

letter to Rexel's shareholders

Global leader

in the professional distribution of products
and services for the energy world

#14

April
2014

www.rexel.com



Dear Shareholders

In 2013, Rexel once again demonstrated the strength of its business model and its structural ability to generate solid cash flow throughout the cycle. In a persistently challenging environment, our organic sales dropped by 3% to 13 billion euros on a reported basis, but we achieved our target of generating 600 million euros of free cash flow before interest and tax, and our gross margin discipline and strict cost control allowed us to deliver resilient profitability, with adjusted EBITA of 702 million euros.

Reflecting this strong performance, we will propose to maintain the 2014 dividend at last year's level of €0.75 per share, which is in line with our policy of paying out at least 40% of recurring net income.

At the next Annual General Shareholder's meeting on May 22, you will also be asked to vote on a resolution proposing that Rexel's governance model evolve from the current dual board structure with a Supervisory Board and Management Board to a one-tier board structure with a Board of Directors. This proposal reflects the evolution of Rexel's shareholding structure, from a private equity-controlled company to a genuinely public company. The one-tier board structure will align our governance model with CAC 40 best practices and sector-specific benchmarks.

Rexel also continued with its strong commitment to Corporate Social Responsibility in 2013, and we made further advances with the work of the Rexel Foundation, which aims at promoting access to energy efficiency for all.

In 2014, the evolution of our sales and operating margin will be closely tied to the speed and magnitude of the recovery in Europe and the US non-residential end-market. In this context, we will continue to focus on further developing our high-growth initiatives, enhancing cash generation and increasing operating efficiency through margin discipline and cost control.

With strong positions across the globe and a robust business model supported by committed teams and a culture of cooperation, Rexel is putting all its "energy in motion" to achieve its medium-term ambitions and we are confident we will drive sustained value creation for all stakeholders.

Thank you for your support and loyalty.

Rudy Provoost
Chairman and CEO

Zoom
Rexel,
an expert
in energy
efficiency
(e.g.: USA)

Finance
2013
Results
Resilient
performance
in a challenging
environment

Rexel & you
Annual
Shareholders'
Meeting
(May 22)
Proposition for
a dividend of
€0.75 per
share and new
governance

REXEL

a world of energy

Rexel's growing expertise in energy efficiency

Although demand for global energy should grow by 45% by 2050, resources are becoming rarer and it is estimated that 20% to 30% of energy currently consumed could easily be saved in developed countries (source IEA).

In this context, energy efficiency is an expanding market, growing by 12% a year. For Rexel, it is a key growth driver with 2013 sales in this segment increasing by close to 16% to reach 730 million euros.

With the aim of promoting a global approach to energy efficiency, Rexel's offer includes proven eco-efficient solutions that integrate different technologies such as intelligent lighting, industrial or home automation.

While most customers are aware of the need to save energy, the impact and profitability of the required investments to do so are often overlooked. In that context, energy audits performed by Rexel ahead of projects are decisive a step for their success and their proper execution.

Prescriber and solutions integrator

Staff training is a key factor in the promotion and success of the deployment of energy efficiency. Rexel, as a prescriber and integrator of solutions, created in 2013 a community of 240 experts in 23 countries whose aim is to find relevant and tailor-made business solutions, from energy audits, to equipment advocacy, implementation of measurement tools or control and maintenance. As a result, 3,500 employees were trained in 2013 in the latest innovations for energy-saving lighting.

Rexel is also working to overcome the financing obstacle for the development and promotion of energy efficiency. An example? The Indian subsidiary of Rexel helped car manufacturer Tata Motors to finance the energy management of its painting facilities through the negotiation of a bank loan with remuneration coming in the form of a share of the induced savings.

Mohegan Sun Casino

Lighting renovation for the Mohegan Sun Casino, the second-largest establishment of its kind in the U.S.

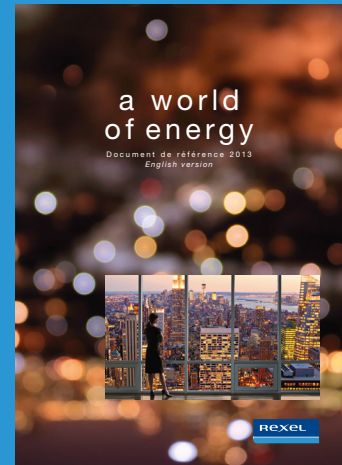
In 2013, Rexel U.S. teams succeeded in convincing the purchasing manager of the casino that lighting renovation would drastically reduce its energy bill. The contract included a turnkey solution and the training of the technical team that

ensured the installation of 12,000 lighting units. This enabled the casino to achieve annual savings of 7.2 GWh, or more than \$650,000, and a return on investment of less than one year.



Registration Document

2013 **Registration Document** ("Document de référence") is now available in both French and English on the rexel.com website. It contains the annual financial report, Group regulatory information and information regarding next annual meeting of shareholders on May 22, 2014.



Sustainable development

In 2013, Rexel completed its second **carbon footprint assessment** on an expanded perimeter to 10 countries, from 6 in 2010. The Group emits little CO₂ on its own, but indirectly generates a significant amount of greenhouse gas emissions due to two-thirds to transport of its suppliers.

Rexel Foundation

In **Chile**, in the south of Santiago, the Rexel Foundation contributed to the renovation of the training center for electrical-related career and finances 30 scholarships for disadvantaged youth.

Rexel foundation
FOR A BETTER ENERGY FUTURE

The Rexel Foundation continues its partnerships with the **academic world**, notably in France with the ESTP (research on the concept of comfort in commercial buildings) and HEC (dissemination of sustainable energy systems) as well as with the University of Utrecht, in the Netherlands.

2013 Results

In 2013, in a challenging environment, Rexel maintained its strategic focus on developing sales of high-potential products and services, mainly in energy efficiency and building automation systems, but also with key accounts and international projects, as well as specific vertical markets such as Oil & Gas.

€13.0 Bn
Sales

€702 m
Adjusted
EBITA¹

€328 m
Recurring net
income

Resilient performance in a challenging environment

In 2013, **revenue** decreased by 3.3% on a reported basis, to €13.0 billion. On a constant and same day basis, it declined by 2.7%. However, the year-on-year performance improved from quarter to quarter, with revenue down 3.7% in the first quarter versus just 0.9% in the fourth quarter. In this context, **adjusted EBITA margin** eroded slightly over the year, narrowing to 5.40% from 5.66% in 2012. The Group's **net income** reached €211.0 million (€318.6 million in 2012) and recurring net income, from which dividends are paid out, reached €328.1 million (versus €386.7 million in 2012).

Solid cash flow generation

Rexel generated **free cash flow** before interest and tax of €600.6 million (versus €627.5 million in 2012) and of €337.2 million after interest and tax (versus €314.4 million in 2012).

Significant debt reduction

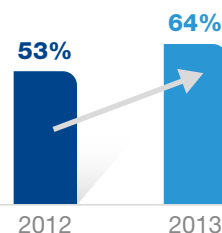
Net financial debt at December 31, 2013 stood at €2.192 billion (versus €2.599 billion at December 31, 2012) and the **indebtedness ratio** improved to 2.72x EBITDA at December 31, 2013 (versus 2.95x at December 31, 2012).

Also find the 2013 results on the Rexel website

(1) Constant and adjusted basis: at comparable scope of consolidation and exchange rates, excluding the non-recurring effect related to changes in copper-based cables price and before amortization of purchase price allocation.

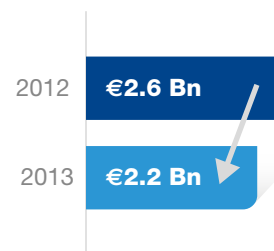
Dividend

as a % of recurring net income



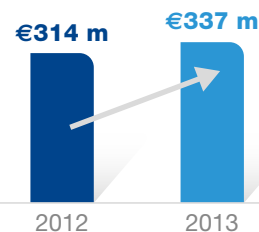
Net debt

at December 31



Free Cash flow

after interest and tax



2014 Outlook

Depending on the speed and magnitude of the recovery in Europe and in the US non-residential end-market, Rexel aims at delivering in 2014:

> **Sales** in a range of around 1% below to around 2% above 2013 sales, on a constant and same-day basis.

> **Adjusted EBITA margin** in a range of around 10bps below to around 20bps above the 2013 margin, consistent with targeted annual operating efficiency ratio of

a change of around 10bps in adjusted EBITA margin for each percentage point change in sales.

> **Solid free cash-flow**, consistent with targeted conversion rate of at least 75% of EBITDA, before interest and tax, and of around 40% of EBITDA, after interest and tax.

Free float of 93%

With the gradual divestment of Ray Investment, Rexel has evolved from a private equity-controlled company to a genuinely public company. Ray Investment became the Group's major shareholder in 2004. The private-equity consortium has carried out 6 placements since March 2012, reducing its stake from 74% to 7%.

Annual Shareholders' Meeting

Rexel's Annual Shareholder's Meeting will be held on May 22, 2014 in Paris.

Dividend in shares or cash

Rexel will propose to shareholders **a dividend of €0.75 per share**, representing 64% of the Group's recurring net income (vs. 53% last year). It will be paid in cash or shares. The record date is set as of May 30, 2013.

If you choose to be paid in cash, you need to talk to your financial intermediary between June 2 and June 23 included. Payment and settlement will take place as of July 2, 2014.

Proposed change in governance structure

Rexel's Supervisory Board will propose that shareholders approve a new governance structure, moving from the current dual board structure with a Supervisory Board and Management Board to a one-tier board structure with a **Board of Directors**.

This change aims at:

- > Simplifying the decision-making process,
- > Accelerating the implementation of the Group's strategy,
- > Reinforcing the Board's accountability,



> And creating greater proximity between Board members and Executive Committee members.

Rudy Provoost will be proposed as Chairman and CEO in light of his strong contribution and results since joining Rexel.

To ensure proper governance, François Henrot will be proposed as Vice-Chairman and Senior Independent Director.

The composition of the proposed Board of directors reflects recent efforts to increase the representation of independent non-executive directors and the number of women on the Board.

The four specialized committees that previously supported the Supervisory Board will remain in place.

2014 Calendar

Thursday April 30

> First quarter results

Thursday May 22

> Annual General Shareholders' Meeting, Paris

Monday June 2

> Meeting with shareholders in Strasbourg

Wednesday July 30

> Second quarter results

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Company details

> ISIN **FR0010451203**

> Mnemonic code **RXL**

> Market **Eurolist by NYSE Euronext**

At Mars 31, 2014

> Number of shares
283,375,951

> Market capitalisation
€5.4 Bn

To participate

- > Find full text of resolutions in the [AGM section](#) on our website
- > Request an admission card, vote by proxy, give a proxy to the Chairman or to the person of your choice by going to <https://planetshares.bnpparibas.com/rexel.pg> between May 5 and 3.00pm (Paris time) on May 21.
- > Follow the AGM live or in replay on www.rexel.com

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