



# Leadership and proximity

2008 Activity and  
Corporate Responsibility Report

**REXEL**

ELECTRICAL SUPPLIES

# ← Leadership →

As a global electrical supplies distributor, Rexel draws on its leadership to promote sustainable growth. Rexel develops and distributes the most innovative and efficient electrical solutions to meet the needs of the residential, industrial and commercial markets. Always proactive, the Group is constantly consolidating its international footprint as a key strength for deploying sales force, optimizing supply chains and building stronger partnerships with manufacturers. Through its world leadership, the Group captures the growth potential of its markets and enriches the expertise of its teams to provide customer service that is always one step ahead. Year after year, Rexel creates value for all its stakeholders.

## 13 Strategy

- 14 Message from Roberto Quarta
- 16 Interview with Jean-Charles Pauze
- 19 Corporate governance
- 20 Executive Committee
- 22 Strategy
- 24 Key figures

## 27 Activities

- 28 Group's Banners
- 29 Proximity: the three core markets
- 37 Leadership: Rexel's key assets



# Proximity



**As a responsible local player, Rexel helps customers accelerate their development.** Rexel works closely alongside its contractors and key accounts customers to help them meet their business challenges. As a dynamic partner, the Group strives to anticipate their needs and propose solutions. Driven by the entrepreneurial spirit of its teams, Rexel constantly refines its sector-specific offer, designs new tailor-made services, and develops distribution channels ever closer to customers. Attentive to local markets, Rexel steps up the roll-out of innovations through its network of different banners, sales modes and services which it adapts pragmatically in the quest for sustainable, profitable growth. Thus Rexel, its customers, partners, employees, and shareholders progress together.

**45**

## Responsibility

- 46 Economic responsibility
- 48 Social responsibility
- 51 Corporate responsibility
- 52 Environmental responsibility
- 54 Shareholder relations
- 56 Key social and environmental indicators

**57**

## Consolidated financial statements

# A group on the move

**Rexel, accelerating electrical advances.** Through its distribution networks for professionals in building and infrastructure, Rexel encourages the spread of ever more innovative electrical solutions to improve comfort, safety, and energy savings. This is how Rexel contributes to sustainable economic development worldwide.

**As a multi-specialist distributor, its sales organization adapts to customers' expectations.** Rexel meets the needs of industrial, commercial and residential customers through sector-specific products and services. Thanks to the flexibility of its business model, the Group is able to seize all opportunities for organic growth in the electrical market.

**In 2008, Rexel grew by a third.** Through the integration of Hagemeyer's European activities, Rexel draws strength from its rebalanced regional and sector-oriented business and reinforces its positions in the main growth markets.



**No 2** in Europe

**1,430** branches

**19,900** employees

Austria	Hungary	Norway
Belgium	Ireland	Poland
Czech Republic	Italy	Portugal
Estonia	Latvia	Russia
Finland	Lithuania	Slovakia
France	Luxembourg	Slovenia
Germany	Netherlands	Spain
		Sweden
		Switzerland
		United Kingdom



**No 1** in North America

**650** branches

**8,800** employees

Canada  
United States



**No 1** in Asia-Pacific

**310** branches

**2,800** employees

Australia  
China  
Indonesia  
Malaysia  
New Zealand  
Singapore  
Thailand

## Others

**80** branches

**1,600** employees

Chile  
ACE activities,  
Conectis...

# Leader in its market, close to its customers

€ **13.7** billion  
in 2008 pro forma\* sale

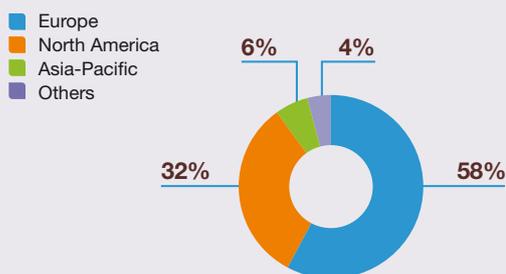
**34** countries

More than **40** banners

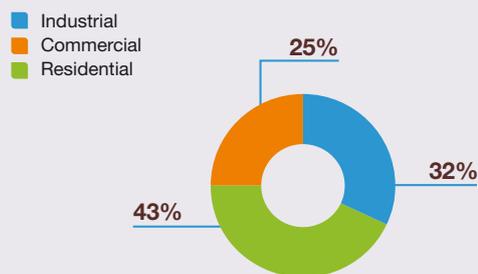
**2,470** branches

**33,000** employees

2008 pro forma\* sales by geographical area



2008 sales by market



## Fast-growing markets...

Development of large projects worldwide

Improving the energy efficiency of buildings

The boom in renewable energies

Growing needs for value-added services

\* pro forma 2008 : as if the acquisition of Hagemeyer, the asset swap agreed upon with Sonepar and the disposal of the electrical supplies distribution activity of Hagemeyer in Ireland had been carried out as of January 1, 2008.



## A whole world to equip

Building mammoth facilities, managing multi-cultural teams, ensuring quality logistics on a massive scale and adapting solutions to specific local conditions are some of the challenges presented by large commercial, mining, and oil infrastructure projects. In 2008, sales of electrical equipment and services for these construction projects were estimated at €3.6 billion a year\*.

\* Cumulative revenues of the seven biggest engineering, procurement, and construction (EPC) companies.

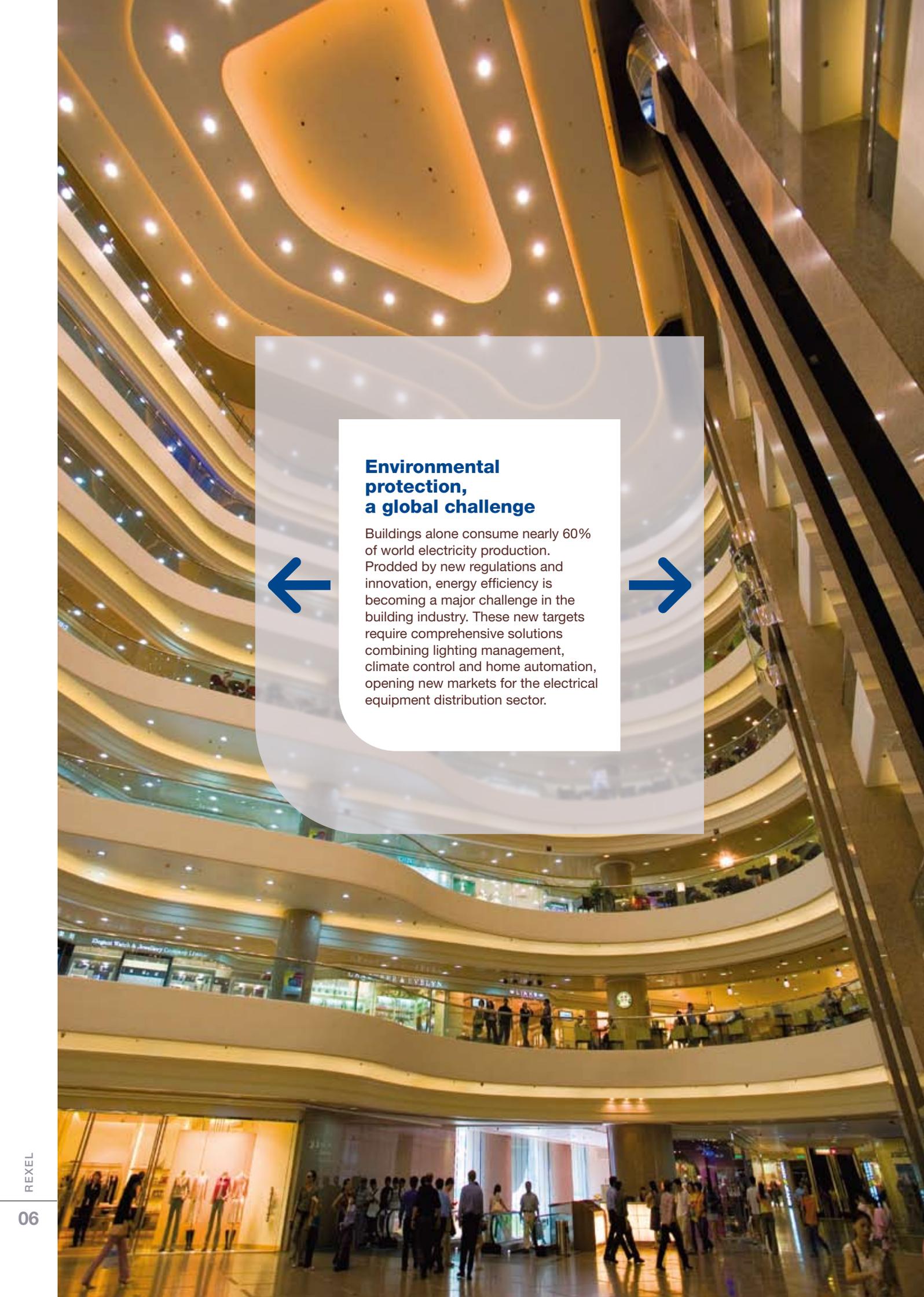


## **A lasting partnership**

Managed by specialized Engineering, Procurement and Construction (EPC) firms, large projects require the support of international distributors capable of adapting their logistics, organization and services. For these projects, which often last several years, Rexel deploys dedicated teams to work closely with the prime contractors.

## **Supporting** customers on large projects

Rexel's strength lies in its capacity to provide project coordination and technical support to customers for their large projects, bringing the same quality of service wherever the location. Rexel guarantees rapid intervention and a constant presence on these construction sites. For example, teams from the Group's Large Projects division have provided equipment and support services for a major EPC firm constructing one of the world's largest silver mines in southern Bolivia.



## Environmental protection, a global challenge

Buildings alone consume nearly 60% of world electricity production. Prodded by new regulations and innovation, energy efficiency is becoming a major challenge in the building industry. These new targets require comprehensive solutions combining lighting management, climate control and home automation, opening new markets for the electrical equipment distribution sector.





## Experts in saving energy

Rexel pledges to provide property developers, electricians and HVAC contractors with solutions that reduce the energy consumption of buildings. In each of these professions, technology and equipment are advancing rapidly, and it is the distributor's role to provide advice and recommend energy-efficient solutions.

## Optimizing energy efficiency for buildings

Year after year, Rexel innovates and enriches its offering of electrical equipment solutions. To this end, the Group provides consulting in product selection, audits, turnkey solutions, and expert support services.

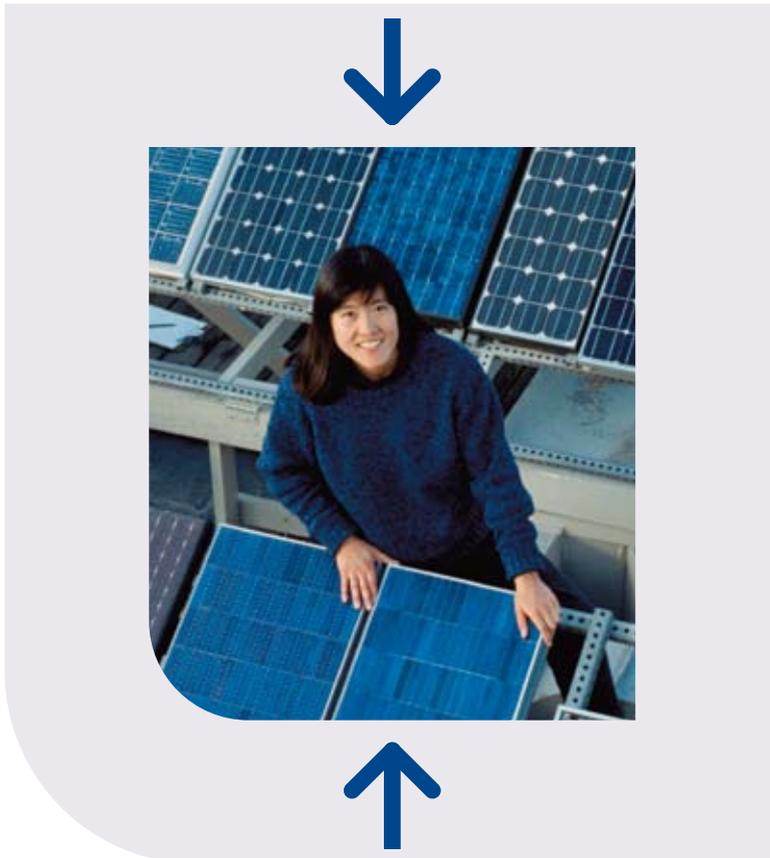
After completing a major hotel contract in the US, Rexel was retained by the American Las Vegas Sands Group to conduct an energy audit and be the prime supplier of lighting equipment for *The Venetian*, a new 3,000-room hotel in Macao.



### **Vital shift towards alternative energies**

In recent years, infrastructure projects for renewable energies, including wind, solar and geothermal power, have developed rapidly and stand to benefit from government incentives and new regulations. By 2011, an additional 90 GW in wind power will be installed worldwide, mainly in Europe, the United States, and China.





## **Building awareness and providing support**

In the wind power industry, the world's six largest turbine manufacturers account for 75% of the market. Rexel supplies electrical components for all or part of these installations. Manufacturers and contractors of photovoltaic panels tend to come in different sizes, but all require the expertise, logistics, and reliability of a high-profile distributor.

## **Developing** renewable energies

In both solar and wind power, expertise in these new technologies is essential for providing quality long-term installation and maintenance services. Rexel France has developed its climate control systems using renewable energy sources. Nearly 100 sales outlets now offer economic and ecological solutions for the residential construction and renovation markets, including solar water heaters, heat pumps and the like.



### Preventive maintenance and streamlining

More than ever, industrial companies are concerned about the productivity and profitability of their production facilities. During outages, the lack of replacement parts can have dire economic consequences. Similarly, stocking obsolete equipment or excessive inventory can be very costly. Combining the expertise of customers with that of a professional electrical equipment distributor is the key to ensuring that infrastructure is operated optimally and at the lowest possible cost.





## Boosting performance

Performance is a major concern for purchasing departments and maintenance directors of industrial sites. They seek dependable and economical supply solutions, which is Rexel's strength, thanks to its skills at integrating its customers' processes and systems.

## Proposing high value-added services

Rexel supports its key industrial accounts over the long term by developing supply systems together that help create value: paperless information networks, outsourced inventory management, and cost controls generated by essential services that Rexel proposes and valorizes. In the United States, Rexel has developed Oasis Pro<sup>®</sup>, a specialized inventory management software program for its customers.

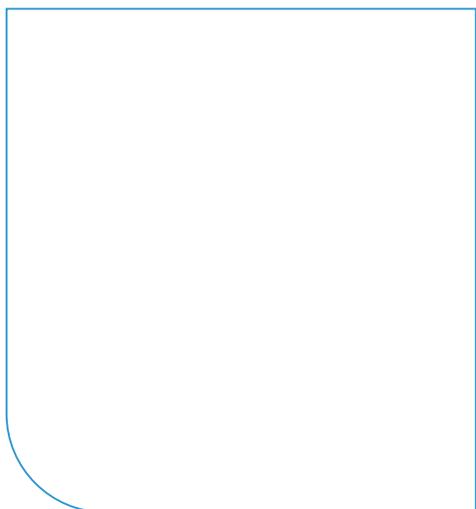


## Our managers are also entrepreneurs

At Rexel, each employee contributes to our performance. Through their daily relations with customers, our project teams improve the Group's presence in each region of the world, adapting structures to meet opportunities and ensuring the profitability of our business.

# Strategy

In recent years, Rexel has led the sector's transformation by putting its **leadership** to work on behalf of a strategy of **proximity** with its markets. In 2008, the integration of Hagemeyer's European assets provided a platform for creating value and enabled the Group to balance its global footprint. More resilient in an unstable economic environment, Rexel is now mobilizing its strengths to exploit all sources of structural growth in the electrical market.



## Roberto Quarta

Chairman of the Supervisory Board

We are currently in the midst of a severe economic downturn as the fall-out from the global financial crisis spreads ever wider. The slump in our end markets has graduated from residential construction to the commercial and industrial segments. The downturn was particularly fierce in the fourth quarter of 2008 and demand continued to contract in the first months of 2009.

### **An efficient business model**

The resilience and effectiveness of Rexel's business model have been great assets during these challenging times. The Group has also benefited from the dynamism of its workforce and its strength as market leader.

Rexel has adapted swiftly to the environment with plans to cut costs and reallocate resources to the most promising markets. At the same time, the Group has been successfully rebalanced in geographical and business terms following the successful integration of Hagemeyer.

We have strengthened our positions in increasingly attractive markets with strong renovation and maintenance components, and potential Hagemeyer synergies are on target. This combination of factors has helped Rexel win market shares in many countries.



← We have developed **a clear strategy with specific operational priorities** →  
that should enable us to emerge from this crisis even stronger

### Pursuing debt reduction

A further reason for satisfaction is the Group's confirmed capacity to generate strong cash flow. Rexel has reaffirmed its determination to pursue debt reduction in 2009 by continuing to lower working capital requirements, scaling back investment by 25% and suspending the dividend payout.

Rexel's 2008 share price performance reflects the deterioration of macroeconomic prospects rather than the intrinsic value of the company, especially since Rexel is among those whose earnings have held up well. After slightly revising its 2008 sales objectives last November, the Group met its target of a stabilized profit margin of 5.4% of sales.

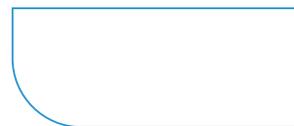
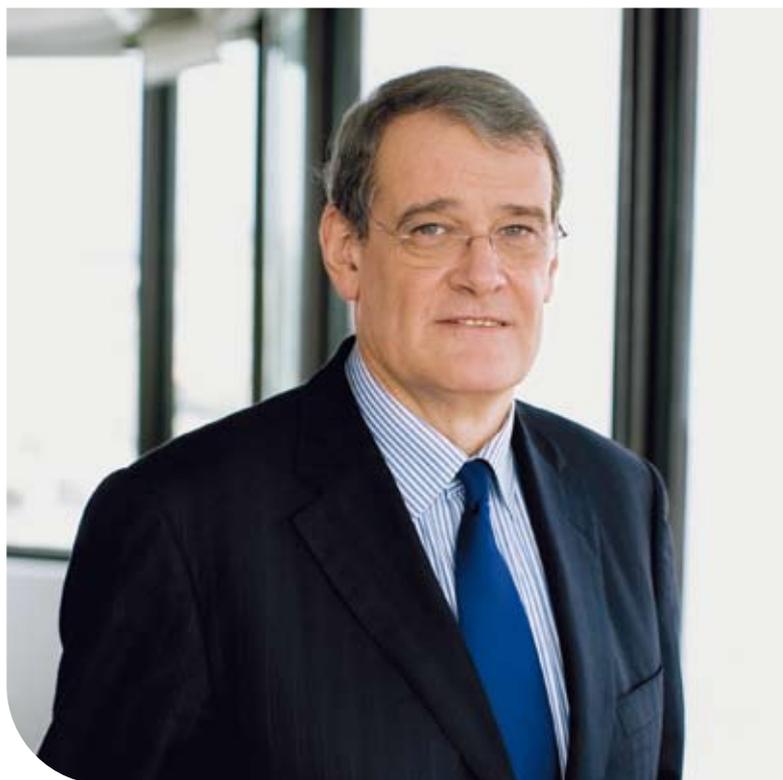
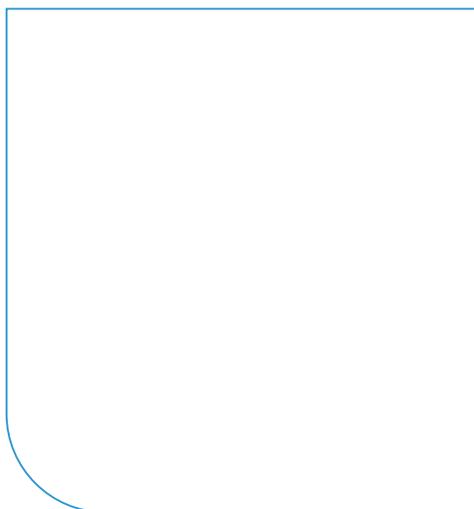
I would like to pay tribute to the Group's top-quality management and the team's ability to react promptly to uncertain market trends. We have developed and presented a clear strategy with specific operational priorities that should enable us to emerge from this crisis even stronger, despite the uncertain operating environment.

Efforts invested in selectively developing key sources of organic growth, in particular in energy optimization and saving fields, will help secure medium-term growth. By strengthening its offer of value-added services, we are convinced that Rexel has embarked on a strategy with a bright future for all its stakeholders. The group has proven its capacity to create value through leading the transformation of the electrical equipment distribution sector over many years. Along with the Supervisory Board, I have every confidence in Rexel's solidity and prospects.



Rexel has reaffirmed its determination to **pursue debt reduction** in 2009





# Jean-Charles Pauze

Chairman of the Management Board

## What impact has the economic crisis had on the Group's 2008 results?

Thanks to the flexibility of our business model, Rexel not only demonstrated its resilience in 2008 but also reported a year of performance. The gross margin improved by 20 basis points while current operating income held at €699 million, with a stable operating margin of 5.4% of sales, in line with our targets. At the same time, lower working capital requirements triggered a strong increase in cash flow, up 17.7%, which we will continue to allocate to debt reduction.

These performances illustrate the pertinence of Rexel's business model: the Group managed to maintain profitability despite a downturn in sales. Rexel's active strategy and solid balance sheet put it in a good position to withstand the current environment, especially since the Group continued to adapt and to transform itself in 2008.

## In 2008, Rexel expanded by a third with the acquisition of most of Hagemeyer's European activities. While pushing ahead with the integration of these assets, what actions have you taken to maintain the Group's performance in a severely deteriorated economic environment?

Rexel completed the first phase of the financial and management integration of Hagemeyer in less than six months, generating major cost synergies in line with the target announced for this acquisition (about €50 million yearly by 2011).

At the same time, our priority was to defend margins by tightening control over all costs. Very early on, we took measures to optimize our transport contracts and property leases and to reduce headcount. Consequently, we also had to close branches. Thus, in the fourth quarter of 2008, we cut sales and administrative expenditure by 3.3%.

← 2008 was a year of **performance** and **resilience** →



Faced with an uncertain economic outlook, we have launched a **€110 million cost savings plan**



The crisis also forced us to think about adapting our business model in countries hit hardest by the downturn, where we have launched far-reaching restructuring plans. I would also like to highlight our ability to streamline our operational levers (supply chain, purchases, etc.) in all regions. These actions fit perfectly within our strategy of profitable growth, by promoting constant improvements in our cost structure, network productivity, and Group profitability.

**With the Hagemeyer acquisition, Group net debt has increased by €1.7 billion. Since then, what progress have you made towards your debt reduction targets?**

We launched a reinforced debt reduction strategy once the Hagemeyer acquisition was completed on 30 June. As a result, we managed to reduce debt by nearly €215 million in the second half of 2008, mainly through improvements in working capital requirements. At 31 December, Group net debt was €2.9 billion, in line with our targets.

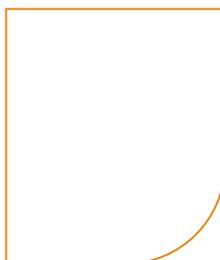
Today we have €1.3 billion euros in liquidity, nearly twice the amount of our mandatory debt repayments through year end-2011. However, given the current situation, it seems wise to maintain optimal financial flexibility. For this reason, we have decided to suspend the 2008 dividend payment. We know we are asking an important effort from our shareholders, but we are convinced that this decision will be a major source of future value for all of our stakeholders.

**The Group reduced its workforce by 6% in 2008. Which regions were affected by these measures?**

The slowdown has hit all countries where we do business, but workforce adjustments were mainly carried out in North America, where we reduced our headcount by 9.2% during the year. In Europe, 64 branches have been closed in regions hit hardest by the economic downturn, mainly in the UK and Spain, where staff was cut by 10% and 11%, respectively.

**How do you plan to sustain the Group's performance in 2009?**

Faced with an extremely uncertain economic outlook, and to prepare for a likely slowdown in sales, we will step up cost-cutting measures first initiated in 2007. We have launched a new plan to generate cost savings of €110 million. Our ability to react swiftly has been the key so far, and I would like to express my satisfaction with the efficiency of our organization and management tools, which let us steer the Group's performance based on direct knowledge of trends in each of our markets and regions. Despite a very challenging market environment in 2009, the flexibility of our business model and our reactivity will enable us to attain the three priorities we have set for Rexel: to defend margins, pursue debt reduction, and prepare for the future by seizing opportunities for organic growth.





**What are the Group's growth drivers?**

Rexel's development has always been founded on the combination of its leadership and proximity to customers and markets. Through these two fundamental aspects of our business model, we have developed a highly effective system which helps us to build tailored solutions for each market and seize opportunities for growth. For example, we are expanding our expertise in providing services for large energy and infrastructure projects.

In general, the intrinsic growth prospects of the electrical equipment distribution sector are very bright in the medium term. Evidence of the depletion of fossil fuels, uncertainty over energy prices, and the world's growing awareness of the need to protect the environment have accelerated demand for renewable energies and energy savings. In response to this movement, the electrical sector is reinventing itself, developing new products and innovative applications. Rexel is well positioned to accelerate the distribution of these new solutions and to capture new sources of growth in the electrical market.

**Will the sector's growth potential enable you to weather the crisis in 2009?**

Clearly, 2009 will be a tough year. We expect revenues to decline under the combined impact of a slowdown in sales and lower prices for copper cable. In the medium term, however, we can count on organic growth in emerging segments such as energy efficiency, and the dynamic momentum of government and institutional projects.

The crisis will also encourage our customers to seek productivity gains. As the world's leading supplier of electrical equipment for companies, we are ideally positioned to help make the connection between the need to cut costs, the latest innovations in energy engineering, and changing regulations concerning sustainable development and safety. This is our purpose, and we are strengthening our valued-added services and our teams as we strive to fulfill this mission.

**What do you expect from Rexel employees during these turbulent times?**

I would first like to thank our employees, because the Group's resilient performance in 2008 is directly linked to their ability to adapt and take initiatives. At the end of last year, we decided to suspend our employee share purchase plan given the turmoil in the financial markets. Nonetheless, I want to reaffirm our commitment to associating all our employees in the Group's performance as soon as market conditions are ripe.

I am convinced that the challenges facing us in 2009 will make us even more proactive. Through the experience and commitment of all our employees, I am confident that Rexel will emerge stronger from the current economic context.

← Rexel is well positioned to capture new sources of growth in the electrical market →

# Corporate governance

Rexel is a *société anonyme* (limited company) with a Management Board and Supervisory Board enabling it to carry out a public offering and to split the management and control functions, which have been attributed to the Management Board and Supervisory Board respectively.

(As at April 2009)

## The Management Board

- **Jean-Charles Pauze**  
Chairman of the Management Board and Chief Executive Officer
- **Michel Favre\***  
Group Senior Vice President, Finance, Control and Legal Affairs
- **Pascal Martin**  
Group Senior Vice President, Business Development and Corporate Operations
- **Jean-Dominique Perret**  
Group Senior Vice President, Human Resources, Group Delegate Latin America

\* Michel Favre is due to be appointed as a member of the Management Board by the Supervisory Board late May 2009.

## The Supervisory Board

- Chairman**
  - Roberto Quarta
- Vice-Chairman**
  - Patrick Sayer
- Members**
  - Joe Adorjan\*
  - François David\*
  - Eurazeo represented by Marc Frappier
  - Fritz Fröhlich\*
  - Luis Marini-Portugal
  - David Novak
  - Guido Padovano
  - Joseph L. Rice
  - Matthew Turner

\* Independent member.

## Statutory auditors

- Principal auditors**
  - Ernst & Young Audit
  - KPMG Audit
- Deputy auditors**
  - M. Gabriel Galet
  - SCP Jean-Claude André et Autres

## Supervisory Board Committees

### Audit Committee

The Audit Committee is composed of Fritz Fröhlich (Chairman), Joe Adorjan, Luis Marini-Portugal, David Novak and Matthew Turner. Its role is to ensure the accuracy and fair presentation of the individual and consolidated financial statements and to issue recommendations on finance, accounting and internal controls. It met five times during 2008.

### Nominations Committee

The Nominations Committee is composed of Patrick Sayer (Chairman), Fritz Fröhlich, Guido Padovano and Roberto Quarta. Its main missions are to issue recommendations on potential nominations, to replace/dismiss members of the Management Board, Executive Committee and Supervisory Board, and to ensure that independent members of the Supervisory Board effectively meet independence criteria. It met two times during 2008.

### Compensation Committee

The Compensation Committee is composed of Guido Padovano (Chairman), Joe Adorjan, François David, Luis Marini Portugal, and Roberto Quarta. Its main missions are to make recommendations and issue opinions on the compensation of members of the Management Board and Executive Committee members and on stock option grants and free shares policy. It met five times during 2008.

### Strategic Committee

The Strategic Committee is composed of David Novak (Chairman), Joe Adorjan, François David, Patrick Sayer and Matthew Turner. Its main missions are to issue recommendations for the Supervisory Board on strategic planning and annual budget proposals, as well as on any of the Group's strategic projects (such as acquisitions, disposals or investments). It met three times during 2008.

*Internal rules of the Supervisory Board are available on the Group's website: [www.rexel.com](http://www.rexel.com)*



## The Executive Committee

The Executive Committee assists the Management Board with the management of the Group's main businesses. The Executive Committee, which meets every two months, brings together the regional senior vice presidents, the Communication and Sustainable development vice president and the Management Board members. The Executive Committee is a special body for discussing strategic planning, coordinating initiatives, monitoring performance and initiating cross-functional projects in compliance with the Group's corporate governance.

- 1 **Chris Hartmann**  
Executive Vice President and CEO,  
Int. Electric Supply Corp (Rexel USA)
- 2 **Henri-Paul Laschkar**  
Senior Vice President, UK and Ireland
- 3 **Hubert Salmon**  
Senior Vice President, Asia-Pacific
- 4 **Jean-Charles Pauze**  
Chairman of the Management Board,  
and Chief Executive Officer



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**5 Jean-Dominique Perret**  
Management Board member,  
Group Senior Vice President,  
Human Resources,  
Group Delegate Latin America

**6 Jeff Hall**  
Senior Vice President, Canada

**7 Jérémy de Brabant**  
Senior Vice President and CEO,  
Rexel, Inc.

**8 Pascal Martin**  
Management Board member,  
Group Senior Vice President,  
Business Development  
and Corporate Operations

**9 Mitch Williams**  
Senior Vice President and CEO,  
Gexpro

**10 Laetitia Olivier**  
Senior Vice President, Communication  
and Sustainable Development

**11 Werner Hardt**  
Senior Vice President, Northern Europe  
and European Key Accounts

**12 Michel Favre\***  
Management Board member,  
Group Senior Vice President,  
Finance, Control and Legal Affairs

**13 Patrick Bérard**  
Senior Vice President,  
Southern Continental Europe

\* Michel Favre is due to be appointed as a member  
of the Management Board by the Supervisory  
Board late May 2009.

# Priority on profitable organic growth

Rexel has set three priorities for 2009: to defend margins, reduce debt, and develop business by exploring all new sources of growth.

## Strengthening the Group's leadership

World leader in a sector structurally sustained by the need for alternative energies and the development of new electrical applications, Rexel has always sought to tap into these new sources of medium and long-term growth. Through the combination of its sales strategy, and a policy of selective and transforming acquisitions (Gexpro, Hagemeyer), the Group has bolstered its positions in numerous sectors and regions. It is consolidating its leadership and fostering proximity with customers worldwide.

## Three priorities for 2009

Faced with a sharp economic downturn, Rexel has set **three priorities for 2009 to strengthen its resilience and prepare for the future**: preserve margins, pursue debt reduction, and continue to anticipate organic growth opportunities.

# 1 Defending profitability

To defend profitability, the Group has set up a number of measures. A new savings plan of €110 million will accelerate cost-cutting efforts undertaken in 2007-2008. The Group also continues to reorganize its business model, notably in Spain and the UK, where the integration of Hagemeyer offers real potential. To preserve gross margin, the Group is strengthening partnerships with suppliers, including reactive adjustments in sales prices. Improving our sales performance is a key driver of profitability, which will be achieved by expanding e-commerce (25% sales growth in 2008), key accounts (up 5.5% in 2008) and sales of Rexel's own-brand products. The Group is also counting on cost synergies generated by the integration of Hagemeyer (see box).

## Integration of Hagemeyer entities: synergies are right on target

Through this major acquisition and an effective integration policy, Rexel is right on schedule with its targets for cost synergies. By 2011, they should account for 1.5% of sales, i.e. savings of €50 million yearly.

In 2008, integration focused on the creation of a single management structure in countries where both companies do business, the alignment of purchasing terms when using common suppliers and the optimization of logistics platforms and sales networks.

At year-end 2008, the Group had completed tax and financial integration, while the integration of business operations was advancing according to plan. After generating €10.8 million in synergies in 2008, Rexel has already secured €25.5 million in early 2009, over 83% of the €30 million targeted for this year.





## Selective acquisitions in 2008

ABK in Australia, Beacon Electric in the United States, Busbroek in the Netherlands, Egleys in New Zealand, Espace Elec and Francofa in France, and Suzhou Xidian in China (completed in February 2009)

## 2 Reducing Group debt

To continue reducing Group debt, Rexel will optimize cash flow management, notably by reducing gross operating investments by 25%, improving working capital requirements, suspending the dividend payment for 2008 and rolling out a new securitization program on Hagemeyer's trade receivables, redeemable in December 2013.

## 3 Focusing sales efforts on three market opportunities

With its long-term vision of the sector and ability to create value through its role as a distributor, the Group also intends to focus its sales efforts on three market opportunities: large projects in the private and public sectors, notably those arising from economic stimulation packages; renewable energies (wind, solar, etc.) and energy efficiency, especially the optimization of lighting systems.

## LEAD 2011: A new internal momentum to foster organic growth

By placing priority on organic growth, LEAD 2011 (Leaders Energize, Act & Deliver) opens new horizons for Rexel teams. Launched in 2008, LEAD 2011 has three targets: to develop entrepreneurial skills; to identify and deploy new avenues for structural organic growth as Rexel builds positions in new, highly profitable niche markets; and to streamline internal processes.

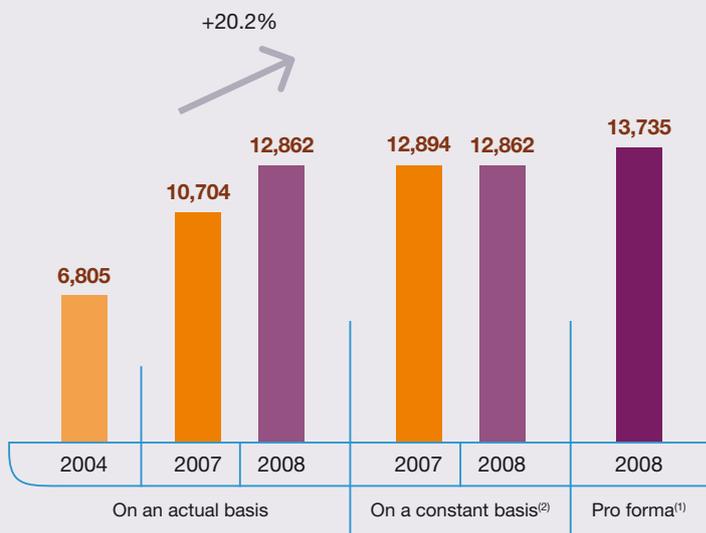
Banners are encouraged to develop their own sources of structural growth, similar to the ones defined at the Group level: large projects led by EPC (engineering, procurement and construction) companies, energy efficiency, and renewable energies.

Complementing the Group's traditional lines of business, these new sources of development offer lasting growth opportunities and significant sales potential. By differentiating Rexel from its competitors, they also generate higher profit margins than the Group's current activities. Relying on expertise already existing within the Group, these new opportunities nonetheless require dedicated structures, and generally imply an evolution in the Group's business model.



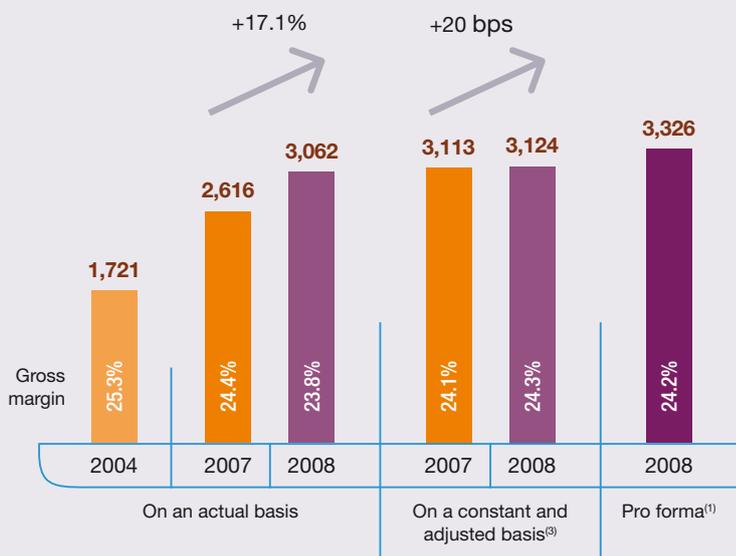
# 2008 results confirm the strength of Rexel's business model

The key event of the year was the acquisition of most of the European activities of Hagemeyer (consolidated as from March 31, 2008) which contributes to significantly increase the Group's footprint and to reinforce its global leadership.



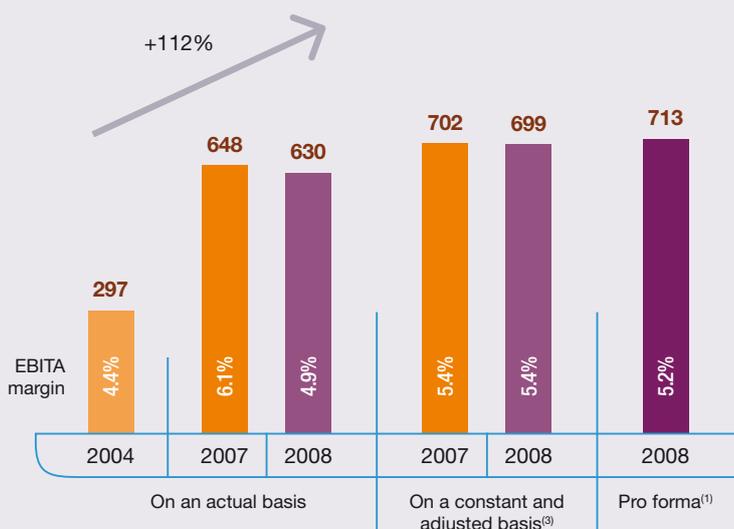
## Consolidated revenue (IN € MILLION)

The Group has doubled its size in four years. The 20.2% rise in 2008 sales is mainly attributable to the acquisition of Hagemeyer's European activities. On a constant<sup>(2)</sup> and same number of working days basis, sales were down 0.8% in 2008: they decreased 0.7% in Europe and 2.2% in North America while they rose 5.9% in Asia-Pacific.



## Gross profit (IN € MILLION AND IN % OF SALES)

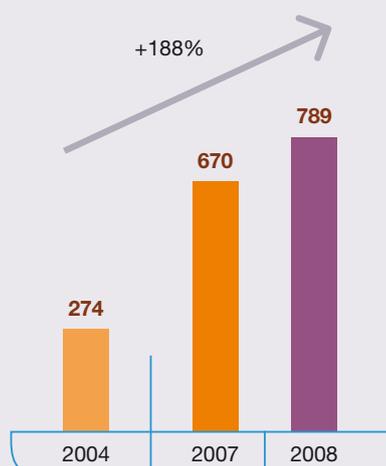
Gross profit rose 17.1% in 2008 with gross margin down 60 bps due partly to the non-recurring effect resulting from the sharp decrease in copper prices. On a constant and adjusted basis<sup>(3)</sup>, gross margin rose 20 bps in 2008 owing to optimization of the supply chain, good management of the product mix, and initial purchasing synergies resulting from the integration of Hagemeyer.



## Operating income before other income and expenses – EBITA

(IN € MILLION AND IN % OF SALES)

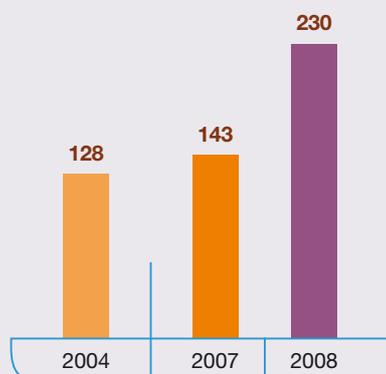
EBITA increased more than twofold in four years. In 2008, it was down 2.8% due to the non-recurring effect resulting from the sharp decrease in copper price. On a constant and adjusted basis<sup>(3)</sup>, EBITA margin was flat in 2008 at 5.4% thanks to tight control over distribution and administrative expenses. The acceleration of cost-cutting actions in the fourth quarter shows the Group's responsiveness to rapid changes in market conditions.



## Free cash flow before interest and tax paid

(IN € MILLION)

Free cash flow before interest and tax paid rose 17.7% in 2008, reflecting the acquisition of Hagemeyer's European activities, good control over capital expenditure, and further reduction in working capital: as a percentage of sales, it stood at 12.6% as of December 31, 2008, down from 13.0% a year ago, on a comparable basis<sup>(4)</sup>.



## Net income

(IN € MILLION)

Net income rose 61% in 2008 notably due to capital gains (€120 million) and a €109 million decrease in net financial expenses<sup>(5)</sup>. Net income was impacted by goodwill and assets impairments (€97 million) and restructuring expenses (€76 million).

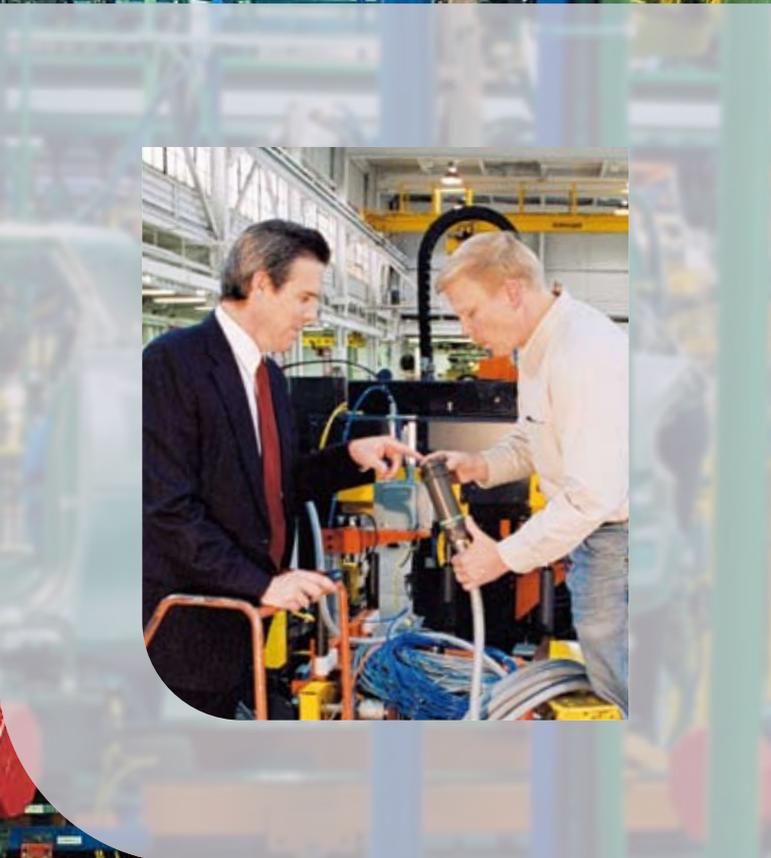
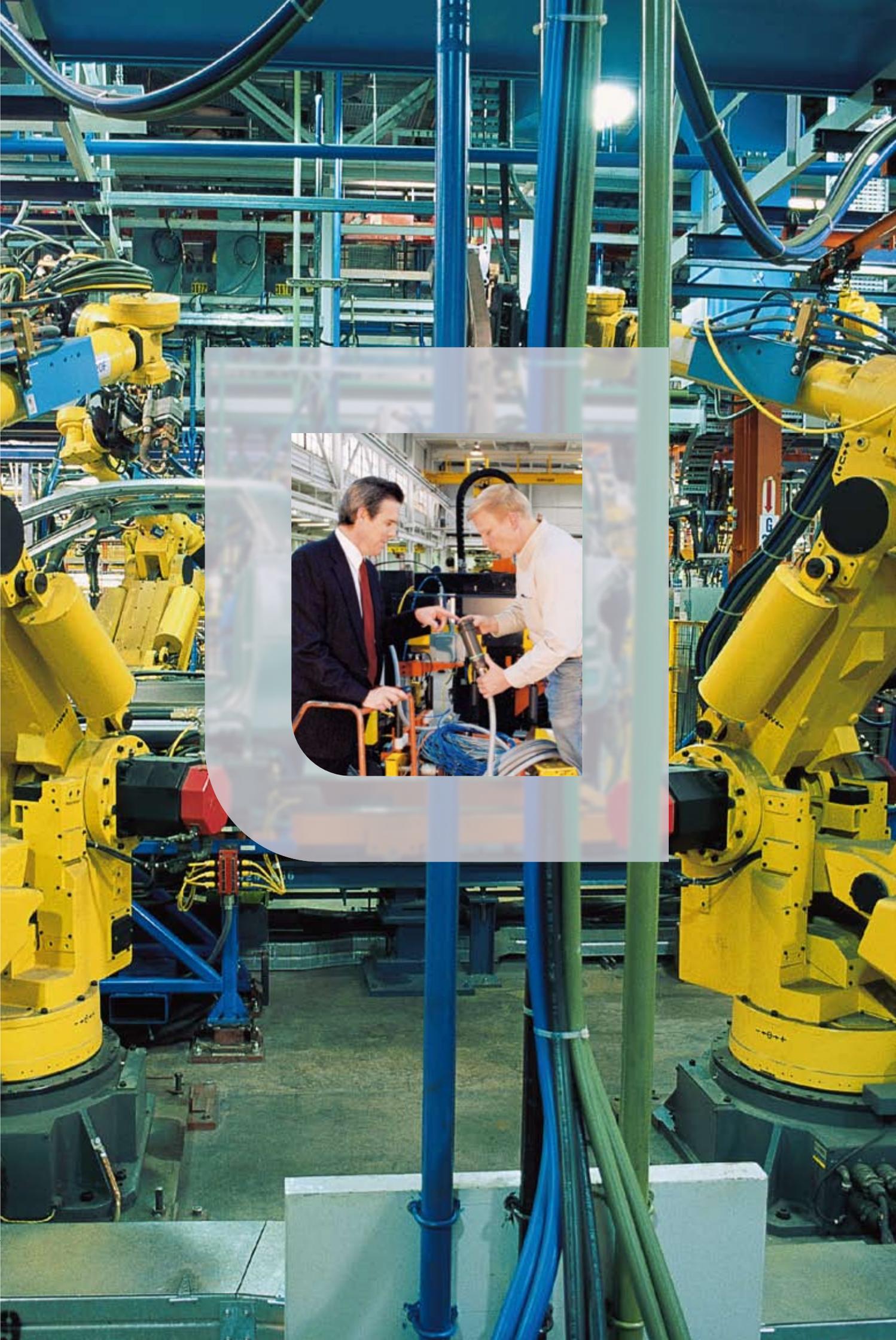
(1) Pro forma 2008 : as if the acquisition of Hagemeyer, the asset swap agreed upon with Sonepar and the disposal of the electrical supplies distribution activity of Hagemeyer in Ireland had been carried out as of January 1, 2008, before the non-recurring effect related to changes in copper price and amortization of purchase price allocation related to Hagemeyer.

(2) Restated to exclude the effect of acquisitions and disposals and of currency fluctuations.

(3) Restated to exclude the effect of acquisitions and disposals and of currency fluctuations, and before the non-recurring effect related to changes in copper price, amortization of purchase price allocation related to Hagemeyer and Q1 07 non-recurring items.

(4) Working capital on a comparable basis: excluding the non-recurring effect related to changes in copper price.

(5) In 2007, financial expenses included post-IPO debt refinancing costs.



### **Our teams embody the Group's rich, diverse expertise**

Rexel teams strive for quality, productivity and profitability. Attentive to customers' demands, they develop specific skills and build high value-added solutions. Whether for small contractors or key industrial and commercial accounts, our teams are experts in consulting, training and on-site support services.

# Activities

In 2008, Rexel gained market share in most of the countries where it operates, thanks to its efficient business model and dynamic teams. The strength of its **leadership** coupled with the responsiveness resulting from its close **proximity** to customers enables the Group to be more efficient in terms of logistics and more innovative in its offer of value-added services. Bolstered by the expertise of Hagemeyer's European assets, the Group is now better positioned to serve the high-growth-potential maintenance and renovation markets.

The **Rexel group** markets electrical solutions worldwide that are adapted to the diversity of its markets and its customers' needs, via a network of more than 40 general-purpose and specialized banners.

NORTH AMERICA



EUROPE



ASIA-PACIFIC



And also: ABM-Rexel, Boutet, Elektronabava, Flores y Kersting, Hagard:HAL, Kelliher, Lear&Smith, Moel, Page Data, Parker Merchenting, Suzhou Xidian, WF...

(1) The Rexel banner operates in Australia, Austria, Belgium, Canada, Chile, China, Czech Republic, France, Italy, Luxembourg, Netherlands, New Zealand, Portugal, United Kingdom and United States.

(2) The Hagemeyer banner operates in Australia, Germany, Netherlands and Czech Republic.

(3) The Elektroskandia banner operates in Estonia, Finland, Latvia, Lithuania, Norway, Poland and Russia.



# Proximity

**Attentive to shifting trends** in the industrial, commercial, and residential markets, Rexel is constantly optimizing its value creation chain. In 2008, Rexel continued to consolidate its regional coverage, enrich its technical skills and develop sector-specific expertise. The Group particularly focused its skills development efforts on the market for energy savings, positioning itself as the distributor of both global and specialized solutions. Working closely with its markets and their needs, Rexel has expanded its customer base and secured the loyalty of key corporate accounts.

# 100%

revenue growth in just one year for Rexel's Oklahoma-based partner specializing in electrical panels

Exclusive distributor of Allan Bradley equipment (Rockwell Automation), Rexel's Oklahoma City branch helped a local panel builder, AAE Automation, to develop its business by supplying certified components and recommending the company to its own customers.



## Industrial market

### Helping boost the performance of production facilities

In 2008, Rexel generated €4.4 billion in revenue in the industrial market, which accounts for 32% of total revenue. With all regions reporting growth, the Group has posted market share gains thanks to its expertise and the use of dedicated structures.

#### Strengthening expertise in Europe

With the integration of Hagemeyer, Rexel has consolidated its organization dedicated to the industrial market, especially in northern Europe. In general, the Group has strengthened the international key accounts team by optimizing sales and logistical coordination. Rexel's German subsidiary, Hagemeyer Deutschland, has about twenty centers of expertise geared towards industrial customers. In France, the Rexel and Coaxel banners serve the specific needs of industrial customers through the DXI and Neoxis labels. Professionals are guaranteed to find experts on the most pressing issues who can provide them with the solutions they need.

#### Energy efficiency, a vital issue

Industrial activity consumes 30% of world electricity production, of which 70% powers motors alone. Given the uncertainty over energy prices and changing environmental standards, Rexel has strengthened the advisory and support role it provides companies by broadening its energy auditing services and aiding in the design of energy-efficient installations. The Group also proposes a complete line of value-added industrial solutions, including low energy lighting systems, high output electric motors, and variable speed regulators, which can reduce the power consumption of motors by 30% to 50%.

← Rexel is developing business with **wind** and **solar** power producers →

## Two new banners for industry in Belgium and China

Acquired in 2008 and 2009, the Breva (Belgium) and Suzhou Xidian (China) banners are specifically geared towards industrial customers, offering them broad product lines, improved services and closer proximity.



Labels and banners: Rexel markets **sector expertise**



### Growth in services for the oil and mining sectors

In North America and Australia, Rexel's strategy of locating centers of expertise near mining and oil infrastructure is paying off. In 2008, Rexel carried out several major supply and operational support missions (maintenance, on-site inventory management, consulting) for companies in the energy and natural resources sector. In Canada, the Group reported strong sales growth with key industrial accounts. Activity has also increased significantly in Australia, where the mining business is booming. Rexel is the preferred distributor for the mining giant BHP Billiton, which operates 28 sites in six different states.

### Strong growth in the emerging countries

In Asia, Rexel is enjoying growing commercial success by providing solutions to industrial integrators. In China, industry generates a big share of Rexel's revenue. The February 2009 acquisition of Suzhou Xidian, a distributor located in the Shanghai and Beijing regions, has consolidated the Group's presence in this market. To tap into the dynamic momentum of other Asian countries, Rexel has also opened sales offices in India and Vietnam.

## Customers

In the industrial segment, Rexel serves a full range of companies with very diverse needs: lighting for buildings, automation of production lines, aeronautical spare parts, components for manufacturing, panel building, etc.

To help maintain industrial facilities at an optimal level of efficiency, Rexel assists companies with installation, maintenance and standards compliance, guaranteeing rapid interventions and a broad range of products and services.

Whether in factories or on oil platforms, for key accounts or small businesses, the day-to-day presence of Rexel's sales teams alongside its customers is a key factor behind the Group's success in this market.



## For the past eight years

Selga, one of Rexel's Swedish subsidiaries, has been the main local supplier of Skanska, a global giant in construction and civil engineering, and the Finnish construction company Lemminkäinen



The two companies have associated Rexel's Swedish banner in the construction of the Bothnia Line, the biggest railway project in Sweden. Their decision was based on the breadth of Rexel's product offer, and its capacity to supply equipment adapted to harsh climatic conditions (temperatures as low as -30°C).

# Commercial market

## Diversifying technical skills and services

The commercial market is now Rexel's largest market, accounting for 43% of total revenue, or €5.9 billion. Despite the crisis in construction, this sector is fuelled by maintenance and renovation contracts, which account for 50% of business, and by the installation of public infrastructure.

### Project assistance, a strong growth vector

There are ever-growing needs for energy savings and security services in the commercial market. Segments with strong growth potential include the modernization of lighting installations, supplying control centralization and automation equipment, and providing heating and air conditioning solutions. Through dedicated centers of expertise, Rexel provides advisory services for the choice of equipment, and ensures project and design assistance services and logistics solutions.

### Greater presence in the public sector

To meet the demands of the public sector and municipalities, Rexel has developed cutting-edge sector expertise in security, health standards and energy efficiency for public facilities, transport infrastructure, hospitals and so on. This strategy helped the Group to win major contracts in 2008. Through the development of private-public partnerships (PPP), Rexel France is helping to equip three hospitals and four prisons over the period 2008-2009. In Canada, the Group has affirmed its expertise in optimizing hospital lighting.



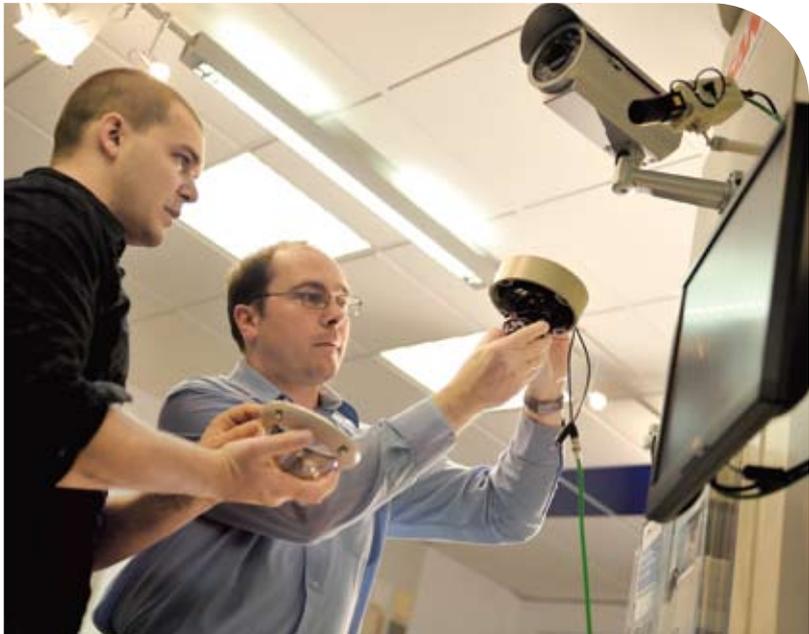
Rexel puts its expertise to work on behalf of **security** and **health standards** in commercial buildings



# 182 km

of IT cables delivered  
to a medical center  
in Texas

For the construction of this high-tech hospital equipped with the latest technological innovations (video surveillance, automated energy conservation systems, access control, etc.), Rexel was called on for its expertise in cabling and voice-data-video communication networks.



## Growth of the commercial market in Asia

In China and other Far Eastern countries, Rexel is participating in several major projects with customers, notably for the construction of hotel complexes, shopping centers and office buildings. In China, for example, Rexel is assisting the growth of a major builder and real estate developer in Haidian, China's "Silicon Valley", north-west of Beijing. A distribution partnership set up in 2004 is getting stronger each year, and Rexel Beijing now intervenes at the project design phase, with missions for feasibility studies and consulting. A new office and residential complex of over 600,000 m<sup>2</sup> is due for completion in 2009.

## Recognized expertise in saving energy

Across the globe, Rexel conducts energy audits and helps customers design their electrical installations. Gexpro, one of the Group's US subsidiaries, has recently signed a contract with a major supermarket chain to replace refrigeration motors at 175 stores, which will reduce energy consumption by 35%. This is a profitable move for the chain, with a quick return on investment (ROI).

← In China and other Far Eastern countries, Rexel is participating in several **major projects** with customers →

## Customers

Offices, supermarkets, stadiums, train stations, public gardens, hospitals, etc. In the commercial sector, standards, needs, equipment and usage differ widely from one site to the next.

A general-purpose distributor must be capable of managing this complexity while adapting to each situation. It must have the expertise to identify and analyze specific needs and the capacity to work in project mode.



## “Maison ACTIVE”

a complete, working home automation system on display

At trade fairs, Rexel France sets up a house that is fully cabled and equipped with home automation systems, showcasing their comfort and energy efficiency. This powerful marketing tool, combined with a catalogue and specific sales promotions, lets customers see for themselves how simple it is to install the home automation solutions currently proposed by Rexel.



# Residential market

## Accelerating electrical advances in the home

Faced with a challenging economic environment, Rexel's residential business has held up well, thanks notably to the renovation market. Depending on the country and market opportunities, the Group is restructuring and adapting its branch network and sales force. In 2008, the residential market generated sales of €3.4 billion and accounted for 25% of Rexel revenues.

### Renovation and energy savings

Consumers are now aware of the need to reduce energy consumption. A wealth of new standards and fiscal incentives are also contributing to an evolution in the choice of materials and the energy efficiency of equipment. All of these constraints in equipping new and renovated homes can be seen as opportunities and new sources of growth. From this perspective, Rexel proposes a line of energy-efficient products for the residential sector in each country.

### The appeal of renewable energy sources...

In recent years, the residential market has seen the emergence of new equipment for heating, air conditioning and hot water supply that combine renewable energy sources (solar, geothermal) with traditional power grids. These combined products are efficient and profitable, and create value for contractors. Rexel further enhances their value by offering easy-to-install solutions, advisory services and training. In France, roughly a hundred branches have already acquired this expertise in 2008 and are marketing solar water heaters and heat pumps for both the construction and renovation markets. In Belgium, the photovoltaic products offer also grew rapidly over the year.

← 2,400 sales outlets and 32 e-commerce websites →

# 1,500 residential units

in Chicago have been equipped for the U.S. Navy with products supplied by Rexel



This project at the Great Lakes naval base, which was completed in 2008-2009, illustrates the success of the partnership created in 1994 between the electrical systems contractor and Gexpro, the main supplier. Having interfaced their computer systems and created a dedicated electronic data interchange (EDI) in 2006, Gexpro now enjoys several weeks visibility over orders and is able to ensure the cadenced supply of all its customer's project sites. Both companies gain in terms of responsiveness, inventory optimization and flexibility.

## ...and new home automation solutions

The *smart house* is no longer a dream. Thanks to home automation, users can create living conditions according to their needs and wishes: the lighting, temperature, images and sound systems in each room can be modulated and controlled, and the house can be opened or secured automatically. Increasingly precise and user-friendly home automation solutions are growing in popularity. A key factor in their development is the interoperability of various electrical and digital networks. To keep pace with this trend, Rexel selects manufacturers that propose compatible or common standards and packaged offers. For many years, the Group has underscored the easy-installation and user-friendly features of these products by setting up fully functioning examples in showrooms or at trade shows.



Rexel provides contractors with **complete solutions** and **training**



## Customers

In the residential market, electricians, small businesses, and even large specialized companies carry out installation and renovation work. In recent years, the profile of electricians has changed dramatically. Better-trained and more attuned to innovation, they are also more willing to make online purchases.

At the same time, equipment is becoming increasingly sophisticated and more difficult to install. To help contractors maintain their expertise, Rexel supplies complete pre-mounted solutions as well as assistance and training.



## Efficiency

Thanks to its high-performance, global organization, Rexel is positioned to respond ever more effectively to its customers' needs.

## Availability

By optimizing logistics and sharing resources between banners, Rexel offers a product range that is both complete and reliable, with the most convenient delivery times.

## Innovation

Rexel dreams up new sales formats and channels that are ever better adapted to the way its customers work.

## Expertise

By customizing certain sales structures according to customer categories, markets and product lines, Rexel tailors solutions to meet every need.

## Integration

Employing services that are increasingly integrated, Rexel can manage the entire supply chain for its industrial customers and key accounts.

## Competitiveness

More powerful, Rexel is better positioned than ever to offer the best level of products and services at the best price.

# ← Leadership →

**The Group's vision as a global player** guides Rexel's strategy of profitable growth in each of its markets. In an unfavorable economic environment in 2008, the Group managed to increase its profile in the most dynamic market segments thanks to the reactivity of its multi-specialist approach. In its quest to boost performance, the Group relies on the strength of its organization to lend its networks a decisive logistical advantage. It also encourages sharing skills and best practices which are sources of value for the entire Group.



In 2008, the Group created an **international community** of Rexel product offer managers that meets four times a year



# Efficiency

Rexel markets quality equipment and services in 34 countries. To meet its customers' specific needs and to improve efficiency, Rexel is constantly developing and optimizing its organization, supply chain, and supplier relations to guarantee the best offer of products and services at the lowest cost.

## A strategic review at the Group level

With over 40 banners, Rexel has a powerful distribution network capable of keeping pace with customers as they expand geographically. To optimize effectiveness, the Group is improving the regional coverage of its sales outlets and distribution centers, strengthening synergies between banners and sharing marketing and logistics resources whenever possible.

## Rethinking the distribution business

Thanks to its capacity for innovation, Rexel consolidates its competitive edge by remaining in the avant-garde of its business. Each year, its various banners test new, more efficient sales concepts and adapt their distribution channels and logistics organization to meet new demands. At the same time, the Group's commercial teams are continually trained in new sales and marketing techniques.

## Better coordination of sector expertise

The Group develops high value-added services and sector expertise on behalf of key corporate accounts and industrial customers, notably in terms of inventory management and facilities maintenance. To serve these specific needs with the same effectiveness worldwide, Rexel relies on a centralized organization of teams dedicated to key accounts at the global, regional and country levels.

## Strengthening partnerships with our suppliers

Rexel maintains preferred relations with a select group of suppliers that keep pace with its strategic development. Sharing the same approach to efficiency and performance, the Group develops exclusive offers with manufacturers and rolls out joint marketing campaigns. In 2008, the Group's Supplier Relationships Department set up a new team charged with identifying solutions for energy efficiency in the building sector, renewable energies, and new applications such as home automation and power management.

## Building the offer of tomorrow

In 2008, Rexel created four centers of expertise and innovation (Industry, Cables, Lighting, New applications) devoted to developing new products and services. These teams keep a strategic watch on technological progress, emerging demands and new standards, to build the offer of the future.





**New-generation** logistics centers are equipped with leading-edge technology



# Availability

Every day, Rexel forecasts demand, places orders, replenishes inventory, and supplies products to its networks, in order to deliver the most complete line of products as conveniently as possible. The Group logistics model is adapted to meet specific regional and market situations, thus optimizing product availability, service quality and delivery systems.

## Improving regional coverage

Rexel's regional logistics centers, which make next-day delivery possible for 35,000 items, are one of its prime competitive strengths. In 2008, the Group opened or relocated nearly a dozen centers, deciding a platform's size, type (logistics center or hub) and location according to need. To keep pace with its customers' rapid business growth in south-east France, for example, the Saint Vulbas logistics center in the Lyons region was moved to a new location, which nearly doubled its storage capacity. To streamline their productivity in the United States, the Gexpro and Rexel, Inc. banners have teamed up their warehouses in Mansfield (Massachusetts), and are now sharing the same delivery organization in Los Angeles.

## Modernizing logistics centers

New-generation logistics centers are equipped with leading-edge technology. Specialized computer systems and RFID tags for all products have helped streamline storage facilities, resulting in shorter travel distances, optimized storage areas and faster order preparation. Certain logistics centers have also stepped up picking automation systems, with the installation of rotating shelves.

## Better quality monitoring

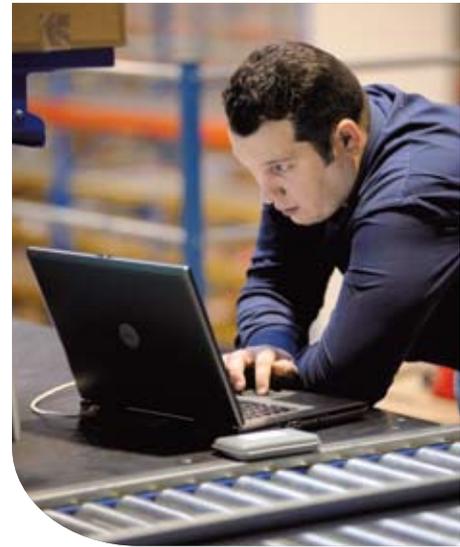
In the Group's main countries of business, the OTIF (On Time, In Full) performance indicator is a key tool for guaranteeing customer satisfaction: delivering exactly what the customer ordered on the day it was supposed to be delivered. At the same time, continuous inventory analysis permits orders to be handled in a responsive manner, ensuring better product availability while reducing the total volume of articles in stock.

Rexel's **delivery and customer pick-up solutions** – at night, on-site, direct at the sales outlet or in specialized storage containers – guarantee the best tailored services to suit every customer's business and logistics needs.



## Champion of e-commerce

The Norwegian banner Elektroskandia Norge generates nearly 50% of sales with e-commerce sites and EDI



# Innovation

Today, purchasing practices are becoming increasingly diversified, and customers are demanding more personalized services and information. Year after year, Rexel innovates by testing new sales concepts and enriching its offer with the most recent products. The Group also encourages electronic data interchanges with its partners, using the latest software solutions.

### Imagining new store formats

In recent years, Rexel has significantly improved the self-service areas of its sales outlets, increasing product visibility and optimizing wait times at the counter. In Australia, the Group has set up a “Big Box” in three major commercial zones (Sydney, Melbourne and Brisbane), a promising application of this newest store concept. With access to on-site experts and showrooms, customers benefit from all the services of a conventional outlet while being able to compare and discover products on their own.

### Rolling out online convenience stores

Whether for the e-commerce websites of its banners or electronic data interchange (EDI) systems developed specifically for key accounts, e-commerce is becoming a widely used sales channel in all geographic regions. Up 25% in 2008, e-commerce now accounts for nearly 8% of Rexel sales. The growing importance

of online sales is bolstered by email campaigns and web features – such as shopping carts with memory of previous orders, and suggestions for related products – that help customers place orders.

### Preference for electronic data

Each year, EDI systems are enhanced with new features and adapted to customers’ evolving needs. In many countries, traveling sales representatives can place orders and check inventory availability in real time, using their mobile phone or personal digital assistant (PDA). Software is now cheaper and more user-friendly, and is within reach of a full range of companies. In Switzerland and the Netherlands, contractors and SMEs can use seamless interface systems to place orders online by scanning product references directly from a Rexel catalogue, or by printing labels that can be downloaded from the website.

Six times bigger than conventional outlets and with more flexible store hours (6 a.m. to 6 p.m., six days a week), the **“Big Box”** (Rexel Warehouse) is a new store format offering Australian customers self-service shopping, with a choice of 15,000 product references arranged by product line.





# Expertise

By distributing electrical solutions that are reliable, pre-packaged and profitable, Rexel manages to keep pace with the accelerated development of innovative technology, such as voice-data-video systems, LED lighting and energy efficiency. The Group is also strengthening its expertise in the industrial and public sectors. To this end, Rexel has created specialized sales structures and teams dedicated to new offers and customer categories, and provides training and advisory services.

## Centers of expertise

Because products and problems differ from one sector to the next, Rexel develops separate lines of expertise for each market, product line and customer category. To serve the specific needs of the industrial market, for example, Rexel deploys some fifteen specialized banners worldwide. In Europe, several banners address the growing need for safety equipment and cabling. Rexel has stationed experts specialized in energy savings and renewable energies in numerous sales outlets around the world.

## Providing audit services and technical assistance

An expert in eco-efficient equipment, Rexel conducts power and thermal audits of its customers' electrical equipment. On this basis, Rexel's specialized networks recommend appropriate, efficient solutions that guarantee the end-user a quick return on investment (ROI). In the United States, Capitol Light specializes in energy audits, installation and maintenance of store lighting for major retail trade names.

## Rolling out training and information

In most of its sales outlets, Rexel regularly organizes training sessions in cooperation with manufacturers to familiarize customers with complex or innovative products. Each country also organizes trade fairs and publishes catalogs and technical brochures.



In each country, Rexel proposes a wide range of technical solutions in response to technological advances, local consumer behavior and developments in energy and safety standards.

← Rexel provides its industrial customers with **maintenance and repair services (MRO)** for their production sites →



# Integration

Present both upstream and downstream alongside its suppliers and customers, Rexel has highly integrated positions in transaction and logistics processes. Key industrial and commercial accounts can concentrate on their core business, while the Group takes charge of all or part of their supply chain, from the choice of products to inventory management, ordering and reordering. To keep pace with the strong growth in this business, Rexel has strengthened its support role in purchasing and is developing integrated computer systems.

## Optimizing the supply chain

Rexel's key account managers regularly examine the electrical equipment needs of their customers and advise them on how to optimize purchases in terms of quality and price. The product portfolio can be streamlined by reducing the number of references, by using volumes to obtain better prices and by proposing higher-performance alternatives.

## Adapting to customers' computer systems

Rexel is able to integrate the supply chain solutions of its customers thanks to high-performance, customized EDI systems. The Group designs online catalogs, participates in online tendering procedures and is present in marketplaces with fully paperless transactions. In addition to these interface solutions, the Group is

also developing its own IT tools that can be installed at its customers' sites. In 2008, Rexel sales generated by EDI systems increased by more than 20%.

## Managing customer inventories

The group handles inventory management for numerous customers around the world. Depending on needs, this mission is carried out either from its own platforms or by teams assigned to work directly at the customer's warehouses. For this complex service, Rexel mobilizes all of its expertise to reduce costs, streamline storage space, reduce product obsolescence and guarantee a responsive delivery adjusted as closely as possible to the customer's business.

## Gexpro Services, expert in inventory management

This Gexpro subsidiary specializes in supplying and maintaining fixtures and assembly parts, as well as electrical parts used by production lines. Thanks to adapted services (*Kanban*, kits, etc.) and ISO 9001 certification, Gexpro Services works for high-tech companies, the aerospace sector and the military.



In the **UK**,  
the own-brand market  
is highly developed

Historically, the UK has paid special attention to the development of own brands alongside suppliers' regular product offer. Newlec, Sector, Eski and Defiance are just a few of nearly a dozen own brands.



# Competitiveness

As a world leader in its sector, Rexel negotiates the best prices with its suppliers. Backed by its expertise, the Group advises and guides all customers in their purchases based on their needs, budget, and the return on investment sought by end-users. By guaranteeing the best product offer at the best price, and by advising customers on the energy efficiency of their facilities, Rexel optimizes costs throughout the product life cycle.

## Proposing a choice of alternative solutions

In 2008, Rexel's 25 largest suppliers accounted for 53% of Group purchases. By concentrating purchases in volume, the Group enjoys attractive prices and exclusive arrangements, and passes the benefits on to its customers. As a multi-brand distributor, Rexel offers a broad range of quality products, with prices adapted to the technical level and reliability demanded by the customers' installations. The Group also has some thirty own brands comprising tools and related products for electricians.

## Save money by saving energy

Over a ten-year span, energy consumption accounts for 95% of the cost of an electric motor. Adding an adjustable speed regulator to a motor can reduce electricity costs by 30% to 50%, providing the end-user with a rapid return on investment (ROI). With its

expertise in energy efficiency, Rexel helps customers generate substantial savings on all their electrical systems. When a Las Vegas property developer called on Gexpro to replace a hotel-casino's entire lighting systems with low energy devices, the invoice came to a million dollars. But with the new lighting system, the hotel now saves \$1.2 million a year on its electricity bill.

## Optimizing the cost of each component in the logistics chain

For industrial customers and key accounts, the purchasing cost of equipment amounts to barely 40% of the total cost of ownership (TCO); the rest is split between supply (40%) and inventory (20%). By overseeing a customer's entire supply chain, Rexel is able to identify all the opportunities for reducing costs. This leads to streamlined product portfolios and a reduced need for storage space. As a result, costs are permanently optimized at all levels.



Replacing conventional lighting  
with low-energy lamps can  
**reduce electricity bills by 65%**





### Committed employees

Socially responsible, our employees enhance the value of energy-saving solutions for our customers and respect the Group's ethical values on a daily basis. Environmentally aware, they put into practice our sustainable development charter. Community-oriented, they generously offer their skills and time to help those in need.

# Responsibility

Rexel takes a sustainable approach to its responsibilities by setting in place solid core values. Thanks to this long-term strategic vision, its business model held firm against the sharp downturn in the economic environment in 2008. Combining the strength of its **leadership** and the responsiveness attained from close **proximity** to stakeholders, Rexel strives to build sustainable commitments that shape its corporate responsibility to people, society and the environment.

# Putting **value** into our distribution model

Value creation lies at the core of our business model. It is Rexel's overriding *raison d'être* in its relations with stakeholders at every stage of the electrical supplies distribution chain. To this end, the Group seeks to create sustainable growth through its constant efforts to improve efficiency and profitability.

## An innovation strategy to address the main challenges facing society and the environment

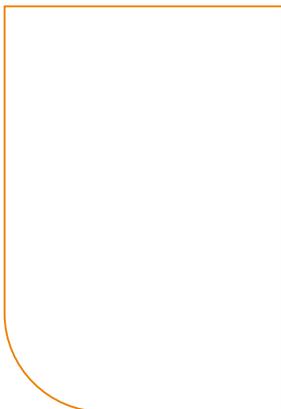
With its constantly-evolving offer of innovative electrical solutions, Rexel contributes to the global quest for sustainable development in the residential, commercial and industrial sectors.

The Group is very much eco-aware and supports efforts to protect the environment and save energy. At the same time, it pursues its goals towards a form of sustainable development that benefits all the local communities where it is present. This approach allows Rexel to gain from the boom in new equipment for energy-efficient systems and offers sound prospects for responsible growth which the Group can share with all its stakeholders.

## Efficiency for sustainable growth

As an international group and world leader in the electrical supplies distribution market, Rexel structures its sector to create ever more value for its stakeholders. This means constantly striving for greater organizational efficiency in developing business and optimizing the resources employed.

Our business model is geared towards profitability since the quest for sustainable growth is governed by customer satisfaction. With the support of a group strategy, Rexel's all-encompassing international network of different banners, sales modes and services can readily adapt to suit specific regional needs and conditions. In each country, Rexel enriches its sales formats and draws on the diversity of its networks to build opportunities for growth. The combination of a global and local vision is a sign of the Group's resilience and a source of stability for all its partners.





### Identifying and managing risks

By managing the risks inherent in its business, the Group ensures its sustainability and assumes its economic responsibilities over the long term. To better anticipate and manage risks that may affect earnings, Rexel has set up a management process that identifies risks in all areas (operational, economic, financial), evaluates them, and takes measures to limit their impact. This process is accompanied by a risk awareness policy aimed at all employees concerned. In 2008, risk audits were conducted at over 400 sales outlets, including some of the newly integrated Hagemeyer subsidiaries.

### Redistributing value

The Group's business and profitability benefit all stakeholders. Value created is passed on through compensation to the Group's 33,000 employees and through taxes to local and state governments in the regions where Rexel is present.

Through its business model, the Group also acts as a partner in the performance of its global suppliers, supporting their international development, as well as that of local SMEs, by creating new market outlets. As a distributor, Rexel creates value for its suppliers by improving visibility over their end markets and helping them understand changing needs, thanks to its expertise in the field and its customer satisfaction surveys.

By weaving close relations with suppliers, Rexel offers its professional customers the best value for money. For contractors, the Group delivers value on a daily basis through pertinent, quality products and services, which enable them to be more competitive and attractive to end-users. Active in 34 countries worldwide, Rexel also provides a macroeconomic and regulatory watch for its customers. By supporting the implementation of new safety and energy saving standards, the Group boosts the performance of its customers, opens buoyant new markets, and helps improve the quality of the environment.



# Enhancing the Group's attractiveness

Rexel encourages its employees to have an entrepreneurial spirit. In 2008, the company supported employees in their career management by providing the resources for skills development. As the Group adapts to a severely downgraded and uncertain economic environment, Rexel has also reaffirmed the solidity of its business model in its dialogue with employee representatives.

## Over 9,000 Hagemeyer employees join Rexel

In July 2008, Rexel increased its workforce by over 30% as it welcomed new employees, mainly from Hagemeyer's European subsidiaries. To successfully meet this challenge, the Group deployed a special project to assist twenty banners in 15 European countries involved in the acquisition. To support new arrivals and the existing Rexel teams with the transition, employees received internal communications tools and were invited to participate in key events (letters from management, Integration Days, *Communication Week*, etc.).

## Economic slowdown triggers workforce reductions

Faced with a sharp slow-down in business in 2008, the Rexel Group reduced its headcount by about 6% on a like-for-like basis, mainly in North America and Europe. In many countries, employees concerned by restructuring plans were able to benefit from support measures (outplacement, training, new business start-up grants, compensation, pre-retirement, etc.).



Following the integration of **Hagemeyer**, five new countries are now represented on the **European Works Council**: Estonia, Finland, Latvia, Lithuania, and Norway





In the UK,  
**Newey & Eyre**  
 wins sales training  
 award

In December 2008, the UK banner won the National Training Award of Excellence for the quality of its *Team Challenge* training event. Created in 36 branches in 2006, and adopted more widely thereafter, *Team Challenge* combines a 2-day training event for sales representatives with an inter-branch sales challenge lasting a month, in which they put into practice and test the effectiveness of the new skills they have learned.

**43%**  
 of the Rexel workforce  
 was trained in 2008  
 (14,449 employees)

### Reinforcing social dialog

In 2008, 76 agreements were signed between employee representatives and Group subsidiaries (up from 36 in 2007 under the previous scope). These agreements cover employee profit sharing and shareholding, overtime, and the work-time organization.

The European Works Council (EWC), the official body for information and social dialog, was kept informed of the Hagemeyer acquisition and integration process throughout 2008. The EWC agreement was amended to incorporate five new countries. Subjects discussed with the EWC during the year included seniors and reporting procedures for social and environmental issues.

### Training focuses on skills management

Rexel pays special attention to training activities to develop skills and boost performance. This very pragmatic vision of training, combined with the development of career management tools, is beneficial for both employees and the company. Performance assessment measures are increasingly integrated in sales training programs, making it possible to measure their pertinence and effectiveness (see box). The Learning Centre, an intranet site to be launched in 2009, will enable subsidiaries to share best practices in training, career development and integration programs.

### In Australia, Rexel creates an intranet service for new recruits

Rexel Australia launched an intranet service in 2008 designed specifically to facilitate the integration of new employees at the nine Australian banners. This instructive website describes the Group's business, the fundamentals of distribution, and the various job roles at the branch level.



Every year the *Integration Days* bring together around a hundred new hires from all over the world

In 2008,  
**10,597**  
employees  
received safety  
training



### Making safety a daily priority

The safety of our employees is a key concern for the Group and an area for constant improvement. Driving forklifts and cutting cables (mainly in logistics centers) were identified as the most risky activities. In 2008, risk mapping was used in most countries to set up training and accident prevention programs. Local initiatives rounded out this procedure. In the United States, for example, every Rexel branch is required to carry out complete, monthly inspections of safety devices and emergency procedures, which are combined with a centralized reporting system.

### Promoting equality between women and men

Rexel is committed to the equal treatment of men and women. According to the Group's key social indicators for 2008, women were promoted and given raises in the same proportion as men. At the request of employee representatives, a specific study on pregnant employees was conducted in 2007, which shows they were not discriminated against during maternity leave or after returning to work for the Group. In France, certain workstations were even specially adapted for them.

### Rexel boosts internal communications

In the midst of reorganization and an uncertain economic outlook, the Group has intensified its information campaigns for employees to reaffirm the solidity of the Group's business plan and to share its strategic vision. At the Group's International Convention in Brussels last June, 300 top managers were presented with LEAD 2011, a new internal plan that sets strategic priorities for Rexel's development. The plan focuses on three growth vectors: niches of organic growth, the development of an entrepreneurial team spirit, and process improvements. Annual *Communications Week* sessions and internal publications prepared by the Group help circulate information regularly to all employees. The Group's intranet, to be launched in the first half of 2009, will round out these communications efforts and provide a more cohesive and enriched platform for teamwork.

## Involving employee shareholders in the Group's future

Since its return to the stock market, Rexel has sought to directly associate all employees in the group's performance and results. In April 2007, employees were invited to buy shares at a preferential price as part of the *Opportunity 2007 Plan*. Initially scheduled for December 2008, the next phase of the employee share purchase plan has since been put on hold. Given the uncertainty in financial markets, conditions were not ripe for a new share issue. The Group has nonetheless reaffirmed its determination to push ahead with its active employee shareholding policy at the earliest appropriate opportunity.

## Working with the community

The Group maintains close ties with local communities in the countries where it does business. Rexel encourages employees to be attentive to the special needs of local professional organizations and associations, and supports their initiatives. In 2008, the Group and its employees actively contributed to professional training, medical research, and humanitarian actions.

### Rexel France supports the Renewable Energy department at the Nimes Technical Institute

It is essential for professionals in the building industry – whether electricians, plumbers or heating specialists – to master renewable energy technologies. Until recently, the Languedoc-Roussillon region did not have its own training center. When the Nimes Technical Institute proposed the creation of a renewable energy department, the employees of Rexel France were immediately attracted to the idea. Along with several manufacturing partners, they furnished the necessary equipment, in the form of solar water-heaters, heat pumps, and photovoltaic systems worth a total of €70,000. The department, which opened in June 2008, provides certified training for students from the Technical Institute and for professionals from the region. By obtaining QualiPV and QualiSOL certification (for photovoltaic and solar thermal equipment, respectively), these professionals are able to expand their business.

### In Canada, Westburne Midwest provides customers with safety training

In Canada, accidents involving electricity cause a thousand deaths a year. As part of the harmonization of American and Canadian electrical safety standards in June 2008, Rexel's Canadian subsidiary participated in a public awareness campaign by offering safety-training seminars to customers. The goal was to familiarize customers with the new standards, underscore the risks involved and teach smart practices.

### In China, Rexel mobilizes to help earthquake victims

After the devastating earthquake that caused nearly 70,000 casualties in the Chinese province of Sichuan on 12 May 2008, the entire Rexel China team mobilized to collect donations. Each yuan donated by an employee triggered matching donations of 1 yuan by Rexel China, 2 yuan by Rexel Asia-Pacific and 4 yuan by the Group. The full donation was given to the local branch of the Red Cross. In addition to financial support, Rexel Hailongxing, a Beijing-based subsidiary, also donated equipment.



### The Rexel Group finances a mentoring assistance for disadvantaged children

In France, through the Institut Telemaque (Fondation de France), Group employees volunteer to serve as mentors for disadvantaged children, helping them, from middle school through high school graduation.

## Promoting sustainable development in electricity

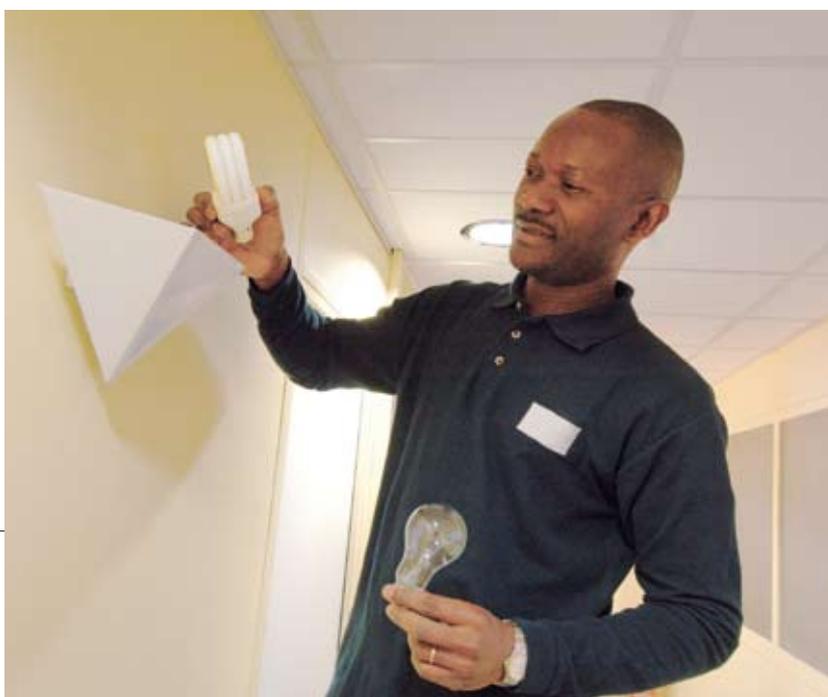
As an international group and leader in the distribution of electrical supplies, Rexel is doubly responsible towards the environment. As an advisor for energy-efficient solutions, year after year the Group contributes to improving the energy efficiency of equipment. In 2008, the Group also strengthened internal campaigns to encourage energy savings and to better control the environmental impact of its activities.

### Advisor and distributor of energy-efficient solutions

As part of its business, Rexel is a leading distributor of energy-saving solutions and equipment using renewable energy sources (solar, wind, geothermal, etc.). In partnership with suppliers, the Group enriches its product offer each year with solutions that are easy to install and user-friendly, with a view to accelerating their adoption worldwide. At the network level, the Group deploys dedicated sales organizations and tools (catalogs, websites, showrooms etc.), which guide professional customers in their selections and in their role as advisors. For years, Rexel has provided advisory services and training to help contractor customers to acquire new skills pertaining to new energy-efficient products.

### Recycling used products

In compliance with local legislation, Rexel collects used electrical equipment. In the European Union, the DEEE directive progressively requires distributors to collect electrical equipment at the end of the product cycle on the basis of one used item for every new product bought. In 2008, over 85% of the Group's European outlets provided this service. In the UK, Newey & Eyre offers a collection service directly at the customers' site.



In the United States, Rexel has developed expertise in **low-energy solutions**. Two examples: in 2008, Rexel helped a hotel-casino operator and a supermarket chain to significantly reduce their annual electricity consumption by 65% and 35%, respectively.

Thanks to selective sorting by nearly three quarters of our sales outlets, 18,800 tons of waste were recycled in 2008.



**52%**  
of Rexel's lighting  
products are  
low-energy

### Recycling is also a priority within the Group

Internally, Rexel is also committed to conducting business in an environmentally friendly manner. The Rexel Charter for the Environment was set up at the Group level to encourage all employees to adopt smart practices and to provide reliable progress indicators for the year. Under this program, significant efforts were made to reuse packaging within the Group. On a like-for-like basis, cardboard and plastic consumption declined substantially between 2007 and 2008. Over the same period, the amount of recycled cardboard increased 8% while recycled plastic doubled thanks to selective sorting at nearly three-quarters of our sales outlets.

### An environmentally friendly purchasing policy

In 2008, Rexel launched a vast plan to give priority to products that respect the environment and limit CO<sub>2</sub> emissions. The Group's indirect purchases department selects eco-friendly suppliers that are authorized to sign contracts with subsidiaries. This plan was deployed in Europe, where it mainly focuses on the fuel consumption of vehicles, use of videoconferences to limit business travel, paperless invoices, and short-term contracts. The preliminary results of these ongoing actions will be available in 2009.

In 2008, Rexel helped recycle:

**6.5 million** fluorescent tubes  
(up from 1.2 million in 2007),

**420,000** light bulbs,

**435 tons** of cables.



# Making shareholders part of Group life

Given the economic downturn since the second half of 2008, Rexel's management has decided to request putting off the payment of the dividend for 2008. Dictated by the need to maintain strong financial flexibility during this difficult period, this decision in no way calls into question the Group's solidity or resilience. As it has done since the IPO in April 2007, Rexel will continue to keep shareholders up to date with Group news through regular and transparent financial information.

## A disappointing year on the stock market

Rexel shares ended 2008 below the SBF 120 index. This under-performance is part of the widespread downturn in the equity markets and does not reflect the Group's fundamentals or 2008 earnings. It is also explained by Rexel's exposure to the United States and the residential market, since these were seen as negative factors in the current economic environment. Cost-cutting plans and efforts to boost performance, will help Rexel improve its operating margin, a positive catalyst for its share price.

## Share price in 2008

Share price at 31 December 2008 .....	€4.76
2008 high .....	€12.27
2008 low .....	€4.50
Number of shares at 31 December 2008 .....	255,993,827
Market capitalization at 31 December 2008 .....	€1.2 billion

The Group's share price can be followed at [www.rexel.com](http://www.rexel.com)

## Share profile

ISIN: FR0010451203

Code: RXL

Market: Eurolist by NYSE Euronext

Indices: Next 150, SBF 120, SBF 250,

CAC MID 100, CAC AllShares

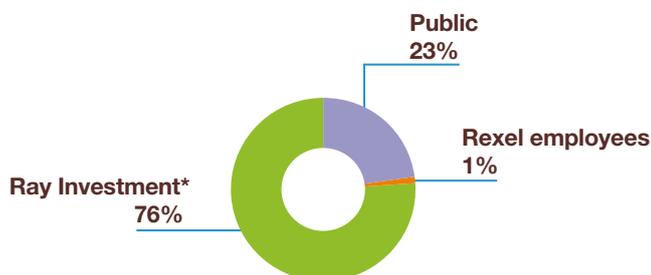
## Shareholder contact

[actionnaires@rexel.com](mailto:actionnaires@rexel.com)

 **0 800 666 111**

## Shareholding structure

(at 31 December 2008)



\* Comprised mainly of Clayton, Dubilier & Rice, Eurazeo and Merrill Lynch Global Private Equity.



## Shareholder events\*

- Annual General Meeting of Shareholders ..... 20 May 2009
- First-half 2009 results ..... 31 July 2009
- Third-quarter 2009 results ..... 12 November 2009

### Transparent financial reporting

Rexel strives to practice the highest level of transparency in terms of financial communication. In addition to the publication of quarterly results and the annual report, Rexel publishes a semi-annual letter to shareholders and has a toll-free number and a section dedicated to shareholders on the Group's website: [www.rexel.com](http://www.rexel.com).

The Annual General Meeting is the key event that brings together the Group's shareholders, an ideal forum for meeting and discussing issues with the Group's management. At the first Annual General Meeting on 20 May 2008, 191.5 million shares were represented, a quorum of 80.6%, including 165 individual shareholders.

Rexel also organizes meetings in Paris and in the regions in partnership with Euronext and the French Federation of Investment Clubs (FFCI). In 2008, over 200 shareholders attended the June investor meeting in Rennes. At the September investor meeting in Strasbourg, management analyzed the Group's first-half 2008 results.

### Securities services

Rexel has contracted BNP Paribas Securities Services to provide financial and securities services for the Group.

Since 26 February 2008, the Group benefits from the Differed Settlement Service (SRD), which allows shareholders to wait until the last day of the month to settle the amount of their transactions in Rexel stock.

#### BNP Paribas Securities Services

Tel.: +33 (0)826 109 119 (0,15 €/min)

Address: BNP Paribas Securities Services - GCT Émetteurs - Immeuble Tolbiac - 75450 Paris Cedex 09.

### In 2009\*, Rexel will meet its shareholders in the regions

- Thursday, 18 June in Lille
- Thursday, 17 September in Lyon
- Tuesday, 8 December in Toulouse

### 2008 meetings

- 22 May in Marseille
- 17 June in Rennes
- 18 September in Strasbourg

\* Dates subject to change.



## KEY SOCIAL AND ENVIRONMENTAL INDICATORS

All of the qualitative and quantitative information used to measure the Group's performances in terms of corporate responsibility, including the breakdown by region, indicator definitions, track record, comments, etc. are presented in Chapter 5 (Corporate Responsibility) of the 'Document de Référence Rexel 2008'.

Reporting procedures for social and environmental information are audited by Ernst & Young, Rexel's statutory auditors.

Social	2008*
<b>Headcounts</b>	
Total headcount	33,309
% of women / total employees	24.2%
% of employees with Fixed Term Contracts / Total headcount	3.2%
Average age of employees with ITC	39.3 years
Total number of recruitments	5,684
Turnover	17.4%
<b>Working Time Organization</b>	
Absenteeism rate	2.6%
<b>Training</b>	
Budget allocated to training	13.50
% of employees trained during the year	43.4%
<b>Diversity</b>	
% employees reporting handicap	0.6%
<b>Health &amp; Safety</b>	
Frequency Rate	9.4
Severity Rate	0.2
% trained employees in safety	31.8%

Environment	2008*
<b>Consumptions</b>	
- Electricity consumption (GWH)	313
- Gas consumption (GWH)	123
- Domestic fuel consumption (10 <sup>3</sup> liters)	6.03
- Consumption of raw materials (tons)	4,600
including: * cardboard	2,420
* plastic	685
- Paper consumption (tons)	2,700
- Fuel consumption for cars (million liters)	24
<b>Waste</b>	
Total quantity of waste (thousand of tons)	235.5
% of branches collecting WEE and making WEEE sorting	> 50%
<b>CO<sub>2</sub> emissions</b>	
CO <sub>2</sub> emissions (tons of carbon equivalent)	76,500

\* The 2008 scope of reporting takes into account the Hagemeyer entities acquired during the year.

In 2007 and 2008, Rexel has revamped and improved environmental and social reporting processes (implementation of a software tool dedicated) that led the Group to an increase in the level of control over the data at the level of subsidiaries.

# Consolidated financial statements

## Consolidated income statement

FOR THE YEAR ENDED DECEMBER 31 (IN € MILLION)

	2008	2007
Sales	12,861.6	10,704.4
Cost of goods sold	(9,799.3)	(8,088.8)
<b>Gross profit</b>	<b>3,062.3</b>	<b>2,615.6</b>
Distribution and administrative expenses	(2,432.3)	(1,967.2)
<b>Operating income before other income and expenses</b>	<b>630.0</b>	<b>648.4</b>
Other income	124.4	6.9
Other expenses	(201.0)	(84.8)
<b>Operating income</b>	<b>553.4</b>	<b>570.5</b>
Financial income	74.7	43.0
Interest expense on borrowings	(224.8)	(172.3)
Refinancing related expenses	(11.0)	(165.9)
Other financial expenses	(49.1)	(24.0)
<b>Financial expenses (net)</b>	<b>(210.2)</b>	<b>(319.2)</b>
<b>Net Income before income tax</b>	<b>343.2</b>	<b>251.3</b>
Income tax	(111.7)	(107.8)
<b>Net income</b>	<b>231.5</b>	<b>143.5</b>
<b>Attributable to:</b>		
Equity holders of the parent	230.2	143.0
Minority interests	1.3	0.5
<b>Earnings per share:</b>		
Basic earnings per share (in euros)	0.90	0.65
Fully diluted earnings per share (in euros)	0.88	0.64

## Consolidated balance sheet

FOR THE YEAR ENDED DECEMBER 31 (IN € MILLION)

	2008	2007
<b>ASSETS</b>		
Goodwill	3,662.5	2,608.3
Intangible assets	927.3	686.0
Property, plant & equipment	317.1	272.1
Long-term investments	54.3	76.8
Deferred tax assets	238.1	127.4
<b>Total non-current assets</b>	<b>5,199.3</b>	<b>3,770.6</b>
Inventories	1,329.0	1,143.2
Trade accounts receivable	2,363.3	2,018.5
Income tax receivable	4.0	1.4
Other accounts receivable	477.7	422.6
Assets classified as held for sale	4.6	0.0
Cash and cash equivalents	807.0	515.2
<b>Total current assets</b>	<b>4,985.6</b>	<b>4,100.9</b>
<b>Total assets</b>	<b>10,184.9</b>	<b>7,871.5</b>
<b>EQUITY</b>		
Share capital	1,280.0	1,280.0
Share premium	1,409.9	1,409.9
Reserves and retained earnings	534.4	531.4
<b>Total equity attributable to equity holders of the parent</b>	<b>3,224.3</b>	<b>3,221.3</b>
Minority interests	24.4	6.0
<b>Total equity</b>	<b>3,248.7</b>	<b>3,227.3</b>
<b>LIABILITIES</b>		
Interest bearing debt	3,454.6	1,999.1
Employee benefits	175.4	125.6
Deferred tax liabilities	222.3	161.5
Provision and other non-current liabilities	223.8	52.8
<b>Total non-current liabilities</b>	<b>4,076.1</b>	<b>2,339.0</b>
Interest bearing debt	276.1	118.1
Accrued interest	8.3	4.6
Trade accounts payable	1,930.0	1,659.3
Income tax payable	21.5	24.0
Other current liabilities	624.2	499.2
<b>Total current liabilities</b>	<b>2,860.1</b>	<b>2,305.2</b>
<b>Total liabilities</b>	<b>6,936.2</b>	<b>4,644.2</b>
<b>Total equity and liabilities</b>	<b>10,184.9</b>	<b>7,871.5</b>

## Consolidated statement of changes in shareholders' equity

(IN € MILLION)

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS AND OTHER RESERVES	FOREIGN CURRENCY TRANSLATION	FAIR VALUE	TREASURY SHARES	TOTAL ATTRIBUTABLE TO THE GROUP	MINORITY INTERESTS	TOTAL
<b>At January 1, 2007</b>	<b>630.5</b>	<b>1.6</b>	<b>333.3</b>	<b>5.3</b>	<b>12.3</b>	<b>-</b>	<b>983.0</b>	<b>5.6</b>	<b>988.6</b>
Foreign currency translation				(24.1)			(24.1)	(0.1)	(24.2)
Cash flow hedges					(6.9)		(6.9)		(6.9)
Securities available for sale assets					(0.3)		(0.3)		(0.3)
<b>Income and expenses recognized directly in equity</b>	<b>-</b>	<b>-</b>		<b>(24.1)</b>	<b>(7.2)</b>		<b>(31.3)</b>	<b>(0.1)</b>	<b>(31.4)</b>
Net income			143.0				143.0	0.5	143.5
<b>Total recognized income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>143.0</b>	<b>(24.1)</b>	<b>(7.2)</b>		<b>111.7</b>	<b>0.4</b>	<b>112.1</b>
Issue of share capital	649.5	1,408.3	14.7				2,072.5		2,072.5
Share-based payments			62.4				62.4		62.4
Treasury Shares						(8.3)	(8.3)		(8.3)
Minority interests in companies acquired or sold								-	
<b>At December 31, 2007</b>	<b>1,280.0</b>	<b>1,409.9</b>	<b>553.4</b>	<b>(18.8)</b>	<b>5.1</b>	<b>(8.3)</b>	<b>3,221.3</b>	<b>6.0</b>	<b>3,227.3</b>
Foreign currency translation	-	-	-	(123.0)	-	-	(123.0)	0.7	(122.3)
Cash flow hedges	-	-	-	-	(29.9)	-	(29.9)	-	(29.9)
Securities available for sale assets	-	-	-	-	0.3	-	0.3	-	0.3
<b>Income and expenses recognized directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(123.0)</b>	<b>(29.6)</b>		<b>(152.6)</b>	<b>0.7</b>	<b>(151.9)</b>
Net income	-	-	230.2	-	-	-	230.2	1.3	231.5
<b>Total recognized income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>230.2</b>	<b>(123.0)</b>	<b>(29.6)</b>		<b>77.6</b>	<b>2.0</b>	<b>79.6</b>
Share-based payments	-	-	22.0	-	-	-	22.0	-	22.0
Treasury shares	-	-	-	-	-	(2.2)	(2.2)	-	(2.2)
Dividends paid	-	-	(94.4)	-	-	-	(94.4)	-	(94.4)
Minority interests in companies acquired or sold	-	-	-	-	-	-	-	16.4	16.4
<b>At December 31, 2008</b>	<b>1,280.0</b>	<b>1,409.9</b>	<b>711.2</b>	<b>(141.8)</b>	<b>(24.5)</b>	<b>(10.5)</b>	<b>3,224.3</b>	<b>24.4</b>	<b>3,248.7</b>

## Geographical segment information

FOR THE YEAR ENDED DECEMBER 31 (IN € MILLION)

	EUROPE		NORTH AMERICA		ASIA - PACIFIC		OTHER OPERATIONS		CONSOLIDATED	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<b>Income statement items</b>										
Sales	7,166.6	5,041.9	4,404.8	4,806.1	881.9	797.2	408.3	59.2	12,861.6	10,704.4
Operating income before depreciation and other income & expenses	410.8	409.7	241.1	266.9	65.7	53.9	14.9	(5.1)	732.5	725.4
Depreciation	(57.1)	(35.0)	(30.0)	(31.3)	(5.6)	(3.7)	(9.8)	(7.0)	(102.5)	(77.0)
Operating income before other income & expenses	353.7	374.7	211.0	235.6	60.1	50.2	5.2	(12.1)	630.0	648.4
Goodwill impairment	(76.2)	(8.2)	-	-	(11.2)	-	-	-	(87.4)	(8.2)
<b>Cash flow statement item</b>										
Capital expenditures net of disposals	(30.0)	8.1	(15.6)	(22.9)	(4.5)	(3.3)	41.4	(2.5)	(8.7)	(20.6)
<b>Balance sheet items</b>										
Goodwill	2,585.0	1,475.8	902.2	927.7	174.0	204.5	1.3	0.4	3,662.5	2,608.3
Non-current assets (excluding deferred tax assets & goodwill)	979.9	649.7	237.3	256.4	46.7	56.4	34.8	72.4	1,298.7	1,034.9
Current assets (excluding income tax receivable and cash & cash equivalents)	2,698.2	2,097.8	1,070.7	1,153.9	236.3	269.9	164.8	62.7	4,170.0	3,584.3
Current liabilities (excluding tax liabilities & current portion of financial liabilities)	(1,755.8)	(1,325.0)	(544.5)	(598.9)	(151.1)	(168.3)	(102.8)	(66.3)	(2,554.2)	(2,158.5)

# Consolidated statement of cash flows

FOR THE YEAR ENDED DECEMBER 31 (IN € MILLION)

2008

2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating income	553.4	570.5
Depreciation, amortization and impairment of assets	196.6	85.2
Employee benefits	(15.1)	(6.4)
Change in other provisions	25.3	(5.0)
Other non-cash operating items	(96.1)	59.7
Interest paid	(186.7)	(217.7)
Income tax paid	(109.8)	(41.8)
<b>Operating cash flows before change in working capital requirements</b>	<b>367.6</b>	<b>444.5</b>
Change in inventories	139.0	(50.5)
Change in trade and other receivables	185.1	(11.2)
Change in trade and other payables	(187.4)	54.3
Changes in other working capital items	(3.0)	(5.6)
<b>Change in working capital</b>	<b>133.7</b>	<b>(13.0)</b>
<b>Net cash from operating activities</b>	<b>501.3</b>	<b>431.5</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(96.8)	(72.7)
Proceeds from disposal of property, plant and equipment	88.1	52.1
Acquisition of subsidiaries, net of cash acquired	(3,226.2)	(116.8)
Proceeds from disposal of subsidiaries, net of cash disposed of	905.2	4.9
Change in long-term investments	853.6	(51.7)
<b>Net cash from investing activities</b>	<b>(1,476.1)</b>	<b>(184.2)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issue of share capital	-	1,005.0
(Repurchase) / Disposal of treasury shares	(3.3)	(8.3)
Net change in credit facilities and other financial borrowings	1,030.8	(1,212.9)
Net change in securitisation	354.0	42.2
Payment of finance lease liabilities	(66.3)	(26.9)
Dividends paid	(94.4)	0.0
<b>Net cash from financing activities</b>	<b>1,220.8</b>	<b>(200.9)</b>
Net increase in cash and cash equivalents	246.0	46.4
Cash and cash equivalents at the beginning of the period	515.2	473.1
Effect of exchange rate changes on cash and cash equivalents	45.8	(4.3)
<b>Cash and cash equivalents at the end of the period</b>	<b>807.0</b>	<b>515.2</b>

This document was produced by the Communication and Sustainable development department of the Rexel Group.

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