

letter

No. 5

to Rexel's shareholders

LEADING DISTRIBUTOR WORLDWIDE OF ELECTRICAL SUPPLIES



message from the Chairman

October 2009

Resilient margins and increased financial flexibility

Dear shareholders,

The second quarter and the half-year overall were characterized by a still difficult economic environment, reflected by an organic drop in Rexel group sales of 17.9%⁽¹⁾ for the first six months. However, with a €185 million operating profit for the first half-year, the Group has succeeded in protecting its operating margin which was 3.3% of sales. Even better, its margin improved between the first and second quarter, rising from 3.0% to 3.6%.

“Visibility is currently poor; but we think that the second half will be in line with the first, and will confirm Rexel's business model resilience, with, particularly, the restoration of our margins.”

A particular reason that our profitability held up well was that we speeded up cost-cutting measures (-10%, or €126 million, overall for the half-year). For 2009, we have just revised our cost-cutting target upwards, raising it from €170 million to €210 million. These cost savings include synergies with Hagemeyer, whose European businesses were acquired last year, and which are being achieved in line with target.

A positive point for the Group, during the half-year, is that we have continued to gain market share in the countries in which we have the strongest presence, notably France, the UK and Germany in Europe, and Canada outside Europe.

Another significant point: continuing reduction in Group debt (down €224 million for the half-year). This reflects strong cash generation through stringent control of the working capital requirement and restricted capital expenditure. Finally, renegotiation of our bank covenants with our financial partners has brought us additional headroom. We therefore have a sound financial position and increased financial flexibility.

This new letter will give you more information on this tough half-year, which results also demonstrate the high quality of our fundamentals and our ability to recover.

Not only economical and ecological, this electronic version is also more interactive and will allow you to discover the website at www.rexel.com, which has been completely redesigned to help you explore the Rexel Group.

I hope you enjoy reading it.

Jean-Charles Pauze
Chairman of the Management Board

(1) On a constant and same day basis.

REXEL

ELECTRICAL SUPPLIES

Half-year results

In the first half-year, Rexel demonstrated its ability to improve Group gross margin, to adapt its cost structure and to generate solid cash flow. The Group has continued to gain market share in its main countries. Rexel enjoys a sound financial structure: net debt has been sharply reduced and the renegotiation of Group bank covenants has given it additional flexibility.

Fall in sales

On a constant and same day basis, sales for the first half-year, at €5.6 billion, are down 17.9% compared to the first half of 2008, of which about 4 points are due to the drop in the price of copper-based cable.

The drop in sales, more marked in the second quarter than in the first quarter, reflects the continuing weakness in all Group end markets and the rationalization of the branch network (224 outlets closed in the last twelve months). However, in the second quarter, sales stopped deteriorating month on month, as had been the case in the first quarter.

Quarter-on-quarter improvement in EBITA margins

EBITA margin improved in the second quarter at 3.6% against 3.0% for the first quarter.

For the first half year (3.3%), the limited fall compared to the first half of 2008 (5.2%) is explained by:

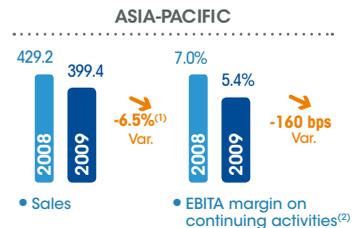
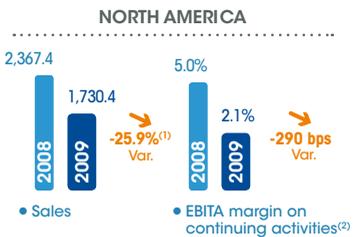
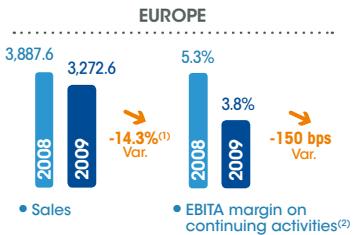
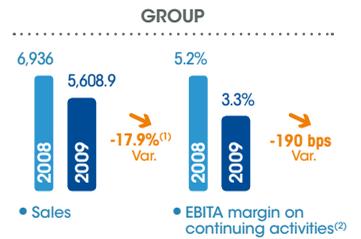
- An increase by 40 basis points on gross margin thanks to a sharp improvement in Europe;
- A reduction of 10% in marketing and administration costs reflecting the further acceleration of cost-cutting measures to adjust the cost structure to the new market environment.

These cost cuts include the synergies arising from the integration of Hagemeyer, which are in line with our targets (€30 million in 2009 and €50 million per year from 2011).

Net income impact by restructuring costs

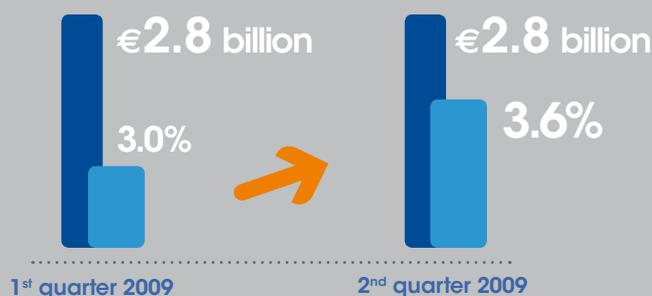
Net income attributable to the Group was €17.9 million, impacted by restructuring costs of €53 million, against €258.7 million in the first half of 2008, which included capital gains of €115 million. Recurring net income amounted to €68.1 million against €171.2 million in the first half of 2008.

Key figures at 30 June 2009
(in millions of euros
on a constant basis)⁽²⁾



(1) Same day basis.

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



■ Sales
■ EBITA margin

Strong free cash flow supported by reduction in working capital

Free cash flow before interest and taxes increased to reach €396.3 million, reflecting a reduction in working capital requirement and greater selectivity in capital expenditure.

Reduced net debt

Net debt was reduced to €2,708 million at 30 June 2009, €224 million less than at 31 December 2008. As of 30 June 2009, Group liquidity amounted to €1.2 billion, of which €613 million was in cash net of overdrafts and €585 million in lines of credit not drawn down.



Questions to Michel Favre

Group Senior Vice-President Finance, Control and Legal Affairs

What comments do you feel that the Rexel half-year results call for?

We experienced a deterioration in the economic environment during the first quarter, which was even more marked in the second quarter. In this environment, the Group reacted well. We demonstrated resilient performance in terms of margins and our ability to adjust our costs and all the components of our working capital requirement so as to reduce our debt. Thanks to these measures, we have succeeded in improving our fundamentals.

Why did you renegotiate your bank commitments?

Due to the deterioration in profitability – contained as it was – in June we opted to renegotiate the structure of our bank covenants, to retain adequate headroom. Our lenders unanimously provided support, which demonstrate their endorsement of the Group's strategy and strong fundamentals. Today we enjoy increased financial flexibility and debt maturity is at the end of 2012, that is, in three and a half years time.

Do you anticipate a dividend will be paid in 2010?

This question is related to the last one, since a clause of the amendment to the Senior Credit agreement provides that dividend payments must be suspended in 2010 and until the Indebtedness Ratio equals or exceeds 4.00x. Of course, since debt reduction is a Group priority, we will resume dividend payments as soon as possible.

Continuing reduction in debt



In spite of the drop in business, the Group has reduced debt thanks to strong cash flow generation. This is explained by our policy on:

- Adjusted inventory levels (50 days sales) which allows a strict control of working capital requirements.
- Increased selectivity in operating capital expenditure: the group has set itself a target of reducing this by 25% in 2009 compared to 2008 levels.

Rexel, which set reduction in Group debt as a priority, has reduced its debt by €224 million in the first half of 2009.



QUESTIONS

HAS THE CRISIS LED TO A REDUCTION IN INVENTORY LEVELS?

Our business as a distributor and the need to respond efficiently to demand from our customers requires us to hold inventory levels that represent around 50 days' sales. This figure has remained stable, demonstrating the effective adjustment of our inventory levels to changes in activity levels.

strategy in action

Rexel at the heart of major infrastructure projects

As a key part of Rexel's strategy, the Group is developing great expertise in major infrastructure projects, particularly government projects, which are likely to increase in number with stimulus programmes or those financed by public-private partnerships. Whether in the UK rail sector, or sporting infrastructure in New Zealand for the Rugby World Cup in 2011, or government projects in the USA, Rexel's services are ideally suited to major projects.

Rexel France in partnership with Forclum (Eiffage Group) is actively involved in the construction of a hospital in the south of Paris



Located south of Paris, **one of the largest, most modern hospitals** ever built in France will open in May 2011. To carry out this project, the French government entered into a public-private partnership with the Eiffage Group, which was responsible for the design, construction and maintenance of the establishment for a 30 year period.

Faced with a number of construction constraints (extremely short deadlines, an enclosed site with poor access, many installation subcontractors), Eiffage and electrical installation subsidiary Forclum selected **Rexel France to supply the cables and electrical equipment for the site**. In order to ensure the utmost flexibility and rapid turnaround, Rexel implemented an original solution and installed a **logistics facility directly on-site**, which enables it to supply the building site under tight deadlines. This mechanism provides great flexibility thanks to daily **readjustment of orders, inventories and deliveries** depending on progress on site. Other related services have also been put in place to provide a tailored solution.

at a glance

Germany



An "energy-efficient" vehicle is on tour throughout Germany
In partnership with Osram, Siemens, Siteco and Testboy, since the end of August and for one year, a vehicle is to criss-cross the country so that Hagemeyer Germany can present solutions incorporating various **energy-saving** products and components to its industrial customers.

UK

New e-commerce site
www.neweysonline.co.uk
for Newey & Eyre



Using this new site, Newey & Eyre's customers can place their orders up to 8 pm for delivery the next day in any of the **group's 160 outlets**. **10,000 product lines** are available online and customers can check on the availability of these items.

USA



Gexpro won recognition at the "Best of the Best" competition organized by TED Magazine

At the trophy event organized by the leading US electrical trade magazine giving awards for marketing initiatives, Gexpro won awards in two categories: "**Brand awareness**" and "**Integrated promotional campaign**".



QUESTIONS

HAS THE INTEGRATION OF HAGEMEYER AND THE ACHIEVEMENT OF TARGET SYNERGIES BEEN IMPACTED BY THE CURRENT ECONOMIC CLIMATE?

The economic environment that we find ourselves in has in no way slowed down the integration of Hagemeyer which is still proceeding according to the timetable set at the time of the transaction.

As for the synergies, their amount remains in line with our target of €30 million in 2009 and €50 million per year from 2011, in spite of the impact of the drop in volumes sold on that proportion of synergies relating to purchases.

our commitments

Rexel facilitates the deployment of renewable energies

As a distributor of energy savings and renewable energies, Rexel supplies products and solutions that can be installed by electricians at the homes of individuals who are interested in heat pump solutions or auxiliary installations (solar). Furthermore, Rexel supplies equipment to customers in the commercial market but also to players in the wind power sector, by supplying : heating, ventilation, and hot water using renewable energy ; solar panels ; electrical equipment for wind turbines. Throughout the world, there is an ever increasing number of projects:

Rexel Belgium is continuing its expansion in the solar panel market

To provide the most reliable equipment best suited to its customers, Rexel Belgium has partnered with several major players in the market of solar panels.

Through these partnerships, Rexel is able to offer its customers a range of high-quality components together with "customized" kits ready for installation.

In 2009, in addition to the residential market, Rexel supplies industrial and commercial markets through an enlarged range of solutions particularly for flat roofs. During the first quarter of 2009, Rexel Belgium sold over **10,000 solar panels, 3,000 inverters, 300 km of solar panel cable and 50,000 connectors.**



A step towards positive energy buildings

For over a year, Rexel France has marketed a **combined air/electricity/hydraulic** offer in heating and air conditioning for electricians and heating engineers. It allows a ventilation system to be used to partially regulate the temperature, which can be combined with a hydraulic solution (air-water heat pump) and the installation can be completed with electric radiators for times when immediate heat is needed. The combination of these elements gives a single, **comprehensive, energy-efficient home automation system.**

The 170 Rexel branches offering these services are seeing an increase in business. Rexel France also supplies **photovoltaic roofing solutions**, both for individual private dwellings and for the roofs of logistics or farm buildings. Combining the services with photovoltaic installations is a sign of what is to come in terms of positive energy construction.

focus

The Ethical Guide



The new edition of the Ethical Guide, published in 22 languages, has just been distributed to all new Group networks and new employees.

This Guide describes Rexel's ethical commitments by means of 8 principles (principle of transparency, responsible practices, integrity, etc), and a series of professional practices applicable to all countries in which the Group operates, irrespective of the Rexel employee's job.

These commitments establish the framework of **Rexel's social responsibility** not only internally with its employees but also externally with customers, suppliers and shareholders.

This publication will be followed, in the next few months, with an initiative bringing out the ethical issues that are most frequently encountered by Group employees in the course of their work. The Ethics correspondents for each country in which the Group is present will participate actively in the implementation of this project.

? QUESTIONS

WHAT DEBT REPAYMENT INSTALMENTS FALL DUE IN THE SHORT-TERM?

Rexel Group debt repayment instalments up to the end of 2011 are €648 million of which €122 million falls due at the end of 2009 and €263 million at the end of 2010 and 2011.

The total of these repayments is much lower than Group liquidity at 30 June 2009 which amounted to €1.2 billion (613 million in cash net of overdrafts and 585 million of underdrawn revolver credit).

Rexel share at a glance

When Rexel meets its shareholders



At its IPO (Initial Public Offer) in April 2007, Rexel committed itself to meet its individual shareholders regularly. As a result, in addition to the Annual General Meeting held in Paris, Rexel attends meetings in the French provinces that are organized in partnership with the Fédération Française des Clubs d'Investissement (FFCI), NYSE Euronext and the Association Française des Investor Relations (CLIFF).

Meetings have already taken place in Nantes and in Nice in 2007, in Marseilles, Rennes and Strasbourg in 2008, in Lille and Lyons this year with the next on 17 December in Rennes. The Group is committed to continuing regular meetings in the future.

A new website



The new Rexel group website, www.rexel.com, was launched at the end of July. It has more content, and is more dynamic and user-friendly. It gives a better reflection of a group that is a world leader, innovative and dynamic in its sector, and which has grown strongly in the last few years.

Within the financial section, the "shareholders' area" is an area with dedicated content, which is clearly organized and reflects best practices. You can obtain all Group documentation and financial information on this site (Activity Reports, Press Releases, Shareholders Letters, etc).

We hope you enjoy browsing!

last twelve months share performance - base 100 as at 09 October 2008



QUESTIONS

WHY IS REXEL'S STOCK PRICE RISING WHILE SALES ARE FALLING?

Since the start of the year, the stock price has risen very steeply and represents one of the most significant increases in the SBF 120. This rise is mainly a reflection of the financial markets appreciating the strong resilience capacity of Group profits in the face of a crisis of unprecedented scale, as well as of the recent renegotiation of bank commitments which increases Group financial flexibility.

company details

ISIN: FR0010451203

Market: Eurolist by NYSE Euronext

Number of shares (as at 09 Oct. 2009): 258,145,644

Market capitalisation (as at 09 Oct. 2009): €2,587 bn

Indexes: NEXT 150, SBF 120, SBF 250,

CAC MID 100, CAC AllShares

diary

9-months results 2009

Thursday 12 November 2009

Full-year results 2009

Thursday 11 February 2010

Meeting with shareholders

Thursday 17 December 2009 in Rennes ..

want to know more



A GROUP ON THE MOVE
This corporate brochure gives an overview of Rexel's leadership fundamentals in the various aspects of

its business: its markets, its range, its expertise and services.

→ You can download it at any time from www.rexel.com

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