

letter

No. 1

to Rexel's shareholders

THE WORLD'S LEADING DISTRIBUTOR OF ELECTRICAL SUPPLIES

september 2007

message from the Chairman



Strong growth in business and margins

Dear Shareholders,

It is with great pleasure that I write to you in this first issue of the letter to Rexel's shareholders.

Since its IPO on 4 April 2007, Rexel, the world's leading distributor of electrical supplies, has been improving its financial communications.

To keep you regularly informed of our performances and corporate life, we will be publishing this letter

to Rexel's shareholders on a semi-annual basis. Starting this fall, Rexel will also participate in regional shareholder meetings and will create a new section dedicated to shareholders on the Group's website: www.rexel.com.

"With leading positions in key regions and diversified markets, we are proud to report solid organic growth since the beginning of 2007, as well as ongoing expansion through six selective acquisitions."

In this first issue, you will find information on our strong performances in the first half of 2007. With leading positions in key regions and diversified markets, we are proud to report solid organic growth since the beginning of 2007, as well as ongoing expansion through

six selective acquisitions. Through our daily focus on operational levers – including streamlining the supply chain, and optimizing our logistics platforms and pricing policy – we have made a significant contribution to the margin, current operating income and cash flow.

In each issue, the "Strategy in action" section will highlight one of our key strategic actions. In this issue, we focus on our acquisition policy. To complement the traditional "Rexel shares at a glance," which you will find on the last page, we also thought it important to publish a section entitled "Any questions?", providing answers to the questions most frequently asked by our shareholders.

I hope you will enjoy reading this document, and that it will entice you to subscribe to future issues of the letter to Rexel's shareholders.

Jean-Charles Pauze
Chairman of the Management Board

key first-half figures

+29%

current operating income

Excluding non-recurring net impact from changes in the copper-based cable prices.

€5,305m

in sales

contents

first-half results	pages 2-3
strategy in action	page 4
our commitments	page 5
Rexel shares at a glance	page 6

REXEL

first-half results

Rexel posted a strong performance in the first half of 2007. Benefiting from leading positions in diversified end markets, Rexel reported solid organic growth. Strong sales growth in Europe and the Asia-Pacific region more than offset the slowdown in North America.

The Group managed to adapt its cost base and to generate the announced synergies from the integration of Gexpro in the United States. A higher gross margin and the constant focus on operating levers helped significantly increase the EBITA margin and cash flow. Rexel also made six accretive bolt-on acquisitions, confirming its central role as market consolidator.

first-half 2007 results

Strong operating performance

In the first half of 2007, the Group continued to improve operating profitability and cash flow generation. Revenues totaled €5,305 million, up 4.5% on a constant basis and same number of days compared to first-half 2006. Operating profit before other income and expenses was €326 million, up 28.7% on a constant basis, with an operating margin of 6.1% in first-half 2007, compared to 5.0% in first-half 2006. Free cash flow after net investments and before interest and taxes was €364 million, compared to €151.7 million in the year-earlier period.

This operating performance was accompanied by solid organic growth, up 4.5% on a constant basis and same number of days. Revenues in Europe and the Asia-Pacific region (54% of consolidated revenues) rose 9.6% and 13.2%, respectively. This more than offset the decline in North American revenues (45% of consolidated revenues), down 1.4% on a constant basis and same number of days.

first-half 2007

SALES

€5,305m

(+30.3% on a reported basis)

(+4.5% on a constant basis ⁽¹⁾)

CURRENT OPERATING INCOME ⁽²⁾

€326m

(6.1% of sales)

(+28.7% on a constant basis)

NET INCOME ⁽³⁾

€150m

(+97% on a reported basis)

FREE CASH FLOW ⁽⁴⁾

€364m

(+140% on a reported basis)

- (1) Constant scope, exchange rate and same number of days.
- (2) Excluding non-recurring net impact from changes in the copper-based cable prices and before other income and expenses.
- (3) Excluding IPO-related costs.
- (4) Before interest and taxes paid.

key figures

€10.7_{bn}
worldwide sales

(2006 pro-forma data)

#1
in North America

#2
in Europe

#1
in Asia-Pacific

1st

worldwide network
with 1,945 branches

25,400
employees
in 29 countries

Rexel's industrial, commercial and residential end markets have expanded in Europe in the first half of 2007. Residential construction contracted in France and the UK compared to the year-earlier period, but was more than offset by the growth in its renovation activity, which accounted for half of the Group's construction business in Europe. In the Asia-Pacific region, growth was very robust in the commercial and industrial markets, notably in the mining sector. In North America, even though the markets grew slightly in Canada, revenues declined due to the sharp drop in housing construction in the United States, which had an indirect impact on the commercial market, and to a tough basis of comparison (high growth levels in 2006). Under these conditions, Rexel continued to bring into play operating levers – notably the development of customer services, the permanent optimization of pricing structures and the enrichment of supplier partnerships – and to generate the synergies announced from the integration of Gexpro's American network (formerly GE Supply). On a constant and adjusted

basis, the gross margin increased to 24.8% at 30 June 2007 from 24.1% at 30 June 2006.

The Group continues to improve its logistics structures and the productivity of back-office functions. Rexel launched a cost reduction plan in the United States in order to adapt to current market trends. These actions, combined with tight cost management in other regions, led to a decline in operating charges as a percentage of revenues, which dropped from 19.1% in H1 2006 to 18.6% in H1 2007, on a constant and adjusted basis. Growth was limited to 2.1% in H1 2007 compared to the year-earlier period, and to 0.6% in Q2 2007.

The combination of robust organic growth, bolstered by the improvement in gross margins, and tight cost controls triggered a significant increase in current operating income on a constant and adjusted basis.

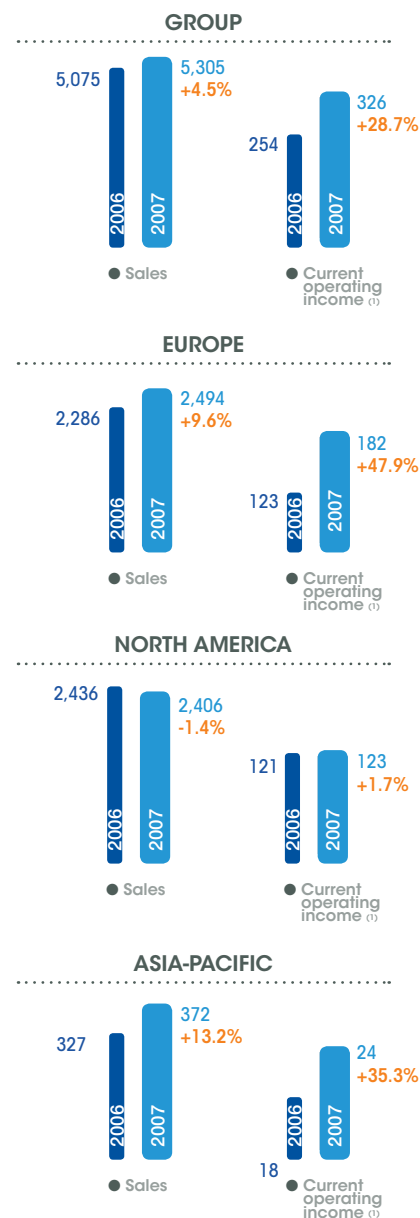
The significant improvement in operating profitability in the first half of 2007 was accompanied by significant cash flow generation, notably through the ongoing reduction in working capital requirements (WRC). Expressed as a percentage of revenues, WCR declined to 13.6% at 30 June 2007 from 15% on a constant basis at 30 June 2006. Compared to H1 2006, free cash flow after net investments and before interest and taxes increased 140% to €364 million.

Lastly, during the first half of 2007, Rexel pursued its consolidation strategy in the distribution of electrical supplies with the acquisition of small and medium-sized enterprises: six acquisitions were made since the beginning of the year in Australia, China, France, the United States, the United Kingdom and Belgium.



key figures: first-half 2007

(millions of euros;
on a constant basis)



(1) Excluding non-recurring net impact from changes in the copper-based cable prices and before other income and expenses.

? ANY QUESTIONS

WHAT LEVERS DOES THE GROUP USE TO BOOST PROFITABILITY?

Given its expertise in implementing good business practices, Rexel is very confident in its ability to improve profitability. Its operating levers concern notably the enhancement of supplier partnerships, the ongoing optimization of pricing policies, and the creation of added value for customers. Rexel's selective acquisition strategy amplifies the favorable impact of these operating levers.

strategy

in action

External growth, a means of creating value



Rexel, the world leader with "only" 7% market share in a highly fragmented market estimated at €145 billion, has made growth through acquisitions a strategic part of its development. Our priority is to acquire small and medium-sized companies (revenues of about €300 million) that increase the density of local positions in the most dynamic geographic regions.

After having acquired for €2.4 billion in additional sales in 2006 – including GE Supply, renamed Gexpro, which hoisted Rexel to the number-one position in the United States – Rexel pursued its strategy with six selective acquisitions since the beginning of the year to expand its line of services and strengthen its distribution network in Australia, China, France, the United States, the United Kingdom and Belgium.

Acquisitions in China

After the creation of a second joint venture in Shanghai in May 2006, the Group purchased a 51% stake in Huazhang Electric Automation, a company specializing in the distribution of automated industrial systems, in March 2007. Present in China for the past six years, Rexel is the leading international electrical distributor in the Beijing and Shanghai regions. The Group is pursuing its strategy of selective partnerships in product segments and regions with strong development potential.



at a glance

Australia major contract

With the signing of a 3-year contract for over €50 million in Australia, Rexel now provides services for BHP Billiton, the world's largest mining company.



Canada branches

The Canadian Westburne has strengthened its business with the Syncrude consortium, a group of companies operating the world's largest oil-sand fields in Alberta. Two branches were specially opened at the production sites.

Austria services

For the third time, the Austrian Schäche was awarded the Goldene Stecker for the quality of its services.

United States business

For the period 2008-09, Rexel will chair the National Association of Electrical Distributors (NAED).

6 acquisitions since 1 January 2007

February 2007	March 2007	June 2007	July 2007
NCA Australia	Huazhang Electric Automation China	Tri-Valley Electronic Supply United States	Boutet Belgium
	APPRO 5 Dijon, France	Clearlight United Kingdom	

? ANY QUESTIONS

WHAT IS REXEL'S DIVIDEND DISTRIBUTION POLICY?

Rexel will begin paying a dividend in 2008 for the year 2007. At the time of its IPO, Rexel stated that it was targeting an annual dividend payout of 30% to 35% of net income. This target range demonstrates the Group's determination to share the fruits of its financial performance with shareholders, while providing the means for its medium-term development. The General Meeting of Shareholders determines the amount of the dividend payout.

our commitments

Voluntarily committed to helping reduce greenhouse gas emissions, Rexel has positioned itself as a “distributor of energy savings”. The stakes are high: to promote energy-efficient electrical supplies, to build customer and employee awareness of the need to preserve the environment, and to organize recycling. We have launched numerous initiatives worldwide.

In Australia

A world first! Incandescent bulbs will no longer shine in Australia. Under a new law, they will be gradually phased out by 2012 and replaced with neon bulbs that consume 80% less energy. This is a promising regulatory shift for Rexel’s business in Australia.

In Germany

Rexel Green Partner: in 2007, Rexel Germany gave an environmental bent to its e-Partner sales program by offering contractors training in how to install products with “renewable energy” labels for houses and buildings. Several training sessions were organized for contractors on installing, maintaining and recycling air conditioning systems and heat pumps.



In Canada

Nedco has signed an environmental partnership with the electrical power company Hydro-Quebec, to set up an energy consumption optimization program and to label lighting products that comply with environmental standards.



In Chile

On 24 April 2007, Rexel’s Chilean subsidiary was awarded ISO 9001 certification, confirming its capacity to develop quality management systems. Total customer satisfaction and Rexel’s commitment to quality were key factors in obtaining this environmental certification. Way to go!

In the United States

Rexel Inc. contributes nationally to the recycling program set up by the labor, hygiene and environmental inspection service, which encourages companies to comply with regulations concerning the disposal of lamps, transformers and used batteries. For a set fee, Rexel Inc. offers customers transport and recycling services for electrical wastes.

In France

In line with the European Directive DEEE, Rexel has set up recycling containers in its branches for the disposal of lighting products.



Read the first issue of our Sustainable Development Report, available by mail on request or from our website.

? ANY QUESTIONS

WHAT IS REXEL'S SHAREHOLDING STRUCTURE?

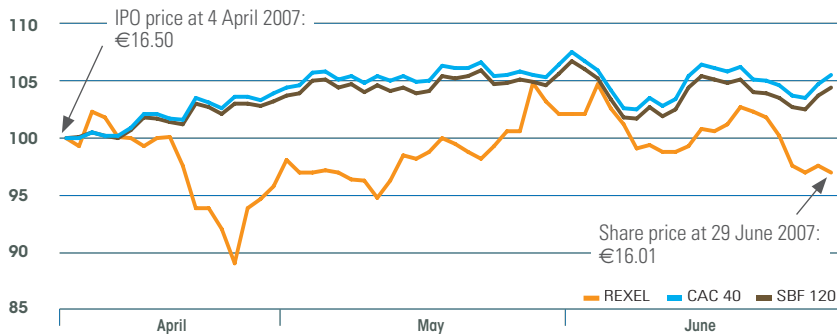
Before its stock market listing, Rexel was over 99% owned by Ray Investment. The initial public offering on 4 April 2007 enabled French and international institutional investors as well as individual French residents to become Rexel shareholders. The opening of the Group’s share capital was accompanied by a reserved share offer for employees, which was offered in 21 countries and available for nearly 96% of Group employees. After the IPO, Ray Investment is still Rexel’s largest shareholder, with a 74% stake. The free float accounts for nearly a quarter of Group shares (24%), and Rexel employees own the remaining 2%.

Rexel

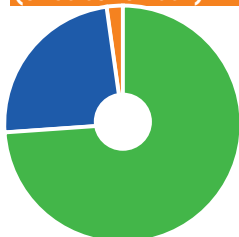
shares at a glance

Rexel has always strived 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 has created a section dedicated to shareholders on the Group's website, a toll-free number, and this semi-annual Letter to Shareholders. We will also organize meetings in Paris and in the French regional areas, where shareholders will have the opportunity to raise questions directly with the Group's executive management.

share performance (to end of June; 100 = 4 April 2007)



shareholding structure (at 30 June 2007)



- ray investment* **74%**
- free float **24%**
- Rexel employees **2%**

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

share information

ISIN: FR0010451203

Listing place: NYSE Euronext

Market: Eurolist by NYSE Euronext - Compartiment A

Sector: Industrial suppliers

First listing: 4 April 2007

Number of shares (at 30 June 2007): 255,993,827

Market capitalization (at 30 June 2007): €4,098m

Indexes (since 18 June 2007): SBF 120, SBF 250, CAC

MID100, CAC AllShares

calendar

upcoming publications

13 November 2007

Q3 2007 sales and earnings report

14 February 2008

Full-year 2007 sales and earnings report

upcoming meetings with shareholders

22 October 2007 in Nantes

Meeting organized by the French Federation of Investment Clubs

20 November 2007 in Nice

Meeting organized by the French Federation of Investment Clubs

Want to know more?



ACTIVITY REPORT

Our 2006 Activity Report provides information on the Rexel group's key figures and events for the year 2006.

The report is available on request by mail, or can be downloaded from our website: www.rexel.com.

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ANY QUESTIONS

HOW CAN I BUY DIRECT REGISTERED SHARES?

Owners of direct registered shares benefit not only from free custodial rights, they also receive direct, personalized information (such as the letter to Rexel's shareholders), invitations to all general meetings, and access to a website with information on their share account (www.gisnomi.bnpparibas.com). See your financial intermediary to buy direct registered shares.

See you soon!