

# letter

# No. 4

## to Rexel's shareholders

LEADING DISTRIBUTOR WORLDWIDE OF ELECTRICAL SUPPLIES

June 2009

Message from the Chairman



# Strong resilience in a deteriorated environment

Dear Shareholder,

Global economic conditions have deteriorated significantly since the spread of the financial crisis of September 2008 to the rest of the economy. Progressively affecting the residential construction segment, followed by commercial and industry, the downturn was particularly severe in the fourth quarter of 2008 and continued to gather steam in the first quarter of 2009.

Despite this situation, Rexel's business model has demonstrated both flexibility and resilience.

2008 ended with a solid performance overall and in the first quarter of 2009, the fall in EBITA was contained given the sharp decrease in sales. All regions – North America, Europe and Asia-Pacific – have been impacted. However, Rexel continues to gain market shares in its key markets and the Group accelerates the implementation of its operating levers (IT, supply chain, supplier relations, e-commerce, key accounts). Besides, the Hagemeyer integration is progressing well and the synergies delivered are in line with expectations. In

addition, continued gross margin improvement coupled with our cost reduction efforts which intensified in the first quarter 2009, are contributing to the resilience of our operating margin.

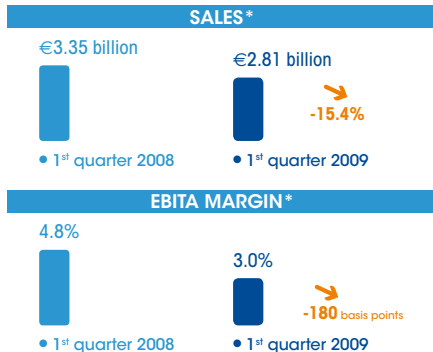
More importantly, the Rexel model reflects the Group's ability to achieve high cash flow allowing it to improve its financial structure and pursue its policy of debt reduction. However, the uncertain economic environment is leading us to take all necessary steps to ensure our financial flexibility, including the suspension of the dividend in 2008.

As a world leader, Rexel is well-positioned to defend its profitability, to seize opportunities in fast-growing markets and to come strengthened out of the economic downturn that we now face.

I hope you find this letter both interesting and informative.

Jean-Charles Pauze  
Chairman of the Management Board

**"In the medium term, Rexel is well-positioned to capture growth opportunities in booming areas such as energy efficiency solutions and major infrastructure projects."**



\* On constant and same-day basis.

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# 2008

## a year of transformation and adaptation

Focused on the Hagemeyer integration and on adapting to deteriorated economic conditions, Rexel turned in a solid performance in 2008.

The transforming acquisition of Hagemeyer's European assets has strengthened Rexel's position in Europe, rebalanced its presence in the United States and made the Group stronger and more powerful.

Rexel also demonstrated superior responsiveness in 2008. Its model emphasizes cash flow optimization, and the Group has shown a strong capacity for adapting its costs to changing conditions.

With sales down slightly (-0.8% on a comparable basis and constant number of days) to €12.9 billion, EBITA margin remained stable at 5.4% of sales, in line with Group objectives. In a profoundly degraded environment, Rexel gained market shares in its key countries. Moreover, the Group managed to increase its gross margin level from 24.1% to 24.3%, maintain profitability, and generate a high cash flow of €789 million (up 18%), before interest and taxes.

### Adaptation

These solid performances underscore the strength of its business model and the successful implementation of its operating levers, not to mention the pro-activity of its teams, and an effective cost management. The Group protected its margins through the control of all its costs. Very early on, steps were taken to streamline transportation and real estate contracts, and to adjust headcount.

The crisis also led the Group to consider adaptations to its model in the countries most heavily impacted, and where major restructuring has occurred, including the

United Kingdom and Spain. At the same time, the ability to pursue optimization of operating levers (supply chain, purchasing, etc.) in all areas was crucial. All of these actions are fully consistent with the Group's strategy of profitable growth, which is based on continuous improvements in cost structure, network productivity, and profitability.

### Financial Structure

After completing the acquisition of Hagemeyer on June 30, 2008, the Group embarked on a strategy of debt reduction. Debt fell by almost €215 million in the second half of 2008 – with an additional €45 million shaved off in the first quarter of 2009 – mainly resulting from improvements in the working capital requirement.

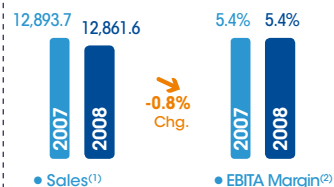
As of March 31, 2009, the Group's net debt stood at less than €2.9 billion.

Also as of March 31, 2009, Rexel had €1.2 billion in cash assets, quite above its needs for the repayment schedule of the senior loan due by the end of 2011.

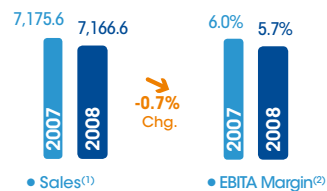
### Key Figures 2008

(in millions of euros and using comparable data)<sup>(2)</sup>

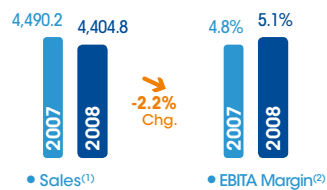
#### GROUP



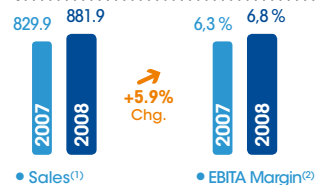
#### EUROPE



#### NORTH AMERICA



#### ASIA - PACIFIC



(1) Same-day basis.

(2) Excluding the non-recurring effect of fluctuating prices for copper-based cables, excluding non-recurring items from Q1 2007, and before other income and expenses.

### Key Figures 2008

Proforma Sales:  
€13.7 billion

Over 40 generalist  
and specialist brands

33,000 employees  
in 34 countries

No. 1 or No. 2 position  
in 25 countries

Leading  
worldwide network with  
2,400 sales outlets

# Our Priorities for 2009

In view of the sharp deterioration in the economic environment, Rexel has set three priorities for 2009 to strengthen its capacity and prepare for the future:

- 1 Maintain its profitability**, particularly through measures to protect its gross margin, to accelerate the distribution and administrative expenses reduction plan (increased to €170 million) and to leverage synergies from the Hagemeyer acquisition.
- 2 Continue to reduce Group debt**, which involves maximizing cash flow by reducing its gross capital expenditure by 25%, improving its working capital requirement and suspending payment of the dividend for fiscal 2008 (see question on page 6).
- 3 Seize opportunities for organic growth**, focusing on booming segments such as state-sponsored economic stimulus programs, markets for energy savings and renewable energy and large-scale projects (services, mining and oil infrastructures).



## A cost-savings plan increased to €170 million

The flexibility of the Rexel model allows it to respond quickly to new market conditions. To cope with sales which fell more sharply in the first quarter of 2009 as against the fourth quarter of 2008, Rexel has increased the targeted savings from its distribution and administrative expenses reduction plan from €110 million to €170 million. This plan applies to all countries, and concerns mainly employee compensation, branch closures and the optimization of logistics costs.



## Hagemeyer: a fast-track integration

With the acquisition of Hagemeyer's European assets, Rexel expanded its size by one third. To reap the full benefits of this major acquisition, Rexel has set up an integration process which is on track to achieve targeted cost synergies of approximately €50 million per year from 2011 onwards, and €30 million in 2009.

These synergies relate to:

- the creation of a single management team in countries where Hagemeyer's operations have combined with those of Group companies;
- the alignment of purchasing terms with common suppliers; and
- the optimization of logistics hubs and commercial networks.



## YOUR QUESTIONS

### WHAT ARE THE REASONS FOR THE STOCK'S SHARP DECLINE IN THE PAST YEAR?

Rexel's stock price has suffered the dual brunt of the crisis in the financial markets coupled with that of the world economy, which is impacting all Rexel end markets. Our sales, like those of our major suppliers, have undergone an exceptionally steep decline, and were off by about 15% in the first quarter of 2009. In addition, in March 2008, Rexel completed a major strategic acquisition (Hagemeyer) which increased its debt level, only a few months before the crisis in the financial markets began to penalize the most heavily indebted companies. In this context, Rexel is implementing a policy of adjusting its costs to current economic conditions, reducing its debt, and strengthening its financial structure, while at the same time pursuing its growth targets in more buoyant markets. Through this policy, and its strong fundamentals, Rexel will come out of this crisis strengthened, and its stock price should benefit.

# strategy

## in action

### Sales initiatives to boost business

Rexel initiates and implements sales-boosting initiatives in every region in which it operates. These actions seek either to consolidate the distribution of electrical parts and supplies, or to seize opportunities in new segments of fast-growing markets. In Germany, for example, Rexel's subsidiary, Hagemeyer Deutschland, has twenty "competence centers" dedicated to assisting its industrial customers. In Australia, the "Warehouse"-type branch that the Group has set up in three major retail zones (Sydney, Melbourne and Brisbane) has more predominant self-service areas, greater product visibility and more efficient service at the counter. In the United States, the **Customer Impact** initiative led by Rexel Inc. seeks to identify growing customer segments and to target new customers.

### Customer Connect: a unique sales operation staged in 17 European countries

In May of this year, **1,200 local** sales representatives and managers visited more than **30,000 clients**, highlighting the new profile of the Rexel Group, which was reinforced by the addition of most of Hagemeyer's European operations, brands and competencies. While explaining the added value and services offered by the Group, the teams also presented sales programs specific to customers and tailored to their local markets.

In the current challenging climate, this initiative seeks to focus more attention on customers and present them with new solutions that can help them in their business development. Through this initiative, **Rexel's 26 networks**, in partnership with global and local suppliers, presented offers which meet the needs of their customers and promoted new applications, particularly in the area of renewable energy and energy savings.

#### News Briefs

##### United Kingdom

#### Saving energy for the 24/7 Quay West shopping mall car park

In the United Kingdom, the WF company supplied the lighting for the 14-storey car park at the Quay West shopping mall in Southampton. Some 6,000 light fixtures were replaced with low-energy lighting. The £350,000 project generates annual energy savings of approximately £300,000.

##### United States

#### 100% growth in one year for a Rexel panel partner in Oklahoma

The Rexel branch in Oklahoma City, an exclusive distributor of Allen Bradley equipment (Rockwell Automation), has helped AAE Automation, a local manufacturer of electrical panels, to expand its business by providing it with certified electrical equipment and by recommending it to its own customers.



##### Sweden

#### Rexel chosen for construction of the Bothnia Line

Selga, a Rexel subsidiary in Sweden, is the leading supplier for Skanska, the global construction giant, and Lemminkainen, the Finnish construction company. The two companies have involved Rexel's Swedish operating company in the construction of the Bothnia Line, Sweden's largest rail infrastructure project. Their choice was influenced by the breadth of the company's offering and its ability to provide equipment suitable for the harsh climate (temperatures as low as -30°C).



## ? YOUR QUESTIONS



### WILL THE NEW EUROPEAN LEGISLATION ON LIGHT BULBS BENEFIT REXEL?

As a leading distributor of electrical products and solutions, Rexel will benefit from the regulatory change that aims to replace incandescent bulbs with energy saving ones (fluorescent bulbs, certain halogen bulbs, LEDs) in Europe by the end of 2012.

Lighting accounted for 17% of Group sales in 2008; the replacement of European lighting systems with eco-friendly products therefore presents a promising market opportunity for Rexel.

# our commitments

As part of its commitment to energy management, Rexel is seeking to promote products that help control and/or reduce energy consumption. Lighting represents 14% of the electricity consumed in Europe and almost 20% of electricity used around the world. The move from traditional to energy-saving lighting could cut consumers' bills by up to 75% – representing a high growth potential segment for Rexel.

In developing its local and global expertise, Rexel is helping to speed up the worldwide distribution of new eco-efficient solutions to its business customers.

## An expanding product range

In the majority of its worldwide markets, Rexel offers its customers easy-to-use energy-saving products that can measure, optimize and control consumption.

- **Measuring**, by installing energy measuring equipment to gain better knowledge of energy use, and thus control it better.
- **Optimizing**, by compensating reactive power (banks of capacitors, for example), or by using variable speed drives for fans and pumps.
- **Controlling**, by automating building functions: Rexel offers numerous energy management solutions for lighting, temperature, and the operation of shutters and blinds.

## Structured expertise

Whether through dedicated organizations, promotional activities or specialized resources such as catalogs, showrooms or websites, Rexel's networks guide their business customers' choices and offer advice and training for eco-efficient solutions.

To make the most of this expertise, Rexel held a "Green Days" seminar in April 2009. This multi-network group workshop promoted the internal sharing of best practices.

In late February, Rexel France was the exclusive partner of both the ENEC Energy, Climate Control and Water Management exhibition and the Renewable Energy exhibition at the Eurexpo center in Lyon, France.

Combining the best in specialized products of nearly 100 suppliers who came together for its "Electric Event", Rexel highlighted the wealth of services and solutions now on offer in the electrical and thermal energy sector. In particular,

the Active Home demonstrated the convergence between lifestyle, home automation, eco-design, recycling, and technology by simulating combined solutions linking management systems, entry control, regulation, new and renewable energy, and home appliances.



## focus

### An eco-friendly Group

In 2008, Rexel stepped up its internal actions in order to achieve better management of natural resources and reduce the impact of its operations. The Group launched a comprehensive action plan to focus on sourcing eco-friendly products and solutions (electronic invoicing, vehicle consumption, promoting video-conferencing, etc.). In addition, the Group has improved its process of reporting environmental data, notably through the training of over 50 "environment" officers.

In 2009, Rexel's Charter for the Environment and practical action guide will be distributed to all operating companies, including the new "Hagemeyer" entities.



### Some statistics...

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

**6.5** million fluorescent bulbs recycled, compared to **1.2** million in 2007.

**52%** of the light sources sold by Rexel are low-energy.

## YOUR QUESTIONS

### WHAT IS REXEL DOING TO HELP PROTECT THE ENVIRONMENT?

As a leading distributor of electrical parts and supplies, Rexel is a front-line player in recommending solutions for generating energy savings and equipment using renewable energy (solar, wind, geothermal and aerothermal). In addition, Rexel is bolstering its internal actions to achieve better management of natural resources and reduce the impact of its operations. For example, in 2008, Rexel contributed in France to the recycling of 435 tons of cable, 420,000 light bulbs and 6.5 million fluorescent tubes (up from 1.2 million in 2007).



# Rexel share at a glance

## Annual Shareholders' Meeting 2009



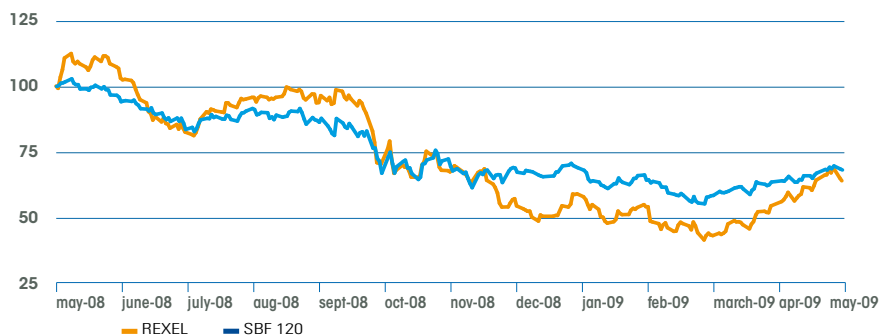
Your company's Annual Shareholders' Meeting was held on Wednesday, May 20, 2009 in Paris. It was attended by 167 shareholders. Including votes by correspondence and proxies, a total of 410 shareholders holding 218,632,468 shares and representing a quorum of 85.1% voted on the various resolutions presented. All 10 resolutions of the Ordinary session and 11 resolutions of the Extraordinary session proposed by the Supervisory Board were adopted during the Meeting (full texts appear in the reference document available at [www.rexel.com](http://www.rexel.com)).

Visit [www.rexel.com](http://www.rexel.com) to follow our stock exchange and see the video transcript of the Shareholders' Meeting.

## Your letter is migrating to electronic format only!

This 4<sup>th</sup> letter in paper format is the last that will be printed. In order to reduce costs and help protect the environment, Rexel has chosen the electronic format for future editions of your letter. These will be sent directly to your email address or may be downloaded from our website at [www.rexel.com](http://www.rexel.com). Please send your e-mail address to: [actionnaires@rexel.com](mailto:actionnaires@rexel.com).

### Last twelve months share performance - base 100 as at May 12, 2008



### share information

ISIN: FR0010451203

Market: Eurolist by NYSE Euronext

Number of shares (as at May 20, 2009): 258,145,644

Market capitalization (as at May 20, 2009): € 1.748 bn

Indexes: NEXT 150, SBF 120, SBF 250,

CAC MID 100, CAC AllShares

### calendar

2009 Half Year results

31 July 2009

2009 9-months results

12 November 2009

Meetings with Shareholders

Lille 18 June 2009

Lyon 17 September 2009

### want to know more?



#### THE 2008 ANNUAL REPORT

The 2008 Annual Report focuses on two fundamental dimensions of the Group: the leadership of a powerful global player, and the close contact it has with contractor customers and key accounts through a multi-company, multi-channel network. The report also recalls the year's strategy and highlights.

→ Download it at [www.rexel.com](http://www.rexel.com)

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75017 Paris, France

## YOUR QUESTIONS

### WHY SUSPENDING THE PAYMENT OF A DIVIDEND IN 2009?

The proposal not to pay a dividend during the appropriation of net income for 2008 was dictated by financial prudence during a time of exceptional economic crisis and by the Group's need to pursue its policy of debt reduction in order to strengthen its financial structure. This is an important and responsible decision made by the shareholders at the Annual Shareholders' Meeting on May 20. This decision is consistent with other measures such as the reduction of capital expenditure, the cost-reduction plans and the strict control of working capital requirements.

...see you soon!