14.4
Effect of the asset cap……………………………………	-	2.7
Recognised net liability for defined benefit obligations ……………………………………………	**133.5**	**125.6**
of which "Employee benefits"	175.4	125.6
of which "Other financial assets" [(1)]	(41.9)	-

(1) The €41.9 million surplus of the defined benefit plan assets over liabilities is relating to the Hagemeyer post-employment scheme in the Netherlands which is subject to minimum funding requirements. Pursuant to the plan, the company is entitled to contribution holidays when the funding ratio is beyond 150%, and refunds when the ratio is above 200% or at termination of the plan when there is a surplus. No asset ceiling was recognised at December 31, 2008 since the difference between the projections of future service costs and the expected future contributions was in excess of the asset.

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

(in millions of euros)	As of December 31	
	2008	2007
Service costs [(1)] …………………………………………….	14.9	12.2
Interest costs [(2)] ………………………………………………	45.2	21.8
Expected return on plan assets [(2)] …………………………	(43.8)	(21.3)
Curtailment and settlement [(3)]………………………………	-	(1.3)
Amortisation of unrecognised actuarial gains / losses [(1)]	2.5	(2.7)
Other [(1)] …………………………………………………	(2.6)	2.6
Expense recognised ………………………………….	**16.2**	**11.3**

(1) Recognised as personnel costs (see note **6**)

(2) Recognised as net financial expenses (see note 8)

(3) Recognised as other income and expenses (see note 7)

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

(in %)	Canada		United States		United Kingdom		Euro Zone	
	2008	2007	2008	2007	2008	2007	2008	2007
Discount rate [(1)]………………………	6.50	5.25	6.00	6.25	6.00	5.80	5.75	5.50
Expected return on plan assets [(2)] …	6.75	7.75	7.75	8.00	7.15	6.70	5.75	5.25
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

(1) Discount rates have been set by reference to market yields on high quality corporate bonds with a similar duration than the underlying obligation. Discount rates were determined based on a database developed by Rexel's actuary which includes several hundreds of AA+ corporate bonds with durations from one year to approximately 30 years. For each plan, expected benefit payments are discounted using the rate that matches the plan duration. Then the database computes a single rate that, when applied to cash-flows of all plans, retrieves the same present value of the aggregated cash-flows of each individual plan.

(2) Expected long term return on assets has bee calculated as weighted average of expected return on bonds and equities. The expected return on bonds has been assumed equal to the applicable discount rate as set out above. Expected return on equities was determined on the basis of the discount rate plus a 3% risk premium.

Sensitivity analysis

As of December 31, 2008, a 25 basis points decrease in discount rates would result in a €35 million increase in the defined benefit obligation. A 25 basis points decrease applied to the expected return on assets would result in €2 million increase in the expense.

As of December 31, 2008, a 1% increase in medical costs would translate to a €5 million increase in the present value of health care plans.

As of December 31, 2008, the average allocation of Group funds invested for retirement plans by type of investment is as follows: 38% in stocks, 48% in bonds, 1% in money markets and 13% in other investment categories.

19. | FINANCIAL LIABILITIES

This note provides information about financial liabilities as of December 31, 2008. Financial liabilities include interest-bearing loans, borrowings and accrued interest less transaction costs.

19.1 | Net financial debt

	As of December 31, 2008			As of December 31, 2007		
(in millions of euros)	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Senior Subordinated Notes and indexed bonds	-	-	-	54,8	-	54,8
Senior credit facility	178,2	2 225,9	2 404,1	-	960,6	960,6
Securitisation	-	1 255,0	1 255,0	-	1 012,1	1 012,1
Bank loans	5,2	3,7	8,9	5,9	5,0	10,9
Bank overdrafts and other credit facilities (1)	91,4	-	91,4	45,1	-	45,1
Finance lease obligations	9,6	17,4	27,0	16,9	37,5	54,4
Less transaction costs		(47,4)	(47,4)	-	(16,1)	(16,1)
Carrying amount of liability	***284,4***	***3 454,6***	***3 739,0***	***122,7***	***1 999,1***	***2 121,8***
Total financial debt and accrued interest			**3 739,0**			**2 121,8**
Cash and cash equivalents			(807,0)			(515,2)
Net financial debt			**2 932,0**			**1 606,6**

(1) Including accrued interest of €8,3 million as of December 31, 2008 (€4,5 million as of December 31, 2007)

19.1.1 Senior Credit Agreement

Within the context of the tender offer initiated in The Netherlands by Kelium (an indirect subsidiary of Rexel) on December 24, 2007 relating to 100% of the securities of Hagemeyer, Rexel, as borrower and guarantor, and Kelium, as borrower, entered into a €5.4 billion credit agreement on December 19, 2007 with Calyon, Crédit Industriel et Commercial (CIC), HSBC France, HSBC Bank plc, ING Bank NV, Natixis and The Royal Bank of Scotland Plc, as Mandated Lead Arrangers and Original Lenders, and Calyon, as Agent. The Senior Credit Agreement was entered into to finance Hagemeyer acquisition, refinance the entirety of the Group's debt under the 2007 Senior Credit Agreement entered into on February 15, 2007, refinance the Hagemeyer group's debt and finance the general operating requirements of Group companies. The Senior Credit Agreement was amended on September 22, 2008 and includes:

- Facility A, which is a multi-currency partly redeemable credit facility with a five-year term as from the execution date of the Senior Credit Agreement (ie as from December 19, 2007), in an initial amount of €3.1 billion which was intended to partially refinance Rexel's existing debt (in principal, interest and premiums) under the 2007 Senior Credit Agreement, finance the acquisition of the Hagemeyer securities, ensure the refinancing of Hagemeyer's debt and that of its subsidiaries and pay the expenses and charges relating to Offer. Following disposals to Sonepar of non-retained Hagemeyer entities, this facility has been repaid for an amount of €783.0 (571.0 million on June 19, 2008 and €212.0 million on July 1st, 2008). In August 2008, this facility was reduced by €60 million, following the implementation of Facility A'.

- Facility A' was created by the execution of the amendment dated September 22, 2008 and immediately drawn in full for a nominal amount of €60 million by reallocating a similar amount from Facility A to Facility A'. It has the same main characteristics than Facility A, and must be repaid in priority on such Facility A (see repayment schedule in note 20.3);

- Facility B, which is a multi-currency revolving credit facility ("Revolver") with a five-year term as from the execution date of the Senior Credit Agreement, in an original maximum amount of €600 million which is intended to partially refinance Rexel's existing debt (in principal, interest and premiums) under the 2007 Senior Credit Agreement, finance the general operating requirements of Group companies, in particular working capital requirements and finance certain acquisitions that meet the criteria set forth in the Senior Credit Agreement. The maximum amount of Facility B was reduced by €15 million to €585 million.

- Facility C, which was a multi-currency credit facility with a six-month term as from the settlement and delivery date of the Offer in a maximum amount at inception of €1.2 billion reduced to €737 million. Facility C was reserved for financing the acquisition of the Hagemeyer securities and paying the expenses and charges relating to the acquisition. Facility C was fully repaid in June 2008 with the proceeds from the sale of asset sales to Sonepar;

- Facility D, which was a multi-currency credit facility with a two-year term as from the settlement and delivery date of the Offer and will mature on March 14, 2010, in a maximum amount of €500 million. Facility D was reserved for the financing of the acquisition of Hagemeyer securities and paying the expenses and charges relating to the acquisition. Facility D was intended to be refinanced through proceeds from securitization programmes to be set-up and including Hagemeyer retained entities. Following disposals to Sonepar of non-retained Hagemeyer entities in June and the execution of a new European securitization program in December, this facility has been partly repaid for an amount of €407.6 million (€92.0 million on June 19, 2008, €38.0 on July 1st , 2008 and €277.6 million on December 19, 2008). On December 29, 2008 the Group cancelled €6.1 million of available undrawn credit on this Facility. On January 22, 2009, this facility was reduced to €72.3 million following an additional repayment of €14.0 million.

Under this agreement, Kelium and certain of its subsidiaries, Rexel Distribution, Rexel Inc, Rexel North America, International Electrical Supply Corp. and General Supply & Services are considerate as obligors.

As of December, 31 2008, facilities under the Senior Credit Agreement are as follows:

Credit Facility (Term Loan)	Commitment	Borrower	Balance due as of December 31, 2008	Currency	Balance due as of December 31, 2008
	(in millions of euros)		(in millions of local currency)		(in millions of euros)
		Rexel Distribution	1,000.0	SEK	92.0
		Rexel Distribution	180.0	CHF	121.2
Facility A [(1)]	2,257.8	IESC	772.0	USD	554.7
		Rexel North America Inc	320.0	CAD	188.3
		Kelium SAS and Rexel Distribution	1,301.7	EUR	1,301.7
Facility A'	60.0	Kelium SAS	60.0	EUR	60.0
Facility B [(2)]	585.0	Kelium SAS and other obligors	-	EUR	-
Facility C [(1)]	-	Kelium SAS	-	EUR	-
Facility D [(1)]	86.3	Kelium SAS	86.3	EUR	86.3
TOTAL	**2,989.1**				**2,404.1**

(1) Original commitment of €3,1 billion for Facility A, €1,2 billion reduced to €737 million for Facility C and €500 million for Facility D reduced or cancelled after repayment made in June, July and December 2008 following the disposal of the “Sonepar Entities” and the implementation of the European securitisation program.

(2) original commitment of €600 million reduced to €585 million in accordance with the amendment on the SCA in September 2008

Interests and margin

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 euro, plus (ii) the cost relating to lending banks’ reserve requirements and fee payments and (iii) the applicable margin.

The applicable margin is equal to 1.75% in relation to facilities A, A’ and B and will be reduced to 1.4% in early 2009 in accordance with the Pro Forma Leverage ratio described below.

Facility B, as a revolver facility, is not currently drawn. It therefore bears a commitment margin equals to 35% of the applicable margin.

From December 31, 2008 margin applicable will vary in accordance with the ranges in which the Pro Forma Leverage Ratio (as defined below) falls at the end of each semester as set out below:

Pro Forma Leverage Ratio	Margin
Greater than 4,50:1	2,00%
Greater than or equal to 4,00:1	1,75%
Greater than or equal to 3,50:1	1,40%
Greater than or equal to 3,00:1	1,10%
Greater than or equal à 2,50:1	0,90%
Less than 2,50:1	0,75%

The applicable margin for Facility C amounted to 0.80% until May 1, 2008 (1.20% thereafter), and the applicable margin for Facility D amounts to 1.00% until March 14, 2009 (2.00% thereafter).

Covenant (Pro Forma Leverage Ratio)

The Pro Forma Leverage Ratio corresponds to the adjusted consolidated net debt relative to the adjusted consolidated EBITDA, as such terms are defined below:

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

- Includes adjusted EBITDA over the last 12 months of all of 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 IFRS;
- Excludes expenses relating to employee profit sharing and any share based payments or the grant of share subscription options;
- Excludes restructuring costs relating to the integration of Hagemeyer; and
- Is adjusted to exclude the non-recurring impact on the Group's consolidated EBITDA related to the price of copper in cables.

Adjusted consolidated net debt means all financial debt (whether the interest with respect to such debt is paid or capitalized) converted to the average rate of the last 12 months when the debt is in a currency other than the euro:

- less transaction costs, intra-group loans and amounts payable under Facility C;
- plus all indebtedness relating to the issuance of securities that are not mandatorily redeemable into shares and any other amount relating to a loan under international accounting standards;
- plus accrued interest, including capitalized interest but excluding interest accrued on intra-group loans;
- minus cash and cash equivalents.

Commitment

Under the terms of the Senior Credit Agreement, Rexel must, at each of the dates indicated below, maintain, at the end of each rolling twelve-month period indicated below, a Pro Forma Leverage Ratio below the following levels:

Date	Pro Forma Leverage Ratio
December 31, 2008	4.75:1
June 30, 2009	4.75:1
December 31, 2009	4.50:1
June 30, 2010	4.25:1
December 31, 2010	3.90:1
June 30, 2011 and after	3.50:1

As of December 31, 2008 this ratio was 3.60, thus satisfying the covenant with a 32% headroom.

The Senior Credit Agreement contains standard clauses for this type of agreement. These include clauses restricting the ability of Group companies which are parties to the Senior Credit Agreement, as well as certain subsidiaries, to pledge their assets, carry out mergers or restructuring programs, borrow or lend money, provide guarantees or make certain investments, as well as provisions concerning acquisitions by Group companies.

The Senior Credit Agreement allows partial or total acceleration of repayment upon the occurrence of certain events, including in the case of a payment default under the Senior 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 on the payment obligations of the borrowers and the guarantors or on their ability to comply with the Pro Forma Leverage Ratio as set forth above.

If Rexel loses indirect control over Hagemeyer, or if Kelium loses direct control over Hagemeyer (control being defined, in such cases, as the holding of more than 50% of the share capital (*geplaatst kapitaal*) of Hagemeyer), a change of control would be considered as having occurred for the purposes of the Senior Credit Agreement and, as a result, any lender would be entitled to require early payment of its share in the credit agreement.

A pledge over the Kelium shares, on the one hand, and a pledge over the Hagemeyer shares and convertible bonds that Kelium hold after the offer, on the other hand, has been granted by Rexel Distribution and Kelium respectively, under the Senior Credit Agreement. Rexel and Rexel Distribution guarantee, on a joint basis, all of the obligations of their respective subsidiaries. In addition, certain U.S. and Canadian entities, in addition to Hagemeyer, guarantee the obligations of Rexel in accordance with applicable laws.

19.1.2 Securitisation programmes

On December 17, 2008, Rexel launched a new securitization programme, including Hagemeyer's operations in the United Kingdom, Germany, Spain, Belgium and The Netherlands, as well as Rexel's subsidiaires in Spain, Belgium and The Netherlands. This programme, of a maximum amount of €600 million, has a term of 5 years.

Securitisation programme features are summarised in the table below:

	(in millions of currency)				*(in millions of euros)*			
Programme	**Commitment**	**Amount of receivables pledged on December 31, 2008**	**Amount drawn on December 31, 2008**		**Outstanding amount on December 31, 2008**	**Outstanding amount on December 31, 2007**	**Maturity date**	**On-going cost of funding**
2005 - Pan-European (Europe-Australia)	600.0 EUR	751.5	589.7	EUR	589.7	596.0	20/11/2012	BT & EUR/US Commercial Paper +0,48%
United-States	470.0 USD	670.3	454.7	USD	326.7	319.2	11/03/2012	US Commercial Paper +0,33%
Canada	140.0 CAD	235.3	125.5	CAD	73.8	96.9	13/12/2012	Canadian Commercial Paper +0,45%
2008 - Europe	600.0 EUR	184.7 151.5	146.2 113.0	EUR GBP	264.8	-	17/12/2013	BT & Euro/US Commercial Paper +0,86%
TOTAL					**1,255.0**	**1,012.1**		

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.

Securitisation 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, 2008 Rexel had satisfied all of these covenants.

19.1.3 Repayment of the €45.7 million indexed bond on May 11, 2008

In 1998, Rexel Distribution entered into a €45.7 million (initially FRF300 million) bond issuance comprising 300.000 zero-coupon bonds with a nominal value of €152.45, redeemable on May 11, 2008. In order to protect against fluctuation of the market value of the bond and ensure full redemption of the principal of the bond issue, Rexel Distribution entered into a swap offering this protection in exchange for the quarterly payment of interest corresponding to three-month EURIBOR minus 0.08%. On May 11, 2008, Rexel

Distribution redeemed this bond issue at €183.8354 per bond, i.e., a total amount of €55.75 million. Under the swap implemented, Rexel Distribution received an amount of €9.5 million corresponding to the difference between the last interest payment at the rate of three-month EURIBOR minus 0.08% and the fair value of the swap. Therefore, the net amount paid by Rexel under the redemption of the bond issue amounted to €45.7 million, corresponding to the nominal value of the bond issuance.

19.2 | Change in net financial liabilities

As of December 31, 2008 and December 31, 2007, change in net financial liabilities is as follows:

(in millions of euros)		2008	2007
At December 31, ……		**1,606.6**	**3,901.0**
Net change in shareholders' loan……		***-***	***(1,039.9)***
Early repayment of Senior Subordinated Notes……		-	(600.0)
Reimbursement of Senior Credit Agreement 2005……		-	(1,596.2)
Subscription of Credit Agreement 2007……		-	999.4
Reimbursement of Senior Credit Agreement 2007……	(1)	(947.5)	-
Re-financing of Hagemeyer pre-acquisition debt……	(1)	(260.0)	-
Subscription of Credit Agreement 2008……	(1)	4,323.1	-
Reimbursement of Senior Credit Agreement 2008……	(2)	(1,927.6)	-
Transaction costs of Credit Agreement 2008……	(3)	(66.6)	-
Transaction costs of european securitisation program 2008……	(3)	(4.6)	-
Repayment of the 1998 Indexed bond……		(45.7)	
Net change in other credit facilities and bank overdrafts……		(40.3)	(16.1)
Net change in credit facilities……		**1,030.8**	**(1,212.9)**
Net change in securitisation……	(5)	354.0	42.2
Payment of finance lease liabilities……	(4)	(66.3)	(26.9)
Net change in financial liabilities……		***1,318.5***	***(1,197.6)***
Change in cash and cash equivalents ……		(246.0)	(46.4)
Foreign currency exchange discrepencies ……		(85.2)	(101.6)
Change in consolidation scope……	(6)	314.6	15.0
Amortisation of transaction costs……		39.6	82.4
Other changes……		(16.1)	(6.3)
At December 31, ……		**2,932.0**	**1,606.6**

(1) _Refinancing of the 2007 Senior Credit Agreement and pre-acquisition debt of Hagemeyer_

As of March 14, 2008, following the acquisition of Hagemeyer, the remaining amount due under Facility A of the 2007 Senior Credit Agreement, was entirely redeemed in advance for an amount of €947.5 million. At the same time, the multicurrency line of credit of the Hagemeyer Group, amounted to €281.1 million as of March 14, 2008, was entirely repaid and refinanced by an advance of treasury for an amount of €260 million.

These Credit Agreements were refinanced by drawings under the Senior Credit Agreement for an amount of €4,312.0 million (€4,323.1 million converted at average rates as at December 31, 2008 originally composed of a multicurrency credit facility A for an amount of €3,092.2 million, and two others credit facilities, C and D, for respectively €737 million and €493.9 million).

(2) _Reimbursement of facilities under the Senior Credit Agreement_

Following the sale to Sonepar of non-retained Hagemeyer entities in June 2008 (as described in note 3.1) and the implementation of a european securitisation program in December 2008 (as described in note

19.1.2), Rexel repaid €1,927.6 million of the Senior Credit Agreement, including the paying off of the Facility C for €737.0 million and partial reimbursement of Facility A and D for respectively €783 million and €407.6 million.

(3) *Transaction costs*

Transaction costs related to the Senior Credit Agreement and the European securitisation program are presented in net change in credit facilities for an amount of respectively €65.8 million and €4.6 million.

(4) *Payment of finance lease liabilities*

Change in finance lease liabilities mainly includes repayment for an amount of €26.9 million of finance lease debt related to the disposal of seven lease contracts in France (see note 7.1).

(5) *Net change in securitisation*

Net change in securitisation includes drawings under the European securitisation program set up in December 2008 for an amount of €292.4 million.

(5) *Change in consolidation scope*

Change in consolidation scope includes the take-over of Hagemeyer indebtedness and Sonepar indebtedness in Sweden at acquisition date for an amount of €320.0 million less Germany debt for €6.0 million following the disposal of Rexel historical business in Germany (see note 3).

In the year ended December 31, 2007, net change in credit facilities included the reimbursement of the Senior Subordinated notes of €600.0 million, the refinancing of the 2005 Senior Credit Agreement for an amount of €1.6 billion and the drawdown of a facility under the 2007 Senior Credit Agreement for an amount of €1.0 billion.

20. | MARKET RISKS AND FINANCIAL INSTRUMENTS

20.1 | Interest rate hedging

In order to hedge its exposure to floating rates, the Group has adopted an interest rate hedging strategy aimed at maintaining a hedging ratio (including fixed and capped interest rates) close to three-fourths of the net financial debt and the remaining 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)	As of December 31	
	2008	**2007**
Fixed rate finance leases and other fixed rate debt…….	35.0	40.2
Financing fees…………………………………………………	(47.3)	(16.0)
Fixed rate debt before hedging …………………………….	*(12.3)*	*24.2*
Variable to fixed rate swaps…………………………………	1,183.0	999.1
Interest rate options - Caps…………………………………	1,087.8	315.9
Sub total fixed or capped rate debt after hedging	**2,258.5**	**1,339.2**
Variable rate debt before hedging………………………….	3,751.4	2,097.7
Variable to fixed rate swaps………………………………..	(1,183.0)	(999.1)
Active Interest rate options - Caps and Collars…………….	(69.3)	-
Cash and cash equivalents.………………………………..	(807.0)	(515.2)
Sub total variable rate debt after hedging	**1,692.1**	**583.4**
Inactive interest rate options - Caps and Collars………….	(1,018.6)	(315.9)
Sub total variable rate debt	**673.5**	**267.5**
Total financial debt and accrued interests	**2,932.0**	**1,606.6**

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, Euros, Pound Sterling, and Canadian dollar-denominated caps and collars contracts.

These derivatives mature between December 2008 and September 2012. 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 its policy. 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.

Cash flow hedge derivatives

As of December 31, 2008, 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	303.0	March 2010		1M Euribor	3.15%	(2.4)
US $	185.0	September 2009		3M Libor	5.25%	(3.7)
	269.0	March 2010		3M Libor	4.64%	(7.8)
	200.0	September 2011		3M Libor	3.35%	(9.4)
	230.0	December 2011		3M Libor	3.77%	(5.6)
	200.0	September 2012	(1)	3M Libor	3.18%	(4.9)
Canadian $	112.0	March 2009		3M Libor	3.83%	(0.2)
	80.0	March 2010		3M Libor	4.02%	(1.7)
Swedish Krona	430.0	March 2010		3M Stibor	3.36%	(0.7)
Australian $	41.5	March 2010		3M Libor	6.10%	(0.6)
Total						**(37.0)**

	Total notional amount currency *(in millions of currency)*	Maturity	Premium paid *(in millions of euros)*	Floating rate received	Weighted average fixed rate paid	Fair value *(in millions of euros)*
Caps						
Dollar US …………………………	50.0	March 2009	0.3	3M Libor	5.00%	-
Dollar US …………………………	115.0	September 2009	0.5	3M Libor	5.50%	-
Collars						
Euro…………………………….	900.0	March 2011	0.8	3M Euribor	2,65%-4,50%	(6.3)
Pound Sterling…………………	66.0	March 2011	0.2	3M Libor	3,75%-5,75%	(2.1)
Canadian $ (2).............................	126.0	March 2011	0.1	3M C-Dor	2,75%-5,00%	(2.6)
Total			**1.9**			**(11.0)**

(1) : beginning on September 16, 2009

(2) : beginning on March 16, 2009

Following the acquisition of Hagemeyer and in accordance with its interest rate hedging strategy, the Group entered into collars contracts in Euros, Pound Sterling and Canadian dollars. At the subscription date, Rexel paid a premium for an amount of €1.1 million.

On December 31, 2008, the total notional amount of cash flow hedge swaps and cash flow hedge options were €1,254.9 million and €1,162.0 million, respectively.

The change in fair value of the cash flow hedge instruments for the period ended December 31, 2008 was recognised as a reduction in shareholders' equity for an amount of €47.2 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)	Fair value	One year	Two years	Three years	Thereafter
Derivative assets ……………	-	-	-	-	-
Derivative liabilities …………	(48.0)	(28.2)	(14.1)	(5.0)	(0.7)
Derivatives ……………………	**(48.0)**	**(28.2)**	**(14.1)**	**(5.0)**	**(0.7)**
Cash flow hedged ………….	(48.0)	(28.2)	(14.1)	(5.0)	(0.7)

Sensitivity to interest rate variation

As of December 31, 2008 an instantaneous rise of 1% in short-term interest rates on variable debt excluding inactive interest rate options after the 1% rise, would lead to an increase in interest expense estimated to €17.2 million on a yearly basis.

20.2 | Hedging of fluctuations in foreign currency

Exchange exposure arises principally 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.

Fair value

The notional amount and the fair value of financial instruments hedging foreign exchange risk as of December 31, 2008 were respectively €121.8 million (€454.6 million forward sales and €332.8 million forward purchases) and €1.9 million. Change in fair value is accounting for in net financial expenses in order to neutralize exchange rate gain (loss) related to hedging transactions.

Sensitivity to variation in the exchange rate

In 2008, 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, around half of the Group's net debts were originally demonstrated in currencies other than euro, of which nearly 27% were in US dollars and 9% 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 €225.9 million and a decrease (increase) in operating income before other income and other expenses of respectively €10.9 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, 2008, would result in a corresponding decrease or increase in financial debt and shareholders' equity of, respectively, €56.1 million and €3.1 million for an appreciation of the 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	Norvegian crown	Swedish kronor	Pound sterling	Other currency	Total
Financial liabilities …….	2,088.8	876.3	260.0	68.6	6.1	94.3	207.2	137.7	3,739.0
Cash and cash equivalents……..	(620.0)	(83.5)	0.2	(24.0)	(24.3)	(12.0)	(13.5)	(29.9)	(807.0)
Net financial position before hedging	**1,468.8**	**792.8**	**260.2**	**44.6**	**(18.2)**	**82.3**	**193.7**	**107.8**	**2,932.0**
Impact of hedge……….	138.9	40.9	27.1	(23.6)	(211.1)	(77.3)	138.2	(33.1)	-
Net financial position after hedging	**1,607.7**	**833.7**	**287.3**	**21.0**	**(229.3)**	**5.0**	**331.9**	**74.7**	**2,932.0**
Impact of a 5% increase of exchange rate	-	41.7	14.4	1.1	(11.5)	0.3	16.6	3.7	66.2

20.3 | Liquidity Risk

The Senior Credit Agreement has a five year and one day term (beginning on the date of the first draw-down). Under the Senior Credit Agreement, contractual repayment of Facility A and A' (which are partly redeemable) and Facility D (which has a two year term) are as follows:

Facility A repayment date	**Repayment instalment** *(in millions of euros)*
December 2009	160.0
December 2010	262.9
December 2011	262.9
December 2012	1,572.0

Facility A' repayment date	**Repayment instalment** *(in millions of euros)*
December 2009	4.3
December 2010	7.1
December 2011	7.1
December 2012	41.5

Facility D repayment date	**Repayment instalment**
January 2009	14.0
Mars 2010	72.3

The Senior Credit Agreement also include a revolving facility which has been put in place to cover monthly and seasonal variations in its financing in connection with the Group's securitisation programmes and to finance acquisitions. At December 31, 2008, this facility has not been drawn and is still available. The Group may be required to repay amounts due under the Senior Credit Agreement early in the case of the occurrence of certain events or as a result of non-compliance with covenants set out in note 19.1.1.

Lastly, securitisation programmes mature in 2012 and 2013. 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)	As of December 31	
Due within	**2008**	**2007**
One year [1]…………………………………………...………	272.3	119.2
Two years……………………………………………...….	328.9	4.8
Three years………………………………………..……..	264.5	6.7
Four years…………………………..…………………….	2,598.0	0.3
Five years……………………...………………………..	266.2	1,983.1
Thereafter……………………..………………………..	9.1	7.7
Total financial debt……………………………………	**3,739.0**	**2,121.8**
Interest to be paid……………………..…………………	514.1	390.8
Total net repayable……………………………………	**4,253.1**	**2,512.6**

[1] : including contractual repayment under factility A and A' for €164.2 million, repayment of €14.0 million under facility D done on January 22, 2009 and bank overdraft for €91.4 million.

As of December 31, 2008, the remaining contractual due dates, including interest owed, are as follows:

(in millions of euros)

Due within :	**Financial debt & interests**	**Derivatives**	**Total**
One year…………………………	407.0	28.4	435.4
Two years……………………….	453.0	14.3	467.3
Three years…………………….	374.5	5.3	379.8
Four years……………………….	2,683.9	0.7	2,684.6
Five years……………………...	276.5	-	276.5
Thereafter……………………...	9.5	-	9.5
Total financial Debt …………	**4,204.4**	**48.7**	**4,253.1**

20.4 | 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, industries, municipalities), and their geographical spread in France and abroad. In addition, credit insurance programmes have been implemented in the majority of the significant countries in which the Group operates. The outstanding amount of the accounts receivable after impairment amounted to €2,363.3 million and is detailed in this document (see 11.2).

The credit risk concerning cash, cash equivalents and hedging instruments is likewise limited by the quality of the relevant counter-parties, which are the Group's historical banking partners for its financing, and are quite-exclusively major European establishments. Outstanding debt was €812.9 million as of December 31, 2008, corresponding to the net book value of the mentioned elements.

The maximum credit risk on the Group's other financial assets was €471.1 million and essentially corresponds to supplier discounts receivable.

21. | SUMMARY OF FINANCIAL LIABILITIES

			December 31			
			2008		2007	
(in millions of euros)		Category IAS 39	Carrying amount	Fair value	Carrying amount	Fair value
Bonds …………………………………………………		FV	-	-	54.8	54.8
Other bonds ……………………….…………………		AC	-	-	-	-
Other financial debts, including accrued interest ……..		AC	3,739.0	3,739.0	2,067.0	2,067.0
Total financial liabilities ……………………………..			**3,739.0**	**3,739.0**	**2,121.8**	**-**
Trade accounts payable …………………………………		AC	1,930.0	1,930.0	1,659.3	1,659.3
Vendor rebates receivable ………………………………		AC	107.8	107.8	66.9	66.9
Personnel and social obligations ……………………..	(2)	N/A	263.2	N/A	229.3	N/A
VAT receivable and other sales taxes ………………..	(2)	N/A	69.1	N/A	48.6	N/A
Hedging derivatives ……………………………………..	(1)	N/A	3.9	N/A	7.1	N/A
Other derivatives …………………………………………		HTM	4.0	4.0	1.9	1.9
Other liabilities ……………………………………………		AC	168.7	168.7	143.0	143.0
Deferred income ……………………………….……..	(2)	N/A	7.5	N/A	2.4	N/A
Total other debts ………..…………………………			**624.2**	**-**	**499.2**	**-**

(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

22. | LITIGATION AND CONTINGENCIES

22.1 | Litigation

The Group is subject to legal, administrative and regulatory proceedings in the normal course of its business. A provision is recognised in the balance sheet 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. The principal proceedings are set out below.

Litigation regarding bankruptcy of Ceteco

Since 1995, Hagemeyer N.V. has held, directly and indirectly, approximately 65% of the shares in Ceteco N.V., which was declared bankrupt in May 2000. In October 2003, Ceteco's bankruptcy receivers filed a lawsuit against Hagemeyer N.V. and the managing and supervisory board members of Ceteco in a Dutch court for the entire deficit in bankruptcy, currently estimated by the bankruptcy receivers at €190 million, which includes a subordinated claim of Hagemeyer N.V. against Ceteco of €42 million, fully depreciated by Hagemeyer N.V.

This claim is based on the allegation that the non-executive directors improperly supervised the executive directors while they mismanaged Ceteco, leading to its demise. The basis of the alleged liability is that three of these non-executive directors were members of Hagemeyer N.V.'s supervisory board during the period of the alleged mismanagement. In addition, and alternatively, the bankruptcy receivers allege that Hagemeyer N.V., as a majority shareholder of Ceteco, breached a duty of care it owed to Ceteco and its creditors by, among other things, failing to intervene in time to prevent mismanagement at Ceteco. The bankruptcy receivers also claim that Hagemeyer has unfairly dismissed Ceteco's supervisory board and management board.

The damages in this tort claim are based on the losses suffered by Ceteco in certain countries. Any damages so recoverable in the tort claim will reduce the deficit in bankruptcy and therefore will reduce the amount of the first claim. Taking into account the full depreciation of Hagemeyer N.V.'s subordinated claim, the aggregate claim of the bankruptcy receivers is not expected to exceed €148 million, although the Group cannot give any assurances in this respect.

One of Ceteco's creditors, Dresdner Bank Lateinamerika AG, claims damages from Hagemeyer N.V. in the amount of €14.5 million based on tort and alleging that Hagemeyer breached a duty of care to Dresdner Bank by failing to intervene in time to prevent mismanagement at Ceteco. The amount claimed forms part of the deficit in Ceteco's bankruptcy. Dresdner Bank has not commenced any formal court proceedings.

Pursuant to a judgment rendered on December 12, 2007, the Utrecht district court allowed the claim of the bankruptcy receivers of Ceteco and ordered Hagemeyer N.V., as well as the former members of the management board and supervisory board of Ceteco to pay a still to be determined amount of damages and referred the parties to a separate proceeding to determine the amount of the damages. In addition Hagemeyer N.V. and the former members of Ceteco's management board and supervisory board were jointly and severally sentenced to make an advance payment on damages of €50 million. Hagemeyer N.V. and some of the former members of Ceteco's management board and supervisory board have appealed this jugement, with a suspensory effect thereon including on the payment of the advance on damages and on the separate proceeding which is to determine the amount of damages. Hagemeyer N.V. filed its memorandum in response on June 24, 2008. On February 8, 2008, the bankruptcy receivers seized the shares of certain of Hagemeyer N.V.'s directly-held Dutch subsidiaries and intragroup receivables, for an amount of €190 million, that were due on February 8, 2008 by these Dutch subsidiaries to Hagemeyer N.V. Hagemeyer appealed this decision. By a ruling dated May 22, 2008, the Appeal Court dismissed the appeal of Hagemeyer N.V. without giving any decision in respect of the validity of these seizures. Hagemeyer N.V. has appealed this ruling before the Dutch Supreme Court.

The Group believes that it has sound legal grounds to defeat this claim, but cannot give assurances that its defense will ultimately prevail, nor can it predict the outcome of this lawsuit will be. Would the outcome be not favourable for the Group, the agreement entered into on October 23, 2007 between Rexel and Sonepar provides for certain provisions in relation to the allocation of the losses, if any, suffered as a result of this litigation proceeding.

Litigation relating to Elettroveneta

During 2007, Rexel Italia, an indirect subsidiary of Rexel, considered the acquisition of Elettroveneta, an Italian corporation operating mainly in the region of Veneto. In 2007, further to a disagreement on the price, the execution of the agreement was cancelled. On July 31, 2008, the shareholders of Elletroveneta filed a claim with the court of Monza against Rexel Italia, Rexel SA and its manager based on the allegation that an agreement on the price had been reached and therefore, there is an agreement between the parties in spite of the lack of signature.

Elletroveneta's shareholders have filed a claim with the Court of Monza for an indemnification for the losses suffered of a minimum amount of €24.8 million excluding interest. Elletroveneta's shareholders consider that the losses suffered are between €24.5 million and €29.5 million.

The Group believes that it has sound legal grounds to defeat this claim, but cannot give assurances that its defense will ultimately prevail.

Asbestos litigation and product liability

The Group is party to several proceedings relating to exposure to asbestos-containing materials in North America. 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 effect on its financial condition or results of operations as these claims may be rejected or will be settled for amounts covered partially or totally by Rexel's insurance policies. Considering the wide range of these claims and the number of defendants, the Group cannot give any assurances in this respect, nor can it predict with certainty what the outcome of these lawsuits will be. The amounts the Group may pay, as the case may be, are difficult to quantify.

The following proceedings, relating to Hagemeyer, have been settled at the balance sheet date and their related effect recognised in the goodwill on acquisition as part of the purchase price allocation of Hagemeyer.

Settlement agreement with CEF City Electrical Factors B.V

One of Hagemeyer's competitors, CEF Holdings Ltd, a wholesaler in electrical materials, claimed that it was prejudiced by a cartel maintained by, among others, the Dutch trade association of wholesale traders in electrical materials (the FEG) and all members of the FEG including (at that time) Elektrotechnische Groothandel Bernard B.V., one of Hagemeyer's Dutch subsidiaries. CEF City Electrical Factors B.V. initiated legal proceedings against Hagemeyer and its Dutch subsidiaries. On January 6, 2009, Rexel and CEF entered into an agreement to settle all pending litigation against Rexel and its subsidiaries effective on January 30, 2009. This agreement is subject to a confidentiality undertaking of the parties.

Arbitration regarding ABM

In connection with the acquisition of ABM by Hagemeyer in 2001, it was agreed to make certain earn-out payments to the seller of ABM, contingent upon Hagemeyer's achievement of certain agreed EBITDA levels. Hagemeyer determined that such agreed EBITDA levels were not achieved which was disputed by the seller. An arbitration award at the benefit of the seller was rendered on November 11, 2008 and a settlement took place on December 12, 2008 between the sellers of ABM and ABM resulting in a net disbursement of €11.7 million to the benefit of the seller.

22.2 | Tax litigation

As of December 31, 2008, the principal tax proceedings involving Group companies are described below:

Manudax Belgium

Manudax Belgium N.V., one of Hagemeyer's Belgian subsidiaries, entered into voluntary liquidation on November 27, 2000. During 1999 and 2000, Manudax Belgium was subject to a tax reassessment for VAT in connection with fraudulent transactions allegedly entered into by former employees during the period beginning late 1996 until early 1998. The amount of this tax reassessment, including penalties and excluding interest, is €78.2 million. The interest accrued until December 31, 2007 amounts to €52.1 million. All reassessments have been challenged by Manudax Belgium.

The time allowed for recourse against Manudax's shareholder is statute barred. The Group considers that the risk of recovery by the Belgian tax authorities is limited to the amount available on Manudax's current account with Hagemeyer, i.e., €14 million, without any impact on the Group's financial situation.

Rexel Développement

In 2008, Rexel Développement was subject to a tax audit for the fiscal years 2005 and 2006. The French tax authorities notified a tax reassessment relating to services invoiced in 2005 by Clayton Dubilier & Rice Inc., Eurazeo and Merrill Lynch Global Private Equity Partner Inc. at the time of the buy-out of Rexel Distribution in an amount of €33.6 million. These services are alleged not to be rendered in the business interest of the company and are qualified as constructive dividends. This results in a proposed tax reassessment of approximately €22 million, including penalties and interest for late payment. The Group contests the argumentation developed by the tax authorities.

Rexel Distribution

In 2008, Rexel Distribution was notified a proposed tax reassessment by the French tax authorities which alleged that the selling price of its shareholding in Rexel, Inc. (Rexel's US subsidiary), transferred in 2005 to its Luxembourg subsidiary Mexel, was lower by €346 million than its fair value. This reassessment would result in an additional income tax expense of circa €120 million excluding interest for late payment. The group believes this tax reassessment has no sound ground and therefore contests the argumentation of the tax authorities.

22.3 | Other Potential Liabilities

Distribution agreement

In 2006, Rexel has entered into a distribution agreement with a key supplier that requires minimum product purchases of $1.1 billion over the agreement's three-year term. At December 31, 2008, open commitments for the Group were 0.3 billion. The agreement contains cure periods for volume shortfalls and provisions that protect the Group against conditions outside its control. Committed volumes are in line with historic annual levels.

In the scope of the disposal of certain of its subsidiaries, the Group has granted the following guarantees to the acquirors. As at the date of closing of the financial statements, these guarantees have not been triggered.

Environmental warranty

Under an agreement signed on February 28, 2003 with Ashtenne, a real estate company, concerning a sale and leaseback transaction relating to 45 sites in Europe, the Group agreed to indemnify the acquirer for any environmental liabilities with respect to third party claims and governmental injunctions. This warranty covers a maximum of €4 million before taxes for all of the properties sold, with a minimum threshold of €30,000. This commitment expires five years after the expiration of the lease.

Warranties given in connection with the sale of the Gardiner group companies

In connection with the disposal of Gardiner to Electra Partners, an investment fund, the Group granted a tax liability warranty which expires on June 30, 2010. This warranty was granted for a maximum amount of €60 million, with a minimum threshold of €1 million.

Warranties given in connection with the sale of Schrack and its subsidiaries

In accordance with the agreement for the sale of Schrack and its subsidiaries with Hannover Finance, the Group granted tax liability warranties to the acquiror. In the event the Group fails to honor its commitments, Hannover Finance will have the right to request a price reduction for the purpose of covering possible liabilities. The warranties expire 48 months after August 31, 2005, and are limited to €7 million, with a minimum threshold of €0.1 million.

Warranties given in connection with the sale of Kontakt System

In the context of the sale of assets of the connection and telematics branch of Kontakt System, which occurred on June 4, 2007 and August 24, 2007, the Group granted the acquiror a warranty limited to CHF 2.3 million for a period of 18 months, starting from the date of the disposal, extended till the end of the limitation period for disputes relating to tax and employment matters.

23. | RELATED PARTIES

Equity Commitment fees

In June 2008, Rexel paid an amount of €2.9 million to shareholder's of Ray Investment S.à.r.l, its parent company in respect of the equity commitment granted to Rexel under the letter agreement dated on November 11, 2007. Under this agreement, an increase of Rexel's share capital was guaranteed in case of non repayment of Facility C in compliance with Senior Credit Agreement provisions.

Executive compensation

Expenses relating to compensation of the executive committee members of the Group are as follows:

	Fiscal year ended December 31	
(in millions of euros)	**2008**	**2007**
Salaries and other short-term benefits …………………………	11.8	9.2
Post-employment benefits (service costs) ………………………	1.8	1.2
Indemnities at termination of contract ……………………………	1.1	1.1
Free shares and stocks options [(1)]…………………………………	13.6	31.5

[(1)] Share-based payment expense is detailed in note 15.

Salaries and other short-term benefits comprise the social security contributions and payroll taxes paid by the Group.

As of December 31, 2008, the executive committee members may receive, subject to presence and performance conditions, 2,143,799 shares of Rexel under the Free Share Scheme (2,747,522 at December 31, 2007) and 50,376 shares under the stock options programme(541,535 at December 31, 2007) (see 15.1).

Finally, in case of a breach of employment contract, the Group could have to compensate the executive committee members a total amount of €13.2 million.

24. | CONTRACTUAL OBLIGATIONS

24.1 | 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, 2008					
	Total	**2009**	**2010**	**2011**	**2012**	**> 2012**
Financial debt………………………	3,739.0	272.3	328.9	264.5	2,598.0	275.3
Operating leases ……………………	645.9	169.4	131.7	100.5	73.8	170.5
Service agreements ………………..	113.4	23.6	23.8	23.8	23.8	18.4

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, 2008.

The total expense for lease contracts was €133.7 million for the year ended December 31, 2008.

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 €113.4 million as of December 31, 2008.

24.2 | Other obligations

Liability in relation to the acquisition of Suzhou Xidian Co.

In February 2008, Rexel Distribution SA entered into an agreement, amended on October 7, 2008, in relation to the acquisition of 63.5% of the share capital of Suzhou Xidian Co. Ltd, a corporation established in Suzhou and carrying out a business of distribution of Siemens automated devices and low-voltage products, essentially in the Suzhou area. Rexel Distribution SA will increase its shareholding to 100% in 2012. The acquisition price, prior to adjustment, is estimated to 42.3 million yuans (i.e., €4.4 million). As at the date hereof, it is estimated that this acquisition should occur during the first half of 2009, subject to the customary conditions precedent for this type of transaction being met (in particular, the approval of the Chinese authorities).

25. | SUBSEQUENT EVENTS AS OF DECEMBER 31, 2008

At the date of presentation of the consolidated financial statements, there has been no subsequent event with a significant impact on Rexel's financial situation.

26. | CONSOLIDATED ENTITIES AS OF DECEMBER 31, 2008

		%	
	Registered office	*Interest*	*Control*
FRANCE			
Holdings and Group service companies			
Rexel S.A.	Paris	Parent company	
Rexel Développement S.A.S.	Paris	100,00	100,00
Kelium S.A.S.	Paris	100,00	100,00
Rexel Distribution S.A.	Paris	100,00	100,00
Rexel Services S.A.S.	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
DL Systemes S.A.R.L.	Saint Laurent du Var	100,00	100,00
Asfordis Association	Paris	100,00	100,00
SCI Grange Noire de Nevers	Toulouse	100,00	100,00
SCI Adour Bastillac	Merignac	100,00	100,00
SCI CM Immobilier	Vaulx en Velin	100,00	100,00
Operating companies			
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
Espace Elec	Bastia	100,00	100,00
Bizline S.A.S.	Paris	100,00	100,00
Citadel S.A.S.	Paris	100,00	100,00
Conectis S.A.S.	Paris	100,00	100,00
NFM S.A.	Rosny sous Bois	100,00	100,00
Francofa Nord S.A.S.	Lomme	100,00	100,00
Francofa S.A.S.	Rosny sous Bois	100,00	100,00
Francofa Sud Est S.A.S.	Vénissieux	100,00	100,00
Francofa Atlantique S.A.S.	Rosny sous Bois	100,00	100,00

	Registered office	% Interest	Control
EUROPE			
Germany			
Rexel GmbH	Hanover	100,00	100,00
Simple System GmbH & Co KG	Munich	20,00	20,00
Hagemeyer Industrial Supply Deutschland GmbH	Munich	100,00	100,00
Euro Marketing & Deinstleistungs GmbH	Munich	100,00	100,00
Hagemeyer Nord GmbH (formerly Hagemeyer Central Europe GmbH)	Munich	100,00	100,00
Hagemeyer Deutschland GmbH & Co KG	Munich	100,00	100,00
Hagemeyer Deutschland Verwaltungs GmbH	Munich	100,00	100,00
Hagemeyer Beteiligungs GmbH	Munich	100,00	100,00
Silstar Deuthschland GmbH	Emmerich	100,00	100,00
Galatea Einhundertvierzigste Vermogensverwaltungs GmbH	Frankfurt	100,00	100,00
United Kingdom			
CDME UK Ltd	Potters Bar	100,00	100,00
Rexel Senate Ltd	Potters Bar	100,00	100,00
Denmans 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
Rexel Senate Pension Trustees Ltd.	Potters Bar	100,00	100,00
Withworth Electric Co,Ltd	Potters Bar	100,00	100,00
Senate Group Ltd	Potters Bar	100,00	100,00
John Godden Ltd	Potters Bar	100,00	100,00
Sunbridge TradingCo. Ltd	Potters Bar	100,00	100,00
Sunbridge Electrical Wholesales Ltd	Potters Bar	100,00	100,00
Hagemeyer (UK) Holdings Ltd.	Birmingham	99,13	100,00
Hagemeyer TCI Ltd.	Grand Cayman	99,13	100,00
Hagemeyer (UK) Ltd	Birmingham	99,13	100,00
Newey & Eyre (Jersey) Ltd.	Birmingham	99,13	100,00
Newey & Eyre Export Ltd.	Birmingham	99,13	100,00
Parker Merchanting Limited	Birmingham	99,13	100,00
WF Electrical Plc	Dagenham	99,13	100,00
Newey & Eyre (C.I.) Ltd.	Birmingham	99,13	100,00
Neilco Ltd.	Birmingham	99,13	100,00
Dunlop & Hamilton Ltd.	Belfast	99,13	100,00
Warrior (1979) Ltd.	Birmingham	99,13	100,00

	Registered office	% Interest	Control
Total Security Supplies Limited	Birmingham	99,13	100,00
Newey & Eyre International Ltd.	Birmingham	99,13	100,00
N. & E. (Overseas) Ltd.	Guernsey	99,13	100,00
H.A. Wills (Southampton) Ltd.	Birmingham	99,13	100,00
Hagemeyer (UK) Pension Trustees Ltd.	Birmingham	99,13	100,00
Pollard Ray & Sampson Ltd.	Birmingham	99,13	100,00
A&A Security Technologies Limited	Birmingham	99,13	100,00
Stop Shop Limited	Birmingham	99,13	100,00
Barron Control Group Limited	Birmingham	99,13	100,00
Barron Automation Systems Limited	Birmingham	99,13	100,00
B.L.M. Electrical Supplies Limited	Birmingham	99,13	100,00
Barron International Limited	Birmingham	99,13	100,00
Barron Control Panels Limited	Birmingham	99,13	100,00
Barron Control Gear (Shepshed) Limited	Birmingham	99,13	100,00
Defiance Contractor Tools Limited	Birmingham	99,13	100,00
Harduns (Contractors Tools) Limited	Birmingham	99,13	100,00
Nyquist Electrical Components Ltd.	Dagenham	99,13	100,00
J&N Wade Limited	Dagenham	99,13	100,00
Blackstone Holdings Limited	Dagenham	99,13	100,00
OLC Limited	Dagenham	99,13	100,00
Grants Electrical Supplies Ltd.	Dagenham	99,13	100,00
Arron Ltd.	Dagenham	99,13	100,00
Ross Industrial Controls Ltd.	West Lothian	99,13	100,00
VF Investment Ltd.	Dagenham	99,13	100,00
WF Electrical Quest Trustees Ltd.	Dagenham	99,13	100,00
Freetime Group UK Limited	Bristol	99,13	100,00
OLC (Holdings) Ltd.	Dagenham	99,13	100,00
Sweden			
Svenska Elecktroengros AB	Alvsjô	100,00	100,00
Svenska Elgrossist Aktiebolaget Selga	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
Storel AB	Lila edet	100,00	100,00
Contacten Norrlands Elgrossist AB	Umea	100,00	100,00
Moel AB	Bredaryd	100,00	100,00
Austria			

	Registered office	% Interest	Control
Rexel Central Europe Holding GmbH	Vienna	100,00	100,00
Rexel Austria GmbH	Vienna	100,00	100,00
Schäcke GmbH	Vienna	100,00	100,00
Regro Elektro-Grosshandel GmbH	Vienna	100,00	100,00
Beli Vermogensverwaltungs GmbH	Vienna	100,00	100,00
Nederlands			
CDME BV	Amsterdam	100,00	100,00
Rexel Nederland BV	Gouda	100,00	100,00
BV Electrotechnische Groothandetl JK Busbroek	Zwolle	100,00	100,00
Elektrotechnische Groothandel Bernard B.V.	Capelle A/D Ijssel	99,13	100,00
Hagemeyer Nederland BV	Capelle A/D Ijssel	99,13	100,00
Cosa Liebermann B.V.	Naarden	99,13	100,00
Haagtechno BV	Hertogenbosch	99,13	100,00
Kompro BV	Hertogenbosch	99,13	100,00
Hagemeyer Electronics Holding	Naarden	99,13	100,00
Servicom	Den Bosch	99,13	100,00
Hagemeyer NV	Naarden	99,13	99,13
Rexel NCE Supply Solutions B.V. (formerly Hagemeyer Global Supply Solutions B.V.)	Naarden	99,13	100,00
Hagemeyer Finance B.V.	Naarden	99,13	100,00
Hagemeyer EFS B.V.	Naarden	99,13	100,00
Hagemeyer Pacific International B.V.	Naarden	99,13	100,00
Advaldis B.V.	Naarden	99,13	100,00
Hagemeyer Vast Goed BV	Naarden	99,13	100,00
HTG Nederland B.V.	Capelle A/D Ijssel	99,13	100,00
Union Holding	Naarden	99,13	100,00
Fodor BV	Naarden	99,13	100,00
Fodor Holding B.V.	Naarden	99,13	100,00
Fodor Nederland B.V.	Naarden	99,13	100,00
Farcos BV	Naarden	99,13	100,00
Mercantil Intercontinental Sweden B.V.	Naarden	99,13	100,00
Borint B.V.	Naarden	99,13	100,00
Borsu International B.V.	Naarden	99,13	100,00
Aecis B.V.	Naarden	99,13	100,00
Freetime Group B.V.	Naarden	99,13	100,00
Computerij Onderwijs B.V.	Naarden	99,13	100,00

	Registered office	% Interest	Control
S. Van Westerborg	Naarden	99,13	100,00
Rexel NCE BV (formerly Hagemeyer Services B.V.)	Naarden	99,13	100,00
Hagemeyer Copier BV	Naarden	99,13	100,00
Italy			
Rexel Italia SpA	Agrate Brianza	100,00	100,00
Spain			
Rexel Material Electrico SA	Barcelone	100,00	100,00
ABM-Hagemeyer S.L.	Madrid	100,00	100,00
Misa Canarias SA	Tenerife	100,00	100,00
Belgium			
Rexel Belgium SA	Brussels	100,00	100,00
Breva Groep N.V.	Zonhoven	99,13	100,00
Breva N.V.	Zonhoven	99,13	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
Hagemeyer Industrial Ireland Ltd. (formerly Eastern Electrical Ltd)	Dundalk	99,13	100,00
Gen-Weld Safety Equipment Company Limited	Limerick	99,13	100,00
Athlone Electrical Wholesale Limited	Dundalk	99,13	100,00
Portlaoise Electrical Wholesale Limited	Portlaoise	99,13	100,00
Hagemeyer Ireland Ltd.	Dublin	99,13	100,00
Hagemeyer Ireland Investments Limited	Dublin	99,13	100,00
Newey & Eyre (Ireland) Ltd.	Dublin	99,13	100,00
Switzerland			
Finelec Developpement SA	Sion	100,00	100,00
Elektro Material AG	Zurich	100,00	100,00
Luxembourg			
Rexel Luxembourg	Luxembourg	100,00	100,00
Czech Republic			
Rexel CZ s.r.o.	Prostejov	100,00	100,00
Elvo AS	Brno	100,00	100,00
Hagemeyer Czech Republic zro	Hostivice	100,00	100,00
Slovakia			
Hagard Hal AS	Nitra	100,00	100,00

	Registered office	% Interest	Control
Hagemeyer Slovak Republic	Bratislava	99,13	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
Elektroskandia SA	Poznań	99,13	100,00
Russia			
Est-Elec Ltd	Moscow	100,00	100,00
ZAO Elektroskandia	St. Petersburg	99,13	100,00
Latvia			
Elektroskandia SIA	Riga	99,13	100,00
Estonia			
Elektroskandia AS	Tallinn	99,13	100,00
Republic of Lithuania			
UAB Elektroskandia	Vilnius	99,13	100,00
Finland			
Elektroskandia Oy	Hyvinkää	99,13	100,00
Kiinteistöosakeyhtiö Lahden Voimakatu 4	Lahti	99,13	100,00
Kiinteistöosakeyhtiö Lappeenrannan Teoliisuuskatu 11	Lappeenranta	99,13	100,00
Norway			
Elektroskandia AS	Oslo	99,13	100,00
Elektroskandia Holding AS	Oslo	99,13	100,00
SOUTH AMERICA			
Chile			
Rexel Chile SA	Santiago	100,00	100,00
Rexel Electra SA	Santiago	100,00	100,00
Flores y Kersting SA	Santiago	100,00	100,00
Brazil			
Hagemeyer Elektroskandia Brazil	Sao Paulo	99,13	100,00
NORTH AMERICA			
United States			
Beacon Electric Supply	San Diego	100,00	100,00

	Registered office	% Interest	% Control
Lenorac Incorporated	Wilmington	99,13	100,00
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
GE Supply Logistics LLC	Irving	100,00	100,00
Gesco General Supply & Services Puerto Rico LLC	Porto 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 SA Holding LLC	Shelton	100,00	100,00
Caronel Inc.	Guam	99,13	100,00
Caronel Saipan Inc.	Saipan	99,13	100,00
HCL Limited	Hamilton	99,13	100,00
Canada			
Rexel North America Inc	St Laurent	100,00	100,00
Rexel Canada Electrical Inc	St Laurent	100,00	100,00
Rexel Financial Corporation (BVI)	Tortola	100,00	100,00
Kesco Electric Supply Limited	Petersborough	100,00	100,00

ASIA - PACIFIC			
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	Guangzhou	51,00	100,00
Gexpro Supply Co Ltd	Shanghai	100,00	100,00
Rexel China Management consulting Company Ltd	Shanghai	100,00	100,00

	Registered office	% Interest	Control
Cosa Liebermann Limited	Hong Kong	99,13	100,00
HCL Group (Hong Kong) Ltd.	Hong Kong	99,13	100,00
QI-YI General Supply & Services Macau Ltd	Macau	100,00	100,00
Liebermann Waelchli & Co. Ltd	Hong Kong	99,13	100,00
Korea			
Cosa Liebermann Korea Co. Ltd.	Seoul	99,13	100,00
Indonesia			
P.T. Sutra Hacelindo	Jakarta	99,13	100,00
P.T. Hagemeyer Cosa Liebermann	Jakarta	99,13	100,00
Pt General Supply & Services Indonesia	Jakarta	100,00	100,00
Malaysia			
General Supply & Services (M) SND BHD	Kuala Lumpur	100,00	100,00
Japan			
Cosa Liebermann KK	Tokyo	99,13	100,00
Singapore			
Gexpro Supply Asia Pty Ltd	Singapore	100,00	100,00
Thaïland			
Rexel General Supply and Services Co Ltd	Bangkok	100,00	100,00
Australia			
Rexel Pacific Pty Ltd	Sydney	100,00	100,00
Rexel Group Australia Pty Ltd	Sydney	100,00	100,00
Network Connect Australia Pty Ltd	Perth	100,00	100,00
Australian Regional Wholesalers Pty Ltd	Milton	100,00	100,00
Page Data Pty Ltd	Sydney	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

	Registered office	% Interest	Control
Hagemeyer Holdings (Australia) Pty Ltd	Kingsgrove	99,13	100,00
Hagemeyer Brands Australia	Kingsgrove	99,13	100,00
New Zealand			
Hagemeyer (NZ) Ltd	Auckland	99,13	100,00
Redeal Ltd	Auckland	100,00	100,00
Redeal Pensions Ltd	Auckland	100,00	100,00

III. Statutory auditors' report

This document is a free translation into English of the statutory auditors' report issued in French language and is provided solely for the convenience of English-speaking users. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this information is presented below the opinion on the financial statement. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management's report.

This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

Rexel, S.A.

Year ended December 31, 2008

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

Following our appointment as statutory auditors by your annual general meetings, we have audited the accompanying consolidated financial statements of Rexel for the year ended December 31, 2008 on:

- the audit of the accompanying consolidated financial statements of Rexel;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by your management board. Our role is to express an opinion on these financial statements based on our audit.

I. 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 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 view of the assets, liabilities, and financial position of the group at December 31, 2008 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the EU.

II. Justification of our assessment

Accounting estimates used in the preparation of the financial statements for the year ended December 31, 2008 have been prepared in a specific context where economic perspectives are hardly predictable. In that context, and in accordance with the requirements of article L.823-9 of the French company law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

As disclosed in note 2.2, the group makes estimates and assumptions, particularly in respect of the measurement of financial instruments (note 2.9.4), intangible assets (note 2.5), employee benefits (note 2.13), share-based payments (note 2.14), provisions (note 2.15) and deferred taxation (note 2.19). We have examined the related available documentation supporting these estimates, and assessed their reasonableness.

Note 2 "Significant accounting policies" discloses the accounting principles and methods applied and note 3 "Business combinations" describes the accounting 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 temporarily 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.

The assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. Specific verifications

We have also verified the information given in the group's management report. We have no matters to report regarding its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, February 11, 2009

The Statutory Auditors

KPMG Audit — ERNST & YOUNG Audit

Hervé Chopin — Pierre Bourgeois — Jean Bouquot