# Financial Information

**For the period ended on March 31, 2010**

REXEL

ELECTRICAL SUPPLIES

*Société anonyme* with a Management Board and a Supervisory Board
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# Financial information for the period ended March 31, 2010

I. Activity report……………………………………………..page 2

II. Condensed consolidated interim financial statements….page 20

# I. Activity report

This document is a free translation into English of the activity report for the period ended March 31, 2010 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 period ended March 31, 2010, the French version will prevail.

# 1. | OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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 (herein after referred to as "the Group" or "Rexel").

The activity report is presented in euros and all values are rounded to the nearest million except when otherwise stated. Total amounts and sub-totals presented in the activity report are computed in thousands of euros then rounded to the nearest tenth of a million. Thus, numbers and percentages may differ from the numbers and percentages calculated on the basis of the numbers presented, numbers may not sum precisely due to rounding.

## 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 the Group's financial reporting structure. Non-core operations and businesses managed at Group level are aggregated and presented under a separate segment called "Other Operations", as defined below. This segment also includes unallocated corporate overhead expenses.

In the first quarter of 2010, the Group recorded consolidated sales of €2,697.6 million, of which €1,620.7 million were generated in Europe (60% of sales), €746.1 million in North America (28% of sales), €235.8 million in the Asia-Pacific zone (9% of sales), and €95.0 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, Belgium, Luxembourg, Sweden, Finland, Norway, Italy, Spain and Portugal, as well as several other Central and Northern European countries (Slovenia, Hungary, Slovakia, the Czech Republic, Poland, Russia and the Baltic States).

The North America zone consists of the United States and Canada. The United States represented approximately 71% of the Group's consolidated sales in this zone and Canada the remaining 29%.

The Asia-Pacific zone consists of Australia, New Zealand and China, as well as certain countries in Southeast Asia (Indonesia, Malaysia, Singapore and Thailand). Australia accounted for approximately 64% of the Group's consolidated sales in this zone and New Zealand close to 12%.

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 over the period. In February 2010, the Group disposed of Hagemeyer Cosa Liebermann (H.C.L.) in Asia, a legacy non-core business from Hagemeyer, operating as a wholesaler and a duty-free agent of luxury goods in Asian countries. It also includes Chile, which represented less than 1% of the Group's sales in 2010 and certain businesses managed at Group level. Unallocated corporate overheads (mainly occupancy and personnel costs of the headquarters) are also included in this segment, as well as the elimination of inter-segment operations.

The analysis below covers the Group's sales, gross profit, distribution and administrative expenses and operating income before amortization of intangible assets recognized on the occasion of purchase price allocations and other income and other expenses (EBITA) separately for each of the three geographic segments, as well as for 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 of the year, 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 changes in copper price*

The Group is indirectly exposed to fluctuations in copper price in connection with the distribution of cable products. Cables accounted for approximately 15% of the Group's sales and copper accounts for approximately 60% of the composition of cables. This exposure is indirect since cable 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, assessed as part of the monthly internal reporting process of the Rexel Group:

- The recurring effect related to the change in copper-based cable prices 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 cable prices corresponds to the effect of copper price variations on the selling price 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). Practically, the non-recurring effect on gross profit is determined by comparing the historical purchase price and the supplier price effective at the date of the sale of the cables by the Rexel Group. Additionally, the non-recurring effect on EBITA is the non-recurring 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).

Both of these effects are assessed as much as possible on the whole of cable sales in the period. Internal Rexel Group procedures stipulate that entities that do not have the information systems that allow such exhaustive calculation have to estimate these effects based on a sample representing at least 70% of the sales in the period. The results are then extrapolated to all cables sold during the period. Considering the sales covered, the Rexel Group deems the effects thus measured a reasonable estimate.

### *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 financial year, assuming that the preceding financial year would have had the same scope of consolidation for the same period as the current year.

**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's 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 cable prices, as described in paragraph 1.1.3 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.

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

- On a constant basis, meaning excluding the effect of acquisitions and disposals and the effect of fluctuations in exchange rates. Such information is used for comparison on sales and headcounts;

- On a constant basis and same number of working days, meaning on a constant basis and restated for the effect of different numbers of working days in each period. Such information is used only for comparison related to sales;

- On a constant basis, Adjusted, meaning on a constant basis and adjusted for the estimated non-recurring effect related to changes in copper-based cable prices. 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. It is subject to the review of the statutory auditors pursuant to Article L.823-10 of the French commercial code.

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

| *(in millions of euros)* | Quarter ended March 31, | |
|---|---|---|
| | 2010 | 2009 |
| **Operating income before other income and other expenses** | **104.3** | **77.5** |
| Changes in scope effects | | 0.6 |
| Foreign exchange effects | | 3.4 |
| Non-recurring effect related to copper | (7.6) | 2.9 |
| Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions | 5.0 | 4.8 |
| **Adjusted EBITA on a constant basis** | **101.8** | **89.2** |

## 1.2 | Major events that occurred in 2010

For the quarter ended March 31, 2010, the Group realized the sale of Hagemeyer Cosa Liebermann in Asia, a legacy non-core business from Hagemeyer, operating as a wholesaler and a duty-free agent of luxury goods in Asian countries. Pursuant to a sale and purchase agreement entered into with DKSH Holding Ltd, a privately held Swiss company, the disposal was completed on February 25, 2010 for a total consideration of USD 13.7 million (€9.9 million). Proceeds net of cash disposed of (€5.6 million) amounted to €2.7 million, of which €8.3 million was paid at the completion date. The remaining amount, paid on an escrow account, is subject to price adjustment based on the net asset value to be determined by both parties at transaction date.

## 1.3 | Comparison of the financial results at March 31, 2010 and 2009

### *1.3.1 | Rexel's consolidated financial results*

The following table sets out Rexel's consolidated income statement for the first quarter of 2010 and 2009, in millions of euros and as a percentage of sales.

| **REPORTED** | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| Sales | **2,697.6** | **2,809.8** | **(4.0)%** |
| Gross profit | 678.2 | 690.8 | (1.8)% |
| Distribution and administrative expenses[1] | (568.9) | (608.5) | (6.4)% |
| EBITA | **109.3** | **82.3** | **32.8%** |
| Amortization[2] | (5.0) | (4.8) | 4.2% |
| Operating income before other income and expenses | **104.3** | **77.5** | **34.6%** |
| Other income and expenses | (15.2) | (38.6) | (60.6)% |
| Operating income | 89.1 | 38.9 | |
| Financial expenses | (50.7) | (37.7) | 34.3% |
| Share of profit in associates | (1.1) | 0.0 | |
| Income tax | (8.0) | (0.4) | |
| Net income | 29.3 | 0.8 | |
| *as a % of sales* | *1.1%* | *0.0%* | |

| | | | |
|---|---|---|---|
| [1] Including depreciation: | (19.0) | (20.9) | (9.0)% |

[2] Amortization of the intangible assets recognized as part of the allocation of the purchase price of acquisitions.

| **CONSTANT BASIS ADJUSTED FINANCIAL DATA** | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| **Sales** | **2,697.6** | **2,860.0** | **(5.7)%** |
| *Same number of working days* | | | *(5.7)%* |
| Gross profit | 669.5 | 706.5 | (5.2)% |
| *as a % of sales* | *24.8%* | *24.7%* | |
| Distribution and administrative expenses | (567.7) | (617.4) | (8.0)% |
| *as a % of sales* | *(21.0)%* | *(21.6)%* | |
| **EBITA** | **101.8** | **89.2** | **14.1%** |
| ***as a % of sales*** | ***3.8%*** | ***3.1%*** | |

#### Sales

In the first quarter of 2010, Rexel's consolidated sales decreased by 4.0% to €2,697.6 million, a 5.7% decrease on a constant basis and same number of working days. Acquisitions, net of divestitures, accounted for a decrease of €7.4 million, mainly related to the H.C.L. Asia disposal, while the positive effect of changes in exchange rates amounted to €57.6 million, due to the appreciation of the Australian and Canadian dollars against the euro, though mitigated by the depreciation of US dollar.

The following table analyzes the changes in sales growth between the first quarters of 2010 and 2009, on a reported basis and on a constant basis and same number of working days:

| | | Growth 2010 vs. 2009 |
|---|---|---|
| | | Q1 |
| Growth on a constant basis and same number of working days | | (5.7)% |
| Number of working days effect | | 0.0% |
| *Organic growth* | (a) | *(5.7)%* |
| Changes in scope effects | | (0.3)% |
| Foreign exchange effects | | 2.0% |
| *Total scope and currency effects* | (b) | *1.8%* |
| Effective growth (a) x (b)[1] | | (4.0)% |

[1] Organic growth compounded with the scope and currency effects

In the first quarter of 2010, sales decreased by 5.7% on a constant basis and same number of working days, 8.7% at constant copper price, benefiting from lower sales last year as the economic environment was deteriorating. Higher copper-based cable prices compared to the year 2009 had an estimated positive impact of 3.0 percentage points. The negative impact of branch closures was estimated to account for 1.8 percentage points in the sales variation of the first quarter of 2010.

**Gross profit**

In the first quarter of 2010, gross profit amounted to €678.2 million, a 1.8% decrease compared to 2009. On a constant basis, Adjusted gross margin improved by 10 basis points compared to 2009 from 24.7% in 2009 to 24.8% in 2010. This improvement reflects incremental purchasing synergies with Hagemeyer, together with favorable channel mix (greater share of warehouse sales vs. direct sales) and country mix.

**Distribution and administrative expenses**

On a constant basis, Adjusted distribution and administrative expenses decreased by 8.0% between 2009 and 2010 compared to a 5.7% decrease in sales. Adjusted personnel expenses decreased by 7.9% on a constant basis resulting from headcount reductions and other measures implemented in 2009 to adapt to market conditions. At March 31, 2010, the number of employees was 28,099, down 10.1% compared to March 31, 2009, on a constant basis. Lease and maintenance costs decreased thanks notably to the network reorganization (closing of 224 branches) and the lease renegotiations done in 2009. Transportation costs also decreased due to lower sales. Bad debt expenses, including credit insurance costs, increased from 0.4% to 0.5% of sales compared to the first quarter of 2009, especially in Europe, as a result of the downturn in economy and the lower coverage from credit insurance companies.

**EBITA**

EBITA reached €109.3 million in the first quarter of 2010, a 32.9% increase compared to the first quarter of 2009 on a reported basis. On a constant basis, Adjusted EBITA increased by 14.1% and Adjusted EBITA margin by 70 basis points from 3.1% in 2009 to 3.8% in 2010. The effect of the decrease in sales was more than compensated by the improvement of gross margin and the costs saving actions taken to reduce distribution and administrative expenses.

### Other income and other expenses

In the first quarter of 2010, other income and other expenses were a net expense of €15.2 million and included €13.7 million of restructuring expenses related to the continuation of restructuring plans initiated in 2009 to adapt the group structure to current trading (These costs mainly include the effect of downsizing the distribution network and workforce adaptation in Europe for €8.4 million and in North America for €4.8 million) and €5.9 million related to the disposal of H.C.L. Asia, offset by €3.4 million indemnification to be received from PPR, the former owner of Rexel, as a result of a warranty granted to Rexel in 2005 and €0.6 million income related to partial release of provision on Hagemeyer head office building litigation.

### Financial expenses

In the first quarter of 2010, net financial expenses were €50.7 million compared to €37.7 million in the first quarter of 2009, mainly due to the increase in credit margins between both periods, linked to the refinancing of the group in 2009.

In the first quarter of 2010, the effective interest rate was 7.5% compared to 5.3% in the first quarter of 2009 and 7.7% in the fourth quarter of 2009.

### Share of profit/(loss) in associates

In the first quarter of 2010, share of profit/(loss) in associates was a €1.1 million loss. This loss related to DPI (US consumer electronic distributor) is mainly due to a seasonality effect, sales being lower on the first quarter compared to the rest of the year.

### Tax expenses

The effective tax rate was 20.9% at March 31, 2010 compared to 34.5% at March 31, 2009. The effective tax rate was lower in 2010 due to the recognition of previous year tax losses carried forward in France.

### Net income

Net income amounted to €29.3 million in the first quarter of 2010, compared to €0.8 million in the first quarter of 2009.

### 1.3.2 | Europe (60% of Group consolidated sales)

| REPORTED | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| Sales | **1,620.7** | **1,646.0** | **(1.5)%** |
| Gross profit | 432.1 | 429.6 | 0.6% |
| Distribution and administrative expenses | (344.9) | (367.4) | (6.1)% |
| EBITA | **87.3** | **62.2** | **40.4%** |
| *as a % of sales* | *5.4%* | *3.8%* | |

| CONSTANT BASIS ADJUSTED FINANCIAL DATA | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| **Sales** | **1,620.7** | **1,666.7** | **(2.8)%** |
| *Same number of working days* | | | *(3.4)%* |
| Gross profit | 425.8 | 434.6 | (2.0)% |
| *as a % of sales* | *26.3%* | *26.1%* | |
| Distribution and administrative expenses | (343.9) | (372.0) | (7.5)% |
| *as a % of sales* | *(21.2)%* | *(22.3)%* | |
| **EBITA** | **81.8** | **62.6** | **30.8%** |
| ***as a % of sales*** | ***5.0%*** | ***3.8%*** | |

In the first quarter of 2010, sales decreased by 1.5% in Europe compared to the first quarter of 2009 and reached €1,620.7 million. Acquisitions, net of disposals, accounted for a €3.2 million decrease, due to the disposal of distribution network in Hungary in 2009, while changes in exchange rates accounted for a €23.9 million increase, mostly due to the appreciation of the Swedish Krona, Norvegian Krona and Pound Sterling against the euro. On a constant basis and same number of working days, sales decreased by 3.4% in the first quarter of 2010, benefitting from copper-based cable prices increase.

In France, sales amounted to €567.9 million in the first quarter of 2010, a 2.3% decrease on a constant basis and same number of working days. Despite market conditions, Rexel implemented initiatives which contributed to the sales growth with governmental and institutional customers as well as key accounts, and specific product families such as lighting. The Group estimates that it outperformed the market.

In the United Kingdom, sales amounted to €227.8 million in the first quarter of 2010, a 4.2% decrease on a constant basis and same number of working days. Economic overview remains unstable with some positive signs in the market coming from housing or green projects, while on the other hand consumer and entrepreneurs confidence continues to fall. Sales to large contractors were still decreasing while small contractors were resisting better. On a regional point of view, London posted a positive growth while Scotland remains behind last year. The Group estimates that it outperformed the market.

In Germany sales amounted to €199.4 million in the first quarter of 2010, a 16.1% increase on a constant basis and same number of working days. This performance was mainly supported by the copper-based cable prices increase and strong Photovoltaic sales, before the expected decrease of subsidies mid 2010. The construction market remained stable at a low level. Sales improved in the industrial end-market, especially for energy supply companies, automotive sector, food and other manufacturers. The Group estimates that it outperformed the market.

In Scandinavia sales amounted to €183.9 million in the first quarter of 2010, a 7.3% decrease on a constant basis and same number of working days. The activities in Finland recorded a 3.6% drop in

sales driven by the decrease in Utilities, due to harsh winter conditions, and in Industry. The company however estimated to outperform the market. In Sweden, sales decreased by 8.3% mainly in the Utilities and Installers, but project sales to Industrial customers helped to mitigate this negative impact and contributed to better evolution than the market. Sales in Norway posted a 8.5% decrease, suffering from depressed market conditions, strong price competition and cold weather conditions delaying projects within the Utility segment.

In the first quarter of 2010, gross profit amounted to €432.1 million, a 0.6% increase compared to 2009. On a constant basis, Adjusted gross margin was 26.3% of sales in the first quarter of 2010, a 20 basis point improvement from 26.1% in the first quarter of 2009. This performance was mainly due to a favorable country mix and to better purchasing terms, including synergies from the Hagemeyer integration.

On a constant basis, Adjusted distribution and administrative expenses decreased by 7.5% compared to a 2.8% decrease in sales. Specific actions were implemented in 2009 and continued in 2010 in some countries in order to adjust the costs structure to the level of demand and synergies resulting from the integration of Hagemeyer are progressing in line with expectations. Adjusted personnel expenses were reduced by 7.4%. The number of employees was reduced by 11.1% compared to March 31, 2009 on a constant basis, to 16,801 at March 31, 2010. Lease and maintenance expenses decreased compared to the first quarter of 2009 with branch network (closing of 104 branches) and real estate rationalization, offsetting increases due to inflation. Transportation costs also decreased due to lower sales. Bad debt expenses increased compared to the first quarter of 2009 due to reduced coverage from credit insurance in a depressed economic environment.

EBITA amounted to €87.3 million, a 40.4% increase compared to the first quarter of 2009. On a constant basis, Adjusted EBITA increased by 30.8% and Adjusted EBITA margin increased by 120 basis points to 5.0% in the first quarter of 2010.

### 1.3.3 | North America (28% of Group consolidated sales)

| REPORTED | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| Sales | **746.1** | **886.0** | **(15.8)%** |
| Gross profit | 163.9 | 188.1 | (12.8)% |
| Distribution and administrative expenses | (149.8) | (178.0) | (15.8)% |
| EBITA | **14.1** | **10.1** | **40.1%** |
| *as a % of sales* | *1.9%* | *1.1%* | |

| CONSTANT BASIS ADJUSTED FINANCIAL DATA | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| **Sales** | **746.1** | **872.7** | **(14.5)%** |
| *Same number of working days* | | | *(13.5)%* |
| Gross profit | 161.7 | 188.0 | (14.0)% |
| *as a % of sales* | *21.7%* | *21.5%* | |
| Distribution and administrative expenses | (149.6) | (174.0) | (14.0)% |
| *as a % of sales* | *(20.1)%* | *(19.9)%* | |
| **EBITA** | **12.1** | **14.0** | **(13.5)%** |
| ***as a % of sales*** | ***1.6%*** | ***1.6%*** | |

In the first quarter of 2010, sales in North America amounted to €746.1 million, a 15.8% decrease compared to 2009. This decrease includes a €13.3 million unfavorable effect from changes in foreign exchange rates due to the depreciation of the US dollar against the euro reduced by the appreciation of the Canadian dollar. On a constant basis and same number of working days, sales decreased by 13.5% in 2010 compared to 2009, despite higher copper-based cable prices compared to 2009.

In the United States, sales amounted to €526.1 million in 2010, a 16.7% decrease on a constant basis and same number of working days. The prior closing of branch locations accounted for 3.6% of the decline. The industrial market was positive sequentially compared to last year. The construction markets shows positive trends from prior periods through bidding activity, especially in public sectors, and backlogs are slightly higher. Despite the economic environment, Rexel invested in growth initiatives in targeted applications and segments such as energy efficiency, transportation, infrastructure, education and healthcare, which mitigated the drop in sales.

In Canada, sales amounted to €220.0 million in 2010, a 4.5% decrease on a constant basis and same number of working days. This evolution was mainly due to the performance in Alberta with oil sands and related projects that were still strong in the first quarter of 2009 and delayed afterwards. Commercial market and manufacturing sectors were picking up. Quoting activity returned active, focus on energy conservation markets, renewable energy and lighting retrofit opportunities resulted in an increase in market share.

In the first quarter of 2010, gross profit amounted to €163.9 million, a 12.8% decrease compared to 2009. On a constant basis, Adjusted gross margin increased by 20 basis points compared to 2009 at 21.7% of sales in 2010. This change mainly resulted from a change in the channel mix (a greater share of warehouse sales vs. direct sales), lower rebates and some price pressure notably in commodity prices.

On a constant basis, Adjusted distribution and administrative expenses decreased by 14.0% compared to a 14.5% decrease in sales. Adjusted personnel costs decreased by 12.4% on a constant basis due to staff adaptation and benefits measures initiated in 2009. The headcount was reduced by 9.4% compared to March 31, 2009 on a constant basis, to 7,603 at March 31, 2010. Building costs

benefited from network reorganization (closing of 48 branches) and lease renegotitations done in 2009. Transportation costs also decreased due to lower sales.

EBITA amounted to €14.1 million in 2010, a 40.1% increase compared to 2009. On a constant basis, Adjusted EBITA posted a 13.5% reduction and is in line with 2009 with 1.6% as a percentage of sales.

### *1.3.4 | Asia-Pacific (9% of Group consolidated sales)*

| **REPORTED** | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| Sales | **235.8** | **180.1** | **30.9%** |
| Gross profit | 52.4 | 42.3 | 23.9% |
| Distribution and administrative expenses | (40.3) | (33.2) | 21.5% |
| EBITA | **12.1** | **9.1** | **32.6%** |
| *as a % of sales* | *5.1%* | *5.1%* | |

| **CONSTANT BASIS ADJUSTED FINANCIAL DATA** | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| **Sales** | **235.8** | **218.8** | **7.8%** |
| *Same number of working days* | | | *7.4%* |
| Gross profit | 52.2 | 52.4 | (0.3)% |
| *as a % of sales* | *22.2%* | *23.9%* | |
| Distribution and administrative expenses | (40.3) | (41.4) | (2.6)% |
| *as a % of sales* | *(17.1)%* | *(18.9)%* | |
| **EBITA** | **11.9** | **11.0** | **8.6%** |
| ***as a % of sales*** | ***5.1%*** | ***5.0%*** | |

In the first quarter of 2010, sales in the Asia-Pacific zone increased by 30.9% compared to 2009 to €235.8 million, and 7.4% on a constant basis and same number of working days. Acquisitions accounted for a €2.0 million increase, due to Suzhou Xidian acquisition in February 2009, while changes in exchange rates accounted for a €36.7 million increase, mostly due to the appreciation of the Australian dollar against the euro.

In Australia, sales amounted to €151.6 million, a 1.0% increase compared to 2009 on a constant basis and same number of working days. The positive growth was driven by projects activity, mainly New South Wales while Queensland is still affected by a slow economy.

In New Zealand, sales amounted to €29.0 million in 2010, a 3.0% decrease compared to 2009 on a constant basis and same number of working days. Sales were still affected by the slowdown of the residential and commercial construction markets.

In Asia, sales amounted to €55.2 million in 2010, a 39.5% increase on a constant basis and same number of working days compared to 2009, Rexel recorded a good performance in all its businesses and in particular in automation.

In the first quarter of 2010, gross profit increased by 23.9% to €52.4 million. On a constant basis, Adjusted gross margin decreased by 170 basis points to 22.2% in 2010. This was mainly due to a decrease in Australia (increased share of projects, pressure on projects and cable margin) and China (driven by wholesale and project activity) together with a change in the regional mix (increase of the share of Asia where gross margin is lower).

On a constant basis, Adjusted distribution and administrative expenses decreased by 2.6% compared to 2009, while sales increased by 7.8%. Adjusted personnel costs decreased by 6.6% on a constant

basis. On a constant basis, headcount was reduced by 7.3% compared to March 31, 2009 to 2,599 at March 31, 2010.

EBITA amounted to €12.1 million in 2010, a 32.6% increase compared to 2009. On a constant basis, Adjusted EBITA increased by 8.6%, from 5.0% of sales in 2009 to 5.1% in 2010.

### *1.3.5 | Other operations (3% of Group consolidated sales)*

| **REPORTED** | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| Sales | **95.0** | **97.6** | **(2.7)%** |
| Gross profit | 29.8 | 30.8 | (3.3)% |
| Distribution and administrative expenses | (33.9) | (29.8) | 13.5% |
| EBITA | **(4.1)** | **0.9** | - |
| *as a % of sales* | *(4.3)%* | *1.0%* | |

| **CONSTANT BASIS ADJUSTED FINANCIAL DATA** | Quarter ended March 31, | | |
|---|---|---|---|
| *(in millions of euros)* | 2010 | 2009 | Change in % |
| **Sales** | **95.0** | **101.7** | **(6.7)%** |
| *Same number of working days* | | | *(6.7)%* |
| Gross profit | 29.7 | 31.5 | (5.7)% |
| *as a % of sales* | *31.3%* | *31.0%* | |
| Distribution and administrative expenses | (33.9) | (29.9) | 13.1% |
| *as a % of sales* | *(35.6)%* | *(29.4)%* | |
| **EBITA** | **(4.2)** | **1.6** | - |
| ***as a % of sales*** | ***(4.4)%*** | ***1.5%*** | |

Other operations segment's business is comprised of the Agencies/Consumer Electronics activity acquired in 2008 as part of the Hagemeyer acquisition.

In the first quarter of 2010, sales of the Agencies/Consumer Electronics activity (78% of other operations) posted a 9.4% decrease on a constant basis and same number of working days. Chile (16% of other operations) recorded a 3.5% increase on a constant basis and same number of working days. Disposal accounted for a €6.1 million decrease, due to H.C.L. Asia disposal, while changes in exchange rates accounted for a €10.2 million increase, mostly due to the appreciation of the Australian dollar against the euro.

On a constant basis, most of the Adjusted EBITA decline was linked to both a lower activity in Agencies / Consumer Electronics activity and some non-recurring items.

## 1.4 | Outlook

Rexel's performance in the first quarter, combined with encouraging signs in its markets, bolster the Group's confidence in achieving its targets for the full-year:

- low single-digit drop in sales, on a constant and same-day basis (after the 17.2% decline recorded in 2009),
- improvement in full-year adjusted EBITA margin over the 4.0% recorded in 2009,
- free cash flow before interest and tax of around €400 million.

# 2. | LIQUIDITY AND CAPITAL RESOURCES OF THE GROUP

## 2.1 | Cash flow at March 31, 2010 and 2009

The following table sets out Rexel's cash flow for the first quarter ended March 31, 2010 and 2009.

| *(in millions of euros)* | | Quarter ended March 31, 2010 | 2009 |
|---|---|---|---|
| Operating cash flow[1] | | 75.8 | 78.9 |
| Interest | (a) | (54.1) | (35.0) |
| Taxes | (a) | (9.0) | (15.6) |
| Changes in working capital requirement | | (38.7) | 98.9 |
| Net cash flow from operating activities | (b) | (26.0) | 127.2 |
| Net cash flow from investing activities | | (9.2) | (15.8) |
| *Including operating capital expenditures[2]* | *(c)* | *(10.5)* | *(10.1)* |
| Net cash flow from financing activities | | (34.7) | (235.8) |
| Net cash flow | | (69.9) | (124.4) |
| **Free cash flow:** | | | |
| **- before interest and taxes (b)-(a)+(c)** | | **26.6** | **167.7** |
| **- after interest and taxes (b)+(c)** | | **(36.5)** | **117.1** |
| **WCR as a % of sales[3] at:** | | **March 31, 2010** | **March 31, 2009** |
| Reported | | 11.0% | 11.8% |
| On a constant basis | | 11.4% | 11.7% |

(1) Before interest, taxes and changes in working capital requirement.

(2) Net of disposals.

(3) Working capital requirement, end of period, divided by last 12-month sales.

### *2.1.1 | Cash flow from operating activities*

Rexel's net cash flow from operating activities was a €26.0 million outflow in the first quarter of 2010 compared to €127.2 million inflow in the first quarter of 2009.

**Operating cash flow**

The slight decrease in the operating cash flow before interest, income tax and changes in working capital requirements (from €78.9 million in 2009 to €75.8 million in 2010) mainly resulted from higher operating income before depreciation, other income and other expenses (EBITDA from €103.2 million in 2009 to €128.4 million in 2010) offset by the payment of Ceteco litigation (€29.8 million paid on March 2010).

**Interest and taxes**

In the first quarter of 2010, interest paid amounted to €54.1 million compared to €35.0 million in the first quarter of 2009. The increase is mainly due to the increase in credit margins between both periods, linked to the refinancing of the group in 2009.

In the first quarter of 2010, €9.0 million of income tax paid compared to €15.6 million paid in the first quarter of 2009, mainly due to tax refund in the United-States.

**Changes in working capital requirement**

Changes in working capital requirement amounted to an outflow of €38.7 million in the fisrt quarter of 2010 compared to an inflow of €98.9 million in the first quarter of 2009, benefiting from the sharp drop in the first quarter of 2009.

As a percentage of the last 12-month sales, the working capital requirement decreased from 11.7% at March 31, 2009 on a constant basis to 11.4% at March 31, 2010 (excluding the effect of the derecognition of receivables). At March 31, 2010, working capital requirement included a €44.0 million

positive effect of derecognized receivables under an off-balance sheet securitized program implemented in the US in December 2009, which is estimated at 40 basis points.

### *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 €9.2 million outflow in the first quarter of 2010 compared to a €15.8 million outflow in the first quarter of 2009.

| *(in millions of euros)* | Quarter ended March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Acquisitions of operating fixed assets[1] | (10.5) | (10.1) |
| Acquisitions of financial fixed assets[1] | 1.9 | (5.7) |
| Net change in long-term investments | (0.6) | - |
| Net cash flow from investing activities | (9.2) | (15.8) |

[1] Net of disposals.

**Acquisitions and disposal of tangible fixed assets**

Acquisitions of operating fixed assets, net of disposals, were a €10.5 million outflow in the first quarter of 2010 compared to a €10.1 million outflow in the first quarter of 2009.

In the first quarter of 2010, gross capital expenditures amounted to €8.9 million, i.e. 0.3% of the sales of the period, of which €4.4 million related to IT systems, €2.7 million to the renovation of existing branches and the opening of new branches, €0.9 million to logistics and €0.9 million to other investments. Disposals of fixed assets in the first quarter of 2010 amounted to €1.4 million and mainly related to the disposal of one building in the United Kingdom. Net changes in the related payables and receivables amounted to €3.0 million, accounting for an increase in the net capital expenditures of the period.

In the first quarter of 2009, gross capital expenditures amounted to €10.2 million, i.e. 0.4% of the sales of the period, of which €3.8 million related to IT systems, €4.5 million to the renovation of existing branches and the opening of new branches, €1.1 million to logistics and €0.8 million to other investments. Disposals of fixed assets in the first quarter of 2009 amounted to €1.8 million and mainly related to the disposal of two branches, in the United States and the United Kingdom. Net changes in related payables and receivables amounted to €1.7 million, accounting for an increase in the capital expenditures of the period.

**Financial investments**

Rexel's net financial investments represented a net inflow of €1.9 million in the first quarter of 2010 compared to an outflow of €5.7 million in the first quarter of 2009.

In the first quarter of 2010, inflow with respect to the financial investments concerns the disposal of H.C.L. Asia with an effect of €2.7 million. Earn-out on previous acquisitions amounted to an effect of €0.8 million mainly related to New Zealand.

In the first quarter of 2009, outflows with respect to the financial investments mainly included the acquisition of 63.5% of the shares of Suzhou Xidian Co. Ltd. in China for CNY41.0 million (€4.7 million) and of additional Hagemeyer shares for €0.9 million, including acquisitions related costs. Earn-out and price adjustments on previous acquisitions amounted to a net effect of €0.1 million.

### *2.1.3 | Cash flow from financing activities*

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

In the first quarter of 2010, financing activities accounted for a €34.7 million outflow. Outflows were comprised of:

- a decrease in securitization programs of €121.4 million;

- a decrease in Term Loan facilities of €16.2 million;
- transaction costs paid in connection with 2009 Group refinancing of €3.2 million;
- payment of finance lease liabilities of €1.1 million; and
- the repurchase of treasury shares for €0.6 million;

While inflows included:

- additional subscription of senior unsecured notes for €75.0 million (€76.7 million including an issuance premium);
- a net change in other credit facilities and bank overdraft of €24.9 million; and
- proceeds from the exercice of share capital for €6.2 million.

In the first quarter of 2009, financing activities accounted for a €235.8 million outflow. Outflows were comprised of:

- a decrease in securitization programs of €117.7 million;
- repayment in full of Facility D 2008 the Senior Credit Agreement for €86.3 million;
- an increase on other credit facilities, accounted for by €29.0 million; and
- repayments of finance lease liabilities amounted to €2.8 million.

## 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 March 31, 2010, Rexel's consolidated net debt amounted to €2,539.4 million, and was made up as follows:

| | March 31, 2010 | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Current | Non current | Total | Current | Non current | Total |
| Senior notes | - | 662.0 | 662.0 | - | 575.0 | 575.0 |
| Senior credit facility | - | 1,138.5 | 1,138.5 | - | 1,091.2 | 1,091.2 |
| Securitization | - | 961.6 | 961.6 | - | 1,056.6 | 1,056.6 |
| Bank loans | 6.7 | 2.3 | 9.0 | 3.9 | 2.3 | 6.2 |
| Bank overdrafts and other credit facilities | 100.5 | - | 100.5 | 83.5 | - | 83.5 |
| Finance lease obligations | 6.6 | 10.3 | 16.9 | 6.9 | 11.0 | 17.9 |
| Accrued interests[(1)] | 15.0 | - | 15.0 | 5.7 | - | 5.7 |
| Less transaction costs | (17.2) | (57.3) | (74.5) | (16.5) | (58.8) | (75.3) |
| **Total financial debt and accrued interest** | **111.6** | **2,717.4** | **2,829.0** | **83.5** | **2,677.3** | **2,760.8** |
| Cash and cash equivalents | | | (289.6) | | | (359.6) |
| **Net financial debt** | | | **2,539.4** | | | **2,401.2** |

[(1)] including accrued interests on Senior Notes for €15.0 million as of March 31, 2010 (€1.5 million as of December 31, 2009)

Net financial debt is detailed in note 9 "Financial liabilities" to Rexel's Condensed Consolidated Interim Financial Statements as of March 31, 2010.

On January 20, 2010, Rexel issued €75 million senior unsecured notes in complement to the notes issued on December 21, 2009 in an amount of €575 million. These additional notes fully assimilated to the notes issued on December 21, 2009 bear interest at a rate of 8.25% and are redeemable on December 15, 2016.

The issue price was 102.33% of the principal amount corresponding to €76.7 million. Interests are due semi-annually on June 15 and December 15 each year, beginning on June 15, 2010.

The key terms and conditions of these amendments are detailed in note 19 of Rexel's Consolidated Financial Statements at December 31, 2009.

As of March 31, 2010, the Group's liquidity amounted to €754 million including €192 million of cash net of overdrafts and €562 million of undrawn revolver credit.

The Indebtedness Ratio (Adjusted consolidated net debt/Adjusted consolidated EBITDA for the last 12 months) is compared to the covenant every six months. Commitments as defined by the amendment signed on December 21, 2009 are as below:

| Date | 6/30/2010 | 12/31/2010 | 6/30/2011 | 12/31/2011 | 6/30/2012 | 12/31/2012 | 6/30/2013 | 12/31/2013 | 6/30/2014 |
|---|---|---|---|---|---|---|---|---|---|
| Commitment | 5.15x | 4.90x | 4.50x | 4.00x | 3.75x | 3.50x | 3.50x | 3.50x | 3.50x |

At March 31, 2010, the Indebtedness Ratio calculation was:

| *(in millions of euros)* | March 31, 2010 |
|---|---|
| Net debt at closing currency exchange rates | 2,539.4 |
| Net debt at average currency exchange rates (A) | 2,446.3 |
| LTM Adjusted EBITDA (B) | 564.1 |
| **Indebtedness ratio (A)/(B)** | **4.34** |

## 2.3 | Events after the reporting period

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

# II. Condensed consolidated interim financial statements

This document is a free translation from French to English of Rexel's original condensed consolidated interim financial statements for the period ended March 31, 2010 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 condensed consolidated interim financial statements for the period ended March 31, 2010, the French version will prevail.

# Table of contents

Consolidated income statement……………………………………………………………………………………..22
Consolidated statement of comprehensive income…………..……………………………….…………………..23
Consolidated balance sheet……………………………………………………………….……………………...24
Consolidated statement of cash flows………………………………………………………………………………25
Consolidated statement of changes in shareholders' equity…………………………………………………..26
Notes………………………………………………………………………………………………………………27
1. | General information ..........................................................................................................................27
2. | Significant accounting policies.............................................................................................................27
3. | Segment reporting ..............................................................................................................................28
4. | Distribution & administrative expenses................................................................................................30
5. | Other income & other expenses ..........................................................................................................30
6. | Financial expenses (net) .....................................................................................................................32
7. | Income tax ..........................................................................................................................................32
8. | Earnings per share ..............................................................................................................................33
9. | Financial liabilities.................................................................................................................................33
10.| Market Risks and Financial Instruments...............................................................................................36
11.| Seasonality ..........................................................................................................................................40
12.| Litigation ..............................................................................................................................................40
13.| Other potential liabilities ........................................................................................................................40
14.| Events after the reporting period ..........................................................................................................40

## Consolidated income statement

| *(in millions of euros)* | ***Note*** | **For the period ended March 31, 2010** | **2009** |
|---|---|---|---|
| Sales | ***3*** | 2,697.6 | 2,809.8 |
| Cost of goods sold | | (2,019.4) | (2,119.0) |
| **Gross profit** | | **678.2** | **690.8** |
| Distribution and administrative expenses | ***4*** | (573.9) | (613.3) |
| **Operating income before other income and expenses** | | **104.3** | **77.5** |
| Other income | ***5*** | 5.0 | 2.7 |
| Other expenses | ***5*** | (20.2) | (41.3) |
| **Operating income** | | **89.1** | **38.9** |
| Financial income | | 11.8 | 13.2 |
| Interest expense on borrowings | | (47.4) | (37.4) |
| Other financial expenses | | (15.1) | (13.5) |
| *Financial expenses (net)* | ***6*** | *(50.7)* | *(37.7)* |
| Share of profit/(losses) of associates | | *(1.1)* | - |
| **Net income before income tax** | | **37.3** | **1.2** |
| Income tax | ***7*** | (8.0) | (0.4) |
| **Net income** | | **29.3** | **0.8** |
| **Attributable to:** | | | |
| Equity holders of the parent | | 29.2 | 0.9 |
| Minority interests | | 0.1 | (0.1) |
| **Earnings per share:** | | | |
| Basic earnings per share (*in euros*) | ***8*** | 0.11 | 0.00 |
| Fully diluted earnings per share (*in euros*) | ***8*** | 0.11 | 0.00 |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## Consolidated statement of comprehensive income

| *(in millions of euros)* | For the period ended March 31, 2010 | 2009 |
|---|---|---|
| **Net income** | **29.3** | **0.8** |
| Foreign currency translation | 85.9 | 32.6 |
| Loss on cash flow hedges | (2.0) | (20.5) |
| Income tax | (0.5) | 6.3 |
| | (2.5) | (14.2) |
| *Other comprehensive income/(loss) for the period, net of tax* | *83.4* | *18.4* |
| **Total comprehensive income for the period, net of tax** | **112.7** | **19.2** |
| **Attributable to:** | | |
| Equity holders of the parent | 112.1 | 19.0 |
| Minority interest | 0.6 | 0.2 |

## Consolidated balance sheet

| *(in millions of euros)* | *Note* | As of March 31, 2010 | As of December 31, 2009 |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | | 3,876.1 | 3,759.4 |
| Intangible assets | | 941.1 | 927.8 |
| Property, plant and equipment | | 258.3 | 261.6 |
| Long-term investments | | 61.6 | 53.3 |
| Investments in associates | | 4.8 | 5.9 |
| Deferred tax assets | | 227.7 | 230.0 |
| **Total non-current assets** | | **5,369.6** | **5,238.0** |
| Inventories | | 1,191.7 | 1,141.4 |
| Trade accounts receivable | | 1,950.5 | 1,901.5 |
| Income tax receivable | | 36.1 | 32.0 |
| Other accounts receivable | | 337.8 | 371.9 |
| Assets classified as held for sale | | 10.1 | 10.5 |
| Cash and cash equivalents | *9.1* | 289.6 | 359.6 |
| **Total current assets** | | **3,815.8** | **3,816.9** |
| **Total assets** | | **9,185.4** | **9,054.9** |
| **Equity** | | | |
| Share capital | | 1,297.3 | 1,291.1 |
| Share premium | | 1,392.2 | 1,392.2 |
| Reserves and retained earnings | | 833.6 | 720.9 |
| **Total equity attributable to equity holders of the parent** | | **3,523.1** | **3,404.2** |
| Minority interests | | 8.4 | 7.8 |
| **Total equity** | | **3,531.5** | **3,412.0** |
| **Liabilities** | | | |
| Interest bearing debt | *9.1* | 2,717.4 | 2,677.3 |
| Employee benefits | | 177.4 | 173.8 |
| Deferred tax liabilities | | 223.7 | 221.7 |
| Provision and other non-current liabilities | *12* | 186.3 | 235.4 |
| **Total non-current liabilities** | | **3,304.8** | **3,308.2** |
| Interest bearing debt | *9.1* | 96.6 | 77.8 |
| Accrued interest | *9.1* | 15.0 | 5.7 |
| Trade accounts payable | | 1,685.2 | 1,676.0 |
| Income tax payable | | 18.9 | 22.9 |
| Other current liabilities | | 533.4 | 552.3 |
| **Total current liabilities** | | **2,349.1** | **2,334.7** |
| **Total liabilities** | | **5,653.9** | **5,642.9** |
| **Total equity and liabilities** | | **9,185.4** | **9,054.9** |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## Consolidated statement of cash flows

| *(in millions of euros)* | ***Note*** | **For the period ended March 31,** | |
|---|---|---|---|
| | | **2010** | **2009** |
| **Cash flows from operating activities** | | | |
| Operating income | | 89.1 | 38.9 |
| Depreciation, amortization and impairment of assets | ***4*** | 24.0 | 25.7 |
| Employee benefits | | (1.8) | (2.3) |
| Change in other provisions | | (39.2) | 8.4 |
| Other non-cash operating items | | 3.7 | 8.2 |
| Interest paid | | (54.1) | (35.0) |
| Income tax paid | | (9.0) | (15.6) |
| *Operating cash flows before change in working capital requirements* | | *12.7* | *28.3* |
| Change in inventories | | (23.2) | 63.0 |
| Change in trade receivables | | (2.0) | 243.1 |
| Change in trade payables | | (27.6) | (256.2) |
| Changes in other working capital items | | 14.1 | 49.0 |
| *Change in working capital* | | *(38.7)* | *98.9* |
| **Net cash from operating activities** | | **(26.0)** | **127.2** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | (11.9) | (12.0) |
| Proceeds from disposal of property, plant and equipment | | 1.4 | 1.9 |
| Acquisition of subsidiaries, net of cash acquired | | (0.8) | (5.7) |
| Proceeds from disposal of subsidiaries, net of cash disposed | | 2.7 | - |
| Change in long-term investments | | (0.6) | - |
| **Net cash from investing activities** | | **(9.2)** | **(15.8)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from the issue of share capital | | 6.2 | - |
| Contribution received from minority shareholders | | - | 0.7 |
| Disposal / (Repurchase) of treasury shares | | (0.6) | (0.6) |
| Net change in credit facilities and other financial borrowings | ***9.3*** | 82.2 | (115.4) |
| Net change in securitization | ***9.3*** | (121.4) | (117.7) |
| Payment of finance lease liabilities | ***9.3*** | (1.1) | (2.8) |
| **Net cash from financing activities** | | **(34.7)** | **(235.8)** |
| | | | |
| Net (decrease) / increase in cash and cash equivalents | | (69.9) | (124.4) |
| Cash and cash equivalents at the beginning of the period | | 359.6 | 807.0 |
| Effect of exchange rate changes on cash and cash equivalents | | (0.1) | 9.5 |
| **Cash and cash equivalents at the end of the period** | | **289.6** | **692.1** |

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

## 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, 2009** | **1,280.0** | **1,409.9** | **711.2** | **(141.8)** | **(24.5)** | **(10.5)** | **3,224.3** | **24.1** | **3,248.4** |
| Foreign currency translation | - | - | - | 102.6 | - | - | 102.6 | (0.3) | 102.3 |
| Cash flow hedges | - | - | - | - | (5.2) | - | (5.2) | - | (5.2) |
| Available for sale financial assets | - | - | - | - | 0.6 | - | 0.6 | - | 0.6 |
| **Income and expenses recognized directly in equity** | **-** | **-** | **-** | **102.6** | **(4.6)** | **-** | **98.0** | **(0.3)** | **97.7** |
| Net income | - | - | 80.6 | - | - | - | 80.6 | 0.4 | 81.0 |
| **Total comprehensive income for the period** | **-** | **-** | **80.6** | **102.6** | **(4.6)** | **-** | **178.6** | **0.1** | **178.7** |
| Issue of share capital | 10.8 | (17.7) | 6.9 | - | - | - | 0.0 | - | 0.0 |
| Share-based payments | 0.3 | - | 5.3 | - | - | - | 5.6 | - | 5.6 |
| Treasury shares | - | - | - | - | - | 8.4 | 8.4 | - | 8.4 |
| Transactions with minority shareholders | - | - | (12.6) | - | - | - | (12.6) | (16.4) | (29.0) |
| **At December 31, 2009** | **1,291.1** | **1,392.2** | **791.4** | **(39.2)** | **(29.1)** | **(2.1)** | **3,404.3** | **7.8** | **3,412.1** |
| Foreign currency translation | - | - | - | 85.4 | - | - | 85.4 | 0.5 | 85.9 |
| Cash flow hedges | - | - | - | - | (2.5) | - | (2.5) | - | (2.5) |
| **Income and expenses recognized directly in equity** | **-** | **-** | **-** | **85.4** | **(2.5)** | **-** | **82.9** | **0.5** | **83.4** |
| Net income | - | - | 29.2 | - | - | - | 29.2 | 0.1 | 29.3 |
| **Total comprehensive income for the period** | **-** | **-** | **29.2** | **85.4** | **(2.5)** | **-** | **112.1** | **0.6** | **112.7** |
| Issue of share capital[1] | 6.2 | - | - | - | - | - | 6.2 | - | 6.2 |
| Share-based payments | - | - | 1.3 | - | - | - | 1.3 | - | 1.3 |
| Treasury shares | - | - | - | - | - | (0.8) | (0.8) | - | (0.8) |
| **At March 31, 2010** | **1,297.3** | **1,392.2** | **821.9** | **46.2** | **(31.6)** | **(2.9)** | **3,523.1** | **8.4** | **3,531.5** |

[1] Exercice of 1, 247, 808 options at €5 each.

# 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 (herein after referred to 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). Additionally, the Group also operates the Agencies-Consumer Electronics division (herein after referred to as ACE) as part of the assets acquired from Hagemeyer in 2008.

The present condensed consolidated interim financial statements cover the period from January 1, 2010 to March 31, 2010, and have been authorized for issue by the Management Board on May 5, 2010.

## 2. | SIGNIFICANT ACCOUNTING POLICIES

### 2.1 | Statement of compliance

These condensed consolidated interim financial statements (hereafter referred to as "the condensed financial statements") for the period ended March 31, 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of March 31, 2010. In particular, the condensed financial statements have been prepared in accordance with IAS 34, relating to Interim Financial Reporting. Pursuant to IAS 34, they do not include all the information required in the annual financial statements, but only selected explanatory notes, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009 included in the Document de référence registered by the Autorité des Marchés Financiers on April 21, 2010 under number R.10-024.

### 2.2 | Basis of preparation

The accounting policies used in the condensed financial statements for the period ended March 31, 2010 are identical to those used and described in the consolidated financial statements for the year ended December 31, 2009, with exceptions of new standards and interpretations disclosed in 2.2.1. New standards and interpretations applicable starting January 1, 2010 did not have any significant impact on the Group's financial situation or condensed financial statements for the period ended March 31, 2010.

The preparation of financial statements in accordance with IFRS requires the management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed frequently. The effect of changes in accounting estimates is accounted for during the period in which they are made and all subsequent periods.

#### 2.2.1 *New accounting standards and interpretations in effect starting from 2010*

The following new and amended standards and interpretations previously endorsed by the EU were applied for the first time in the financial statements for 2010 but their adoption had no material effect on the Group's reporting:

- improvements to IFRS issued in May 2008 in respect of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations";
- revised IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements" issued in January 2008 change some of the accounting principles for business combinations;
- amendment to IAS 39 "Financial instruments: recognition and measurement – Eligible hedged items" issued in July 2008. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as hedged risk or portion in a particular situation;
- IFRIC 15 "Agreements for Construction of Real Estate", IFRIC 17 "Distribution of Non-cash Assets to Owners" and IFRIC 18 "Transfer of Assets from customers";
- amendements to IFRS 2 "Share-based Payment" - Group Cash-settled Share-based Payment Transactions adresses the treatment of such transactions when, within a Group, the entity that receives goods or services is not the one that settles the transaction;
- improvements to IFRS issued in April 2009 clarify or introduce changes to several IFRS and IFRIC.

In addition, the following interpretation endorsed by EU were previously applied by the Group by anticipation. Therefore their adoption had no material effect on Group's reporting for 2010:

- interpretations IFRIC12 – Service Concession Arrangements
- IFRIC16 – Hedges of net investment in foreign operation

#### 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:

- Amendment to IAS 32 "Financial Instruments - Presentation" - Classification of Rights Issues addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment issued today requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. This amendment will be effective for financial years beginning on or after February 1, 2010 and is not expected to have a material impact on the Group's financial statements.

## 3. | SEGMENT REPORTING

In accordance with IFRS 8 "Operating segments", operating segments are based on the Group's financial reporting structure. The Group's financial reporting is organised into geographical areas for its electrical equipment distribution business while non-core operations and certain businesses managed directly at Group level are reported independently. The Group financial reporting is regularly reviewed by the Management board acting as the chief operating decision maker.

Based on this structure, the reportable segments are Europe, North America and the Asia-Pacific zone, which include the electrical equipment distribution business of the Group in these areas. The other operating segments are aggregated. They include the Group's electrical equipment distribution business in Chile and other operations such as the Agencies / Consumer Electronics division (ACE) and businesses managed at Group level.

## Geographical segment information for the periods ended March 31, 2010 and March 31, 2009

**2010**

| *(in millions of euros)* | Europe | North America | Asia-Pacific | Other segments | Total Operating Segments | Corporate Holdings | Total Group |
|---|---|---|---|---|---|---|---|
| **For the period ended March 31** | | | | | | | |
| Sales to external customers................ | 1,620.7 | 746.1 | 235.8 | 95.0 | **2,697.6** | - | **2,697.6** |
| EBITA [1]........................................ | 87.3 | 14.1 | 12.0 | 0.4 | **113.8** | (4.5) | **109.3** |
| Working capital................................ | 759.6 | 347.0 | 116.8 | 58.5 | **1,281.9** | (5.4) | **1,276.5** |
| Goodwill......................................... | 2,623.8 | 1,010.5 | 233.3 | 8.5 | **3,876.1** | - | **3,876.1** |

**2009**

| *(in millions of euros)* | Europe | North America | Asia-Pacific | Other segments | Total Operating Segments | Corporate Holdings | Total Group |
|---|---|---|---|---|---|---|---|
| **For the period ended March 31** | | | | | | | |
| Sales to external customers................ | 1,646.0 | 886.0 | 180.1 | 97.7 | **2,809.8** | - | **2,809.8** |
| EBITA [1]........................................ | 62.2 | 10.1 | 9.1 | 3.2 | **84.6** | (2.3) | **82.3** |
| **For the period ended December 31** | | | | | | | |
| Working capital................................ | 730.8 | 320.2 | 101.5 | 58.0 | **1,210.5** | (11.2) | **1,199.3** |
| Goodwill......................................... | 2,602.0 | 931.1 | 217.9 | 8.4 | **3,759.4** | - | **3,759.4** |

[1] EBITA is defined as operating income before other income, other expenses and amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities.

The reconciliation of the EBITA with the Group consolidated income before income taxes is presented in the following table:

| *(in millions of euros)* | For the period ended March 31, 2010 | 2009 |
|---|---|---|
| **EBITA - Total Group..............................................** | **109.3** | **82.3** |
| Amortization of intangible assets recognized upon allocation of the acquisition price of acquired entities.. | (5.0) | (4.8) |
| Other income and other expenses.......................... | (15.2) | (38.6) |
| Net financial expenses........................................ | (50.7) | (37.7) |
| Share of profit/(losses) of associates......................... | (1.1) | - |
| **Group consolidated income before income tax…...** | **37.3** | **1.2** |

The reconciliation of the total allocated assets and liabilities with the Group consolidated total assets is presented in the following table:

| *(in millions of euros)* | As of March 31 2010 | As of December 31 2009 |
|---|---|---|
| Working capital | 1,276.5 | 1,199.3 |
| Goodwill | 3,876.1 | 3,759.4 |
| **Total allocated assets & liabilities** | **5,152.6** | **4,958.7** |
| Liabilities included in allocated working capital | 2,197.3 | 2,214.3 |
| Fixed assets | 1,265.8 | 1,248.6 |
| Deferred tax assets | 227.7 | 230.0 |
| Income tax receivable | 36.1 | 32.0 |
| Assets classified as held for sale | 10.1 | 10.5 |
| Derivatives | 6.2 | 1.2 |
| Cash and cash equivalents | 289.6 | 359.6 |
| **Group consolidated total assets** | **9,185.4** | **9,054.9** |

## 4. | DISTRIBUTION & ADMINISTRATIVE EXPENSES

| *(in millions of euros)* | For the period ended March 31, 2010 | 2009 |
|---|---|---|
| Personnel costs (salaries & benefits) | 332.7 | 354.7 |
| Building and occupancy costs | 67.3 | 73.9 |
| Other external costs | 135.8 | 146.7 |
| Depreciation expense | 19.0 | 20.9 |
| Amortization of intangible assets recognized upon the allocation of the acquisition price of acquired entities | 5.0 | 4.8 |
| Bad debt expense | 14.1 | 12.3 |
| **Total distribution and administrative expenses** | **573.9** | **613.3** |

## 5. | OTHER INCOME & OTHER EXPENSES

| *(in millions of euros)* | For the period ended March 31, 2010 | 2009 |
|---|---|---|
| Capital gains | 0.3 | 1.6 |
| Release of unused provisions | 1.1 | 0.7 |
| Other operating income | 3.6 | 0.4 |
| **Total other income** | **5.0** | **2.7** |
| Restructuring costs | (13.7) | (30.4) |
| Loss on non-current assets disposed of | (6.1) | (7.1) |
| Costs related to transactions following the IPO | - | (2.5) |
| Goodwill & intangible assets impairment | - | (0.2) |
| Other operating expenses | (0.4) | (1.1) |
| **Total other expenses** | **(20.2)** | **(41.3)** |

## 5.1 | Other income

*Capital gains*

For the quarter ended March 31, 2010, capital gains were not significant, while they included in 2009 the proceeds from disposal of two branches, in the United-States for €1.3 million and in the United-Kingdom for €0.1 million in 2009.

*Other operating income*

For the quarter ended March 31, 2010, other operating income included a €3.4 million indemnification to be received from PPR, the former owner of Rexel, as a result of a warranty granted to Rexel in 2005.

## 5.2 | Other expenses

*Restructuring costs*

For the quarter ended March 31, 2010, restructuring costs are mainly related to the continuation of restructuring plans initiated in 2009 to adapt the group structure to current trading. These costs mainly include the effect of downsizing the distribution network and workforce adaptation in Europe for €8.4 million and in North America for €4.8 million.

In 2009, this line item amounted to €30.4 million and included mainly restructuring and integration costs following Hagemeyer acquisition and the slowdown of activity. These costs mainly related to Spain for €16.5 million, the United States for €4.4 million, Germany for €2.4 million and other European countries for €4.0 million.

*Loss on non-current assets disposed of or written-off*

For the quarter ended March 31, 2010, loss on non-current assets disposed of is comprised of a €5.9 million loss related to the sale of Hagemeyer Cosa Liebermann in Asia (HCL Asia), a legacy non-core business from Hagemeyer, operating as a wholesaler and duty-free agent of luxury goods in Asian countries. Pursuant to a sale and purchase agreement entered into with DKSH Holding Ltd, a privately held Swiss company, the disposal was completed on February 25, 2010 for a total consideration of USD13.7 million (€9.9 million) of which USD11.6 million was paid at the completion date. The remaining amount, paid on an escrow account, is subject to price adjustment based on the net asset value to be determined by both parties at transaction date.

In 2009, this line-item included for €4.4 million the write-off of certain operations in Hungary disposed of in April 2009, and the write-off of IT licences in France for €2.3 million.

*Costs related to transactions following the IPO*

In 2009, costs related to transactions following IPO concerned the free shares scheme implemented at the time of the IPO in 2007 for €2.5 million. This non-cash expense has been determined according to provisions of IFRS 2 (“Share-based payments”).

## 6. | FINANCIAL EXPENSES (NET)

Net financial expenses are comprised of the following items:

| *(in millions of euros)* | For the period ended March 31, | |
|---|---|---|
| | 2010 | 2009 |
| Expected return on employee benefit plan assets | 11.2 | 10.0 |
| Interest income on cash and cash equivalents | 0.1 | 0.4 |
| Interest income on receivables and loans | 0.5 | 0.9 |
| Gain on financial instruments held for trading | - | 1.9 |
| **Financial income** | **11.8** | **13.2** |
| Interest expense on financial debt (stated at amortized costs): | (37.9) | (33.9) |
| *- Senior Credit Facilities* | *(14.2)* | *(19.5)* |
| *- Senior Notes* | *(13.0)* | *(0.1)* |
| *- Securitization* | *(4.8)* | *(6.7)* |
| *- Other financing* | *(1.4)* | *(3.5)* |
| *- Finance leases* | *(0.4)* | *(0.5)* |
| *- Amortization of transaction costs* | *(4.1)* | *(3.6)* |
| Gains and losses on derivative instruments previously deferred in equity and recycled in the income statement | (9.5) | (0.5) |
| Change in fair value through profit and loss (foreign exchange rate) | 9.8 | (0.3) |
| Ineffectiveness of fair value hedge derivatives | (0.3) | - |
| Foreign exchange gain (loss) on financial liabilities | (9.5) | (2.7) |
| **Interest expense on borrowings** | **(47.4)** | **(37.4)** |
| Interest cost of employee benefit obligation and other long-term liabilities | (13.6) | (12.8) |
| Financial expenses (other) | (1.5) | (0.7) |
| **Other financial expenses** | **(15.1)** | **(13.5)** |
| **Financial expenses (net)** | **(50.7)** | **(37.7)** |

## 7. | INCOME TAX

Income tax expense for an interim period is calculated based on the expected year-end tax rate, i.e. by applying the average estimated tax rate for the year to the intermediate income before taxes.

The effective tax rate for the period ended March 31, 2010 is 20.9%, compared with 34.5% for the period ended March 31, 2009. In 2010, the expected year-ended tax rate includes tax effect of recognition of prior year tax losses carried forward in France. As disclosed in the consolidated financial statements as of December 31, 2009, the Group elected to consider the French tax on companies' value added (Cotisation sur la Valeur Ajoutée des Entreprises "CVAE") as income tax under IAS12. Therefore, the related expense is presented in the income tax line item in 2010.

## 8. | EARNINGS PER SHARE

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

| | For the period ended March 31, 2010 | 2009 |
|---|---|---|
| Net income attributed to ordinary shareholders (*in millions of euros*).. | 29.2 | 0.8 |
| Weighted average number of ordinary shares (*in thousands*)………… | 261,206 | 254,734 |
| **Basic earnings per share (*in euros*) …………………………………** | **0.11** | **0.00** |
| Net income attributed to ordinary shareholders (*in millions of euros*).. | 29.2 | 0.8 |
| Average number of balanced shares in circulation (*in thousands*) ……. | 261,206 | 254,734 |
| Potential dilutive ordinary shares (*in thousands*)………………………. | *1,323* | *5,408* |
| *- out of which are share options (in thousands) ………………………* | *301* | *0* |
| *- out of which are free shares (in thousands) …………………………* [(1)] | *1,022* | *5,408* |
| Weighted average number of ordinary shares used for the calculation of fully diluted earnings per share (*in thousands*) ………. | 262,529 | 260,142 |
| **Fully diluted earnings per share (*in euros*) ……………………………** | **0.11** | **0.00** |

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

## 9. | FINANCIAL LIABILITIES

This note provides information about financial liabilities as of March 31, 2010. Financial liabilities include interest-bearing loans, borrowings and accrued interest less transaction costs.

### 9.1 | Net financial debt

| *(in millions of euros)* | As of March 31, 2010 | | | As of December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| Senior Notes………………………………………… | - | 662.0 | 662.0 | - | 575.0 | 575.0 |
| Senior Credit Facilities ……………………………… | - | 1,138.5 | 1,138.5 | - | 1,091.2 | 1,091.2 |
| Securitization ……………………………………… | - | 961.6 | 961.6 | - | 1,056.6 | 1,056.6 |
| Bank loans ………………………………………… | 6.7 | 2.3 | 9.0 | 3.9 | 2.3 | 6.2 |
| Bank overdrafts and other credit facilities ………… | 100.5 | - | 100.5 | 83.5 | - | 83.5 |
| Finance lease obligations …………………………… | 6.6 | 10.3 | 16.9 | 6.9 | 11.0 | 17.9 |
| Accrued interests [(1)] ………………………………… | 15.0 | - | 15.0 | 5.7 | - | 5.7 |
| Less transaction costs …………………………… | (17.2) | (57.3) | (74.5) | (16.5) | (58.8) | (75.3) |
| **Total financial debt and accrued interest……** | ***111.6*** | ***2,717.4*** | ***2,829.0*** | ***83.5*** | ***2,677.3*** | ***2,760.8*** |
| Cash and cash equivalents ……………………… | | | (289.6) | | | (359.6) |
| **Net financial debt** | | | **2,539.4** | | | **2,401.2** |

[(1)] including accrued interests on Senior Notes for €15.0 million as of March 31, 2010 (€1.5 million as of December 31, 2009)

### 9.1.1 *Senior Credit Agreement*

As of March 31, 2010, facilities under the Senior Credit Agreement are as follows:

| Credit Facility (Term Loan) | Commitment | Borrower | Balance due as of March 31, 2010 | Currency | Balance due as of March 31, 2010 |
|---|---|---|---|---|---|
| | *(in millions of euros)* | | *(in millions of local currency)* | | *(in millions of euros)* |
| Facility A | 600.0 | Rexel SA | 198.0 | CHF | 138.7 |
| | | | 637.7 | USD | 473.1 |
| Facility B | 1,100.0 | Rexel SA | 1,000.0 | SEK | 102.9 |
| | | | 201.0 | CAD | 146.9 |
| | | | 164.3 | USD | 121.9 |
| | | | 155.0 | EUR | 155.0 |
| **TOTAL** | **1,700.0** | | | | **1,138.5** |

These multicurrency credit facilities bear interest at Euribor or Libor rates depending on the currency in which amounts are drawn, plus a margin which varies depending on the leverage ratio. At March 31, 2010 the applicable margin stood at 3.00% for Facility A and 3.25% for Facility B.

### 9.1.2 *Securitization programs*

The Group handles several on-balance sheet securitization programs, which enable the Group to obtain financing at a lower cost than bonds or bank loans.

Considering their characteristics, notably the fact that the Group retains a significant part of the late payment and credit risks, these receivables selling programs do not qualify for derecognition under IAS 39 requirements. Therefore assigned receivables remain presented as assets on the Group's balance sheet on the line "trade accounts receivable" whereas the amount due is considered as financial debt.

Securitization programs 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 March 31, 2010, Rexel had satisfied all of these covenants.

Securitization programs features are summarized in the table below:

| Program | Commitment (in millions of currency) | Amount of receivables pledged on March 31, 2010 (in millions of currency) | Amount drawn on March 31, 2010 (in millions of currency) | Outstanding amount on March 31, 2010 (in millions of euros) | Outstanding amount on December 31, 2009 (in millions of euros) | Maturity date |
|---|---|---|---|---|---|---|
| 2005 - Europe and Australia | EUR 600 | EUR 539.1 | EUR 413.5 | 413.5 | 478.6 | 20/11/2011 |
| United States | USD 250 | USD 310.8 | USD 208.7 | 154.8 | 155.8 | 23/12/2014 |
| Canada [(1)] | CAD 175 | CAD 175.8 | CAD 139.6 | 102.0 | 107.1 | 13/12/2012 |
| 2008 - Europe | EUR 450 | EUR 369.0 | EUR 291.3 | 291.3 | 315.1 | 17/12/2013 |
| **TOTAL** | | | | **961.6** | **1,056.6** | |

(1) : commitment reduced to 140 MCAD in April 2010.

At March 31, 2010, the total commitment of the on-balance-sheet securitization program amounted to an equivalent of €1,363.4 million and was utilized up to €961.6 million.

In addition to the on-balance sheet securitization programs, Rexel also operates an off-balance sheet program restricted to its US operations. Under this program, all risks and rewards attached to the receivables are transferred to the purchaser and such receivables are derecognized from the balance.

The maximum funding amount is limited to USD220 million. As of March 31, 2010, the amount of derecognized receivables was €44.0 million (USD59.3 million) and the resulting loss recorded as financial expense was €0.9 million.

## 9.2 | Repayment schedule

The contractual repayment schedule of financial debt net of transaction costs is as follows:

| *(in millions of euros)* ***Due within*** | As of March 31, 2010 | As of December 31, 2009 |
|---|---|---|
| One year | 111.7 | 83.4 |
| Two years [(1)] | (21.5) | (20.8) |
| Three years | 539.3 | 571.6 |
| Four years | 279.4 | 300.1 |
| Five years | 1,254.4 | 1,246.8 |
| Thereafter | 665.7 | 579.7 |
| **Total financial debt** | **2,829.0** | **2,760.8** |

(1): negative amount due to amortization of transaction costs

## 9.3 | Change in net financial debt

As of March 31, 2010 and March 31, 2009, change in net financial debt is as follows:

| *(in millions of euros)* | 2010 | 2009 |
|---|---|---|
| **At January 1** | **2,401.2** | **2,932.0** |
| Reimbursement of 2008 Senior Credit Agreement | - | (86.3) |
| Transaction costs related to the 2008 Senior Credit Agreement | - | (0.6) |
| Subscription of Senior Notes | 76.7 | - |
| Net change in Term Loan facilities | (16.2) | - |
| Transaction costs related to the 2009 refinancing | (3.2) | - |
| Net change in other credit facilities and bank overdrafts | 24.9 | (28.5) |
| **Net change in credit facilities** | **82.2** | **(115.4)** |
| Net change in securitization | (121.4) | (117.7) |
| Payment of finance lease liabilities | (1.2) | (2.8) |
| ***Net change in financial liabilities*** | ***(40.4)*** | ***(235.9)*** |
| Change in cash and cash equivalents | 64.3 | 124.4 |
| Foreign currency exchange discrepancies | 92.8 | 57.8 |
| Change in consolidation scope | 5.6 | 4.7 |
| Amortization of transaction costs | 4.1 | 3.6 |
| Other changes | 11.8 | 0.4 |
| **At March 31** | **2,539.4** | **2,887.0** |

On January 20, 2010, Rexel issued €75 million senior unsecured notes in complement to the notes issued on December 21, 2009 in an amount of €575 million. These additional notes fully assimilated to the notes issued on December 21, 2009 bear interest at a rate of 8.25% and are redeemable on December 15, 2016.

The issue price was 102.33% of the principal amount corresponding to €76.7 million. Interests are due semi-annually on June 15 and December 15 each year, beginning on June 15, 2010.

# 10. | MARKET RISKS AND FINANCIAL INSTRUMENTS

## 10.1 | 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 on a one year rolling basis (including fixed and capped interest rates) close to 80% of the net financial debt and the remaining at variable interest rates.

Every month the Group monitors the interest rate risk through a group treasury committee, which involves the top management. This process enables the Group to assess the efficiency of the hedges and to adapt them to the underlying indebtedness when necessary.

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

| *(in millions of euros)* | **As of March 31, 2010** | **As of December 31, 2009** |
|---|---|---|
| Senior notes and other fixed rate debt | 663.6 | 585.5 |
| *Fixed rate debt before hedging* | *663.6* | *585.5* |
| Variable to fixed rate swaps | 1,190.8 | 1,047.8 |
| Fixed to variable rate swaps | (650.0) | (225.0) |
| Interest rate options - Collars | 716.2 | 1,057.6 |
| **Sub total fixed or capped rate debt after hedging** | ***1,920.6*** | ***2,465.9*** |
| Variable rate debt before hedging | 2,165.4 | 2,175.3 |
| Variable to fixed rate swaps | (1,190.8) | (1,047.8) |
| Fixed to variable rate swaps | 650.0 | 225.0 |
| Active Interest rate options - Collars (1) | (716.2) | (1,057.6) |
| Cash and cash equivalents | (289.6) | (359.6) |
| **Sub total current variable rate debt after hedging** | **618.8** | **(64.7)** |
| Inactive Interest rate options - Collars | - | - |
| **Sub total fully floating rate debt** | **618.8** | **(64.7)** |
| **Total net financial debt** | **2,539.4** | **2,401.2** |

*(1) Interest options for which one of the strikes (for Cap or Floor) is in-the-money*

*Fair value hedge derivatives*

As of February 26, 2010, Rexel entered into a partial term hedge strategy to hedge the change in fair value of the €650 million Senior Notes issued at fixed rate of 8.25%. The partial term hedge aims at hedging the evolution of forward rates and is comprised of various floating rate paying interest swaps maturing in December 2016 with a notional amount of €650 million and three swaps paying fixed rate totalling €350 million and maturing between March 2011 and March 2013.

As of March 31, 2010, the portfolio associated with derivatives financial instruments qualified as fair value hedge is as follows:

| | **Total notional amount** | **Maturity** | **Weighted average fixed rate paid (received)** | **Variable rate paid (received)** | **Fair value** *(in millions of euros)* |
|---|---|---|---|---|---|
| ***Swaps paying variable rate*** | | | | | |
| Euro | 650.0 | December 2016 | (2.88%) | 3M Euribor | **10.4** |
| ***Swaps paying fixed rate*** | | | | | |
| Euro | (100.0) | March 2011 | 2.67% | (3M Euribor) | **(1.7)** |
| Euro | (150.0) | March 2012 | 2.19% | (3M Euribor) | **(2.9)** |
| Euro | (100.0) | March 2013 | 2.29% | (3M Euribor) | **(2.2)** |
| **Total** | | | | | **3.6** |

The gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss, as interest expenses on borrowings. The changes in fair value of the fair value hedge derivatives and of the hedged item are recognized in profit or loss. The change in fair value of these swaps for the period ended March 31, 2010 was a gain of €8.5 million, matched against a loss of €8.8 million resulting from the change in the fair value of the Senior Notes.

*Cash flow hedge derivatives*

In accordance with the policy laid down above, the Group has entered into several interest–rate swap and collar contracts.

It is the Group's intention to renew a material part of these swaps when they mature 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.

As of March 31, 2010, 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*** | | | | | |
| Swiss Franc ………………………. | 50.0 | March 2011 | 3M Libor | 0.35% | - |
| Swiss Franc ………………………. | 40.0 | March 2013 | 3M Libor | 0.94% | - |
| Canadian $ ………………………. | 70.0 | March 2013 | 3M Libor | 2.72% | (0.5) |
| Swedish Krona ………………….. | 500.0 | September 2012 | 3M Stibor | 2.59% | (1.0) |
| US $ ………………………………. | 200.0 | September 2011 | 3M Libor | 3.35% | (5.6) |
| US $ ………………………………. | 230.0 | December 2011 | 3M Libor | 3.50% | (7.4) |
| US $ ………………………………. | 200.0 | September 2012 | 3M Libor | 3.18% | (6.3) |
| US $ ………………………………. | 280.0 | March 2013 | 3M Libor | 2.82% | (6.5) |
| British £ (1) ………………………. | 25.0 | March 2012 | 3M Libor | 1.97% | (0.0) |
| **Total** | | | | | **(27.4)** |

(1) beginning in March 2011

| | **Total notional amount currency** *(in millions of currency)* | **Maturity** | **Floating rate received** | **Weighted average fixed rate paid** | **Fair value** *(in millions of euros)* |
|---|---|---|---|---|---|
| ***Collars*** | | | | | |
| Euro (1)………………… | 550.0 | March 2011 | 3M Euribor | 2,65%-4,50% | (9.7) |
| Pound Sterling………. | 66.0 | March 2011 | 3M Libor | 3,75%-5,75% | (2.1) |
| Canadian $ ............... | 126.0 | March 2011 | 3M C-Dor | 2,75%-5,00% | (1.5) |
| **Total** | | | | | **(13.3)** |

(1) The initial notional amount of €900 million was reduced to €550 million on February 26, 2010 and simultaneously Rexel entered into three swaps paying fixed rate for a total notional amount of €350 million (see note fair value hedge derivatives).

On March 31, 2010, the total notional amount of cash flow hedge swaps and cash flow hedge options were €869 million and €716 million, respectively.

The change in fair value of the cash flow hedge instruments for the period ended March 31, 2010 was recognized as a reduction in shareholders' equity for an amount of €1.4 million (before tax).

*Sensitivity to interest rate variation*

As of March 31, 2010 an instantaneous rise of 1% in short-term interest rates on variable debt including hedging effective in 2010 after the 1% rise, would lead to an increase in interest expense estimated at €5.4 million on a yearly basis.

## 10.2| Hedging of fluctuations in foreign currency

*Forward contracts*

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 neutralize the exposure to the exchange rate risk, the positions denominated in currencies other than the euro are hedged with forward contracts with a duration generally between one and three months. The hedge contracts are renewed as necessary while exposure remains.

*Put options*

In addition, the presentation of the financial statements being in euros, the Group is required to translate into euros income and expenses denominated in other currencies in preparing its financial statements at average rate applicable to the period. Therefore, the Group entered into several foreign exchange options to partially hedge the effect of its exposure to the risk of conversion of the result of foreign operations. These instruments are qualified as trading under IAS 39.

| | **Total notional amount currency** *(in millions of currency)* | **Maturity** | **Premium paid** *(in millions of euros)* | **Fair value** *(in millions of euros)* |
|---|---|---|---|---|
| ***Put options*** | | | | |
| Canadian dollar..................... | 36.0 | January 2011 | (0.6) | - |
| Australian dollar..................... | 46.0 | January 2011 | (0.9) | 0.2 |
| Swiss franc........................... | 17.0 | January 2011 | (0.1) | - |
| Yen........................................... | 3,600.0 | February 2011 | (1.8) | 1.8 |
| **Total** | | | **(3.4)** | **2.0** |

The notional amount and the fair value of financial instruments hedging foreign exchange risk as of March 31, 2010 were respectively €41 million (€278 million forward sales and €237 million forward purchases) and €(2.3) million. The change in fair value of foreign exchange rate derivatives amounted to €8.4 million as of March 31, 2010 and is recognized in profit or loss as net financial expenses for €9.1 million (see note 6) and through equity in the cash flow hedge reserve for €0.6 million before tax.

*Financial debt per currency of repayment*

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

| *(in millions of euros)* | **Euro** | **US dollar** | **Canadian dollar** | **Australian dollar** | **Norwegian crown** | **Swedish kronor** | **Pound sterling** | **Other currency** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Financial liabilities ....... | 1,344.2 | 779.4 | 254.3 | 65.7 | 6.0 | 103.6 | 124.8 | 151.0 | 2,829.0 |
| Cash and cash equivalents.............. | (121.4) | (80.5) | (5.7) | (22.3) | (13.4) | (8.3) | (18.4) | (19.6) | (289.6) |
| **Net financial position before hedging** | **1,222.8** | **698.9** | **248.6** | **43.4** | **(7.4)** | **95.3** | **106.4** | **131.4** | **2,539.4** |
| Impact of hedge.......... | (78.3) | (36.1) | 17.7 | 24.4 | (24.0) | 70.0 | (75.3) | 101.6 | - |
| **Net financial position after hedging** | **1,144.5** | **662.8** | **266.3** | **67.8** | **(31.4)** | **165.3** | **31.1** | **233.0** | **2,539.4** |
| Impact of a 5% increase in exchange rate.................... | | 33.1 | 13.3 | 3.4 | (1.6) | 8.3 | 1.6 | 11.7 | 69.7 |

## 11. | 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 of the year, 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.

## 12. | LITIGATION

*Settlement of litigation regarding bankruptcy of Ceteco*

On February 8, 2010, Hagemeyer N.V., the Management Board of Ceteco NV, the auditors of Ceteco and one of its insurance company, entered into a settlement with Ceteco's receivers, under which all legal actions and claims pursuant to Ceteco's bankruptcy are withdrawn and finally waived. On March 1, 2010, as per such settlement, Hagemeyer N.V. paid an amount of €29.8 million to Ceteco's receivers net of all payments by Sonepar (pursuant to the October 23, 2007 agreement that provides for certain provisions in relation to the allocation of the losses, if any, suffered as a result of this litigation proceeding) and by other parties. This amount was reserved for as of December 31, 2009.

For the period ended March 31, 2010, there was no significant evolution relating to other litigation disclosed in the consolidated financial statements as of December 31, 2009.

## 13. | OTHER POTENTIAL LIABILITIES

*Warranties given in connection with the sale of HCL Asia*

In connection with the disposal of HCL Asia (see note 5.2), the Group granted a warranty for liabilities, amounted to USD 2.5 million excluding taxation and pension claims (USD 7.0 million including taxation and pensions liabilities). The warranty expires in September 2011 except for taxation liabilities for which the relevant statue of limitation as applicable in the respective jurisdiction applies.

## 14. | EVENTS AFTER THE REPORTING PERIOD

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