

letter

No. 9

to Rexel's shareholders

A LEADING DISTRIBUTOR WORLDWIDE OF ELECTRICAL SUPPLIES

message from the Chairman

October 2011



Good performance and significant growth opportunities

Dear shareholders,

In the first 6 months of 2011, Rexel performed strongly. The Group's three main regions – Europe, North America and Asia – reported growth of more than 5%. At the same time, the Group continued to improve its adjusted EBITA margin to 5.3% of sales. This strong performance is the fruit of efforts undertaken by Rexel's 28,000 employees, nearly two thirds of whom are in daily contact with our customers, giving advice and offering solutions and services tailored to their needs.

“Looking beyond cyclical factors, we firmly believe that our future growth lies in the widespread adoption of energy efficient solutions by companies and individuals.”

In an economic environment that offers little visibility, I would like to remind you of Rexel's solid fundamentals and its capacity, which has strengthened in recent years, to maintain its performance even in challenging conditions. We firmly believe that our future growth lies in the widespread adoption of energy-efficient solutions by companies and individuals. Broadly speaking, over a third of our sales are directly or indirectly linked to this “green” trend. It represents for Rexel a real structural opportunity that helps offset cyclical ups and downs.

To keep pace with the development of our offer linked to energy efficiency and renewable energy sources, we are also accelerating the transition of our business model towards more services and solutions, in order to provide our professional customers with greater value added.

Lastly, we are staking our future development on the fast-growing countries. In the first half of 2011, we strengthened our presence in China and expanded into India and Brazil, to build development platforms in markets offering immense growth opportunities. We want to be one of the biggest players in the consolidation of the electrical supplies distribution market in these countries, where we intend to double our sales between 2010 and 2013.

As announced in May, due to a statutory age limit, I will be stepping down from my functions after announcing the Group's full-year 2011 results in February 2012. Rudy Provoost, who recently joined the Group's Management Board, will become Chairman. His rich international experience in leadership positions and his longstanding knowledge of the electrical supplies sector will be enormous assets for our company. I will remain on hand to assist the Group throughout the year 2012.

I would like to thank you for your loyalty, and I hope you enjoy this newsletter.

Jean-Charles Pauze
Chairman of the Management Board

REXEL

ELECTRICAL SUPPLIES

First-half 2011 results

Rexel reported a very satisfactory performance in the first half of 2011 with buoyant sales growth, a sharp improvement in profitability and strong growth in net income. Rexel also continued to improve its balance sheet, reducing its net debt to EBITDA ratio to 3x (compared to 3.2x at 30 June 2010).

This strong performance bolsters our confidence that we will be able to meet our full-year targets announced last May: an improvement in adjusted EBITA margin of at least 50bp, and free cash flow before interest and tax of more than €500 million.

Solid organic growth

In the first half, Rexel reported a 7.3% increase in sales to €6.2 billion. On a like-for-like basis and at a constant number of business days, sales increased 6.1%. All geographic regions reported satisfactory performances: +5.6% in Europe (59% of Group sales), +7.9% in North America (28% of Group sales), +6.6% in the Asia-Pacific region (10% of Group sales) and +24% in Latin America (2% of Group sales). Industrial end markets were the main growth engine in all these regions, while the residential and commercial end markets showed only a slight improvement, at a time when the global construction market remains far below the pre-crisis levels of 2008-2009.

A significant improvement in profitability

In the first half, the adjusted EBITA margin⁽¹⁾ improved by 90 basis points to 5.3% of sales (compared to 4.4% in H1 2010). This improvement can be attributed to both the strong resilience of gross margin (which held flat at 24.7% of sales) and a reduction in administrative and marketing expenses, which increased 1.4% in absolute terms compared to the previous year, but diminished as a percentage of sales to 19.4% in Q1 2011 from 20.3% in H1 2010.

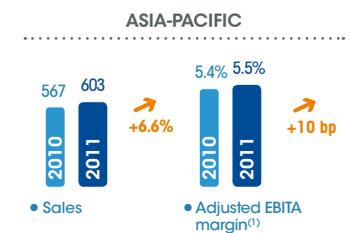
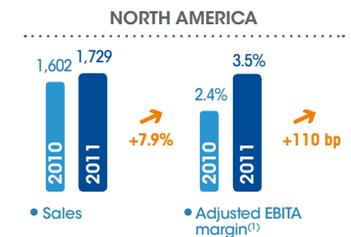
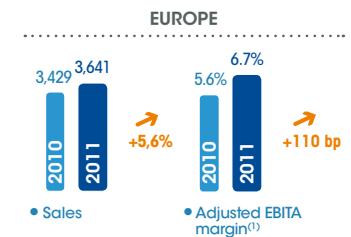
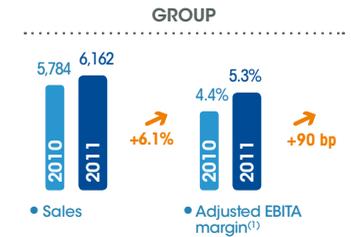
Strong earnings growth

After other income and expenses, operating income increased 44% to €308.8 million (compared to €214 million in H1 2010). The net charge amounted to €15.8 million in H1 2011 (compared to €31.1 million in H1 2010). Net financial expenses were reduced to €95.7 million (compared to €103.5 million in H1 2010) and tax amounted to €40.5 million (compared to €18.5 million in H1 2010). Net income was nearly €174 million, up 88% compared to H1 2010.

Renewed growth through acquisitions

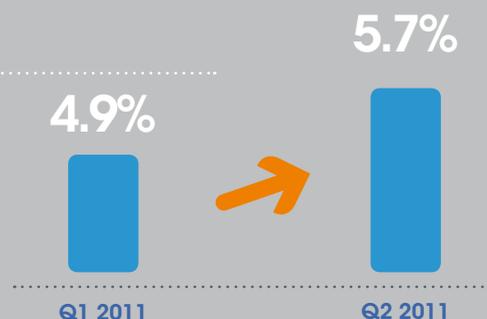
In keeping with its selective acquisition strategy, Rexel has completed eight acquisitions since December 2010. Two were in the mature Swiss and German markets in order to strengthen local market share and six were in the emerging countries to develop the Group's presence in these fast-growing markets, including China, where the Group continues to pursue its development, and in Brazil and India, both new markets for the Group. Combined with organic sales growth, growth through acquisitions should enable Rexel to strengthen its leading position in the distribution of electrical supplies.

Key figures at 30 June 2011
(in € millions, on a constant basis)



QUARTERLY IMPROVEMENT IN PROFITABILITY

Adjusted EBITA margin⁽¹⁾



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



3 questions for Pascal Martin

Member of the Management Board, Senior Vice
President of Group Operations and Development

■ What is the Group's acquisition strategy?

Rexel's acquisition strategy targets small and medium-sized companies and aims to:

- Strengthen the Group's presence in fast-growing countries ;
- Increase market share in mature countries ;
- Improve its offer of high value-added services.

The Group has the potential to invest about €400 million in acquisitions each year.

■ What acquisitions have been made since the beginning of the year?

Since December 2010, Rexel has made eight acquisitions, including six in fast-growing countries, with cumulative additional sales for the Group of about €200 million. In addition to a small transaction in the North Rhine-Westphalia region of Germany, and the acquisition of Grossauer in Switzerland, Rexel reinforced its presence in China via three transactions in the Beijing and Hubei provinces. Rexel also stepped into the Indian market with two acquisitions in the Mumbai region, and returned to Brazil with the purchase of a company in the State of São Paulo, to build a development platform.

■ What are the Group's prospects in these fast-growing markets?

With 2010 sales of €620 million in the fast-growing countries, Rexel aims to double sales in this segment between 2010 and 2013. The Group intends to strengthen its positions in regions with strong growth potential, which often offer higher profit margins than the Group average, and where the big international suppliers are also in the midst of expanding their presence.

Successful placement of €500 million bond issue

On 24 May 2011, Rexel issued a €500 million bond with a nominal value of €100,000 maturing in 2016.

This bond issue is in line with Rexel's financial strategy of giving preference to capital market financing rather than bank borrowing, whose cost is likely to increase in the years ahead.

Thanks to this operation, Rexel also extended the maturity of its debt, a key factor in its financial management to limit liquidity risks as much as possible.

This bond issue, Rexel's second, demonstrates that investors are eager to underwrite Rexel's debt and have confidence in the Group's business strategy. Indeed, with the improvement in the Group's financial health over the past 18 months, its borrowing rate has fallen from 8.25% in December 2009 to 7% in May 2011. In another sign of confidence, the rating agencies upgraded the Group's credit rating from B+ to BB-.

This improvement reflects the reinforcement of the Group's balance sheet and demonstrates its ability to generate abundant cash flow while providing the necessary resources for its development.



YOUR QUESTIONS

**WITH THE DECLINE IN SHARE PRICE IN RECENT MONTHS,
IS THERE REASON TO FEAR THAT THE DIVIDEND WILL BE
SUSPENDED AGAIN?**

The payout of a dividend depends on the Annual General Meeting's decision, based on the proposal by the Supervisory Committee. In keeping with its policy regarding its shareholders, the Group reaffirmed its intention to propose a dividend. Moreover, the restriction pertaining to the net debt to EBITDA ratio should not apply since the ratio was 3x at 30 June 2011, and the restriction is only relevant as of 4x.

strategy

in action

Rexel invests in energy efficiency to benefit customers

Energy efficiency is both a challenge and a tremendous opportunity for Rexel and its customers. The goal is to reduce energy consumption while offering the same level of service, thereby reducing the overall energy bill and limiting the impact on the environment. Day in, day out, Rexel provides its customers with advice on the most environmentally-friendly and energy efficient solutions to be found in all its product lines. The Group is also focused in a well organised manner on two types of solutions that are major levers for energy efficiency: the renovation of lighting facilities and the modernisation of motors for industrial or commercial use.



Renovation of lighting fixtures

The lighting market is in the midst of a profound transformation, stimulated by the ban on energy inefficient incandescent light bulbs as well as by technological advances and the growing awareness of the potential returns on investment. Low-energy bulbs not only generate savings on electricity bills, but also reduce the frequency of replacing light bulbs, since their lifespan is much longer. Adding movement and ambient light detectors can generate potential savings of another 50% on consumption.

To capture this specific market, Rexel is setting up initiatives, such as Kandela in Finland: Rexel proposes to visit various businesses – including hotels, retail chains and industrial sites – to conduct audits of their lighting facilities and to recommend alternatives based on eco-friendly, energy efficient solutions. It also offers assistance in project implementation. Through this initiative, Rexel Finland plans to generate €5 million in sales in 2011.

Modernisation of motors for industrial and commercial use

The installed base of motors is often outdated and inefficient, creating a formidable opportunity for energy savings. The technological advances in motors are such that the return on investment is often less than three years. For example, motors used for cold production in commercial refrigeration in supermarkets, hotels and restaurants, which are some of Rexel's priority targets, offer returns on investment of about a year.

in brief

New-Zealand

Rexel helps renovate sports facilities for the Rugby World Cup



Ideal Electrical, a subsidiary of the Rexel group, participated in the renovation of Eden Park stadium in Auckland, where some of the World Cup matches were played. Ideal Electrical teams provided their expertise in sports infrastructure and supplied the stadium with cables, lighting and all of the electrical supplies necessary for the renovation. In 2009 it was Wimbledon, in 2010 Vancouver and in 2012 the London Olympic Games: Rexel is involved more than ever in major projects for sports facilities around the world.

France

"Best Worker in France" Contest: Three Rexel employees win awards

Inaugurated this year, the "Sales representatives - consultants in energy-efficient solutions" category rewards the technical and commercial skills of participants working in the professional distribution of electrical supplies. In a real life commercial situation, candidates are evaluated on their ability to both identify and define customers' needs, and to advocate the advantages of eco-friendly, energy efficient technical solutions that generate energy savings and a positive return on investment.

This category honours expertise and know-how, more important than ever for the development of this business line geared toward energy-saving solutions. The winners will be awarded "Best Worker in France" medals at the end of the year and will be congratulated by the President of France at the Elysée Palace.

? YOUR QUESTIONS

WHEN WILL RUDY PROVOOST BECOME CHAIRMAN OF REXEL'S MANAGEMENT BOARD, AND WHEN WILL JEAN-CHARLES PAUZE LEAVE HIS CURRENT FUNCTIONS?

Rudy Provoost is a member of Rexel's Management Board since October 1, 2011. He will become Chairman of the Management Board in February 2012, after the announcement of the Group's full-year 2011 results. At that time, Jean-Charles Pauze will leave his current functions, though he has agreed to remain on hand to assist the Group through the end of 2012 to ensure a smooth transition.

our commitments

Rexel Group, the world's leading distributor of electrical supplies, has placed sustainable development at the heart of its priorities. The shift in its business towards energy-saving solutions combined with its leading position on the international scene have contributed to the implementation of a strategy that focuses not just on environmental challenges, but on sustainable development and corporate responsibility as well. Here are three initiatives that illustrate our strategy.

An eco-friendly head office for Newey & Eyre



Newey & Eyre, the Rexel Group's UK subsidiary, decided to move to Birmingham, installing its head office in a building equipped with the highest performance electrical solutions in terms of energy consumption.

The building was designed to optimise natural lighting and to better manage lighting systems, thereby reducing the need for artificial lighting.

The company worked hand in hand with its suppliers to equip itself with the most innovative products. Newey & Eyre wanted to give concrete expression to the Group's environmental commitments and offer its visitors and customers an exemplary showcase of efficient energy management.

Rexel launches a webmag on electrical efficiency



The challenges stemming from electricity and energy that will be faced by generations to come, as well as the impact of our activities on climate change, all encourage reflection and dialogue on the theme of electrical efficiency.

By creating the www.electrical-efficiency.com website, Rexel helps visitors understand these challenges by bringing together practical information on the subject of electrical efficiency.

Electricity already plays a preponderant role in our energy use. With the development of renewable energy sources, home automation and the convergence of the thermal, digital and electrical worlds, everything is coming together to make electricity the privileged development vector for the energy of tomorrow.

An optimised mobility policy



To reduce its ecological impact, Rexel has set up an active policy to promote sustainable mobility.

First, as part of the optimisation of the Group's car fleet, we are proposing the selection of eco-friendly, energy efficient models that consume less fuel and are less polluting. To develop best practices in the business environment, in-house campaigns aim to limit business travel by building employee awareness of its economic and ecological impact, and expand the use of web conferences instead of physical meetings.

? YOUR QUESTIONS

WITH THE IMPROVEMENT IN REXEL'S FINANCIAL STRUCTURE OVER THE PAST 18 MONTHS, WHAT IS THE STRUCTURE OF THE GROUP'S DEBT?

At June 30, 2011, the Group's net debt amounted to nearly €2.4 billion, a decline of about €170 million compared to the 12 previous months. Thanks to the renegotiation of its Senior Credit Agreement in 2009, the launch of two bond issues in 2009 and 2011 (see box on page 3) and its securitisation and treasury notes programmes, Rexel has increased its financial flexibility with an average maturity of about three and a half years.

Rexel share at a glance

The Annual General Meeting of May 19, 2011

Rexel's Annual General Meeting, a key event in the Group's relations with shareholders, was held in Paris on May 19, 2011. Altogether, 534 shareholders were either present, represented by proxy or had voted by mail, representing 219,932,918 shares with voting rights and to which were attached 219,932,918 votes, bringing the quorum to 83.54%. All of the Management Board's resolutions were adopted by a large majority.



One resolution comprised the payment of a dividend of €0.40 per share, with the option of payment being made in shares.

Opportunity07: the next steps

Rexel Opportunity07

Opportunity07, Rexel's first employee shareholding plan, has a lock-up period that will expire on **April 1, 2012 in France and on May 1 for non-residents**.

At the end of these lock-up periods, holders of bearer shares and pure registered shares will have to make choices on their available stock options.

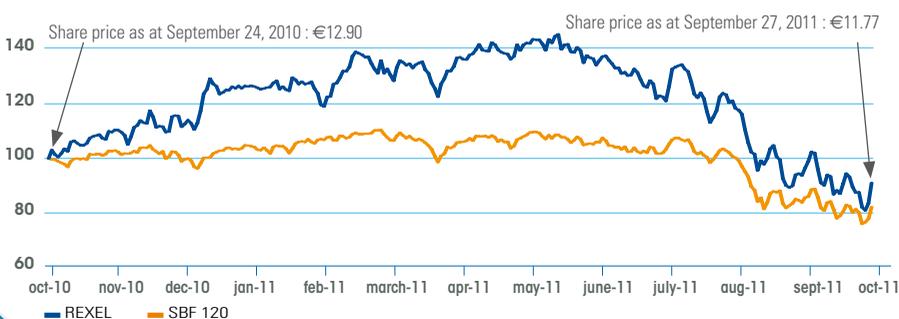
In the first quarter of 2012, a specific statement will be issued to these shareholders to remind them of their various options.

for more information

The 2010 annual report contains Rexel Group's key figures and highlights for the year 2010. It is available on request by mail, or may be downloaded from our website: www.rexel.com



share price from September 24, 2010 to September 27, 2011



company details

ISIN: FR0010451203

Market: Eurolist by NYSE Euronext

Number of shares (as at September 27, 2011):
268,783,492

Market capitalisation (as at September 27, 2011):
€3,162,237,783

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

calendar

Third-quarter 2011 results

Wednesday, November 9, 2011

Full-year results for 2011

Friday, February 10, 2012

Dates are subject to modification.

contact us

E-mail:

actionnaires@rexel.com

Telephone:

Toll-free: 0800 666 111
(toll free from a fixed-line phone in France)

Internet:

www.rexel.com
(rubrique : finance/actionnaires)

Mail:

Shareholder Relations Service
189-193, bd Malesherbes
75017 Paris



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...see you soon!