

# letter

No. 6

to Rexel's shareholders

LEADING DISTRIBUTOR WORLDWIDE OF ELECTRICAL SUPPLIES



Message from the Chairman

April 2010

## Solid resilience in a challenging economic environment

Dear shareholders,

Over the course of a very challenging year, Rexel demonstrated the resilience and adaptability of its business model. Our sales were at the upper end of the expected range at €11.3 billion. Our adjusted EBITA margin reached 4.0% and, at the end of December, we had reduced our net debt by more than €500 million compared to the previous year.

“Today, with an economic model that is evolving toward a richer range of services and solutions, we are well equipped to seize opportunities and strengthen our leadership position.”

Despite unfavourable economic conditions, Rexel managed to gain market shares in many countries where it operates, particularly in the United Kingdom, Germany and France; it also succeeded in protecting its margins. EBITA improved steadily throughout the year, thanks notably to the responsiveness of Rexel's teams, which implemented operating cost reduction measures.

Furthermore, we proved that our business model generates strong free cash flow. Free cash flow rose to 880 million in 2009, an increase of 11% compared to 2008.

Finally, Rexel created greater financial leeway through the issuance of seven-year bonds and the renegotiation of its Senior Credit Agreement, at the end of the year. As you know, following the commitment taken when Rexel renegotiated its bank covenants in July 2009, the Group will not be able to pay out a dividend in 2010, which shall remain the case so long as the indebtedness ratio is greater than or equal to 4.00x. At the end of 2009, this ratio was 4.32x. We are committed to continuing to reduce the Group's debt and resuming the dividend payment as soon as possible.

Our objective in 2010 is to strengthen our worldwide leadership, in an environment that could be qualified as «end-of-crisis» though not the end of negative growth. In addition to using our financial levers to improve profitability and generate cash flow, we will seize every structural growth opportunity, particularly in segments that we have identified as high priority: energy efficiency, wind, photovoltaic power and large projects. We are also accelerating the upgrade of our business model toward more services and solutions in order to deliver more value-added to our business customers.

I thank you for your loyalty and I hope you find this letter informative.

Jean-Charles Pauze  
Chairman of the Management Board

Rexel

ELECTRICAL SUPPLIES

# 2009 results

In 2009 Rexel focused on three priorities:

- Maintain, or acquire, market share through lasting sales-boosting initiatives.
- Protect margins and profitability.
- Strengthen financial structure and reduce debt.

The group delivered on its objectives in a very challenging environment.

## Annual sales at the upper end of the projected range

Full-year sales amounted to €11.3 billion, down 12.1% from 2008 on a reported basis.

Excluding perimeter effects related to the acquisition of Hagemeyer in 2008 and excluding positive currency change effects, the organic variation in total sales was -17.2% on a same-day basis.

This decline reflects the streamlining of our branch network (-2.8 points) and the impact of a drop in copper prices on cable sales (also -2.8 points).

Setting aside these two effects, the organic decline of 11.6% is the result of declines in our three end markets for the entire year: residential construction, commercial construction and industrial opportunities.

## Steady improvement in EBITA margin throughout the year

In 2009 the adjusted EBITA margin rose quarter after quarter and ended the year at 4.0%, amounting to 4.0% of total sales.

Throughout the year Rexel improved its ability to limit the impact of the drop in business on profitability. As a result, for each 100 basis points of sales drop, Rexel only lost eight basis points in EBITA margin for all of 2009. By means of comparison, during the last decline in business activity in 2002, this ratio was 20 bps in lost margin, which is 2.5 times higher.

The good performance in 2009 can be explained in large part by the Group's ability to constantly adapt its cost base to the changing environment (€285 million in operational expenses savings in 2009, or -11%) as well as by the measures put in place to preserve gross margin.

## Net income impacted by restructuring expenses

The Group's net income amounted to €81.0 million in 2009, compared to €231.5 million in 2008, down by 65%.

Excluding non-recurring effects, net income reached €166.3 million compared to €317.3 million in 2008 for a drop of 48%. This contraction of net income is primarily attributable to the drop in business and the impact of the €115 million in restructuring costs related particularly to the implementation of cost reduction programs.

## Strong free cash flow thanks to strict control of working capital

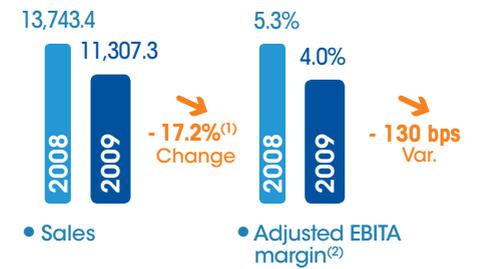
Free cash flow before interest and tax<sup>1</sup> improved 11% compared to the previous year and reached €880 million.

The decrease in EBITDA due to low activity and the rise in restructuring costs was more than offset by the €472 million reduction of working capital.

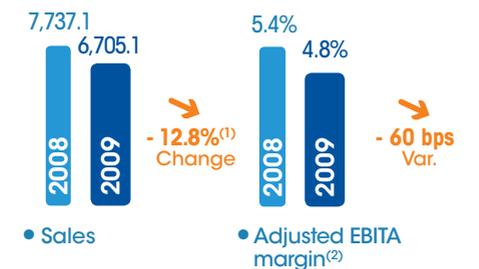
Moreover, increased selectivity in operating capital expenditures also helped to generate a high level of cash flow. This proven capacity is a major advantage of the Rexel economic model.

Key Figures as at 31 December 2009 (In millions of Euros on a constant basis)<sup>(2)</sup>

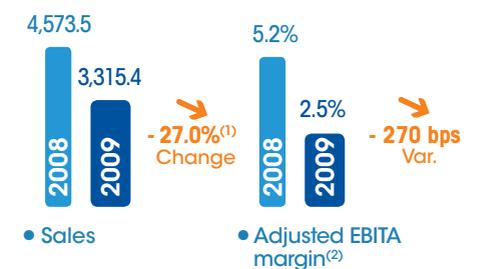
### GROUP



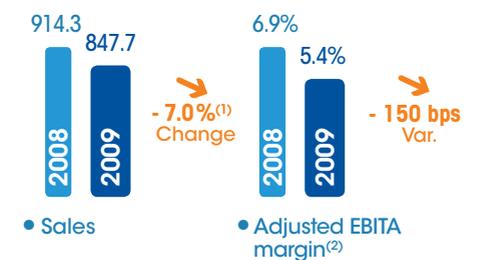
### EUROPE



### NORTH AMERICA



### ASIA-PACIFIC



(1) Same number of days

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

(1) Cash from operating activities minus net capital expenditure and before net interest and income tax paid

### Key Figures 2009

€11,3 billion  
sales

29 000  
employees  
in 34 countries

2 300  
branches

30  
merchant  
Internet sites

## Reduced net debt

Thanks to robust generation of free cash flow and after payment of interest expenses and taxes, Rexel was able to reduce its debt by more than €500 million during the year. Net debt dipped from €2.9 billion as at December 31, 2008, to €2.4 billion at the end of 2009.

This steep reduction in net debt as of December 31, 2009, demonstrates the Group's commitment to strengthen its financial structure and improve its debt ratios.



## Questions to Pascal Martin

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

### ■ Rexel intends to focus on organic growth opportunities; can you tell us more?

We have identified several specific growth segments on which the Group intends to focus. These durable opportunities afford a very high potential for sales, strong profitability and a growth rate higher than the average in the countries or regions concerned. To develop these promising segments, Rexel has established and organized dedicated teams within the Group and the various geographic entities; these teams work in close collaboration to share their experiences and discuss best practices.

### ■ What examples of promising segments can you mention?

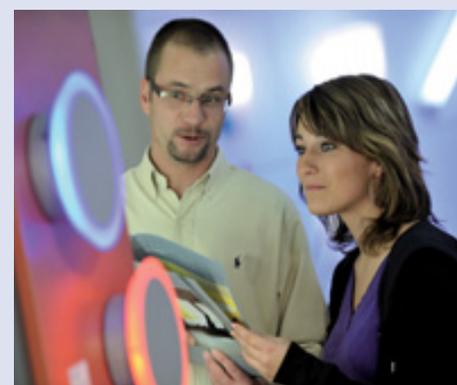
The group is concentrating its sales efforts essentially in three promising segments:

- Energy efficiency, with the market opportunity created by the conversion of lighting systems to low-energy lighting
- Renewable energy, with two sub-segments—wind power and solar power
- Large international infrastructure projects, notably in the oil and mining sectors, and which often involve public-private partnerships

### ■ Have you set sales objectives for these segments?

In 2009, these segments already generated sales of €250 million. By 2012, we intend to generate at least €400 million in additional sales thanks to the promising markets.

## 2010 Outlook



In a still challenging context and for all of 2010, Rexel expects:

- Low single-digit drop in sales (after the 17.2% decline recorded in 2009), on a constant and same-day basis
- 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

Rexel has proven its outstanding ability to adapt to get through the crisis. Today, with a business model that is evolving toward a richer range of services and solutions, the Group is well equipped to seize the opportunities that we encounter and strengthen its leadership position.

Indeed, after having centred its model on branches and products, the Group is now shifting to a model that meets the needs of customer segments by proposing solutions that combine products and services. This new approach requires a better understanding of the different needs of our end customers and the addition of new channels to reach them.

## QUESTIONS

### WHAT IS YOUR EXTERNAL GROWTH POLICY?

Rexel intends to remain a major actor in the world market's consolidation of electrical supplies distribution. The priority avenues for external growth are reinforcing local market share in Europe and North America; developing in emerging markets like China, India, Mexico and Brazil; and expanding the range of value-added services.

# strategy

## in action

## Rexel on the job at major sporting events

Wimbledon in 2009, Vancouver in 2010, the Rugby World Cup in New Zealand in 2011, the London Olympics in 2012... More than ever before, the Rexel Group is involved in the biggest sporting infrastructure projects around the world. Rexel meets this challenge on a daily basis thanks to the combined excellence of its logistics and bespoke services.



### Contribution to equipment for Vancouver Olympic Games

Working alongside the Vancouver Olympic Committee and numerous firms of architects, Rexel Canada recommended and supplied much of the specially adapted electrical equipment for the many projects undertaken for the occasion: Olympic Village, sporting facilities, convention centre, airport, water treatment, etc.

One of the most high profile examples of this equipment is **the lighting for the Whistler Medals Plaza and a high-performance fibre optic telecommunications network** set up for visitors and athletes.

### In preparation of the 2012 London Olympic Games

Construction of the Olympic Park in East London will be one of the biggest construction projects in Europe; the work site should reach peak activity levels later this year and in 2011..

In the United Kingdom, **Rexel's brands Newey & Eyre and WF Electrical** have created dedicated teams to take advantage of the opportunities on offer and to participate in the construction by supplying **electrical solutions to the Olympic Village, aquatic centre, cycle stadium and shopping centre** — projects for which the English teams are gearing up.

#### en bref

#### France

**The first high school with 100% clean energy**



Opened in September 2009, the Lycée Kyoto in Poitiers is the first in Europe to use only renewable energies in its operations.

The **Rexel France** branch in Poitiers provided technical counsel and solutions and supplied **686 solar panels** which were installed on the roof for a total surface area of 800 m<sup>2</sup>.

**By consuming 32 times less energy than a traditional structure**, the high school represents a new generation in public buildings.

#### Australia

**Inaco: Industrial security expertise**



Given the critical importance of **security in the industrial sector**, Inaco has developed specialized expertise. It is by offering a broad selection of services ranging from risk assessment to validation of machine safety that the Australian distributor responds to its customers' concerns.

Inaco's expertise has already been sought out by clients like the **National Australia Mint and Foster Breweries**, which had all its factories vetted.

## ? QUESTIONS

### □ WHAT IS THE GOAL OF THE REFINANCING MEASURES TAKEN AT THE END OF 2009?

After the renegotiation of bank covenants in July, the bond issuance and the renegotiation of our Senior Credit in December enabled Rexel to extend its debt maturity and bolster its financial flexibility by giving it a greater margin of financial manoeuvring for any acquisitions opportunity.

Combined with the reduction in debt of more than €500 million in 2009, the Group now has a healthy, solid financial structure.

# our commitments

## An eco-friendly Group

As an international group and a leading distributor of electrical supplies, Rexel has two environmental responsibilities. By marketing eco-efficient products and solutions, it is helping to reduce the energy use of buildings and infrastructures. As a responsible business, it must save natural resources and minimize the environmental impact of its business activities.



Rexel, as a provider of solutions, places eco-efficient products and renewable energy equipment at the core of its offer. In 2009 the Group saw sales of these products take off.

→ **Low-energy lighting sales + 40% compared to 2008**

→ **Solar energy-related products + 75%**

→ **Sales of heat pumps + 127%**

In addition to improving its feedback tools, in 2009 Rexel implemented a number of action plans to assess and optimize energy consumption. This year the group plans to conduct a full carbon footprint analysis for the company.

## Promoting environmental behaviours in the workplace

Rexel's Eco-Days have just debuted in **13 of the Group's countries**. This internal communication campaign targeting all employees aims to **promote an environmentally responsible attitude at work**. An electronic guide entitled «Go Green at Work» provides simple tips to save energy and consumables in the workplace.

Since the campaign was launched, a suggestion box has been created to gather and share everyone's initiatives to be eco-friendly at work.



## Rexel Canada fights world hunger



«Hungry for Change» is a charitable initiative started by an employee of Rexel Canada. In 2009, **€230,000 were raised for «Canadian Feed the Children»**, an association that helps children suffering from malnutrition around the world, particularly in Haiti.

The success of this effort is due in large part to the participation of Rexel's customers and suppliers, as well as other distributors of electrical supplies. Thus «Hungry for Change» **unites the entire Canadian electricity industry** in the same spirit of giving.

The operation will continue in 2010 and will soon be expanded to other Group countries.

## QUESTION

### DO YOU FORESEE THE PAYMENT OF DIVIDENDS IN 2010?

In keeping with the commitment taken when the bank covenants were renegotiated in July, Rexel shall not be able to pay a dividend in 2010 and as long as its indebtedness ratio (net financial debt proportional to EBITDA) is greater than or equal to 4.00x.

As continued reduction in debt is a priority for the Group, Rexel will resume paying dividends as soon as possible.

# Rexel share at a glance

## Getting to know you

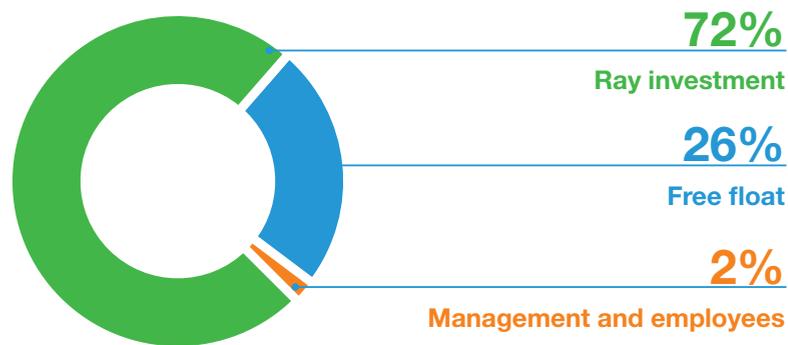


Since its initial public offering in 2007, Rexel has followed a policy of regular and transparent financial communications to its shareholders. In particular, the group has created opportunities for direct dialogue between shareholders and the Group's management, meeting with them in Paris and the provinces.

In 2009, nearly 600 shareholders participated in the informational meetings organized by the Fédération Française des Clubs d'Investissement, NYSE Euronext and the French Investor Relations Society (CLIFF) which were held last year in Lille (June) and Lyons (September).

Devoted to maintaining these regular encounters, Rexel has planned four meetings in the provinces in 2010. The next dates are listed in the Diary section.

### Shareholder structure



### Last twelve months share performance - base 100 as at March 16, 2009



## QUESTIONS

### WERE THERE SIGNIFICANT CHANGES IN THE GROUP'S STOCK OWNERSHIP IN 2009?

The consortium of investors convened under the umbrella of Ray Investment, slightly lowered its stock ownership, which decreased from 76.1% as at December 31, 2008, to 71.7% as at December 31, 2009.

The impacts of this change are a corresponding increase in Rexel's free float and the improved liquidity of the stock in financial markets.

### company details

ISIN: FR0010451203

Market: Eurolist by NYSE Euronext

Number of shares (as at Dec. 31, 2009):  
258,220,018

Market capitalisation (as at Mar. 16, 2009):  
€2.701 bn

Indexes: NEXT 150, SBF 120, SBF 250,  
CAC MID 100, CAC AllShares

### agenda

#### First-quarter 2010 results

Wednesday, May 12, 2010 .....

#### Annual Shareholders Meeting, Paris

Thursday, May 20, 2010 .....

#### Meeting with shareholders, Blois

Monday, June 7, 2010 .....

#### Second-quarter & half-year 2010 results

Wednesday, July 28, 2010 .....

#### Meeting with shareholders, Strasbourg

Tuesday, September 28, 2010 .....

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...see you soon!