

Rexel, worldwide expert in the multichannel professional distribution of products and services for the energy world, provide its customers with a tailored and scalable range of products and services in energy management for construction, renovation, production and maintenance.

Letter to our shareholders

REXEL

a world of energy

#21
December
2017



PATRICK BERARD
Chief Executive Officer



Rexel's performance demonstrates that we are already starting to reap the fruits of the strategy we presented in February.

Dear shareholder,

Rexel's performance so far this year demonstrates that we are beginning to reap the rewards of the strategy we presented at our Capital Markets Day in February.

At that time, we said that we would focus on three key priorities, all of which have shown encouraging results over the first nine months of the year:

1 - Accelerate organic growth:

In the third quarter, our sales growth accelerated for the fourth consecutive quarter, thanks in particular to positive trends in France, the Nordic countries and the US.

2 - Increase selectivity in capital allocation and strengthen our financial structure:

We have completed the initial phase of our divestment program by selling two non-strategic operations in Southeast Asia. Furthermore, we are accelerating our digitization process by allocating close to 60% of our investment expenditures in 2017 to information systems and digitization. Finally, we successfully refinanced part of our debt recently, extending its maturity profile and reducing our overall cost of financing.

3 - Improve our operational and financial performance: We are now centered around a single banner in the UK and we are seeing the first benefits of our US investments in logistics organization and in expanding our branch network. Our differentiating value proposition relies on a combination of deep expertise in terms of our offering, a multi-channel approach that brings

a multiplicity of complementary touchpoints, an ability to offer tailored solutions in a world of connected products, customized pricing, and a segmented logistics network based on proximity in order to improve our operations.

All of this explains our strong performance in the third quarter, with constant and same-day sales up 5.2%, a rise of 8.5% in adjusted EBITA, a 78.7% increase in net income, and a 6.3% reduction in our debt. Our performance over the first nine months and our expectations for the last quarter allow us to confirm our full-year forecast, which has been slightly updated. We target a rise in sales in the low single-digits, a mid-single-digit increase in adjusted EBITA, and a net debt at below three times EBITDA at year-end.

For Rexel, performance is not just a question of numbers, but also a question of long-term measures. In this letter, you will find articles about Rexel's new sustainable development strategy and objectives along with other innovative actions to fight fuel poverty that are supported by the Rexel Foundation. I invite you to download the activity and sustainable development report available on our website to see the Group's full range of efforts to act responsibly in our day-to-day operations. Finally, we are fortunate that our teams and installations were largely preserved from the consequences of the Irma and Harvey hurricanes and the California wildfires.

Thank you for your continued trust.

Patrick Berard

Tailor-made services for logistical excellence

One of Rexel's primary strengths is its logistical excellence. Rexel's customers benefit from reliable, fast solutions, tailored to their needs.

In addition to receiving supplies in the best conditions, the Group's customers have access to a wide range of products and innovative logistical solutions to optimize costs and improve productivity. Setting up a container at a construction site, for example, provides an on-site logistics base for early morning supply delivery.

Restocking is taken care of on a just-in-time basis by the logistics center or branch, where dedicated stock is set aside for the construction site's needs, avoiding the risk of inventory shortage and theft, for guaranteed just-in-time deliveries. This solution enables Rexel to lower prices and only charge its customers for supplies upon delivery.

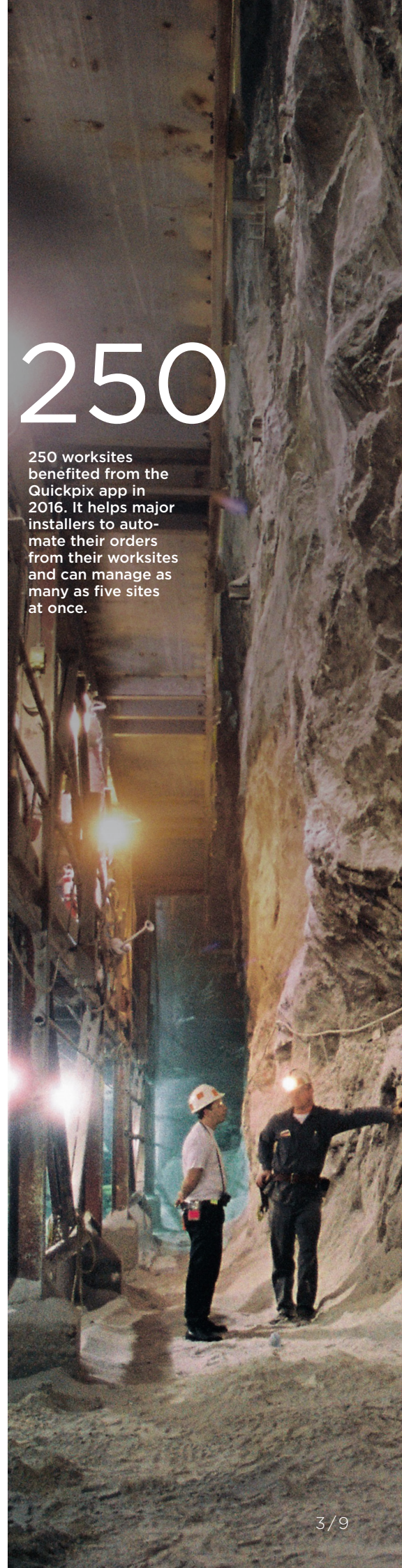
Another service provided by Rexel: the delivery of preassembled supplies, labeled by installation area, which frees customers from having to amass inventory. They can thus streamline their procurement process. By integrating and managing the construction site's various parts, primarily in logistics centers, Rexel offers its customers the ability to concentrate their resources on the installation's progress >>>

By generalizing our services, we generate value and bring our customers greater productivity, safety and comfort.

Clément d'Abbadie, Large Projects & Export Director at Rexel France

250

250 worksites benefited from the Quickpix app in 2016. It helps major installers to automate their orders from their worksites and can manage as many as five sites at once.



>>> rather than on logistics. On commercial projects, Rexel has an added-value service offering tailored to each customer's specific constraints. In 2016, the construction of a logistics space for a major French distributor provided the opportunity to promote Rexel's expertise and advisory skills by placing a technical sales representative on-site. In the morning, he would take

care of delivery reception and unpacking, on-site kitting and delivery to each service made possible by early identification of each work zone's needs. In the afternoon, the technical sales representative would directly advise the customer, begin resupplying, share Rexel's logistical center's data on a direct access basis, and organize further deliveries.

This service, which was billed to the customer, led to considerable productivity improvement and provided permanent access to a contact person who gave advice on the best solution at each step of the construction project. The customer was satisfied, and chose to use this service again at their next worksite: the renovation of a major historic building in Lyon.

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ESABORA APP

Rexel designs and offers its customers tools with high added value that are increasingly user-friendly. Esabora is a software suite that enables independent contractors, small and very small businesses to gain efficiency as well as credibility. From facilitating sales to creating technical studies to simplifying administrative tasks, Esabora helps optimize and improve the profitability of installers' activity.

ULTRAMODERN ELECTRICAL INSTALLATIONS

In Paris, The Peninsula hotel chain modernized a "Haussmannian" building to make it its new European flagship. The electrical wiring and energy production equipment was renovated over three years. The installer relied on Rexel to choose and assemble the building's electrical equipment and ensure continuous procurement on a bi-weekly basis for over two years. Rexel developed a tailor-made logistics solution based on kitting, which consists of grouping, preassembling and delivering the necessary electrical equipment for a specific part of the worksite, such as the lighting systems in all of the hotel's bedrooms.



Results as of September 30 2017

On October 27, Rexel published its results for the third quarter and the first nine months of the year.

THIRD QUARTER RESULTS

In the quarter, sales amounted to €3.2 billion, up 1.4% on a reported basis. This improvement included negative effects linked to currencies for 2.4% to calendar for 1.1%, partly offset by a positive effect from the change in copper-based cable prices for 1.5%. On a constant and same-day basis, sales in the quarter were

up 5.2%, with Europe up 6.5%, benefiting from accelerating sales across most European countries, North America up 3.3%, supported by the proximity business in the US and Asia-Pacific up 5.1%, driven by China and Australia. Gross margin stood at 24.1% for the Group as a whole (compared with 23.9% in the third quarter of 2016). Operating margin (adjusted EBITA margin)

was 4.2%, up 17 basis points from 4.0% in the third quarter of 2016. This reflected improvement both in Europe (5.1% of sales vs. 4.9% in Q3 2016) and in Asia-Pacific (1.3% of sales compared to 1.0% in Q3 2016), offset by lower adjusted EBITA margin in North America (4.1% of sales vs. 4.3% in Q3 2016), impacted by investments in future growth in the US.

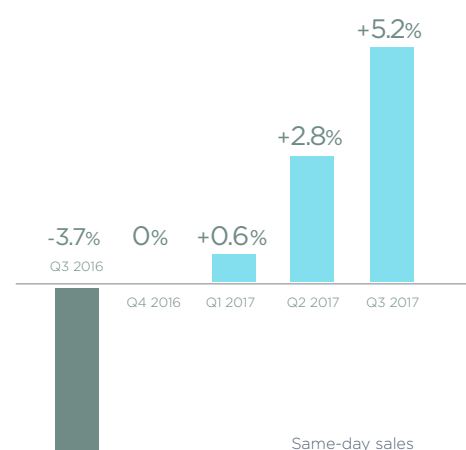
€9,904.7m

sales for the first nine months of 2017, an increase of

+2.8%

vs. 2016 on a constant and same-days basis

SALES GROWTH FOR THE FOURTH CONSECUTIVE QUARTER



RESULTS

€420.8m

adjusted EBITA for the first nine months of 2017, an increase of

+5.1%
vs. 2016

€163.6m

net income for the first nine months of 2017, an increase of

+22.6%
vs. 2016

FIRST NINE MONTHS RESULTS

In the first nine months of the year, sales stood at 9.9 billion euros, up 2.1% on a reported basis. On a constant and same-day basis, sales were up 2.8% (Europe: +3.7%, North America: +2.1% and Asia-

Pacific: +0.6%). Gross margin was 24.4% (compared with 24.3% in the first nine months of 2016) and operating margin (adjusted EBITA margin) was 4.2%, up 9 basis points compared with the first nine months of 2016). Net income increased by

22.6% compared to the first nine months of 2016. This increase mainly reflects lower net financial expenses. Our recent refinancing efforts (see news on the right) have significantly lowered our average effective interest rate on gross debt.

REDUCING THE COST OF FINANCING

In 2017, Rexel continued its policy of optimizing its financing through:

- the extension of two bilateral lines for around €80 million,
- the early repayment of USD330 million on its USD500 million bond line issued in 2013 with a 5.250% coupon,
- the issuance of 2 bonds maturing respectively in 2024 and 2025: a €300 million bond with a 2.625% coupon in March and a €500 million bond with a 2.125% coupon early November.

These operations aim both to reduce the average effective interest rate on Rexel's gross debt, which decreased from 4.9% in 2014 to 3.2% in the first nine months of 2017, and to enhance the Group's financial structure.

2017 outlook

Taking into consideration the performance of the first nine months and expectations for the last quarter, Rexel confirms its 2017 full-year financial targets, with adjusted EBITA¹ increase at the low end of the February guidance:

- **resuming organic growth, with sales up in the low single digits** (on a constant and same-day basis) **after two years of decline;**
- **a mid- to high single-digit increase in adjusted EBITA¹;**
- **an indebtedness ratio** (net-debt-to-EBITDA, as calculated under the Senior Credit Agreement terms) **of below 3 times at December 31, 2017.**

1. At comparable scope of consolidation and exchange rates and excluding (i) amortization of PPA and (ii) the non-recurring effect related to changes in copper-based cables price (unchanged)

Taking action against fuel poverty

On May 10, 2017, the Rexel Foundation for a better energy future brought together its partner ecosystem for its Innovation Day dedicated to fighting fuel poverty.

Today, 12 million people are affected by fuel poverty in France. They are unable to adequately heat their homes, or use too much of their budget to do so. The aim of the event was to bring together the Rexel Foundation's ecosystem, including partners, experts, employees and social entrepreneurs fighting fuel poverty, in order to reflect on innovative solutions to this problem together. The Innovation Day was held at Grand Voisins, a venue dedicated to collaboration and innovation. This

former hospital site was transformed into a self-sufficient village, where initiators of community, artistic, entrepreneurial and non-profit projects coexist alongside emergency shelters. The 60 participants were organized into six work groups focusing on three areas creating solutions to help people living in social housing to overcome fuel poverty, allow struggling collective housing to be renovated and fight fuel poverty in individual housing.

At the end of the day, each group presented its solutions. After a vote, the Rexel Foundation made a commitment to provide the resources necessary to materialize participants' shared desire to efficiently and innovatively fight fuel poverty.

The participants' motivation and engagement were the key ingredients in the success of this event.

[Read the expert's opinion and a summary of the day.](#)

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2016 ACTIVITY AND SUSTAINABLE DEVELOPMENT REPORT

The new edition of the Rexel Group's Activity and Sustainable Development Report is now available. It has a printed version and a [mobile-friendly website](#), and continues on social media including a [dedicated Instagram account](#). In the Activity and Sustainable Development Report, you'll find Rexel's main achievements in 2016, its results, its changing offering and its commercial innovations, as well as the employees who contribute day in and day out to making the Group the preferred partner of its clients at the heart of the energy world's value chain.

REXEL EXPO PARIS 2017

Over the course of five days, more than 150 manufacturers, as well as experts from Rexel, presented the latest innovations in the area of energy efficiency, multi-energy, smart control, and connected solutions. More than 14,000 professionals from the energy sector thus discovered new offerings designed to simplify their everyday activity and received training and information on the sector's latest trends.

Three pillars for sustainable development

With each passing year, Rexel strengthens its sustainable development approach through an in-depth analysis of the challenges facing the Group and its value chain. The Group has thus defined a sustainable development strategy relying on three pillars, which can be discovered on the

“Commitments” section at Rexel.com: developing energy management solutions for its customers and for society at large, promoting responsible practices across the value chain, and improving the social and environmental performance of the Group’s operations. These pillars rely on

three objectives by 2020: double our sales of energy efficient products and services compared to 2011, evaluate the sustainable development performance of 80% of our direct purchase volume in euros and lower the carbon emissions of our operations by at least 30% (compared to 2010).



SHAREHOLDERS’ MEETING

Rexel annual shareholders’ meeting was held on May 23, 2017 in Paris. The shareholders approved all the resolutions, notably the distribution of a dividend of €0.40 per share, in line with Rexel’s policy of distributing at least 40% of its net recurring profit, whose payment took place on July 7. Shareholders also ratified the cooption as Directors of Ian Meakins and Agnès

Touraine, decided by the Board of Directors respectively held on July, 1st, 2016 and February 10, 2017, approved the renewal of Ian Meakins and François Henrot as Directors for four years and the appointment of Patrick Berard as Director for four years.

The results of the votes are available on Rexel.com.

AGENDA

Wednesday, February 14 2018
2017 Full-Year results

Friday, April 27 2018
2018 First-Quarter results

Thursday, May 24 2018
Shareholders’ Meeting, Paris

SHARE PRICE



COMPANY DETAILS

ISIN FR0010451203

Mnemonic code **RXL**

Market Eurolist by **NYSE Euronext**

At October 31, 2017,
Number of shares **303.3 million**
Market capitalization **€ 4.6bn**

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