

# letter

# No. 2

## to Rexel's shareholders

LEADING DISTRIBUTOR WORLDWIDE OF ELECTRICAL SUPPLIES

May 2008

message from the Chairman



## Strengthening of our global leadership

Dear Shareholder,

2007 was a year of solid performance and reinforcement of our global leadership. In a difficult environment, Rexel demonstrated the relevance of its business model and the efficiency of its strategy by achieving strong growth: sales up +15.1%, operating profit exceeding our objectives with 16.2% growth, gross operating margin of 6.1%, cash flow up 37.4% and net profit, before IPO costs, increased by 65.3% from 2006.

**"With the acquisition of most of Hagemeyer's European businesses, Rexel is more than ever prepared to increase its performance and create value."**

2007 was also the year in which we launched our offer to acquire Hagemeyer, the third-largest actor in the industry, which was completed in the first quarter of 2008. It is a historic milestone in the industry of electrical supply distribution business and for the Rexel Group. After the transfer to Sonepar of Hagemeyer's businesses in North America, Asia-Pacific as well as selected assets in Europe, we will increase our size by one third, thus creating a group with 14.3 billion euros in sales, and a leader in many European markets.

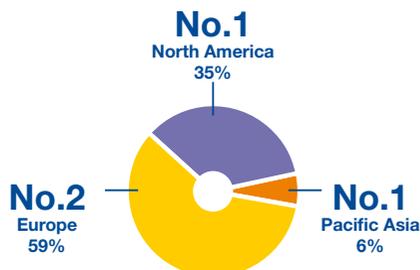
Our profitable growth strategy will now be applied with the same determination to a broadened and more balanced base, thus gaining in power and resilience.

In 2008 and in the medium term, Rexel is better positioned to operate in structural growth areas, including the industrial market, emerging countries, and key accounts.

I hope that this second letter to our shareholders will provide enough information to help you understand why Rexel is more than ever prepared to increase its performance and to create value.

**Jean-Charles Pauze**  
Chairman of the Management Board

break-down of 2007 pro forma sales\*



\* Excluding ACE, Chile and specific businesses managed by the Group (Citadel, Conectis, etc.).

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**REXEL**

ELECTRICAL SUPPLIES

# With Hagemeyer, a **reinforced** profile, new financial goals

By combining most of Hagemeyer's European businesses with that of Rexel, the Group reinforces its global leadership and becomes more powerful, more resilient and more attractive. With its strong track record in successful integration of past acquisitions, Rexel is convinced that this combination will provide an unparalleled source of profitable growth and value creation. Portrait of a Group on the move...

## A **broadened** European presence, reinforced **resilience**



Following the launch of its public offer on 24 December 2007, which was successfully completed on March 14, 2008, Rexel has acquired almost all of the shares of Hagemeyer, the third-largest actor in the industry. Upon completion of the transfer to Sonepar within the coming 6 months of Hagemeyer's businesses in North America, Asia-Pacific, and some European assets, as well as asset swaps with Sonepar, the Group is acquiring 3.5 billion euros of additional sales, mainly in Europe.

This transforming acquisition allows the Group to consolidate its global leadership in the distribution of electrical supplies.

Hagemeyer's European businesses increase Rexel's sales in Europe by more than 60% and reinforce its presence with industrial clients.

On a pro forma basis<sup>(1)</sup>, the new Group's sales amount to 14.3 billion euros in 2007 (compared with 10.7 billion euros on an actual basis), with adjusted EBITA<sup>(2)</sup> of 771 million euros (compared with 658 million euros on an actual basis) and free cash flow of 747 million euros (compared with 670 million euros on an actual basis) before interests and taxes.

Now operating in 34 countries<sup>(3)</sup> vs. 29 prior to the transaction, Rexel becomes a leader in markets such as the United Kingdom, Spain and Scandinavia. The new Group remains the leader in North America and Asia-Pacific and reinforces its number 2 position in Europe. Rexel is now leader or number two in 20 countries (compared with 10 previously) accounting for 75% of the European market.



## Result of the offer as at March 25, 2008

### Rexel holds:

- 98.67% of Hagemeyer's shares,
- 100% of 2012 convertible bonds.

Rexel has initiated the delisting of Hagemeyer's shares and convertible bonds, which will become effective on April 21, and initiated squeeze-out procedures.

### 2007 pro forma key figures

€14.3 bn  
Sales

€771 m  
Adjusted EBITA

Rexel becomes  
No. 1 or No. 2 in 20 countries

## Annual synergies amounting to 1.5% of Hagemeyer's acquired sales by 2011

The merger of the two players, whose areas of expertise are complementary, allows to achieve significant synergies to reduce costs, improve operational efficiency and increase sales.

Ongoing concentration of purchasing from selected suppliers, rationalisation of back-office functions, optimisation and convergence of the logistics and I.T. infrastructures.

## An experienced management team to implement the integration

Rexel has set up an experienced team to lead the integration of Hagemeyer's retained European businesses and be ready to seize growth opportunities.

By 2011, the expected synergies should account for 1.5% of the acquired sales, i.e. approx. 50 million euros per year.

Simultaneously, the new Group will have a reinforced sales network and broader marketing and added value service capabilities to take full advantage of the market potential.

In the past, Rexel has demonstrated its ability to materialize the benefits of its acquisitions, with rapid company integration (more than 27 since 2004, including Gexpro) and achieving progress both for the acquired company and for the Group.

## Delivering medium term and 2008 financial objectives

With the acquisition of Hagemeyer, Rexel disclosed its financial objectives, based for greater clarity on 2007 Restated financial indicators<sup>(4)</sup>.

For the medium term (2011), these objectives are:

- revenue compound average growth rate of 4% to 6%, with at least half of that growth coming from organic development;
- adjusted EBITA margin<sup>(2)</sup> increase of at least 100 basis points from 5.2%;
- continued improvement of 70 basis points from 13.2% of sales in working capital requirements;
- net debt to be reduced to between 2x and 3x Adjusted EBITDA from 4.0x at December 31, 2007.

For 2008, consolidating nine months of Hagemeyer's retained entities from April 1, 2008, Rexel expects:

- limited revenue growth including bolt-on acquisitions compared to 2007 Restated revenue<sup>(5)</sup> of 13.0 billion euros;
- adjusted EBITA margin comparable to the 2007 Restated<sup>(5)</sup> level of 5.4%;
- working capital requirement as a percentage of sales and net debt to Adjusted EBITDA ratio on track to reach mid-term objectives.

Based on a solid industrial rationale and generation of significant expected synergies, this strategic acquisition results in a stronger platform for profitable growth and more value creation for our shareholders.

For further details, view the press release available at [www.rexel.com](http://www.rexel.com)

(1) Pro forma for (i) acquisitions completed in 2007, (ii) the acquisition of Hagemeyer, (iii) transfers and exchanges of assets with Sonepar and (iv) the transfer of part of Hagemeyer's electrical equipment distribution business in Ireland, as if those events had taken place as at January 1, 2007.

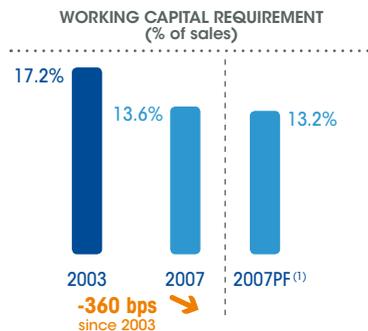
(2) The EBITA is defined as the operating result before other income and expenses. The adjusted EBITA corresponds to the EBITA before the amortisation of intangible assets resulting from the acquisition price of Hagemeyer estimated at 15 million euros per year after 2007, excluding the estimated non recurring effect of price variations of copper-based cables.

(3) Plus Korea, Taiwan and Micronesia, where only ACE operates.

(4) On a basis (i) reflecting current currency exchange rates, (ii) including non cash costs of long term profit sharing plans and (iii) excluding non recurring favourable items of the 1<sup>st</sup> 2007 quarter previously disclosed.

(5) Based on the completion as at April 1, 2007 of the (i) Hagemeyer public offer, (ii) of the transfers and exchanges of assets agreed with Sonepar and (iii) the transfer of part of Hagemeyer's electrical equipment distribution business in Ireland.

## 2003-2007: outstanding performance



34 countries,  
including 5 new ones  
(Norway, Finland, Estonia,  
Latvia, Lithuania) plus Korea,  
Micronesia and Taiwan where only  
the ACE division operates

2,600  
branches

+50%  
growth in the number  
of branches in Europe

34,800  
employees

# strategy in action

## Strategic partnerships with suppliers ensuring **competitiveness**

Establishing relationships with suppliers is a component of Rexel's strategy, allowing us to optimise our offer and our performance. Rexel maintains privileged lasting relationships with around forty global suppliers, or strategic partners. In addition to these strategic partnerships, Rexel works with national and local suppliers, whose specific products allow us to increase our competitive advantage.

Working with manufacturers who have a large domestic market share is crucial, as they act as expert channels. Apart from size, their ability to offer exclusive marketing services and training support to Rexel's sales force, are also deciding factors.

2007 saw continued supplier concentration. Rexel realises approx. 55% of its purchases with 25 of its top suppliers. By rationalising its purchase policy, the Group reinforces the benefits of its size: negotiation of more favourable sales terms, exclusivity on some innovative products, price and payment optimisation, etc.



in short

### United States branches



Rexel, Inc. is betting on Cedar Park in Texas. A rapidly growing town, 50 miles northwest of Austin, Cedar Park has plans for large medical and commercial projects. The branch opened late 2007 on a 743 m<sup>2</sup> site and includes a warehouse, showroom and offices.

### China clients

Since 2005 Rexel Hailongxing, based in Beijing, has worked in cooperation with Hai Ke Jian, a key property developer in China's own version of Silicon Valley. The partnership which sees Rexel Hailongxing as the exclusive supplier of electrical equipment, is a model Chinese-western economic relationship.

### Group new logo

On December 3, 2007, Rexel launched its new visual identity. The new logos (blue for corporate use and orange for commercial) are being gradually established in the 14 countries where the Rexel brand operates.



### Austria logistics

Rexel Austria will inaugurate officially in the Spring its new distribution centre. It provides a single point of delivery for suppliers and enables centralized dispatching of customer orders and branch stock. Located on 16,000 m<sup>2</sup>, the new Austrian hub offers 30 000 items and covers a 400 km delivery radius. This infrastructure, the only one in Austria, will help the subsidiary to enlarge its product offer, improve inventory management and increase efficiency.

## ? YOUR QUESTIONS

### WHAT ARE THE CONDITIONS FOR RECEIVING THE DIVIDEND?

To be paid the dividend per share, you need to hold a share for a least five calendar days before the General Meeting of May 20, 2008, i.e. since May 15, 2008 at the latest.

### HOW TO VOTE AT REXEL'S SHAREHOLDERS' MEETING?

You can either vote by mail after requesting a form from your financial agent, or by completing the voting form provided to you at the Shareholders' Meeting.

# our commitments

As an industry expert to professional contractors and end users of electrical equipment, Rexel develops its proficiency every year in the area of energy-saving products and renewable energy products. With a concern for market trends and for their clients' energy consumption reduction needs, Rexel's employees play a significant role in advising, training and increasing their awareness, whether they be small contractors, large industrial or commercial customers.

## Figures

In 2007 sales of low consumption lighting sources accounted for about 52% of the Group's sales vs. 39% in 2005. They now exceed that of incandescence lighting sources.

## In Canada

In 2007 Westburne, one of Rexel's Canadian companies, and Philips Lighting, partnered to promote energy saving lighting systems. The cooperation translated to the manufacturer setting up dedicated sales forces, training experts in the branches, and creating a magazine for clients.

## In China

Rexel Hailongxing, Rexel's Chinese subsidiary based in Beijing launched an initiative in 2007 to collect and recycle used batteries at its three sites. To encourage initial support and use of this service, Rexel Hailongxing developed a promotion for their employees' children.

During a holiday period, if the children collected and returned used batteries to a branch, they received a gift.

By involving their employee's families, Rexel Hailongxing is promoting sustainable growth.



## In the United States

Since 2007, Rexel, Inc.'s clients have been able to use their lighting product, battery collection and recovery service. Available when products are purchased in the branches, the recycling option is available through two systems: the "Recyclepak" package and its prepaid collection solution or an "à la carte" service allowing the handling of significant volumes with regular collections.

## In the Group

**Continued roll out of the ethics guide**  
During 2007 Rexel circulated its ethics guide for employees in 16 languages. Based on the principles of integrity, respect and dialogue supported by Rexel, the guide is in line with a global ethics process encouraging employees to "ask the right questions" in their work, towards all of the Group's stakeholders. In order to facilitate management and employee dialogue, a network of ethics correspondents has been set up in each country.

## YOUR QUESTIONS

### WHAT IS THE DIVIDEND AMOUNT FOR FY 2007 AND WHEN WILL IT BE PAID?

The dividend proposed to the approval of the Shareholders' Meeting dated May 20, 2008, amounts to €0.37 per share. This represents a ratio of 30% of the net profits before I.P.O.-related. The dividend, if approved, will be paid on June 30, 2008.

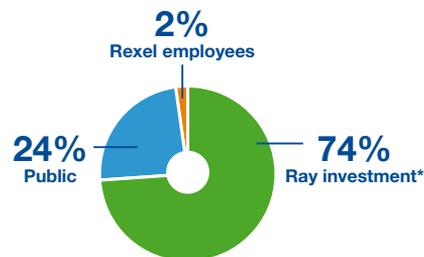
# Rexel shares at a glance

Rexel has been included since January 2, 2008 in the NEXT 150 stock exchange index of NYSE Euronext, which represents the segment of the medium to large market capitalization stocks listed on Euronext. As from Feb. 26, 2008, Rexel will also benefit from the Deferred Settlement Service (SRD). With a capitalisation exceeding one billion euros and a daily volume of exchange of over one million euros, Rexel meets the SRD eligibility criteria. Investors can therefore defer the settlement of their transactions on Rexel shares until the end of the month. In addition to the NEXT 150 index, Rexel is part of the SBF 120, SBF 250, CAC Mid100 and CAC AllShares indexes.

## share performance until April 4, 08 - base 100 as at April 4, 07



## shareholding structure



\* mainly made up 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: April 4, 2007

Number of shares (as at December 31, 2007): 255,993,827

Market capitalization (as at December 31, 2007): €3.2 bn

Indexes (since January 22, 2002):  
NEXT 150, SBF 120, SBF 250, CAC MID 100,  
CAC AllShares

## calendar

Publication of the 1<sup>st</sup> 2008 quarterly results

May 15, 2008

General Meeting of Shareholders

May 20, 2008 in Paris

Publication of the 2<sup>nd</sup> 2008 quarterly results

July 31, 2008

Shareholder Meetings

May 22, 2008 in Marseille

June 17, 2008 in Rennes

September 18, 2008 in Strasbourg

## further information



**2007 ANNUAL REPORT:**  
Our 2007 Annual Report provides information on the Rexel group's key figures and events for the year 2007. The report is available on request by mail, or can be downloaded from our website: [www.rexel.com](http://www.rexel.com)

## contact us

Email:

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

Telephone:

Toll-free: 0800 666 111

(toll free from a fixed-line phone in France)

Internet:

[www.rexel.com](http://www.rexel.com)  
heading: finance

Mail:

Shareholder Relations Service  
189-193, bd Malesherbes  
75017 Paris, France

## YOUR QUESTIONS

### WHY IS REXEL'S GOOD OPERATING PERFORMANCE NOT REFLECTED IN ITS STOCK PRICE?

Rexel's stock price reflects the current market concern in terms of sector and geography exposure. From a sector point of view, Rexel realized in 2007, approx. 62% of its business in construction and 38% in industry. Residential and commercial construction are central to the growth prospects of developed economies and are broadly dependent on interest rates, savings and consumption trends, which are now the subject of highly differentiated scenarios. In addition, Rexel achieved 45% of its 2007 sales in North America, where recession risks are high. With the acquisition of most of Hagemeyer's European business, North America's share of overall sales is reduced from 45% to 35% and the weight of Europe increased from 48% to 59%, which is a favourable factor of business resilience.

...see you soon!