

letter

No. 8

to Rexel's shareholders

LEADING DISTRIBUTOR WORLDWIDE OF ELECTRICAL SUPPLIES

message from the Chairman

April 2011



Return to growth and improved profitability

Dear shareholders,

Rexel achieved a solid performance throughout 2010. After raising our full-year targets in early December 2010, we still managed to exceed them in terms of sales, profitability and cash flow generation.

Reported sales rose 5.8% to nearly €12 billion, a 1.3% increase on a constant basis and same number of working days. After swinging back into positive territory in the second half, growth accelerated in the fourth quarter, driven notably by North America.

After strongly reducing debt and constantly improving our performances, we are now in a position to resume paying a dividend of €0.40 per share, which we will ask our shareholders to approve at the Annual General Meeting on 19 May.

The operating margin improved steadily quarter by quarter to end the year at 5%, compared to 4% in 2009. This improvement reflects a 10-basis point increase in the gross margin for the year and cutbacks in operating costs due to constant efforts to optimize our cost base. With strong cash flow generation of €69.8 million this year, we also considerably strengthened our balance sheet. We reduced our net debt to Ebitda ratio to 3.19x at the end of 2010 from 4.3x at year-end 2009. A debt ratio of less than 3.5x eliminates all restrictions in our bank covenants concerning our dividend payout and annual acquisition budget.

Indeed, one of the highlights of late 2010 and early 2011 is the resumption of growth through acquisitions. In December, we announced the acquisition of the Swiss company Grossauer. Since then, we have announced four other acquisitions, including two in China that strengthen our number-three position in the Chinese market. We are also entering the Brazilian and Indian markets with the acquisitions of Nortel Suprimentos Industriais and Yantra Automation. Together, these five acquisitions represent annual sales of about €200 million, and illustrate our drive to expand in fast-growing markets.

For the year 2011, economic prospects are looking rather bright in our various markets. We will continue our strategy of seizing new opportunities to provide services and solutions in the dynamic fields of energy efficiency and renewable energies. We are confident that we can boost volumes in 2011, fostering organic growth while pursuing an active acquisition policy. We will also strive to improve profitability and optimize the return on capital employed (ROCE) in 2011, with an operating margin of about 5.5%. Lastly, we will continue to generate abundant cash flow, with free cash flow before interest and taxes surpassing €500 million.

I would like to take this opportunity to thank each of you for the confidence you have shown in us.

Jean-Charles Pauze
Chairman of the Management Board

REXEL

ELECTRICAL SUPPLIES

Full-year 2010 results

Rexel reported a strong performance in 2010. Sales increased by nearly 6% and the Ebita margin improved quarter by quarter. Buoyed by an upturn in business and the Group's ongoing debt reduction policy, Rexel will propose to pay a dividend for the year 2010.

At nearly €12 billion, full-year sales surpass expectations

For the full year, Rexel reported a 5.8% increase in sales to €11,960.1 million.

On a constant basis and same number of working days, sales increased 1.3%, including the negative 1.4-point impact due to branch closures and the positive 2.9-point impact of higher prices for copper-based cables.

Profitability steadily improves quarter by quarter

For the full year, the EBITA margin rose to 5% from 4% in 2009.

This improvement can be attributed to an annual increase in the gross margin to 24.4% (vs. 24.3% in 2009), mainly driven by Europe and North America, and a €60.9m reduction in operating costs, including depreciation, compared to 2009. Cost reductions are due to the ongoing effects of cost-cutting measures set up in previous quarters, which reduced distribution and administrative expenses by 2.5% from the previous year.

Reported EBITA amounted to €615.9 million in full-year 2010, up 31.2% compared to 2009.

Net income almost tripled

In 2010, operating income increased by 53.7% to €485.4 million due to a strong increase in EBITA and lower restructuring costs. Net income almost tripled to €229.2 million from €81.0 million in 2009.

Net financial expenses were flat at €203.1 million compared to the previous year. The average effective interest rate for the year stood at 7.1% (vs. 6.1% in 2009). In the fourth quarter, however, net financial expenses benefited from a 50 basis point reduction applicable to the Senior Credit margin as the debt ratio dropped below the 4x threshold at 30 June.

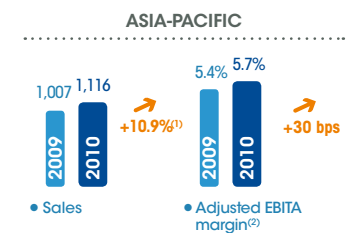
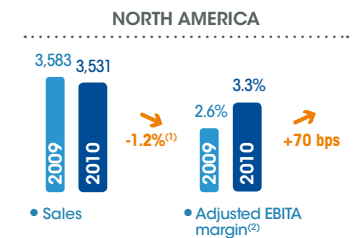
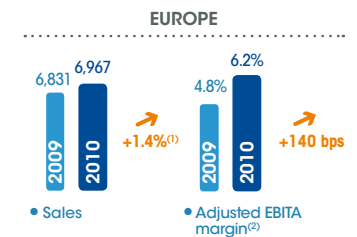
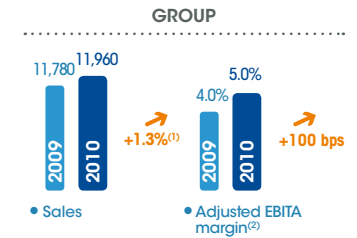
Strong free cash flow fuels significant debt reduction

Free cash flow before interest and tax amounted to €569.8 million in 2010. Working capital requirements were streamlined, thanks to tight control over operating expenses. At 31 December 2010, working capital requirements accounted for 10.6% of annual sales vs. 11% in 2009.

Net debt was reduced by €127.9 million to €2.3 billion at 31 December 2010.

The debt ratio (net debt / EBITDA), as calculated under the Senior Credit Agreement, stood at 3.19x at 31 December 2010 (compared to 4.32x at 31 December 2009), which is below the 3.5x threshold that limits annual investment. The Senior Credit margin will also be reduced by another 50 basis points.

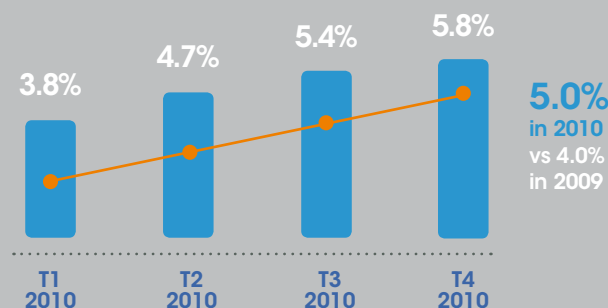
Key figures at 31 December 2010
(€ millions, like-for-like basis)



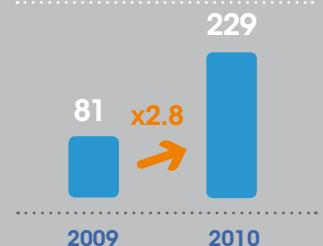
(1) Constant number of working days.
(2) Excluding non-recurring effect of fluctuations in the price of copper-based cables, and before other income and expenditure.

QUARTERLY IMPROVEMENT IN PROFITABILITY

Adjusted EBITA margin



NET INCOME ALMOST TRIPLED (€M)



Proposed dividend of €0.40 per share

With the improvement in profitability, strong cash flow generation and reduction in net debt, Rexel is in a position to resume a dividend payout in 2011 (for the year 2010). At the Annual General Meeting on May 19, 2011, shareholders will be asked to approve a dividend of €0.40 per share, and will be given the option of receiving the dividend in cash or shares. This dividend represents a payout of 39% of consolidated net income on ongoing business.



3 questions for Henri-Paul Laschkar

Senior Vice President UK & Ireland

■ What is Rexel's position in the UK?

With five banners and a network of 400 branches, Rexel is the leader in its market with sales of about €900 million. The largest of three national players, Rexel UK is the only distributor capable of providing customers with the same quality service throughout the country.

■ Can you give us a progress report on the turnaround in the UK?

Following the acquisition of Hagemeyer's UK business, the optimization of points of sales and logistics networks, and the streamlining of support functions like human resources, information technology and the financial department have generated savings of about £35 million between 2008 and 2010. At the same time, through stronger supplier relations, which drive higher margins, and optimization of working capital requirements, we generated strong free cash flow before interest and tax. While gaining market share in a highly competitive environment, we also managed to double our profitability and reduce debt by four between 2008 and 2010.

■ What are your main growth drivers?

In the UK, Rexel's strategy is to continue gaining market share in its traditional business lines while expanding in specific markets. The rail sector, for example, was identified as a promising market because investments have been maintained. Rexel UK is working to penetrate this market. It is also highlighting its offer of eco-friendly, energy efficient solutions.

2011 Group Outlook



In 2011, Rexel will focus on 3 major priorities:

- **Strengthen its market position through organic growth and acquisitions**
Rexel expects an increase in volumes in 2011, in addition to external growth.
- **Enhance its profitability and optimize capital employed to achieve its medium-term targets of an EBITA margin close to 6.5% and a return on capital employed close to 14%**
Through continued gross margin optimization and tight cost control, Rexel targets an improvement of its EBITA margin by around 50 basis points in 2011 and confirms its medium-term EBITA margin target.
- **Generate solid free cash flow**
Thanks to tight management of working capital (even in a context of sales volumes recovery) and low capital intensity, free cash flow before interest and tax should exceed €500 million in 2011, allowing the Group to finance acquisitions while maintaining a sound financial structure.

KEY FIGURES IN 2010

36
countries

€12 billions
turnover

28,000
employees

40
banners

2,200
points of sale

strategy

in action

Through Rexel IPG, the Group participates in large-scale projects, notably in the mining and oil sectors

Rexel's International Projects Group (IPG) supplies globally sourced electrical equipment solutions and services to engineering, construction and project management companies. Rexel IPG focuses mainly on large-scale construction and infrastructure projects for governments, mining and the energy sector. To ensure optimal coordination, teams are located in key strategic geographies across the globe.

A mining project in Chile at an altitude of 3,200 metres



Rexel IPG creates value added through customized project management. In Chile, Rexel supplies electrical equipment for one of the main copper mining facilities near Santiago. The project involves Rexel IPG teams in the United States, who are responsible for sourcing complex equipment from North America as well as standard equipment from other parts of the world, as well as local teams from Rexel Chile and Rexel IPG.

Storage infrastructures were set up locally to ensure the availability of regular supplies while other equipment is delivered within 24 hours from Rexel's logistics center in Santiago.

Acquisitions

Switzerland December 2010

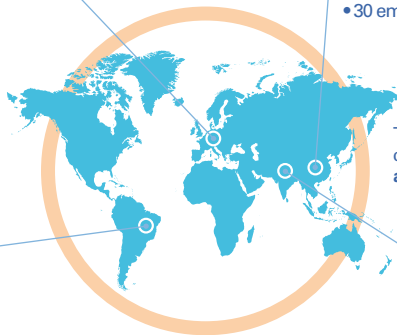
Grossauer

- €50 million in sales
- 90 employees

Brazil January 2011

Nortel Suprimentos Industriais

- €110 million in sales
- 49 outlets
- 3 logistic centers
- 600 employees



China January 2011

Beijing Lucky Well Zhineng

- €16 million in sales
- 30 employees

Wuhan Rockcenter Automation

- €10 million in sales
- 3 outlets
- 1 warehouse
- 57 employees

These two acquisitions consolidate Rexel's position as #3 in the Chinese market

India January 2011

Yantra Automation

- €12 million in sales
- 6 outlets
- 1 warehouse
- 65 employees

YOUR QUESTIONS

HOW FLEXIBLE IS REXEL INTERMS OF FINANCING ACQUISITIONS?

We expect to generate net free cash flow before interest and tax of between €500 million and €700 million a year. We plan to invest €300 million to €400 million a year in acquisitions while preserving our financial balance by maintaining a net debt to Ebitda ratio of roughly 3x.

in brief

France

Rexel France attends the ENEO Exhibition



As part of this showcase on sustainable construction and clean energy held at the Lyon-Eurexpo exhibition center from 15 to 18 February 2011, Rexel France presented a 7,000m² stand called the **Electrical Event**.

Bringing together 126 manufacturing partners in the electrical, air conditioning, energy production and automation industries, the Electrical Event presents real-life situations of energy efficient solutions for the home, services sector and industry to reduce the operating costs of homes and buildings.

Rexel also presented the **Active Home**, a demonstration of the convergence between lifestyle, home automation, eco-design and technology.

Deutschland

Hagemeyer Deutschland participates on Deutsche Bank's green renovation project



After two years of work, the two towers housing Deutsche Bank's head office in Frankfurt were completely renovated.

Energy consumption in the two buildings was reduced by 67% for heating and by 55% for electrical applications. On the whole, the "**Green Towers**" as they are now called, reduced greenhouse gas emissions by 90% and increased available space by 20%.

Imtech, one of the companies working on the project, contracted the services of Hagemeyer Deutschland, a subsidiary of the Rexel Group. In two years, Hagemeyer Deutschland supplied **over 1,000 km of cables** and a large amount of the electrical equipment installed in the two towers.

our commitments

Rexel is an environmentally responsible company on two levels. First, as a provider of eco-friendly, energy-efficient solutions, the Group helps its clients each year to improve the energy efficiency of their buildings and facilities. Second, Rexel has stepped up in-house actions to encourage better use of natural resources and to reduce the environmental impact of its operations.

Carbon audit



Rexel has just completed its first carbon audit to measure the carbon footprint of its activities. Six key countries were selected as benchmarks (Germany, Australia, Spain, the United States, France and the United Kingdom) which together account for over 70% of the Group's commercial and operational business and 80% of total greenhouse gas emissions. The audit encompassed activity at each site,

employee commutes to and from the workplace and all the logistics involving product distribution, from delivery by suppliers to travel by clients. Carbon footprint of our products was not taken into account.

The biggest share of the Group's carbon emissions is for transporting products (66%), followed by energy consumption at sites (13%), business travel (8%) and commuting by employees (5%).

This large-scale undertaking illustrates Rexel's commitment to sustainable development. It will enable the Group to set up plans to further reduce CO₂ emissions.

Hagemeyer Deutschland receives ISO 14001 certification



HAGEMEYER
Deutschland



In December 2010, Hagemeyer Deutschland, a subsidiary of the Rexel Group, was the first German electrical supplies distributor to obtain ISO 14001 certification.

Attesting to sound energy and environmental management, ISO 14001 certification covers the head office as well as the outlets and logistics platforms of the trade name.

From energy-saving devices to efficient logistics, recycling and a light bulb disposal system, Hagemeyer developed an approach that mobilized all Group employees on all its sites to obtain certification.

An increasingly strong sense of solidarity



Numerous entities of the Rexel Group are supporting the solidarity initiatives of various associations. In 2010, total donations amounted to nearly €670,000, almost twice as much as in 2009. This increase is notably due to several natural disasters in 2010, especially the earthquake in Chile.

In general, donations were used on projects promoting education and child welfare.



YOUR QUESTIONS

WHAT IS THE AMOUNT OF THE DIVIDEND FOR THE YEAR 2010 THAT WILL BE PROPOSED AT THE NEXT ANNUAL GENERAL MEETING?

At the Annual General Meeting of 19 May 2011, shareholders will be asked to approve a dividend of €0.40 per share, which can be paid in either cash or shares depending on each shareholder's request. If the proposal is approved, the option period will run from 27 May to 20 June and the dividend will be paid in cash or shares on 30 June 2011. To qualify for the dividend, shareholders must own Rexel shares at the market close on 26 May 2011.

Rexel share at a glance

Annual General Meeting and e-voting



Rexel's Annual General Meeting, a key event in the Group's relations with shareholders, will be held in Paris on 19 May 2011.

This year, Rexel proposes a new way for shareholders to vote at the AGM: the e-vote. Each registered or bearer shareholder will have the option of sending in their voting instructions as of the end of April and up to 3 pm on 18 May 2011 via a dedicated website in French and English: <https://gisproxy.bnpparibas.com/rexel.pg>.

The website proposes the same options available on the voting form: request an admission card, vote by mail, and proxy voting, by giving the Chairman or the person of your choice power to vote on your behalf.

- **Holders of pure registered shares** having given prior consent will receive an invitation to the AGM by mail in late April indicating their ID number. The ID number and password for accessing the dedicated AGM website are the same as the ones that allow them to access their account data on the Planetshares website.
- **Holders of administered registered shares** having given prior consent will receive an invitation to the AGM by mail in late April indicating their ID number (which is also indicated in the top right corner of the voting form). They can then connect to the dedicated AGM website and obtain their online password.
- **Holders of bearer shares** must ask their custodian bank to mail a holding certificate for the quantity of shares owned to BNP Paribas Securities Services (CTS – Services aux Émetteurs – Assemblées, Mandataire de Rexel et Gestionnaire du site de vote par Internet – Grands Moulins de Pantin – 9, rue du Débarcadère – 93761 Pantin Cedex) along with the email address of the bearer shareholder. Holders of bearer shares will then receive an ID number by mail, which can be used to connect to the dedicated AGM website to obtain a password.

company details

ISIN: FR0010451203

Market: Eurolist by NYSE Euronext

Number of shares (as at Feb. 28, 2011):
260,322,844

Market capitalisation (as at March 31, 2011):
€4.6 billion

Indices: SBF 120, CAC Mid 100,
CAC All-Tradable, CAC AllShares, FTSE EuroMid,
FTSE4Good.

calendar

Thursday, 12 May 2011

First-quarter 2011 results

Thursday, 19 May 2011

Annual General Meeting of shareholders .

Wednesday, 27 July 2011

Half-year 2011 results

Monday, 10 October 2011

Investor meeting, Rennes

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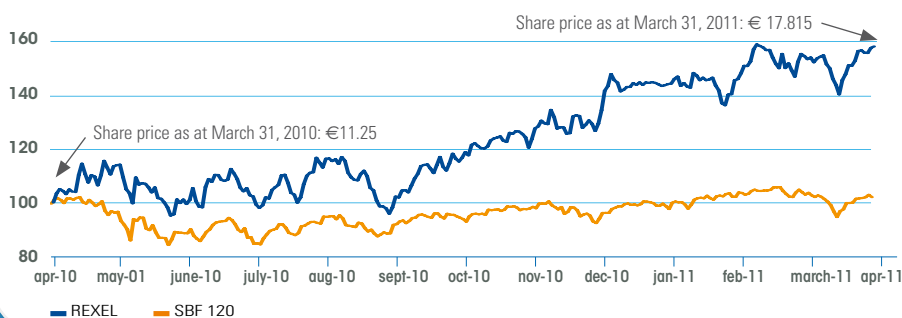
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share price from March 31, 2010 to March 31, 2011



...see you soon!