2007 Document de référence +

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ELECTRICAL SUPPLIES

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Company with limited liability *(société anonyme)*
with a Management Board and Supervisory Board
and with a share capital of €1,279,969,135
Registered office: 189-193, boulevard Malesherbes – 75017 Paris
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2007 DOCUMENT DE RÉFÉRENCE

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

In accordance with its General Regulations, in particular Article 212-23, the *Autorité des marchés financiers* (AMF) has registered this *Document de Référence* on April 30, 2008 under number R.08-046. This document may not be used in connection with any financial transaction unless completed by a *note d'opération* in respect of which the AMF has granted a visa. It has been prepared by the issuer and its signatories therefore assume responsibility for its contents. This registration, in accordance with Article L.621-8-1-I of the French financial and monetary Code, was granted after the AMF has verified *"whether the document is complete and comprehensible, and whether the information contained therein is consistent"*. It does not imply that the AMF has verified the accounting and financial information presented herein.

Copies of this *Document de Référence* are available at no cost at the registered office of Rexel, 189-193, boulevard Malesherbes, 75017 Paris – France. This *Document de Référence* is also available on the Internet site of Rexel (**www.rexel.com**) and on the Internet Site of the *Autorité des marchés financiers* (**www.amf-france.org**).

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General information

*In this document, "**Rexel**" refers to the company Rexel. The "Group" refers to Rexel and its subsidiaries. References to "**Rexel Développement**" are to Rexel Développement S.A.S, a direct subsidiary of Rexel. References to "**Rexel Distribution**" are to Rexel Distribution S.A., an indirect subsidiary of Rexel. References to "**Kelium**" are to Kelium S.A.S., a subsidiary of Rexel Distribution. References to "**Hagemeyer**" are to the Dutch corporation Hagemeyer N.V.*

This *Document de Référence* contains information about the Group's markets and competitive position, including information relating to market size and market share. Unless otherwise stated, this information is based on the Group's estimates and is provided solely for indicative purposes. To the Group's knowledge, there are no authoritative external reports in relation to the market providing comprehensive coverage or analysis of the professional distribution of low and ultra-low voltage electrical products. Consequently, the Group has made estimates based on a number of sources including internal surveys, studies and statistics from independent third parties (in particular DISC in the United States) or professional federations of electrical products distributors, specialist publications (such as Electrical Business News and Electrical Wholesaling), figures published by the Group's competitors and data from operational subsidiaries. These various studies, which the Group considers reliable, have not been verified by independent experts. The Group does not guarantee that a third party using other methods to analyze or compile market data would obtain the same results. In addition, the Group's competitors may define their markets differently. To the extent the data relating to market share and market size included in this *Document de Référence* are based solely on the Group's estimates, they do not constitute official data.

This *Document de Référence* contains information on the intentions, objectives and prospects of development of the Group. Such information should not be interpreted as a warranty that the facts stated will occur. Such information is based on data, assumptions, and estimates that the Group considers reasonable. They are likely to change or be modified due to the uncertainties of the economic, financial, competitive or regulatory environment.

The forward-looking statements provided in this *Document de Référence* are made as of the date of this *Document de Référence*. Excluding any applicable legal or regulatory requirements, the Group does not make any commitment to publish updates of the forward-looking statements provided in this *Document de Référence* to reflect any changes in its targets or events, conditions or circumstances on which such forward-looking statements are based. The Group operates in a competitive environment subject to rapid change. It therefore is not able to anticipate all risks, uncertainties or other factors that may affect its activities, their potential impact on its activities or the extent to which the occurrence of a risk or combination of risks could have significantly different results from those set out in any forward-looking statements, it being noted that such forward-looking statements do not constitute a projection or guarantee of actual results.

1. Responsibility for the *Document de Référence*

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1.1 PERSON RESPONSIBLE FOR THE *DOCUMENT DE REFERENCE*

Mr. Jean-Charles Pauze, Chairman of the Management Board of Rexel.

1.2 RESPONSIBILITY STATEMENT

"I hereby certify, having taken all reasonable steps to confirm it, that the information contained in this Document de Référence reflects, to my knowledge, the reality and that no omissions have been made that are likely to have a bearing thereon.

I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards, and give a true view of the assets, financial condition and results of operations of the company and of all of the companies included in the scope of consolidation and that the management report provides an accurate description of the business trends, results of operations and financial condition of the company and all of the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties that are faced by the latter.

I have obtained from the statutory auditors a letter in which they indicate that they have verified the information concerning the financial condition and financial statements presented in this document and read the entire document."

Jean-Charles Pauze
Chairman of the Management Board of Rexel

1.3 PERSON RESPONSIBLE FOR FINANCIAL INFORMATION

Mr. Frédéric de Castro
Special Projects, Financial Communication and Sustainable Development

Address: 189-193, boulevard Malesherbes, 75017 Paris
Phone: +33 (0)1 42 85 85 00
Fax: +33 (0)1 42 85 92 04

1.4 INDICATIVE FINANCIAL INFORMATION TIMETABLE

Financial information reported to the public by Rexel will be available on the Rexel website (www.rexel.com).

For indicative purposes only, Rexel's financial information timetable up to December 31, 2008, should be as follows:

Q1 2008 results	May 15, 2008
Shareholders' Meeting	May 20, 2008
H1 2008 results	July 31, 2008
Q3 2008 results	November 12, 2008

2. Statutory auditors

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2.1 PRINCIPAL STATUTORY AUDITORS

Ernst & Young Audit

Represented by Mr. Jean Bouquot
and Mr. Pierre Bourgeois

Tour Ernst & Young
Faubourg de l'Arche
92037 Paris La Défense Cedex

Ernst & Young Audit was appointed principal statutory auditor on the date of incorporation of Rexel on December 16, 2004, for a term ending at the time of the shareholder's decision to approve the financial statements for the year ending December 31, 2009.

Ernst & Young is a member of the regional body of statutory auditors of Versailles (*Compagnie Régionale des Commissaires aux Comptes de Versailles*).

KPMG Audit

Represented by Mr. Hervé Chopin

1, cours Valmy
92923 Paris La Défense

KPMG Audit was appointed principal statutory auditor at the Shareholders' Meeting of June 30, 2006, for a term of six financial years. Its appointment shall therefore expire at the end of the Shareholders' Meeting convened to resolve on the financial statements for the year ending December 31, 2011.

KPMG is a member of the regional body of statutory auditors in Versailles (*Compagnie Régionale des Commissaires aux Comptes de Versailles*).

2.2 DEPUTY STATUTORY AUDITORS

Mr. Gabriel Galet

Tour Ernst & Young
Faubourg de l'Arche
92037 Paris La Défense Cedex

Mr. Gabriel Galet was appointed deputy statutory auditor on the date of incorporation of Rexel on December 16, 2004, for a term ending at the time of the shareholder's decision to approve the financial statements for the year ending December 31, 2009.

S.C.P. de Commissaires aux comptes Jean-Claude André et Autres

2 bis, rue de Villiers
92309 Levallois-Perret

Jean-Claude André et Autres was appointed deputy statutory auditor at the Shareholders' Meeting of June 30, 2006, for a term of six financial years. Its appointment shall therefore expire at the end of the Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2011.

3. Selected financial data

The selected financial data set forth below has been prepared on the basis of the consolidated financial statements of Rexel for the years ended December 31, 2007, 2006 and 2005, as well as of the pro forma financial data prepared for the year ended December 31, 2007 in order to reflect the impact of (i) the acquisitions carried out by the Group during 2007, (ii) the completion of the tender offer for all of the shares and convertible bonds of Hagemeyer, (iii) the completion of the sales and exchanges of assets agreed with Sonepar and (iv) the sale of the business of distribution of electrical products of Hagemeyer in Ireland, as if these events had occurred on January 1, 2007. Unless otherwise indicated in this *Document de Référence*, references to "pro forma" data relate to the pro forma data as described above.

Rexel's consolidated income statement highlights

(in millions of euros)	Pro forma	Reported		
	2007	2007	2006	2005 (1)
Sales	14,282.3	10,704.4	9,298.9	5,999.3
Gross profit	3,457.0	2,615.6	2,345.6	1,514.9
In percentage of sales	*24.2%*	*24.4%*	*25.2%*	*25.3%*
EBITA (2)	746.1	648.4	573.6	320.8
Adjusted EBITA (2)	771.1	657.9	517.0	N/A
In percentage of sales	*5.4%*	*6.1%*	*5.6%*	*N/A*
Operating income	662.0	570.5	523.7	311.7
Net income	156.4	143.5	188.9	138.4
Net income excluding IPO costs	325.1	312.2	N/A	N/A
Net income attributable to the Group	155.9	143.0	188.9	138.4

(1) Including the acquisition of Rexel Distribution from March 16, 2005.

(2) "EBITA" is defined as operating income before other income and other expenses. Adjusted EBITA ("**Adjusted EBITA**") is defined as EBITA excluding the estimated non-recurring net impact on stock from changes in copper-based cable prices (see paragraph 9.1.3 of this *Document de Référence*). In addition, Adjusted EBITA excludes the amortization of intangible assets resulting from the contemplated purchase price allocation of Hagemeyer, to the extent that the impact of the price allocation is considered as material and likely to alter the assessment of the Group's actual performance. The amortization charge in relation to the other acquisitions carried out by the Group has not been restated to the extent that the Group believes that it is not material. EBITA and Adjusted EBITA are not accepted accounting measures with standard and generally accepted definitions. They should not be considered as an alternative to operating income, net income, cash flow from operating activities or as a measure of liquidity. Companies with similar or different activities may calculate EBITA and Adjusted EBITA differently than Rexel.

The following table sets forth a reconciliation of EBITA and Adjusted EBITA with operating income:

(in millions of euros)	Pro forma 2007	Reported 2007	Reported 2006	Reported 2005 (1)
Operating income	662.0	570.5	523.7	311.7
(–) Other income (2)	9.3	6.9	9.0	4.4
(–) Other expenses (2)	(93.4)	(84.8)	(58.9)	(13.5)
= EBITA	**746.1**	**648.4**	**573.6**	**320.8**
Non-recurring effect resulting from changes in copper-based cable prices (3)	10.0	9.5	(56.6)	N/A
Amortization of intangible assets resulting from the contemplated allocation of the acquisition price for Hagemeyer	15.0	N/A	N/A	N/A
= Adjusted EBITA	**771.1**	**657.9**	**517.0**	**N/A**
Adjusted EBITA Margin	5.4%	6.1%	5.6%	N/A

(1) Including the acquisition of Rexel Distribution as from March 16, 2005.
(2) See note 8 to Rexel's consolidated financial statements for the year ended December 31, 2007 set forth in paragraph 20.1.1.1 of this *Document de Référence*.
(3) See paragraph 9.1.3 of this *Document de Référence*.

Rexel's consolidated cash flow statement highlights

(in millions of euros)	Pro forma 2007	Reported 2007	Reported 2006	Reported 2005 (1)
Operating cash flow (2)	820.5	704.0	631.1	350.5
Changes in working capital requirements	(18.7)	(13.0)	(97.9)	81.7
Cash generated from operating activities before income taxes and interest	801.8	691.0	533.2	432.2
Net capital expenditure	(55.0)	(20.6)	(45.4)	(44.5)
Free cash flow before net interest and income taxes (3)	746.8	670.4	487.8	387.7

(1) Including the acquisition of Rexel Distribution as from March 16, 2005.
(2) Before interest, taxes and changes in working capital requirements.
(3) "Free cash flow before net interest and income taxes" is defined as the change in net cash flow from operating activities before net interest expense and income taxes paid, less net capital expenditure.

Rexel's consolidated balance sheet highlights

(in millions of euros)	Pro forma December 31, 2007	Reported December 31, 2007	Reported December 31, 2006	Reported December 31, 2005
Non-current assets	5,424.1	3,770.6	3,694.5	3,316.8
Working capital requirements	1,768.7	1,403.2	1,560.3	1,035.0
Shareholders' equity	3,326.5	3,227.3	988.6	842.2
Net indebtedness	3,368.0	1,606.6	3,901.0	3,188.1
– Shareholders' loans	–	–	*1,039.9*	*997.2*
– Net debt (excluding shareholders' loans)	*3,368.0*	*1,606.6*	*2,861.1*	*2,190.9*
Other non-current liabilities	498.3	339.9	365.2	321.5

A description of the Group's indebtedness is provided in paragraph 10.2 of this *Document de Référence*.

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Investors are urged to carefully review the risks described in this Chapter, as well as all of the other information set forth in this Document de Référence. Such risks are, on the date hereof, the risks that the Group believes the occurrence of which could have a material adverse effect on its financial condition or its results of operations. Rexel conducted a review of these risk factors and considers that there are no other significant risks than the ones described in this section. Note that there may, however, be other risks that have not yet been identified as of the date of this Document de Référence, or whose occurrence as of the date hereof is not considered likely to have a material adverse effect.

This Chapter includes certain information specific to Hagemeyer that the Group believes could have a material adverse effect. This information is taken from Hagemeyer's 2007 annual report, in particular the "Risk management" section (page 29) and Hagemeyer's financial statements for the financial year ended December 31, 2007 (page 46). An English version of Hagemeyer's annual report for the financial year ended December 31, 2007 is available on Hagemeyer's website (www.hagemeyer.com). Rexel cannot assume responsibility for the accuracy and exhaustive nature of this information as set out in Hagemeyer's annual report.

4.1 RISKS RELATING TO THE GROUP'S INDUSTRY

4.1.1 Risks relating to the general economic environment

The Group's end-markets are the industrial market, the commercial building market and the residential building market. These markets can be further subdivided into investment and construction, on the one hand, and maintenance and renovation, on the other hand. The Group's business is sensitive to changes in general macroeconomic conditions and, more particularly, those affecting industrial investments and the construction, renovation and maintenance of residential and commercial buildings. In addition, the demand for the products distributed by the Group, the prices of such products and the Group's margins depend on many factors, such as inflation, interest rates, bank credit availability, or changes in economic and monetary policy.

The impact of changes in macroeconomic conditions varies depending on the end-markets and geographic areas in which the Group operates. North America, Europe, Asia-Pacific and the Other Markets & Activities accounted for 34%, 57%, 6% and 3%, respectively, of 2007 pro forma sales. Moreover, the Group estimates that the industrial, commercial building and residential building markets accounted for 36%, 38% and 26% respectively of 2007 pro forma sales. However, this distribution varies depending on geographical areas (see paragraph 6.2.1.2 of this *Document de Référence*). In particular, in North America, the residential building market accounts for approximately 8% of 2007 pro forma sales. In each geographical area, construction, renovation, and maintenance activities evolve differently. For example, renovation, which is less sensitive to economic cycles, is more significant in the residential building and commercial building markets in Europe than is the case in North America.

An economic downturn in one or more of the Group's markets, or across all of its markets, could have an adverse effect on its business, results of operations and financial condition.

4.1.2 Risks relating to acquisitions

In the last few years, the Group has carried out bolt-on acquisitions allowing the development of its local and regional market shares.

Moreover, on December 24, 2007, Rexel launched a tender offer through its subsidiary, Kelium, on all of the shares and convertible bonds into shares of Hagemeyer. Following the offering period and the additional acceptance period, Kelium held 98.67% of Hagemeyer ordinary shares and 100% of the convertible bonds issued by Hagemeyer. On March 19, 2008, Kelium began a squeeze-out procedure in relation to the shares and convertible bonds of Hagemeyer in accordance with Dutch law. Rexel cannot take any commitment in relation to the outcome of this procedure or to the absence of disputes with respect to this procedure.

Rexel has entered into an agreement with Sonepar in relation to the transfer to Sonepar of the businesses of Hagemeyer (other than those of its ACE division) located in the United States, Canada, Mexico, Australia, Switzerland, Austria, Sweden, China and Southeast Asia (Malaysia, Thailand and Singapore), as well as of six branches located in Germany. In addition, on February 22, 2008, the European Commission authorized the purchase of Hagemeyer by Rexel subject to the disposal, after the closing of the offering, by Rexel of the Hagemeyer electrical equipment distribution businesses in Ireland, which represent approximately €30 million in sales, with Rexel retaining Hagemeyer's MRO (Maintenance, Repair and Operation) business in Ireland. The transfer of these Irish businesses is expected to take place within six months. The European Commission also indicated that Rexel was to notify the transaction to the European Commission again, should the transfer of all of Hagemeyer's businesses to be sold to Sonepar in accordance with the above-mentioned agreement not occur within a term of twelve months as of the closing of the public tender offer on Hagemeyer. Moreover, Rexel will transfer its businesses currently located in Germany (excluding Hagemeyer's businesses in Germany retained by Rexel) to Sonepar, and Sonepar will transfer its businesses located in Sweden to Rexel. Rexel believes that the completion of most of the business transfers from Hagemeyer to Sonepar, as well as the assets swaps between Rexel and Sonepar, should take place within six months. However, Rexel cannot rule out that some of these transfers may be delayed or that the sale prices may not reflect the prices initially expected.

The Group intends to integrate the Hagemeyer businesses that it will retain following the transactions agreed upon with Sonepar. Rexel cannot guarantee that the integration of these businesses will occur within the planned timeframes. In addition, integration costs could be higher than initially anticipated and expected synergies may not be fully achieved (see paragraph 7.2.2.1 of this *Document de Référence*).

In the context of preparing for the tender offer, the Group conducted a limited due diligence review relating to Hagemeyer. As a result, the Group did not have access to complete information relating to Hagemeyer. Thus, the Group may not be aware of all of the risks related to the business of Hagemeyer.

Furthermore, the ACE division, which represented 7% of Hagemeyer's 2007 sales, does not operate in the Group's core market. Consequently, the Group has a more limited knowledge of this activity and of its business model, in particular as regards the products offering, the competitive environment, the markets or the investment policy.

Lastly, in respect of bolt-on acquisitions, the Group may be unable to identify appropriate companies, complete acquisitions under satisfactory terms, integrate acquired companies or achieve expected synergies within planned timeframes. Lastly, the Group may bear charges or liabilities undisclosed in its acquisition due diligence processes.

The occurrence of one of the above difficulties may have an adverse effect on the Group's results of operations or financial condition.

4.1.3 Risks relating to changes in prices of certain raw materials

In connection with the distribution of cable products, which account for approximately 20% of its sales, the Group is exposed to fluctuations in cable prices. As copper accounts for approximately 60% of the composition of cables, cable prices change in accordance to copper prices. These changes are not, however, solely and directly linked to copper prices fluctuations to the extent that cable prices also depend on the commercial policy and the competitive environment of suppliers on the Groups' markets. The Group's exposure to copper price fluctuations is therefore indirect.

The Group believes that an increase in copper-based cable prices would have the following effects:

– a positive recurring impact linked to an increase in sales, insofar as the Group believes that it can pass-on through higher sales prices, most of the price increases in the purchase prices of these cables. This ability to pass on price increases could be affected, however, by the commercial policies or the competitive environment of suppliers in the Group's markets; and

– a positive non-recurring impact on inventories corresponding to the impact of copper-based cable price increases between the time they were purchased and the time they were sold, until complete turnover of inventory.

A decrease in copper-based cable prices would reverse the effects described above.

The recurring impact referred to above concerns, *inter alia,* sales and gross margin, and is assessed, for a given period, in respect of the same period of the previous financial year. Conversely, the non-recurring impact, to the extent that it concerns inventories, is assessed for a given period in respect of the immediately preceding inventory turnover period. Therefore, a change in copper-based cable price

may result in different recurring and non-recurring impacts if the change in cable prices in respect of the same period of the previous financial year is different from the change in cable prices in respect of the immediately preceding inventory turnover period.

Thus, in 2007, the Group estimates that variations in cable prices have contributed to recurring increases in its sales of approximately 0.3% on a constant basis and same number of working days (as defined in paragraph 9.1.3 of this *Document de Référence*). Furthermore, the Group estimates that the decrease in cable prices during the fourth quarter of 2007, compared to the immediately preceding period, resulted in a negative non-recurring impact on EBITA estimated at €9.5 million in 2007.

Conversely, in 2006, the strong increase in copper-based cable prices, which mainly derived from a substantial and continuous increase in copper prices, had contributed to the increase of sales and gross margin level of the Group and had had a favorable non-recurring effect on EBITA of approximately €56.6 million.

The Group is also exposed to variations in prices of other commodities which are part of the components of distributed products such as metals (steel, aluminum or nickel) or oil. Oil also impacts transportation costs for products distributed by the Group. In 2007, transportation costs accounted for 1.7% of the Group's sales, approximately 20% of which related to oil prices.

4.1.4 Competition risks

The market for professional distribution of low and ultra-low voltage electrical products is characterized by robust competition, as the products distributed by the Group are generally available from other distributors. At the international level, the Group competes with several large professional electrical distributors, such as Consolidated Electrical Distributors, W.W. Grainger, Graybar Electric Company, Sonepar and WESCO International. In addition, general building trade distributors, and retail specialists in the building materials and equipment market, could continue to develop their electrical product offerings or acquire companies that are already present in the electrical product distribution sector and thereby create increased competition for the acquisition of market share. Finally, the Group also competes with smaller independent distributors that operate on the national, regional or local level which may occasionally create cooperative purchasing organizations.

Although the countries in which the Group believes that it is the leader in terms of market share accounted for more than 80% of its 2007 pro forma sales and although the Group believes that, based on 2007 pro forma sales, it is the leading distributor in North America and in the Asia-Pacific region and number two in Europe, some of the Group's competitors may have a larger market share than the Group in certain geographic areas. In addition, the Group's competitors may develop strategic relationships with its suppliers or maintain long-term contractual relationships with present or potential customers, in particular in markets where the Group is seeking to expand. Moreover, regional competitors and new market entrants could attempt to hire the Group's employees, particularly sales and branch management personnel, which could have a negative effect on the Group's operations. The competitive pressure that the Group faces could therefore have an adverse effect on its sales, market share and operating profitability.

4.2 RISKS RELATING TO THE GROUP'S OPERATIONS

4.2.1 Risks relating to the Group's information technology systems and logistical structure

The operation of the Group's business depends on, among other things, the efficiency of its information technology ("IT") systems, which supports all of the Group's operational and support functions, as well as its logistical organization.

The Group has grown in part through acquisitions. The Group must therefore often manage several different IT systems, as is the case in Europe and North America, the geographic markets in which the Group generates the largest portion of its sales, and amend or adapt, where applicable, its logistical structure. The integration of Hagemeyer's activities by Rexel will result in particular in an increase in the number of IT systems in Europe.

The Group continues to implement its IT systems upgrade plan on a regional level. However, the Group cannot provide assurances that this plan will be completed on satisfactory terms or within the expected timeframes, or that the results will be as expected. The Group may also be required to make unforeseen expenditures or may experience temporary or extended disturbances with respect to its personnel, operations or information flow.

Lastly, the adaptation of the Groups' logistical structures or malfunction of one or several of such structures may result in temporary or long-lasting disruptions of its business.

4.2.2 Risks relating to commercial dependence

In order to rationalize its purchasing and strengthen its relationships with a smaller number of manufacturers, the Group is pursuing a policy of reducing the number of its suppliers. In 2007, the Group's purchases from its 25 leading suppliers accounted for approximately 55% of its total purchases.

In general, the Group's distribution business involves entering into short- and medium-term agreements with suppliers. The renegotiation of these agreements may lead to the suppliers refusing to renew the agreement or to a renewal under terms that are less favorable to the Group. In addition, in certain contracts, the contractual provisions requiring the prior consent of the supplier in the event of a change of control may give rise to the supplier terminating such agreements or seeking an amendment on terms less favorable to the Group. Finally, the Group could face the inability of one or more of its suppliers to meet its contractual obligations or a decrease in its sales volume.

In light of the number of its suppliers, its purchasing volumes and its ability to deal with other manufacturers if difficulties arise, the Group believes that its dependence on its principal suppliers is generally limited. In addition, as the Group represents a substantial portion of its suppliers' sales, the Group maintains interdependent commercial relationships with most of its principal suppliers.

In certain geographic areas, the Group is nonetheless dependent on certain suppliers due to, for example, exclusive or quasi-exclusive relationships, or purchasing concentration. In the event it loses one or more such suppliers or that such a supplier reduces its product offering, the Group cannot guarantee that it will be able to offer a satisfactory alternative to its customers, as a result of which they may turn to one or more competitors to obtain products. In addition, the Group's suppliers could change their distribution channels by reducing the role of distributors, which would affect purchasing volumes and corresponding gross profit.

The occurrence of any of such events could have an adverse effect on the Group's business, financial condition and results of operations.

4.2.3 Risks relating to the international scope of the Group's activities

The Group distributes low and ultra-low voltage electrical products in 34 countries (plus the three countries in which the sole ACE division is established: Korea, Taiwan and Micronesia) and made approximately 83% of its 2007 pro forma sales outside of France, Europe (excluding France), North America and Asia-Pacific having accounted for 40%, 34% and 6% of the Group's 2007 pro forma sales, respectively. The Group intends to continue to expand its activities internationally and could therefore be exposed to a number of risks inherent in the international nature of its operations, such as:

– fluctuations in currency exchange rates (including the U.S. dollar/euro exchange rate) and currency devaluations;

– different tax regimes;

– restrictions and costs relating to compliance with different legal standards and enforcement mechanisms, as well as limitation on transfers of capital;

– different terms and payment delays of accounts receivable in the countries in which the Group operates; and

– political and/or economic instability, including the possibility of wars or terrorist attacks.

If any of these risks were to occur, the Group's financial results could be negatively affected.

In addition, as an international group operating in multiple jurisdictions, the Group has structured its commercial and financial activities in light of diverse regulatory requirements and of its commercial, financial and tax objectives. The Group's structures therefore create value from the synergies and the commercial power vested in a multinational group. Given that tax laws and regulations in the various jurisdictions in which the Group operates may not provide clear-cut or definitive doctrines, the tax regime applied to the Group's operations and intra-Group transactions is based on the Group's reasoned interpretations of local tax laws and regulations. The Group cannot guarantee that such interpretations will not be questioned by the relevant tax authorities, which could adversely affect its effective tax rate and its financial results.

4.3 LEGAL AND REGULATORY RISKS

4.3.1 Risks relating to pending litigation

The Group is involved in tax, commercial and environmental disputes. In particular, some of the Group's subsidiaries are involved in tax audits and reassessments, in particular in France, Germany and the United States (see paragraph 20.8 of this *Document de Référence*). In addition, two of the Group's North American subsidiaries are involved in asbestos-related litigation in the United States.

The above-mentioned tax claims (with the exception of the claim relating to the Swedish corporation Selga) are covered by a capped indemnity granted by PPR in the context of the Acquisition. However, if tax audits result in adjustments, such adjustments could relate, at least in part, to periods not covered by the PPR indemnity. In addition, certain tax audits have not resulted in any tax adjustments or litigation proceedings as of the date of this *Document de Référence*. Finally, considering the status of the ongoing proceedings, the Group cannot predict the outcome of these cases with certainty or assess potential tax adjustments. Consequently, although the Group considers that such disputes will not have any material effect, the Group is not in a position to predict whether these proceedings will have a material effect on its financial condition or results of operations.

The Group believes that its exposure to asbestos-related litigation in the United States is limited, because the existing claims of which it is aware either relate to product liability issues, which concern principally the manufacturers or are principally attributable to other parties, including the owners and landlords of premises involved, as well as to the manufacturers of structures installed in such premises. Nevertheless, given the nature and status of the proceedings, the Group's involvement in such proceedings and the number of claimants, the Group is not in a position to provide a quantitative estimate of the amount of the claims made. Moreover, given the current procedural status and nature of the proceedings, the Group cannot predict the outcome of these proceedings or their financial consequences on the Group. Consequently, although the Group considers that such disputes will not have any material effect, the Group is not in a position to predict the outcome of these proceedings or whether these proceedings will have a material effect on its financial condition or results of operations.

Hagemeyer is involved in a number of legal proceedings, some of which, if adversely concluded, could require the payment of substantial amounts, which could have a material adverse effect on the financial condition and results of operations of Hagemeyer. Although Hagemeyer believes that it has sound legal grounds to defeat all of these claims, Hagemeyer has established provisions for a limited number of these claims, which, as the outcome of these claims cannot be predicted, might prove insufficient to cover them.

These disputes are described in paragraph 20.8.4 of this *Document de Référence*.

Lastly, the Group cannot rule out the possibility that new claims or suits may arise as a result of facts or circumstances that are not yet known or the risks of which cannot currently be ascertained or quantified.

4.3.2 Risks relating to legal and regulatory developments

The products that the Group distributes are subject to numerous legal and regulatory requirements, particularly commercial, customs and tax regulations applicable in each of the jurisdictions in which the Group operates. Changes in such laws and regulations and their implementation could cause a decrease in the Group's sales or an increase in its distribution expenses. These products are also subject to quality and safety regulations and inspections resulting from national and international standards. In particular, these regulations involve European Union directives and standards adopted by international organizations, such as the European Committee for Electrotechnical Standardization and the International Electrotechnical Commission.

The Group believes that its business does not represent any major environmental risks, as it does not involve the use of manufacturing processes that are likely to seriously damage non-renewable resources, natural resources (air, water) or biodiversity. However, the Group must comply with laws and regulations relating to asbestos, health, safety and security, as well as the use, handling, disposal and recycling of waste or hazardous materials.

The Group cannot give any assurance that it has been, is or will be, in all circumstances in compliance with such standards, laws and regulations, or that it will not incur significant expenses to comply with such standards, laws and regulations.

4.3.3 Risks relating to pension plans implemented by Hagemeyer

The information contained in this section is taken from Hagemeyer's annual report for the financial year ended December 31, 2007 ("Risk management – Risks related to retirement plans" section, page 31). An English version of the Hagemeyer's annual report for the financial year ended December 31, 2007 is available on Hagemeyer's website (www.hagemeyer.com). This information was translated into French and copied by Rexel. Rexel cannot assume responsibility for the accuracy and exhaustive nature of this information as set out in Hagemeyer's annual report.

Hagemeyer is involved in a number of defined benefit pension plans, the largest of which cover the majority of its employees in The Netherlands and the United Kingdom. Defined benefit pension accruals in respect of its United Kingdom plan ended on April 5, 2002, and the plan thereafter continued as a defined contribution pension plan. The defined benefit accrual before April 5, 2002 still shows a funding deficit. Hagemeyer's pension plan assets principally consist of long-term interest-earning investments and listed equity securities, with approximately 32% of the Dutch plan assets and approximately 65% of the United Kingdom plan assets consisting of equity securities. Future market developments may affect the assets of Hagemeyer's defined benefit pension plans and the plans' compliance with mandatory coverage ratios, causing higher pension charges, pension premiums and contributions payable.

In addition, defined benefit pension plans are also sensitive to interest rates, price inflation and other actuarial risks. Future adverse developments in these areas may require Hagemeyer to make significant contributions to certain existing pension plans.

In 2007 a non-recurring contribution of €32 million was made by Hagemeyer N.V. to the Dutch pension fund Sagittarius as part of a new financing agreement entered into on November 15, 2007, which reduces these risks for Hagemeyer in particular by eliminating the minimum solvency ratio guarantee of 110% that was part of the previous financing agreement.

Based on the actuarial review carried out further to the closing of the offering, the Group believes that the risk in relation to Hagemeyer's pension liabilities is mainly linked to the financing of the deficit of the defined benefit pension plan in the United Kingdom. Taking into account the present value of the assets and the new mortality tables in force, the Group believes that the deficit, as at March 31, 2008, may range between 70 million pounds sterling and 75 million pounds sterling (i.e., between €88 million and €94 million approximately). The Group is currently negotiating the deficit's financing plan with the trustees' representatives in the United Kingdom.

4.4 RISKS RELATING TO THE GROUP'S INDEBTEDNESS AND SOURCES OF FINANCING

At December 31, 2007, the Group's gross indebtedness amounted to €2,122 million and its net indebtedness amounted to €1,607 million. On a pro forma basis, the Group's net indebtedness as at December 31, 2007, amounted to €3,368 million. In particular, the Group has entered into borrowings for significant amounts, a detailed description of which is set out in paragraph 10.2 of this *Document de Référence*.

4.4.1 Risks relating to the Group's indebtedness

The Group's indebtedness could have the following consequences:

– the New Senior Credit Facility (as defined at paragraph 10.2.2 of this *Document de Référence*) contains customary clauses restricting the Group's operations, in particular its capacity to grant guarantees on assets, carry out merger or restructuring operations, borrow or lend money, provide collateral and make certain investments. Furthermore, the New Senior Credit Facility also contains provisions concerning acquisitions, full or partial early repayment upon the occurrence of certain events and changes of control. These restrictions could impact the Group's ability to modify its activities and respond to competitive pressures, downturns in its markets or, in general, overall economic conditions;

– the Group could be required to devote a significant portion of its cash flow to meet its debt service obligations, which could result in a reduction of funds available to finance its operations, capital expenditures, organic growth initiatives or acquisitions; and

– the Group could be at a disadvantage compared to competitors that do not have a similar level of indebtedness during the same period.

Furthermore, the Group's ability to comply with restrictions and contractual obligations contained in certain of its credit agreements (in particular the New Senior Credit Facility and the securitization programs; see paragraph 10.2 of this *Document de Référence*), or to refinance or repay its loans in accordance with the terms of its debt agreements will depend on the Group's future operating performance, which may be affected by a number of factors beyond its control (general economic conditions, conditions in the debt market, legal and regulatory changes, etc.). The Group's available cash could therefore be insufficient, which could lead it to reduce or delay capital expenditures, sell assets, seek to obtain additional capital resources or restructure its debt.

With respect to indebtedness relating to the Hagemeyer businesses retained by Rexel, the Group has secured from financial institutions the maintenance of certain credit lines necessary for the day-to-day management of these businesses.

4.4.2 Risks relating to contractual restrictions

Certain debt instruments, including the New Senior Credit Agreement, contain customary restrictions that require the Group to comply with certain financial ratios and limit the ability of certain Group companies to, for example, take on additional debt, reimburse existing debt, grant guarantees, enter into other financial arrangements, grant loans to third parties, grant sureties, carry out acquisitions and certain investments or change their business.

The Group's various financial commitments are described in the notes to the consolidated financial statements of Rexel for the year ended December 31, 2007, as set out in paragraph 20.1.1.1, as well as in paragraph 10.2 of this *Document de Référence*. As at December 31, 2007, the Group was in compliance with all of its applicable financial commitments.

Non-compliance by the Group with its financial commitments, in particular with the financial ratios set out in the New Senior Credit Agreement, may result in early termination by the borrowers of the agreements entered into with the Group, and such borrowers may require early repayment of any payable amount of principal or in interest, under such agreements.

In addition, certain agreements, including the New Senior Credit Agreement, contain provisions under which the Group's creditors could demand full or partial early repayment of borrowings, particularly in the event of the disposal of certain assets or the issuance of debt securities on regulated markets.

4.4.3 Risks related to securitization programs

Certain Group companies are engaged in securitization programs. Such programs are subject to customary terms and impose certain obligations with respect to service levels and collection of assigned accounts receivable. If the relevant Group companies do not comply with their obligations as established by the credit institutions or the investors, such programs could be terminated. Furthermore, the quality of the receivables assigned has an impact on the cost and amount of the financing obtained, which could affect the Group's financial position. Finally, the Group's receivables are transferred to special-purpose entities that are financed through the issuance of short-term debt instruments subscribed by investors. In the event of exceptional events, the Group cannot guarantee that these special-purpose entities could continue to issue such instruments, or to do so under similar terms (see paragraph 10.2.3 of this *Document de Référence*). In such circumstances, the Group may be forced to refinance all or part of the programs affected by such events under less favorable terms.

The Group intends to refinance a portion of the debt that was contracted in the context of the Hagemeyer acquisition by implementing new securitization programs (essentially based on trade receivables arising from Hagemeyer's operating activities in the United Kingdom, Germany and Spain) which will be subject to the standard terms and conditions for this type of financing.

4.5 MARKET RISKS

Market risks are described in note 21 to the Notes to the consolidated financial statements of Rexel for the financial year ended December 31, 2007, which are set out in paragraph 20.1.1.1 of this *Document de Référence*.

4.5.1 Interest rate risk

The Group's net indebtedness is essentially composed of variable rate borrowings. In order to hedge its exposure to changes in interest rates, the hedging strategy implemented by the Group seeks to maintain two-thirds of net indebtedness at fixed or capped rates and one-third at variable rates.

The Group monitors its interest rate risk on a monthly basis during treasury committees, in which general management participates, which allow it to determine the level of hedging implemented and their responsiveness to the underlying risks.

Within the scope of the policy set out above, the Group has subscribed to fixed-rate paying swaps denominated in euros, U.S., Canadian and Australian dollars and Swedish crowns, for a nominal amount of €999 million as at December 31, 2007, as well as purchase options (caps) denominated in U.S. dollars, for a nominal amount of €316 million as at December 31, 2007. The swaps expire between March 2008 and March 2010. The Group intends to renew these swaps so as to cover changes in future interest rates relating to its variable rate indebtedness, in accordance with the strategy described above. The hedges are allocated

by currency based on Group expectations concerning changes in interest rates connected with such currencies.

Following the acquisition of Hagemeyer and the resulting increase in the Group's indebtedness, the Group has decided to amend its interest rate hedging strategy and has increased the portion of its debt at fixed or capped rates from approximately two-thirds to approximately 80%. For this purpose, the Group has secured additional hedges through collar options.

As at December 31, 2007, net financial indebtedness amounted to €1,607 million. Floating interest-rate indebtedness or indebtedness hedged with non-monetary options (taking into account the market conditions as at December 31, 2007), amounted to approximately €730 million excluding interest-bearing cash flow. Therefore, a 1% increase in interest rates on floating rate net indebtedness (with optional hedging implemented, in spite of this increase, remaining out of the money) would result in an increase of approximately €7.3 million in annual interest expense as at December 31, 2007. Such an increase would have an additional positive impact of €16.0 million on the Group's shareholders' equity, before taxes, following the appreciation of the fair value of the corresponding hedge derivatives.

On a pro forma basis, as at December 31, 2007, a 1% increase in interest rates on the Group's net indebtedness with variable interest rates would result in an increase in annual interest expense in the amount of approximately €17.1 million.

4.5.2 Exchange rate risk

The Group's policy aims at financing its needs in the currencies of the countries where it operates. As a result of the local nature of the Group's operating activities and the financing of such operations in the local (functional) currency of each entity, the Group's subsidiaries are seldom exposed to exchange rate risk. With the exception of a few transactions, limited in number and amounting to less than €200,000 each, the management of exchange rate risk is centralized at the headquarter level by the Financial and Cash Management Department. The Group's exposure to exchange rate risk results from the use of external financing in foreign currencies or financing granted to or received from foreign subsidiaries in their local currency. To neutralize exposure to exchange rate risks, positions in currencies other than the euro are systematically hedged through forward contracts generally having duration of one to three months. The hedges are renewed as long as the exposure remains.

As is the case with Rexel, Hagemeyer's activities are essentially local in nature. As a result, commercial exposure to exchange rate risks remains limited. With respect to the hedging of intra-Group financing, Rexel intends to apply to the retained Hagemeyer entities the same exchange rate hedging policies and strategy currently used by the Group.

In 2007, almost two-thirds of the Group's sales were denominated in currencies other than the euro, of which close to 40% were denominated in U.S. dollars and 10% in Canadian dollars. More than two-thirds of financial debt was also denominated in currencies other than the euro, including almost 54% in U.S. dollars and 17% in Canadian dollars. On a pro forma basis, as at December 31, 2007, 62% of the Group's sales were denominated in currencies other than the euro, of which 27% were in U.S. dollars, 7% were in Canadian dollars and 10% in pounds sterling. In addition, on a pro forma basis, 45% of the Group's financial indebtedness was denominated in currencies other than the euro, of which 26% were in U.S. dollars, 8% were in Canadian dollars and 1% in pounds sterling. Since the financial statements are presented in euros, the Group must convert into euros the assets, liabilities, income and charges denominated in currencies other than the euro when preparing the financial statements.

Results from such operations are consolidated in the Group's income statement after conversion at the average exchange rate over the relevant period. A 5% increase (decrease) in the euro against the U.S. and Canadian dollars would decrease (increase) the Group's sales by €193 million and €51 million, respectively, and would decrease (increase) operating income before other proceeds and expenses by €8 million and €4 million, respectively. On a pro forma basis, a 5% increase (decrease) in the euro as compared to the U.S. dollar, Canadian dollar and the pound sterling would result in a decrease (increase) in sales of €193 million, €51 million and €70 million, respectively, and by a decrease (increase) in operating income before other income and other expenses of €8 million, €4 million and €1 million, respectively.

The Group's financial debt and shareholders' equity are consolidated in the balance sheet after conversion at the financial year closing rate. A 5% variation of the U.S. and Canadian dollars compared to the closing rate as at December 31, 2007 would result in a decrease (increase) in financial debt and shareholders' equity of, respectively, approximately €57 million and approximately €4 million in relation to an appreciation (depreciation) of the euro. On a pro forma basis, a 5% appreciation (depreciation) of the euro against the U.S. dollar and the Canadian dollar, on the basis of exchange rates as at December 31, 2007, would result in a decrease (increase) in net financial indebtedness of €40.9 million and €16.0 million, respectively.

The breakdown of net financial debt by repayment currency is as follows:

(in millions of euros)	Euro	U.S. dollar	Canadian dollar	Australian dollar	Pound sterling	Swedish crown	Other currency	Total
Financial liabilities	538.5	910.3	270.9	126.7	(6.0)	115.0	166.3	2,121.7
Cash and cash equivalents	(414.0)	(38.5)	–	(14.3)	(4.0)	(16.2)	(28.1)	(515.1)
Net financial position before hedging	**124.5**	**871.8**	**270.9**	**112.4**	**(10.0)**	**98.8**	**138.2**	**1,606.6**
Impact of hedge	32.2	(53.3)	49.8	(46.0)	71.5	(8.5)	(45.7)	–
Net financial position after hedging	**156.7**	**818.5**	**320.7**	**66.4**	**61.5**	**90.3**	**92.5**	**1,606.6**
Impact of a 5% rise in exchange rates	–	40.9	16.0	3.3	3.1	4.5	4.6	72.5

On a pro forma basis, financial indebtedness by currency of repayment may be broken down as follows:

(in millions of euros)	Euro	U.S. dollar	Canadian dollar	Australian dollar	Pound sterling	Swedish crown	Other currency	Total
Financial liabilities	2,336.5	910.3	270.9	126.7	39.6	115.0	166.3	3,965.3
Cash and cash equivalents	(496.2)	(38.5)	–	(14.3)	(4.0)	(16.2)	(28.1)	(597.3)
Net financial position before hedging	**1,840.3**	**871.8**	**270.9**	**112.4**	**35.6**	**98.8**	**138.2**	**3,368.0**
Impact of hedge	32.2	(53.3)	49.8	(46.0)	71.5	(8.5)	(45.7)	–
Net financial position after hedging	**1,872.5**	**818.5**	**320.7**	**66.4**	**107.1**	**90.3**	**92.5**	**3,368.0**
Impact of a 5% rise in exchange rates	–	40.9	16.0	3.3	5.4	4.5	4.6	74.8

4.5.3 Liquidity risk

In connection with its indebtedness, the Group will not be subject to any significant reimbursement obligations in the near to medium term. Therefore, the Group believes that, at the registration date of this *Document de Référence*, its liquidity is sufficient to meet its next debt repayments.

The 2007 Senior Credit Agreement was fully refinanced on March 14, 2008, by the New Senior Credit Agreement, which is intended, on the one hand, to finance the tender offer for Hagemeyer's shares and convertible bonds, and, on the other hand, to refinance all of the debt incurred by the Group under the 2007 Senior Credit Agreement and part of the debt of Hagemeyer. Furthermore, the New Senior Credit Agreement provides for a revolving credit line intended to finance the general operating needs of the companies of the Group. This €600 million credit line, with a 5-year maturity, has not been drawn at the registration date of this *Document de Référence* and constitutes a liquidity reserve.

The New Senior Credit Agreement provides for four tranches (see paragraph 10.2.2 of this *Document de Référence*). The A and B tranches have a maturity of 5 years as of the execution of the New Senior Credit Agreement, i.e., December 19, 2012. The C and D tranches have a maturity of 6 months and 2 years respectively, as of the date of settlement-delivery of the public offering, i.e., September 14, 2008 and March 14, 2010 respectively. The C tranche may also be renewed for an additional period of 6 months, i.e., until March 14, 2009. This tranche is to be redeemed by the proceeds of the sale of the Group's assets, in particular the proceeds from the sales agreed with Sonepar, which are to take place within 6 months, and, where applicable, for any outstanding amount, by the proceeds of a share capital increase.

The Group's securitization programs have a term ending in 2012 (see note 20.1.2 of the Notes to the consolidated financial statements of Rexel for the financial year ended December 31, 2007 included in paragraph 20.1.1.1 of this *Document de Référence*). The financing resulting from these programs depends directly upon the amount and the quality of the transferred receivables. In the event the relevant parties do not comply with certain undertakings, these securitization programs could be subject to early termination. In addition, in the event the special-purpose entities (private-debt funds and specific entities) would no longer be in the position to issue debt instruments (treasury bills, commercial paper) under equivalent terms to those used at the date hereof, the liquidity and financial condition of the Group could be affected.

As at December 31, 3007, the contractual payment dates of the Group's outstanding debt are as follows. The pro forma financial information set out below includes the refinancing of the 2007 Senior Credit Agreement and of Hagemeyer's indebtedness as well as the financing of the acquisition of all of Hagemeyer's securities by the use of the A, C and D tranches of the New Senior Credit Agreement (see paragraph 10.2.2 of this *Document de Référence*) less the estimated proceeds of the sale of the entities to be transferred to Sonepar (see paragraph 7.2.2 of this *Document de Référence*). These proceeds have been allocated in priority to the repayment of the C tranche, and the balance to the remaining two tranches in proportion to the amount drawn. Therefore, the indebtedness set out below includes €2,684 million under the A and D tranches of the New Senior Credit Agreement, within the same proportions as those effectively set out in paragraph 10.2.2 of this *Document de Référence*.

(in millions of euros)	Reported, including interest	Reported, excluding interest	Pro forma, excluding interest
One year	210.1	119.2	180.3
Two years	95.7	4.8	199.5
Three years	97.2	6.7	664.5
Four years	91.0	0.3	285.1
Five years	2,010.7	1,983.1	2,628.2
Thereafter	7.9	7.7	7.7
Total repayment	**2,512.6**	**2,121.8**	**3,965.3**

The amounts drawn and the repayment schedule under the New Senior Credit Agreement are set out in paragraph 10.2.2 of this *Document de Référence*.

4.5.4 Counterparty risk

The financial instruments that could expose the Group to counterparty risk are mainly accounts receivable, cash and cash equivalents and derivative instruments. The counterparty risk relating to accounts receivable is limited, due to the large number of customers, the diversity of their activities (contractors, industries, municipalities) and their geographic dispersion in France and abroad. In addition, credit insurance programs have been implemented in the majority of the significant countries in which the Group operates. The outstanding total of the accounts receivables after taking into account recorded guarantees and value losses recorded, amounted to €2,018 million, and is detailed in note 12.2 of the Notes to the consolidated financial statements of Rexel for the financial year ended December 31, 2007 included in paragraph 20.1.1.1 of this *Document de Référence*. On a pro forma basis, the outstanding total of the accounts receivables after taking into account recorded guarantees and value losses recorded, would amount to €2,626.0 million.

Counterparty risk relating to cash, cash equivalents and financial hedging instruments is also limited by the quality of the relevant counterparties, which consist solely of internationally renowned financial institutions. The outstanding amount came to €538 million as at December 31, 2007, corresponding to the net book value of all such elements.

4.5.5 Share risk

With the exception of Rexel's treasury shares, Rexel does not hold, as at the registration date of this *Document de Référence*, any interests in listed companies. Therefore, Rexel believes that it is not subject to any risk in relation to shares of listed companies.

As at December 31, 2007, Rexel held 585,000 shares. These shares have been acquired at an average price of €15.23 in the scope of a liquidity agreement entered into with the Rothschild bank. In the event of a sale, a 10% change in the Rexel share price in respect of the average acquisition price would have an impact net of income tax of approximately €0.6 million on shareholders' equity.

4.6 RISK MANAGEMENT

The risk management procedure is based on the COSO (Committee of Sponsoring Organizations of the Tradeway Commission) system of reference. The purpose of this procedure is to identify potential risks, define and take steps to limit such risks and to promote a risk management environment.

The internal control procedures implemented at the Group level are described in the report of the Chairman of the Supervisory Board in relation to the operation of the Supervisory Board and internal control procedures, which is attached as Annex 1 to this *Document de Référence*.

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5.1 HISTORY AND DEVELOPMENT

5.1.1 Company name

Rexel's company name is "Rexel".

5.1.2 Place of registration and registration number

Rexel is registered with the commercial registry of Paris (*Registre du commerce et des sociétés de Paris*) under number 479 973 513 RCS Paris.

5.1.3 Date and term of incorporation

Rexel was incorporated on December 16, 2004, as a simplified joint stock company (*société par actions simplifiée*) for a term of ninety-nine years expiring on December 16, 2103, except if the term is extended or if the company is subject to early dissolution.

Rexel was converted into a company with limited liability (*société anonyme*) with a Management Board and a Supervisory Board upon the decision of the Ordinary and Extraordinary Shareholders' Meeting of February 13, 2007.

5.1.4 Registered office, legal form and applicable law

Rexel's registered office is at 189-193, boulevard Malesherbes, 75017 Paris, France (tel: +33 (0)1 42 85 85 00).

Rexel is a *société anonyme* under French law with a Management Board and a Supervisory Board, governed by the legal and regulatory provisions of Book II of the French commercial code.

5.1.5 Group history

Rexel was incorporated in connection with the acquisition of Rexel Distribution, formerly known as Rexel.

5.1.5.1 History

Rexel Distribution was created in 1967 under the name of Compagnie de Distribution de Matériel Electrique (CDME), adopting the name Rexel in 1993 and then Rexel Distribution in 2007.

Rexel Distribution first developed its business of the professional distribution of low and ultra-low voltage electrical products in France. It then began to expand internationally through acquisitions.

In early 2000, Rexel Distribution continued its expansion by strengthening its position in regions where it had previously established its presence and refocusing on the professional distribution of low and ultra-low voltage electrical products.

Between 2001 and 2003, Rexel Distribution's suffered deterioration in earnings as a result of a general market downturn. Rexel Distribution implemented restructuring and reorganization measures with the aim of restoring its profit margins.

With these restructuring and reorganization measures coming to fruition, in 2004 Rexel Distribution focused on stepping up its organic growth, with the main aim of developing its services offering –which became one of the Group's priorities– and increasing the number of local sales and marketing initiatives. Rexel Distribution also continued to optimize its operating structure both in terms of sales and marketing networks and of support functions, particularly logistics and IT.

Pursuant to a purchase agreement entered into on December 10, 2004, PPR, acting through its subsidiary Saprodis S.A.S., transferred a controlling stake of 73.45% of Rexel Distribution's share capital to a consortium of private equity funds comprising Clayton Dubilier & Rice, Eurazeo S.A. and Merrill Lynch Global Private Equity (the "**Acquisition"**). This sale was followed by a standing offer, a public buyout offer and a compulsory squeeze-out, following which Rexel Distribution's shares were delisted from the Euronext Paris market on April 25, 2005.

Since 2005, organic growth has been coupled with a selective acquisitions strategy. Rexel Distribution has acquired companies with a regional, national or international presence, allowing it to strengthen its position in targeted regions, as well as companies established in emerging markets offering strong growth potential. In particular, in 2006, the Group acquired Gexpro, the 2005 pro forma sales of which amounted to U.S. $2.2 billion. In 2007, this strategy resulted in the acquisition of Network Connect Australia (Australia), APPRO 5 (France), Clearlight Electrical Company (United Kingdom), Tri-Valley Electric Supply (United States), Boutet (Belgium), EIW Holdings (Australia) as well as 51% of Huazhang Electrical Automation (China). The total amount of such investments was €117 million for 2007, including certain price adjustments on previous acquisitions. In the same period, the Group disposed of the activity of Kontakt Systeme in Switzerland, deemed non-core, for an amount €5 million.

In addition, Rexel, acting through Kelium, initiated a tender offer on December 24, 2007 relating to the shares and convertible bonds of Hagemeyer. The offer valued Hagemeyer's capital at approximately €3.1 billion. Following the offering period and the additional acceptance period,

Kelium held 98.67% of Hagemeyer's ordinary shares and 100% of the convertible bonds issued by Hagemeyer. The shares and bonds of Hagemeyer were delisted on April 21, 2008. Furthermore, on March 19, 2008, Kelium initiated a squeeze-out procedure in accordance with the Dutch regulations.

5.1.5.2 Listing history

Rexel Distribution was first listed on the *Second Marché* of Euronext Paris on December 8, 1983 and was admitted to trading on the *Premier Marché* of Euronext Paris in 1990. In 1990, Pinault-Printemps-Redoute (**"PPR"**) became Rexel Distribution's majority shareholder following the acquisition of Compagnie Française de l'Afrique Occidentale (CFAO), of which CDME, renamed Rexel and then Rexel Distribution, was a subsidiary. Rexel Distribution's shares were delisted from the Euronext Paris market on April 25, 2005.

Rexel's shares were admitted for trading on the Euronext Paris market on April 4, 2007. In this context, Rexel carried out a share capital increase by way of a public offering in the approximate amount of €1 billion through the issuance of 60,606,060 new shares, as well as a share capital increase reserved for the Group's employees in the amount of €33 million through the issuance of 2,445,188 new shares.

5.2 INVESTMENTS

5.2.1 Completed investments

The table below provides details by line item at the Group level of capital expenditures, acquisitions and disposals for each of the years ended December 31, 2007, 2006 and 2005.

(in millions of euros)	Pro forma 2007	2007	2006	2005 (Rexel Distribution)	Total 2005-2007
Capital expenditure					
IT systems	ND	29.3	29.3	30.2	88.8
Branch renovations and openings	ND	26.6	18.5	22.4	67.5
Logistics	ND	24.9	10.8	5.0	40.7
Others	ND	(8.1) [1]	4.2	–	(3.9)
Total gross capital expenditure	**137.4**	**72.7**	**62.8**	**57.6**	**193.1**
Disposals of fixed assets	(82.4)	(52.1)	(17.4)	(8.4)	(77.9)
Total net capital expenditure	**55.0**	**20.6**	**45.4**	**49.2**	**115.2**
Acquisitions and disposals of subsidiaries					
Acquisitions	ND	116.8	840.3	2,215.3	3,172.4
Disposals	ND	(4.9)	(0.3)	(28.8)	(34.0)
Total acquisitions and disposals of subsidiaries	**ND**	**111.9**	**840.0**	**2,186.5**	**3,138.4**

(1) Changes in supplier accounts receivable for approximately €10 million and acquisition of assets for management purposes for approximately €2 million.

Gross capital expenditure in 2007, 2006 and 2005 represented 0.7%, 0.7% and 0.8% of Rexel's consolidated sales, respectively. It would have represented 1.0% of 2007 sales on a pro forma basis.

Capital expenditures carried out in 2007 included:

– investments in IT systems for €29 million. In the context of the implementation of the Group's IT systems rationalization, consolidation and security program described in paragraph 6.5 of this *Document de Référence*, the Group secured the migration of certain of its branch platforms to a single standardized marketing information system and created a new management model for its supports centers, which will require a change of the stock management tools. In Europe, the Group continued to roll-out an enterprise resource planning system (ERP),

which allows to integrate several procurement processes and offers e-commerce solutions. In the United States, the Group continued to reduce the number of IT systems;

– branch renovation (modification of shop fittings, change of product references and update of IT systems, etc.) and openings (acquisition of land- or facilities-use rights, business opening, personel hiring, connection to the Group's distribution network, etc.) for €27 million;

– logistic organization for approximately €25 million. These investments consisted essentially in modifications of the Group's distribution network (regional logistical centers, hub-and-spoke branches and independent branches);

– acquisition of companies for approximately €117 million. The main acquisitions are described in paragraph 7.2.2 of this *Document de Référence*.

Investments in IT systems, branch renovations and openings and rationalization of the Group's logistical organization were financed by the Group in cash. Acquisitions of shareholdings or assets (business assets or branches of activity) have been financed by the Group in cash or borrowings under the credit agreements entered into by the Group companies, including the 2007 Senior Credit Agreement.

5.2.2 Main investments in progress

The main investments in progress relate to IT systems. In France, existing functionalities, especially in relation to procurement or e-commerce, are in the process of being improved. These investments in the Group's IT systems should amount to approximately €14 million and will be financed in cash. In the United States, a shared platform providing both sales and marketing and support solutions is currently being deployed within Rexel, Inc. in order to reduce IT systems management costs, improve pricing and facilitate development both in terms of new branches and acquisitions. Furthermore, the Group is pursuing a policy aiming at reducing the number of the Group's sales IT systems. These investments should amount to approximately €15 million and be financed in cash.

Other investments in progress relate to acquisitions of businesses. The public tender offer relating to the shares and convertible bonds of Hagemeyer is described in paragraph 7.2.2.1 of this *Document de Référence*. The offer was financed by draw-downs on the credit lines of the New Senior Credit Agreement (see paragraph 10.2.2 of this *Document de Référence*). Furthermore, in January 2008, Rexel Distribution signed an acquisition agreement relating to the acquisition of 73.5% of the share capital of the Chinese corporation Suzhou Xidian (see paragraph 7.2.2.3 of this *Document de Référence*). This acquisition was financed in cash.

5.2.3 Main planned investments

At the registration date of this *Document de Référence*, there was no firm commitment to third parties concerning material financial investments.

The Group could make price adjustments, contingent payments or release warranty provisions in the context of the completion of certain acquisitions, in particular the acquisitions of Beacon Electric Supply (United States), Network Connect Australia (Australia), EIW Holdings (Australia), Huazhang Electrical Automation (China) or ABK Electrical Wholesale (Australia) (see paragraph 7.2.2 of this *Document de Référence*).

In addition, the Group will make capital expenditures with respect to the integration of the Hagemeyer businesses retained by Rexel (see paragraph 7.2.2.1 of this *Document de Référence*).

Lastly, the amount of Rexel's capital expenditure in 2008 should vary between €80 and 90 million (excluding Hagemeyer's activities). According to Rexel, the expenses breakdown should be as follows: IT systems (approximately 50%), logistics (approximately 20%), networks (approximately 15%) and others (approximately 15%). These investments will mainly be carried out in France and the United States (approximately 30% each, with half of the investments in those two countries being dedicated to IT systems) and Asia-Pacific (approximately 7%). The remaining investments would concern various sectors for non significant amounts.

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This Chapter contains information about Hagemeyer's organization, markets and business activities. The information is taken from the following sections of Hagemeyer's 2007 annual report: "Group financial review" (page 8), "Professional Products and Services (PPS) Division" (page 12), "Agencies/Consumers Electronics" (page 21) and Hagemeyer's consolidated financial statements for the year ended December 31, 2007 (page 46). This information is also taken from Hagemeyer's website (www.hagemeyer.com), in particular the following sections: "About us – Our profile", "About us – Our markets", "About us – Our history", "Strategy", "Organization" and "Corporate sustainability". An English version of Hagemeyer's annual report for the year ended December 31, 2007 is available on Hagemeyer's website (www.hagemeyer.com). Rexel does not assume responsibility for the exactness or completeness of this information as set out in Hagemeyer's annual report or on its website.

Overview of Rexel

The Group believes that it is the number one low- and ultra-low voltage electrical products distributor worldwide based on its 2007 sales and number of branches. As at December 31, 2007, the Group operates in 29 countries, principally in three geographic areas: Europe, North America and Asia-Pacific. Based on 2007 financial information, the Group believes that it is the leading distributor in North America and in the Asia-Pacific region, and the number two in Europe.

The Group serves a large variety of customers and end-users, which it groups into four categories: contractors (57% of 2007 sales), industrial companies (25% of 2007 sales), service companies (8% of 2007 sales) and other customers (10% of 2007 sales), which includes, municipalities, public entities, resellers and large do-it-yourself chains. The Group's customers install the electrical products that it distributes in three end-markets: the industrial, commercial building and residential building markets. Its products are used in new installations and construction, as well as in the maintenance or renovation of existing installations and buildings.

The Group distributes a broad range of technical solutions and services aimed at responding to all of the needs of electrical contractors, as well as direct industrial and commercial customers. The Group's product offering is composed of seven product families indicated below with their respective percentage of 2007 sales: electrical installation equipment (41% of sales); cables and conduits (28% of sales); lighting (18% of sales); security and communication (6% of sales); climate control (4% of sales); tools (1% of sales); and white and brown products (2% of sales). The Group adds value to its offering by providing related services, including logistics, technical assistance and training services.

As at December 31, 2007, the Group's branch network consisted of 1,968 branches organized around various commercial banners and had approximately 25,600 employees.

The consolidated sales of the Group for 2007 amounts to €10.7 billion, a 15.1% increase compared to consolidated sales for 2006, 47% of which were carried out in Europe, 45% in North America and 7% in Asia-Pacific. The Group made an Adjusted EBITA in 2007 of €658 million, representing 6.1% of the 2007 consolidated sales, a 16.2% increase compared to 2006.

The Group continued its external growth in 2007 through the acquisition of seven entities with combined yearly sales of €165 million in 2006. These transactions have notably allowed the Group to strengthen its market positions in Australia and in China.

Furthermore, on December 24, 2007, the Group initiated a public tender offer on the shares and convertible bonds of Hagemeyer. At the end of the offering period and the additional acceptation period, Kelium held 98.67% of the ordinary shares and 100% of the convertible bonds issued by Hagemeyer.

Overview of Hagemeyer

Hagemeyer is active in more than 25 countries in Europe, North America and Asia-Pacific, and has its head office in Naarden, The Netherlands. With more than 18,000 employees as at December 31, 2007, Hagemeyer achieved sales of €6.4 billion in 2007, of which 93% was generated by its Professional Products and Services (PPS) division, the core business of Hagemeyer. The PPS activities pertain to the professional distribution of electrical equipment, Safety/ Personal Protection Equipment products and industrial Maintenance, Repair and Operations (MRO) products. Its customers are electrical contractors, in the Construction and Installation (C&I) market, as well as industrial users.

Moreover, Hagemeyer's Agencies / Consumer Electronics (ACE) business (7% of its 2007 sales) distributes electronics products in The Netherlands and Australia, and luxury goods in a number of countries in Asia.

Under an agreement entered into with Sonepar on October 23, 2007, Rexel is expected to keep most of Hagemeyer's PPS division in Europe, as well as all of its ACE division, while the other activities are to be transferred to Sonepar (see paragraph 7.2.2.1 of this *Document de Référence*).

Taking into account the changes in the scope of consolidation resulting from the acquisition of Hagemeyer, the Group recorded pro forma sales in 2007 of €14.3 billion and a pro forma Adjusted EBITA of €771 million, representing 5.4% of sales. The Group employs 34,800 and has 2,605 branches established in 37 countries (including the three countries in which the sole ACE division is established: Korea, Taiwan and Micronesia). Furthermore, the countries in which the Group believes that it is the leader based on market share represent more than 80% of its 2007 pro forma sales.

6.1 PROFESSIONAL DISTRIBUTION OF LOW- AND ULTRA-LOW VOLTAGE PRODUCTS

6.1.1 A distributor of services and technical solutions

The Group offers a broad range of products and services that aim to respond to all of the needs of contractors, as well as those of industrial and commercial customers (industrial and commercial companies, municipalities, public institutions, parts manufacturers and panel builders). The Group's service offering allows its customers to master technological advancements inherent in the product families it distributes and accompanies them over the course of their projects.

6.1.1.1 Broad product offering

Rexel's offering

The Group's product offering, which is classified into seven product families, aims to cover all of the needs of electrical contractors and industrial and commercial customers:

- **electrical installation equipment** (41% of 2007 sales), which includes coupling and circuit protection equipment (such as switches, circuit breakers, meters and fuses); energy conversion and storage equipment (such as transformers, storage batteries, chargers and generators); control equipment (such as industrial computers and network control devices); and sensors, actuators and consumption devices (such as pumps, fans, ventilators and compressors);
- **conduits and cables** (28% of 2007 sales), which allow for the distribution of electricity and include raceways, moldings and cable trays;
- **lighting** (18% of 2007 sales), which includes lighting sources, such as incandescent, halogen bulbs, light bulbs and fluorescent bulbs on the one hand, and lighting equipment, such as interior and exterior lighting systems, as well as decorative accessories;
- **security and communication** (6% of 2007 sales), which principally includes voice and data transmission equipment, intruder and fire detection equipment and surveillance and access control equipment;
- **climate control** (4% of 2007 sales), which includes ventilation, air conditioning and heating equipment;
- **tools** (1% of 2007 sales), which include hand tools, electrical tools and measuring instruments; and
- **white and brown products** (2% of 2007 sales), which includes household appliances and consumer electronics products.

In general, each of these product families has represented a relatively stable percentage of the Group's sales over the past three years. Nevertheless, the portion of conduits and cables in the Group's sales has increased from 26% in 2005 to 28% in 2007, as a result of increases in the price of copper-based cables.

The Group offers a wide range of technical solutions, which allows it to adapt its offering to local consumption habits and applicable technical standards as well as technological innovations. In addition, the renewal rate of listed products represents approximately 20% of the range of products distributed by the Group each year. The Group's product

offering is generally marketed under their brands, whose national or, depending on the market, local reputation is a significant criterion in contractors' purchasing decisions. Changes in the Group's product offering are the result of a dynamic and continuous process that takes into account customers' expectations.

In limited market segments identified as well-suited to such products, the Group also distributes its own-brand products, on which it achieves above-average margins for equivalent product categories distributed under supplier's brands. The Group's principal own-brands are Sector, for residential and commercial electrical equipment in the United Kingdom, Gigamedia for multimedia networks and BizLine for tools. In addition, the Conectis and Citadel corporations were each created to better structure the product offering in the multimedia and security sectors, due to the specific technical nature of the products and the potential for growth of business in these sectors. In particular, the Group is rolling out the Conectis offering, initially developed in France, in other European countries.

Product innovations developed by manufacturers in each product category to respond to changes in customer needs or applicable standards (including energy savings and fire security) allow the Group to improve the value of its offering. The most significant technological evolutions that have occurred over the past several years include:

– improvements in cabling systems to support increases in computer networking bandwidth allowed by the introduction of new categories of cable;

– developments in Light Emitting Diode ("LED") technology to apply to lighting. LED technology was previously solely used in signal systems. This change promotes energy savings, dependability and product life-span;

– developments in biometric control systems in the communication and security sector (fingerprint recognition, voice recognition, etc.); and

– migration from analog to digital transmission, which allows for the installation of a single cable network for all residential needs.

Hagemeyer's offering

Professional Products and Services (PPS)

The Professional Products and Services (PPS) division represents 93% of Hagemeyer's total revenues. The PPS division operates in more than 25 countries across Europe, North America and Asia-Pacific.

The PPS division's electrical products offering covers the following sectors: lighting, cables and cable installation systems, data networks, installation, monitoring and protection equipments, climate control and fire detection. Furthermore, the PPS division distributes Safety/Personal Protection Equipment products (PPE – masks, helmets, security shoes) and industrial Maintenance, Repair and Operations (MRO) products – components for automated and monitoring devices, cut-out tools and equipment, abrasives, and certain liquid products such as adhesives, lubricants and other chemicals). These are used by industrial customers in their current operations for maintenance and repair purposes on their equipments and production tools. In relation to these products, the technical features, availability and delivery timeframe are the main purchase criteria as opposed to the manufacturer's brand.

Sales of products manufactured under renowned manufacturer's brands make up a majority of Hagemeyer's revenue. Nevertheless, Hagemeyer has developed a number of own brands on adequate market segments. The main brands in Europe are Newlec for electrical materials, especially climate control engineering and electrical control, electrical bulbs and Eski for personal protection equipment.

Europe & Asia-Pacific

In Europe and Australia, approximately 70% of Hagemeyer's PPS division is in the Construction & Installation (C&I) market, with the other 30% in Industry. Hagemeyer is number one or two based on market share in most of its European markets and in Australia. In these geographic areas, the great majority of Hagemeyer's product range consists of electrical parts and supplies. Safety/PPE and industrial MRO products represent only a small, though steadily growing share of Hagemeyer's revenues.

North America

North America represents more than 20% of Hagemeyer's PPS division total revenue. The business is mainly focused on the industrial market which represents approximately 85% of the sales achieved in this geographic area. The remaining 15% is in the C&I business, concentrated in the south-east and mid-Atlantic regions of the USA.

Consumer Electronics and Luxury Products Distribution Division (ACE)

The Consumer Electronics and Luxury Products Distribution (ACE) division is made up of three activities run by three separate and autonomous corporations:

– Haagtechno, which represents the Panasonic brand in the Netherlands and distributes products of this brand and other related consumer electronics in The Netherlands;

– Hagemeyer Brand (HBA), headquartered in Australia, which distributes electronics and other branded video products in Australia and New Zealand; and

– Hagemeyer Cosa Liebermann, headquartered in Hong Kong (HCL), which distributes luxury products such as watches, cosmetics and other fashion-related products in certain countries in Asia (Hong Kong, Taiwan, Korea, Micronesia) through a network of 60 sales outlets.

In 2007, the ACE division represented 7% of the Hagemeyer group's total net revenue, 5% of the average invested capital (including goodwill) and 10% of operating result.

6.1.1.2 A service offering adapted to customers' needs

The Group's service offering

Technical solutions services

The Group has positioned itself as a technical solutions provider for its customers. The Group enhances its product offering by providing a number of associated services, including with respect to logistics, technical assistance and training. These services are provided by qualified personnel who benefit from continuing education, which allows them to master technological developments.

The Group's services include:

– **Technical assistance:** The Group assists its customers in choosing adapted product solutions amid the large range of products offered. The Group also offers assistance in preparing technical bids, designing electrical installations and cabling schematics and drafting specifications. The Group also provides electrical product inventory management for certain of its industrial and commercial customers. These services enhance the Group's knowledge of its customers' businesses, notably by allowing it to anticipate their needs. The Group provides these services through teams of experts that are based in its branches and who help sales personnel promote high value-added product families (such as multimedia security, lighting and industrial automation). In some situations, these teams work directly on the customers' premises.

– **Training:** In most of its branches, the Group regularly schedules training sessions led by its employees, manufacturers and third parties in order to familiarize its customers with innovative or complex products. Since 2006, the Group has also offered continuous broadcasting of programs in its French branches presenting new products and training through its "Inexel TV."

The Group's service offerings are generally included in the price of its products and, thus, are not separately billed, which enhances the Group's role as a distributor. In addition, the Group's services are provided in the context of a customer loyalty and customer base development policy, especially through the enhancement of the customers' know-how relating to products with recent technical improvements.

Complementary logistics and distribution services

The Group's organizational structure allows it to offer its customers logistics services, such as the quick retrieval of products in its branches (including during off-hours) or rapid on-site delivery.

In addition, the Group, through its U.S. Services platform, has a high value-added dedicated logistic services offering in the field of mechanical products intended for industrial customers (fittings, bolts, etc.). The Group now offers its industrial customers in the United States three ranges of logistics services relating to spare parts supply and parts assembly. These services are furnished by a dedicated entity that combines the following activities:

– inventory management and assembly services (Production Services);

– distribution services and spare parts (Parts Super Center); and

– the provision of products on customers' production assembly lines (Supply Logistics).

These services are provided in the context of long-term contractual joint-development programs with the Group's customers and allow the Group to build customer loyalty.

Hagemeyer's service offering

Hagemeyer enhances its offering to PPS customers with a range of services included in the sale price of distributed products or subject to specific invoice. These services include:

– **administrative and logistic services,** aimed at improving customer service and identifying cost reduction opportunities: management of supply to western or emerging countries manufacturers, management of orders and inventories;

– **technical assistance services:** design of electrical installations, choice of products and systems;

– **training sessions** allowing customers to discover and become familiar with the products and their functionalities;

– **advice** to assist customers along the supply chain;

– **marketing services:** promotional operations in partnership with the customers.

Moreover, Hagemeyer enters into integrated service agreements. These agreements are mainly related to supply, logistics and inventory management in relation to a wide range of electrical materials and industrial MRO products. They may include full outsourcing by the customer of relevant processes. Hagemeyer then manages on behalf of the customer, the supply and logistics of its warehouses by committing to maintain the inventory at a level agreed with the customer. This activity is mainly developed in the United States, where Hagemeyer operates principally in the industrial market.

6.1.2 Group's commercial and marketing organization

6.1.2.1 A multi-channel organization

The Group's network

In most of the countries in which it has significant market share, such as France, the United States, Canada, Australia and Austria, the Group has different commercial networks in each country. These different networks generally reflect distinct features that are adapted for suppliers or products in a given end-market. This approach allows the Group to address a broader customer base and offer a broader range of products, while benefiting from economies of scale by sharing common logistics and information technology platforms.

Hagemeyer's network

Hagemeyer also has a multi-channel organization in certain countries where it has a significant market share.

6.1.2.2 Commercial organization

Rexel's commercial organization

At the end of 2007, the Group's customer-facing employees represented 60% of its total employees, compared to 58% at the end of 2003.

In order to better respond to customer needs, the Group's sales activities are organized as follows:

– sales counter representatives, who sell products to customers, principally contractors, who come directly to the Group's branches;

– telephone representatives, who are responsible for advising customers (e.g., installation schematics) and telephone orders;

– traveling sales representatives, who visit customers in a designated, assigned zone;

– technical/commercial sales representatives, who provide technical support for traveling sales personnel and who are specialized by product family or customer type; and

– specialized sales representatives who are essentially dedicated to "key accounts."

The Group's sales personnel compensation generally includes fixed and variable components, depending on commercial performance. The variable portion of employees' compensation depends on their geographic area. In the United States, commissions based on gross profit constitute the majority or totality of the compensation paid to employees.

Hagemeyer's commercial organization

With the exception of certain major projects managed at country level, commercial organization is decentralized at branch level and are organized based on customer needs. Within the past few years, Hagemeyer has focused on improving such organization, notably by:

– increasing the number of staff in direct contact with customers, by developing the branch network and improving the sales management system;

– implementing activity based costing (ABC) systems, which allow to better assess profitability per customer, per project per supplier and per product; or

– introducing a category management model.

6.1.2.3 Pricing and terms of sale

The Group's pricing policy is based on the rates charged by its suppliers in each country. The Group offers its customers rebates based on certain criteria, such as volume purchased by the customer, the competitive environment and special promotions. In each country, general terms of sale set out the customary framework of the Group's relationships with its customers, and include rates and payment delays, as well as termination clauses, transfer of ownership clauses and warranties.

Furthermore, in certain countries, such as the United States, France and Canada, the Group has entered into framework agreements with "key account" customers, including companies operating in the industrial or commercial sector. The Group defines "key accounts" as those customers that operate multiple sites on a national and international level and generate annual sales of €0.5 million or more per customer. Based on 2007 sales, "key accounts" generated approximately €1.3 billion in sales, i.e., approximately 12% of the Group's consolidated sales, and sales grew by 11%. The framework agreements entered into with "key accounts" provide for specific sales conditions based on volumes purchased, product availability and delivery timeframes. These agreements are generally entered into in the context of bids and last for two to three years.

6.1.2.4 Marketing organization

Marketing organization of the Group

Group companies' marketing services operate on two levels: on the one hand, downstream, to analyze customer needs and ensure commercial promotion, and upstream, to manage supplier relationships.

Their role includes:

– the preparation of competition studies, which allows them to adapt their choice of suppliers and products accordingly;

– the analysis of their markets in order to ensure that product ranges evolve in partnership with suppliers;

– the creation of product names and customer designations;

– the provision of assistance and advice to sales personnel;

– assistance in the drafting and design of catalogues;

– the implementation of customer loyalty programs; and

– the design and launch of advertising campaigns at the branch level in partnership with suppliers and in line with national or international product promotions.

Furthermore, the Group develops and implements marketing tools adapted to its customers' requirements.

Specialized labels

In addition to its multiple network strategy, the Group has specialized labels in its branch networks in France aimed at better responding to the needs of certain customers by offering innovative added-value solutions. To date, three labels exist in France: Inexel for contractors in the residential market which targets 150,000 electricians, Neoxis (under the Rexel trade name) and DXI (under the Coaxel trade name) for industrial customers.

New distribution methods

In order to better respond to the needs of local contractors, in France and Australia the Group has developed a distribution method consisting of off-the-rack sales that are assisted by product advisers. In addition, in France, the Group is experimenting with a Rexel electrical products department within a construction equipment distributor's points of sales. In addition, Denmans, one of the Group's networks in the United Kingdom, has notably developed a product offering and specific commercial structure including a "Connector" catalogue that is sent to several thousand small contractors that are customers of the Group.

Development of e-commerce

The Group believes that e-commerce represents a distribution channel that can be a source of significant growth in the future. Distribution by e-commerce covers two distinct areas:

– Electronic Data Interchange (EDI), through which customers (principally industrial and commercial customers) benefit from a dedicated service provided through an extranet (consultation of available inventory, on-line purchasing, order status, billing, etc); and

– on-line purchasing through the Group branches, which is reserved for professional customers.

The Group promotes these distribution channels in the United States, Canada, The Netherlands, Belgium, Switzerland, France, Germany and Austria. In 2007, they have been rolled out over the Group's French distribution network. The Group also plans to develop e-commerce in other countries in the coming years, including Spain and Portugal in 2008. For the Group, e-commerce is an additional way to respond to its customers' needs, while generating cost savings.

The Group's e-commerce 2007 sales amounted to €659 million, i.e., 6% of its sales, compared to €565 million and €127 million for this distribution channel in 2006 and 2005 respectively, i.e., 5.3% and 1.7% of consolidated sales.

Hagemeyer's marketing organization

The marketing functions of the Hagemeyer group are organized at the local level based on the specific features of each market. Hagemeyer uses several channels to reach its professional customers: catalogs, e-mail, the Internet, direct marketing, special offers or presence of Hagemeyer representatives at professional exhibitions. Within the past few years, Hagemeyer focused on developing its marketing functions, *inter alia* by :

– stimulating marketing and sales campaigns;

– developing e-commerce, in particular Electronic Data Interchange (EDI); and

– developing sales of products under own brands.

E-commerce is most developed in the Hagemeyer entities retained by Rexel, especially in Scandinavia and Benelux. Considering the changes in the scope of consolidation resulting from the Hagemeyer acquisition, e-commerce accounts for 6.6% of 2007 pro forma sales.

6.1.3 Logistic organization of the Group

6.1.3.1 Purchases and supply

Purchases and supply of the Group

In order to adapt its purchasing structure to the particularities of each country or to a given geographic zone and to optimize its terms of purchase, the Group has implemented partnerships with its suppliers on a number of levels:

– at a worldwide level, the Group maintains privileged relationships with its international suppliers (37 at the end of 2007) which it considers its "strategic suppliers." These suppliers operate in different countries on one or more continents and have joined with the Group in international development programs;

– at each country's level, the Group's subsidiaries negotiate specific purchasing terms with national suppliers; and

– at a local level, the Group's branches may also negotiate specific commercial terms with individual suppliers.

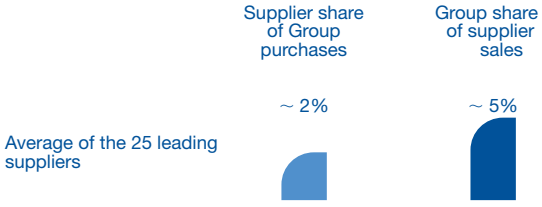
In addition, the Group has a policy of reducing the number of its suppliers with the goal of rationalizing its purchasing policy and strengthening its relationships with its most significant suppliers.

In 2007, the Group made approximately 55% of its purchases from its 25 leading suppliers, approximately 8.9% from the next leading 25 suppliers, approximately 7.5% from the next 50 and approximately 6.6% from the next 100, i.e., approximately 79% from its 200 leading suppliers.

The Group favors the development of sustainable relationships with its strategic suppliers that have the capacity to contribute to the Group's business growth on both a worldwide and local scale. The Group believes that this approach also allows it to benefit from attractive volume pricing, make economies of scale for support services such as marketing and logistics, adapt its product offering to the specificities of each market and to improve its gross margin.

The Group is generally in a favorable interdependence position with its principal suppliers. The weight of the Group in the sales by its suppliers of low- and ultra-low voltage electrical products is in most cases superior to the weight of each supplier in the Group's overall purchasing.

The following table indicates the interdependent relationships of the Group and its top 25 suppliers.



The Group's relationships with its suppliers are governed by short- and medium-term contracts. The Group's customers benefit from manufacturers' product guarantees. In addition, the agreements the Group has entered into with a number of its suppliers provide, under certain conditions, for the return of inventories representing several months of planned sales (see also paragraph 6.7.1 of this *Document de Référence*).

Purchases and supply of Hagemeyer

Hagemeyer concentrates its purchasing volumes on strategic suppliers, and to that purpose, focuses on strengthening its partnership with strategic suppliers. Hagemeyer also focuses on reducing the number of its non-strategic suppliers. This concentration of purchasing volumes and a closer relationship with key suppliers will result in improved purchasing prices and conditions. This cooperation allows establishing partnerships for the launch of new products and the provision of technical advice or training sessions. Hagemeyer and its suppliers consult each other in order to improve the management of order and manufacturing cycles as well as the coordination of local and international commercial initiatives. Lastly, Hagemeyer and its main suppliers jointly identify new geographic market or end-markets opportunities.

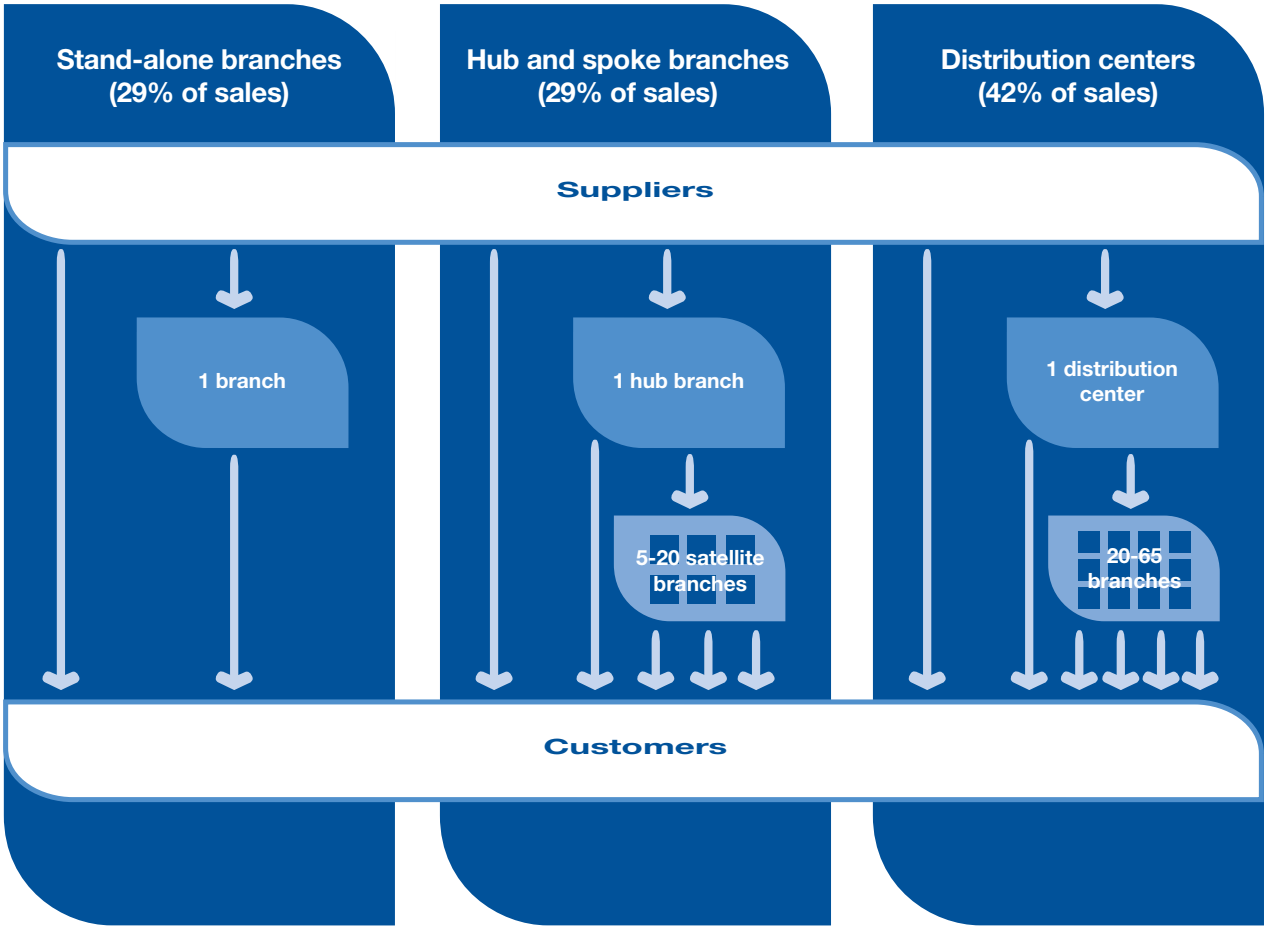
6.1.3.2 Distribution network

Group's distribution network

The Group structures its logistics activities around three distribution models: (i) regional distribution centers; (ii) "hub and spoke" branches; and (iii) stand-alone branches. The choice of which of these models to use in any given area mainly depends on the characteristics of the region, the concentration of the Group's customers, the size of the market, the density of its branch network, its product offering, competition and the nature and breadth of services to be provided within the region. The Group believes that these three distribution models allow it to adapt its services to its customers' needs permitting it to offer a larger range of products. In addition, this logistical organization offers the Group the ability to adapt its means of distribution to local market characteristics in a cost-effective manner and to better manage its inventory.

In 2007, the Group continued rationalizing its logistics network, with a particular focus on its regional distribution network in France, Germany and The Netherlands, and has established a national distribution center in Austria. In North America, the Group continued to develop its "hub and spoke" structure by creating new satellite branches that are linked to existing hub branches. In the Asia-Pacific region, the Group also created new independent branches.

The following diagrams summarize the Group's logistics model and its principal characteristics:



	Stand-alone branches	Hub branches	Distribution centers
Number of references (in thousands of units)	2 to 10	5 to 15	15 to 40
Inventory turnover	Approximately 60 days	Approximately 55 days	Less than 50 days
Logistics costs as a percentage of sales [1]	6.5%	6.2%	5.7%

(1) Logistics costs include personnel, inventory and transportation expenses.

In each of these three models, the Group makes sales through two distribution types: inventory sales and direct sales which represented 78.5% and 21.5%, respectively, of the Group's sales in 2007. Direct sales are not significant except in North America, where they represented approximately 38% of the Group's 2007 sales.

Regional distribution centers

Regional distribution centers are typically located in regions in which the Group's customer base is highly concentrated. These centers focus exclusively on logistics functions and warehouse a large number of products, which are furnished directly by the Group's suppliers. Sales activities are conducted by branches associated with these regional distribution centers. The Group's regional distribution centers deliver products directly to customers as well as to the associated branches as needed in order to replenish their stocks.

The Group created regional distribution centers primarily in order to improve inventory management and reduce transportation costs between the Group and its suppliers, on the one hand, and the Group and its customers on the other hand.

Warehousing areas are located in regional distribution centers (storage, preparation of customer deliveries and stocking of branches) as well as in branches. The size of a distribution center mainly depends on the number of branches associated with it and the volume of sales and number of product references it handles.

As at December 31, 2007, the Group had 19 regional distribution centers in Europe. These centers were principally located in France, Germany, Portugal, The Netherlands, Belgium, Austria and Slovenia. The 12 distribution centers in France are on average 14,000 square meters in size and each supplies between 20 and 65 branches. The 5 distribution centers in Germany, Belgium, The Netherlands and Austria are on average 13,200 square meters in size and each supplies between 13 and 26 branches.

In North America, the Group has 7 regional distribution centers in the United States with each supplying between 8 and 48 branches. In the Asia-Pacific, the Group has 2 regional distribution centers in New Zealand supplying 79 branches. There is no distribution center in Australia. The Group also has a national distribution center in Chile supplying 17 branches.

Hub and spoke distribution model

In areas with lower customer concentration (notably in North America), the Group has developed through the implementation of a hub and spoke distribution model. In this model, each hub branch supplies logistics support to satellite branches in addition to carrying out its own commercial activities. The Group has 67 hub branches around the world (of which 40 were located in North America, 24 in Europe and 3 in Asia-Pacific) which serve generally 5 to 12 satellite branches. In North America, including Gexpro, the Group has as at December 31, 2007, 40 hub branches (25 in the United States and 15 in Canada) which supply 310 satellite branches (111 in the United States and 199 in Canada).

Stand-alone branches

Stand-alone branches are generally located in areas of low customer concentration or where the use of regional distribution centers or hub and spoke branches would not be economically efficient. Stand-alone branches are thus located in certain regions of North America, as well as in Eastern Europe, China and Australia. These branches receive their products directly from the Group's suppliers and warehouse them on location.

Extensive branch network

As at December 31, 2007, the Group had 1,968 branches. The following table sets forth the change in the number of the Group branches between December 31, 2005 and December 31, 2007 by geographic area:

	As at December 31,			
(number of branches)	2007 (Pro forma)	2007	2006	2005
Europe	**1,481**	**930**	**907**	**881**
– France	453	453	443	458
– Outside of France	1,028	477	464	423
North America	**696**	**696**	**703**	**507**
– United States	466	466	473	284
– Canada	230	230	230	223
Asia-Pacific	**325**	**325**	**301**	**276**
Other Operations	**103**	**17**	**17**	**22**
Total	**2,605**	**1,968**	**1,928**	**1,686**

The Group regularly monitors the appropriateness of its branch network with respect to market demand, which can lead to branch openings, transfers, consolidations or closings (see paragraph 5.2 of this *Document de Référence*).

Hagemeyer's distribution network

Hagemeyer's distribution network is mainly made of distribution centers and branches.

Distribution centers are middle-sized (approximately 10,000 square meters), are highly flexible and serve a limited number of branches. This distribution model has been implemented in Germany, the United Kingdom and Spain. Hagemeyer intends to develop this model in Australia and build new distribution centers in Europe.

6.1.3.3 Transportation

The transportation of the Group's products is organized with the aim of improving the quality of customer service while controlling upstream and downstream transportation costs.

In upstream product transportation, products are directly delivered to regional distribution centers, hub branches and stand-alone branches by the Group's suppliers. In downstream product transportation to its branches or customers, the Group uses, depending on the country, its own means of transportation, such as in the United States, Australia, Hungary, New Zealand, Switzerland, the United Kingdom and Sweden, or outsources the transportation of its products.

6.2 THE GROUP'S MARKETS

6.2.1 The Professional distribution of low- and ultra-low voltage electrical products market

6.2.1.1 Characteristics of the professional distribution market

Significant market size

Based on its estimates, the Group believes that the market for professional distribution of low- and ultra-low voltage electrical products amounted to approximately €153 billion worldwide in 2007.

In addition to the €153 billion of products sold by professional distributors, there are three other distribution channels for low- and ultra-low voltage electrical products:

– manufacturers who directly sell products to industrial and commercial customers. These sales are essentially made in connection with large infrastructure projects or large contracts (industrial construction sites, for example) where size and technical specifications justify a direct relationship between the manufacturer and the end-user;

– large do-it-yourself stores that distribute products directly to end-users. These stores are characterized by a limited offering of electrical products and generally target the residential market; and

– distributors of electrical equipment specialized in e-commerce.

A growing market

The Group believes that its market will continue its strong growth over the long term, in line with increasing energy consumption. Overall, this upward trend is due to a combination of a number of macroeconomic factors, including:

– demographic growth;

– economic development;

– increasing urbanization;

– increased demand for comfort, energy conservation and security; and

– growing access to electricity.

In addition to macroeconomic factors, the Group believes that the market for the professional distribution of low- and ultra-low voltage electrical products is supported by a combination of other factors, including:

– continuous technological innovation (e.g., home automation) and a modernization of existing materials. Customers are looking for products with high added value that offer increased functionality, in particular with regard to security, comfort and energy saving, which leads to a high rate of renewal of product references;

– a regulatory environment that is evolving and different from country to country. Changes in security standards and energy consumption are notable factors in the replacement of equipment; and

– the development of technical assistance and maintenance services, as a result of the increasing technological complexity of products and a growing demand for value added products from customers.

A more developed market in countries with mature economies

The characteristics of the professional distribution of low- and ultra-low voltage electrical products sector vary with regard to the maturity of the market. In emerging market countries, the market is centered on large infrastructure projects and is served by manufacturers which sell their products directly to the end user. In developed economy countries (such as France, the United States, the United Kingdom, or Sweden) present a more favorable environment to the professional distribution model, the preferred interface between manufacturers and end-users, primarily because of the more diffused needs of industry and construction, a higher comfort level (linked to higher purchasing power) or a higher level of regulation.

The development of new markets

The worldwide market for the professional distribution of low- and ultra-low voltage electrical products could eventually benefit from the development of certain emerging markets. Economic development could enable distributors to participate in the distribution of their products and the development of value-added services.

On the basis of a multi-criteria analysis of the different emerging markets (by considering, for example, market potential, ease of access to customers, strategic importance of local suppliers, standardization of equipment, importance of multi-brand distributors and the existing state of professional distribution), the Group believes that China will offer the principal opportunity with a distribution market that is still relatively small compared to the manufacturers' market.

Finally, the Group believes that the role of professional distributors is strengthened by the development of customers' expectations; customers are demanding a better quality of service with respect to the availability of products and the ease in obtaining them.

Renewal of product offering that strengthens price increases

The continuous development and renewal of the Group's product offering to include products with higher added-value tends to support the steady growth of average prices. This trend is particularly noticeable in the more technical product families, such as industrial automation, lighting, security and communication products. Price increases also occur as a result of changes in product safety and energy savings standards, which tend to lead to product renewals and more sophisticated product ranges.

A fragmented market

At the worldwide level, the market for the professional distribution of low and ultra-low voltage electrical products is characterized by a large number of players. The Group believes that it is the market leader with a market share of approximately 9% in value and a network of over 2,519 branches, based on 2007 pro forma financial data, excluding the 86 branches of the ACE division.

The consolidation level of the market is extremely varied from country to country. More specifically, in the United States, a market in which the Group believes it is the leader, the market is particularly fragmented. In this country, the Group believes that the six leading distributors, which includes the Group, represented less than 30% of all sales made in 2007. This results, in particular, from the geographic breadth of the market and the historical presence of local market players. The Group estimates that there are almost 200 distributors of electrical materials with over U.S. $30 million in sales active in the United States (Source: *Electrical Wholesaling*, study carried out in June 2007 based on 2006 data). By contrast, in certain countries such as France, The Netherlands, Australia, the United Kingdom or Canada, a large portion of the market is occupied by a limited number of distributors, due to the strong historical presence of players who have consolidated and structured these markets.

The Group estimates that, in 2007, approximately 26% of worldwide sales in the market for the professional distribution of low- and ultra-low voltage electrical products were made by 7 major distributors: the Group, Consolidated Electrical Distributors, W.W. Grainger, Graybar Electric Company, WESCO International, which principally operate in North America, as well as Sonepar and Hagemeyer (prior to the completion of the public offering), which mainly operate in Europe.

In a sense, a large number of medium-sized businesses that operate on a national, regional or local level account for approximately 74% of worldwide sales of the market for the professional distribution of low- and ultra-low voltage electrical products. However, in certain countries, smaller electrical products distributors are seeking to increase their power by creating purchasing associations. These purchasing associations include national distribution networks as well as independent distributors that manage one or more branches.

The fragmentation of the market for the professional distribution of low- and ultra-low voltage electrical products in certain countries, as well as the quest for productivity gains and economies of scale favor the consolidation of distributors. The potential consolidation varies from country to country. In those markets where a limited number of players hold significant market share, such as France, Australia or Canada, external growth transactions are less frequent and are on a smaller scale. In contrast, there are many opportunities in very fragmented markets such as the

United States, Germany, Italy or Spain. The United States, which represents the largest share of the world market, has seen in recent years a number of consolidating transactions and continues to offer strong potential for growth.

Various competitive positions

Competition in this market is connected to different strategic choices made by the Group and its main competitors.

These players have taken on different market positions based on, in particular:

- their targeted customer base (electricians, key accounts, contractors operating in a number of markets, institutions);
- their product offerings (aimed at end-users in general or with a concentration in certain end-markets or end-market segments) and services (for example, training of contractors);
- their commercial structure (number of traveling sales representatives, number and size of branches, call centers and technical support);
- their logistics organization and distribution channels (density of branch network, size of warehouses, delivery methods); and
- their purchasing policies (number of suppliers and partnerships with the main market suppliers).

While certain market players, similarly to the Group, focus on professional distribution of electrical products, other distributors offer less comprehensive product ranges and cover different segments of the market (such as construction or plumbing materials, industrial equipment, maintenance and repair products).

6.2.1.2 Breakdown of the professional distribution market

Geographic breakdown of the professional distribution market

Based on the Group's estimates, North America constitutes the largest market for professional distribution of low- and ultra-low electrical products in the world, representing approximately 41% of the market in 2007. In 2007, Europe represented approximately 29% of the market (€44.5 billion) and the Asia-Pacific region (excluding Japan) represented approximately 12% of the market (€18 billion). The Group estimates that the Japanese market was worth approximately €11 billion in 2007.

Breakdown of the market of professional distribution of electrical products by major country (1)

Country	United States	Germany	Italy	France	United Kingdom	Canada	China
Size (in billions of euros)	**62**	**8.7**	**6.5**	**6**	**4.8**	**4**	**6.8 (2)**

(1) Source: Rexel estimates.
(2) Estimate of the market for distribution of electrical products to professionals as calculated in countries with a developed professional distribution structure.

End-markets for the installation of electrical products

The professional distribution of electrical products encompasses three end-markets in which customers of distributors of electrical products operate:

- the industrial market, which covers the use of electrical products in the construction, expansion, maintenance, renovation and compliance upgrades of factories and other industrial sites;
- the commercial building market, thereafter referred to as the "commercial market", which covers the use of electrical products in the construction, expansion, maintenance, renovation and compliance upgrades of stores, schools, office buildings, hotels, community buildings and transportation infrastructure; and
- the residential building market, thereafter referred to as the "residential market", which essentially covers the use of electrical products in the construction, expansion, renovation and standardization of houses, housing developments, apartment buildings and public housing.

The acquisition of Hagemeyer will result in a change in the activity breakdown, the portion of residential market increasing from 24% of 2007 consolidated sales to 26% of pro forma sales as set out in the table below. Residential market exposure will, however, remain highly concentrated in Europe and Asia-Pacific, as indicated in paragraph 6.3.2 of this *Document de Référence*.

Rexel believes that the breakdown of Group sales in 2007 by end-markets would be as follows:

	Reported	Pro forma
Industrial	38%	36%
Commercial	38%	38%
Residential	24%	26%

6.2.2 The Group's customers and their markets

The Group offers products and services to a large variety of customers, including contractors, end-users with internal installation departments, parts manufacturers and panel builders. The diversity of the Group's customer base allows it to not be dependent on a given customer, although the concentration of the Group's customers can be significant in certain countries or for certain product ranges. The Group's most significant customer accounted for approximately 3% of the Group's sales in 2007 and approximately 2.5% on a pro forma basis.

The Group's customers are classified into four categories: contractors, industrial companies, commercial companies and other customers.

Contractors

General and specialty contractors represented 57% of the Group's 2007 sales (of which 19% were generated through large contractors and 38% by small- and medium-sized contractors). The Group's customer base includes, depending on the type and size of a given project, electricians and small contractors, medium-sized contractors and large contracting companies. These customers are present in each of the Group's three markets: industrial, commercial and residential.

Industrial companies

Industrial companies, which are the end-users in the industrial market, accounted for 25% of the Group's 2007 sales. These customers include manufacturers, parts manufacturers, panel builders, the professionals who provide maintenance services for such machines and industrial end-users.

Commercial companies

Commercial companies consist of end-users in the commercial market and represented 8% of the Group's 2007 sales. These customers include companies that operate in the commercial and retail industry, commercial services, public services and housing and transportation infrastructures.

Other customers

The Group also sells its products to municipalities, public entities, resellers and large do-it-yourself stores. These customers generated 10% of the Group's 2007 sales.

6.2.3 Geographic markets

The Group's operations are organized around three principal geographic areas (Europe, North America and Asia-Pacific), as well as the segment "Other Operations" which includes the Group's other geographic markets. 2007 sales amounted to €10.7 billion and €14.3 billion on a pro forma basis. Its breakdown per region was as follows:

	Reported		Pro forma	
	In millions of euros	%	In millions of euros	%
Europe	**5,042**	**47.1%**	**8,100**	**56.7%**
– France	2,427	22.7%	2,431	17.0%
– United Kingdom	338	3.1%	1,402	9.8%
– Germany	436	4.1%	834	5.8%
– Scandinavia	201	1.9%	909	6.4%
– Benelux	395	3.7%	666	4.7%
– Others	1,245	11.6%	1,858	13.0%
North America	**4,806**	**44.9%**	**4,806**	**33.7%**
– United States	3,786	35.4%	3,786	26.5%
– Canada	1,020	9.5%	1,020	7.2%
Asia-Pacific	**797**	**7.4%**	**883**	**6.2%**
Other Operations	**59**	**0.6%**	**493**	**3.4%**
Total	**10,704**	**100.0%**	**14,282**	**100.0%**

6.2.3.1 Europe

Based on its estimates, the Group was the number two player in the market for the professional distribution of low- and ultra-low voltage electrical products in Europe and holds a market share exceeding 18% in 2007, based on pro forma sales. The Group believes that the industrial, commercial and residential markets, respectively, represented 27%, 37% and 36% of its 2007 pro forma sales.

On a 2007 pro forma basis, the Group is established in 24 European countries (compared to 19 countries excluding Hagemeyer's retained businesses). The Group believes that it is the leader in some of these countries, particularly in Austria, Spain, France, Ireland, Latvia, Luxembourg, Portugal, the Czech Republic, the United Kingdom, Slovenia, Slovakia, and Switzerland. Furthermore, the Group believes that it is the second leading distributor of low- and ultra-low voltage electrical products in Germany, Belgium, Finland, Lithuania, Norway, The Netherlands and Sweden.

6.2.3.2 North America

According to its estimates and based on its 2007 pro forma sales, the Group's market share in 2007 amounted to approximately 8% of the North American market for the professional distribution of low- and ultra-low electrical products. The Group believes that it is the market leader in this area, both in the United States and in Canada, with market shares of 7% and 25% respectively.

In North America, the Group operates essentially in the industrial and commercial markets, and to a lesser extent in the residential market, which, since the beginning of 2007, has experienced a significant downturn. The Group believes that the industrial, commercial and residential markets respectively represented 51%, 41% and 8% of its 2007 sales in North America.

6.2.3.3 Asia-Pacific

The Group believes that it is the leader in the Asia-Pacific region thanks to its leadership position in Australia and New Zealand. The Group is also present in China, Indonesia, Malaysia, Thailand and Singapore.

Based on its estimates, the industrial, commercial and residential markets respectively represented 31%, 37% and 32% of the Group's 2007 pro forma sales in the Asia-Pacific region.

6.2.3.4 Other Operations

The Other Operations segment accounts for 3.4% of the 2007 pro forma sales. It mainly includes distribution of consumer electronics and luxury products (ACE) resulting from the acquisition of Hagemeyer (€433 million). It also includes the distribution of electrical equipment in Chile (where the Group believes that it has the leading position), as well as the Group's horizontal activities (such as Bizline, Citadel and Conectis whose activities are mostly based in Europe), which include, in particular, the distribution of own-brand products.

6.3 THE GROUPS' COMPETITIVE ADVANTAGES

6.3.1 A world leadership position

Based on its estimates, the Group is the leader in the market of the professional distribution of low- and ultra-low voltage electrical products in terms of both 2007 pro forma sales and number of branches. Based on 2007 pro forma sales, the Group also believes that it is the only distributor to be among the top two players in its three principal geographic areas: North America, Europe and Asia-Pacific.

The acquisition of Hagemeyer will allow the Group to strengthen this position of global leader, in particular its number two position in Europe. Taking into account the changes in the scope of consolidation resulting from this acquisition, the Group generates pro forma 2007 sales of approximately €14.3 billion, has 2,605 branches established in 34 countries (plus the three countries in which the sole ACE division is established: Korea, Taiwan and Micronesia) and employs 34,800.

The Group also estimates that it holds a world market share of 9% on a pro forma basis (compared to 7% based on the Group's scope of consolidation at the end of 2007), which allow it to continue developing its market shares, including by external growth, thus becoming one of the main players of the consolidation of the market of the professional distribution of low- and ultra-low voltage electrical products.

The Group's worldwide leadership position allows it to:

– respond to customers operating in several different regions and offer a consistent standard of advice and services throughout the world;

– identify and apply best practices relating to management and development within the Group's network, due to the implementation of a lateral communication process covering the Group's most important business functions (purchasing, logistics, sales and training);

– benefit from a common logistics model and, at the regional level, IT systems that are shared by several operational platforms;

– take advantage of purchasing conditions that are equal to or better than those of its smaller competitors through the implementation of partnership agreements with its strategic suppliers; and

– better identify external growth opportunities in the countries targeted by the Group and integrate acquired businesses using a defined process based on its experience. On the basis of anticipated cost synergies, the Group believes that the integration of the small- to medium-sized acquired companies allows generating additional profitability between 1% to 2% of sales of the acquired businesses within three years.

These strengths contribute to the Group's competitive advantage compared to those distributors who are smaller or organized differently.

In Europe, the acquisition of Hagemeyer results in an increase in Rexel's market share, from over 11% (with 930 branches) based on the Groups scope of consolidation at the end of 2007, to over 18% (with 1,481 branches) on a pro forma basis. The European countries in which the Group believes that it holds a market share exceeding 10% account for over 96% of sales. Furthermore, the Group believes that it is the number one or number two player in 20 European countries, accounting for approximately 75% of the market (compared to 10 countries accounting for approximately 22% of the market prior to the acquisition of Hagemeyer).

6.3.2 Diversified geographic and end-market presence

The Group estimates its 2007 sales breakdown by end-market and principal geographic area as follows:

	Reported				Pro forma*	
	North America	Europe	Asia-Pacific	Group	Europe	Group
Industrial	51%	27%	31%	38%	27%	36%
Commercial	41%	36%	37%	38%	37%	38%
Residential	8%	37%	32%	24%	36%	26%

* Excluding ACE division and horizontal activities of the Other Operations segment

The Group's presence in a range of different countries on several continents limits its exposure to local economic cycles. Europe, North America and Asia-Pacific accounted for approximately 57%, 34% and 6% of 2007 pro forma sales respectively, compared to 47%, 45% and 7% on a reported basis.

In addition, the balanced breakdown of the Group's operations among its three end-market segments (industrial, commercial and residential) allows the Group to limit the impact of a downturn in any given end-market within a given country or region.

The acquisition of Hagemeyer allows the Group to further diversify its sources of income by end-market: the industrial, commercial and residential markets would account for approximately 36%, 38% and 26% of 2007 pro forma sales, compared to 38%, 38% and 24% on a reported basis.

Lastly, the acquisition of Hagemeyer allows reducing the sensitivity of the Group's business in respect of economic cycles, thanks to a reinforced presence in Europe, where the portion of activity carried out in the fields of maintenance and renovation is larger.

6.3.3 A strong local leadership

The Group estimates that over 80% of its 2007 pro forma sales were generated in countries where it believes that it is the leader in terms of market share. The Group also believes that it holds a market share exceeding 20% in 21 out of the 34 countries where it is established (plus the three countries in which the sole ACE division is established: Korea, Taiwan and Micronesia). This strong local presence tends to support growth in profitability, in so far as the Group estimates that its operating margins are generally higher in those countries where it holds significant market shares. The Group also believes that it has developed the industry's largest worldwide branch network.

The Group's local leadership is principally based on the following factors:

– its ability to offer customers a range of products and services that is adapted to local needs and that is broader than that offered by other independent distributors;

– extensive branch coverage, which permits it to meet its customers' needs where they operate. Based on a 2006 internal study conducted in France, where the Group has a significant market share and extensive branch coverage, the Group estimates that more than 50% of its sales in France were made to customers located within 20 minutes of a Rexel branch;

– the development of networks comprised of several different brands tends to support an increase in the Group's market share where it already has a relatively significant share of the market (for example, the Westburne and Netco networks in Canada);

– a tailored logistics structure, which is adapted to meet its customers' needs and the density of its markets;

– its capacity to employ qualified personnel who have strong knowledge of their local markets and its ability to provide continuous training to such personnel; and

– its attractiveness to suppliers as a distributor of reference that can promote their products.

In particular in Europe, with the acquisition of Hagemeyer, the Group has strengthened its presence in the countries where it benefited from a strong local presence and developed new market segments, as shown in the table below, which sets forth the impact of the acquisition of Hagemeyer on the Group's estimated competitive positioning in 2007:

Country	Estimated market size in 2007 (in % of European market)	Rexel's estimated ranking in 2007 market share based on sales	
		Reported	Pro forma
Germany	19%	4	2
Spain	8%	13	1
Finland	2%	Absent	2
United Kingdom	11%	4	1
Norway	3%	Absent	2
The Netherlands	4%	4	2
Sweden	4%	3	2

In Scandinavia, a fast-growing market which accounts for approximately 10% of the European market, the Group becomes the number two player in Sweden, Norway and Finland. The acquired activities, very active in the "Key Accounts" segment, on the industrial and utilities markets, strongly complement Rexel's activities.

In Spain, which represents approximately 8% of the European market, Hagemeyer's network also strongly complements the Group's network, which is essentially concentrated in two regions. The Group thus acquires a national dimension and becomes the market leader. The implementation of an adapted national logistic model represents a strong potential for an improvement in profitability.

In the United Kingdom, which accounts for approximately 11% of the European market, the acquisition of Hagemeyer offers the Group the market leader position. The integration of the branch networks and of the distribution structures offers a significant potential for optimization, *inter alia* in relation to fixed costs reduction. Moreover, the Group's experience is expected to be a strong asset to improve Hagemeyer's profitability in this country.

In Germany, which accounts for approximately 19% of the European market, the Hagemeyer network, which is twice the size of the Group's network which will be transferred to Sonepar, offers a strongly improved platform. The branch network and the future distribution structure are expected to accelerate growth with the national key accounts.

Furthermore, the networks of several of Hagemeyer's subsidiaries, *inter alia* in Germany and the United Kingdom, are well-established on the industrial market. The expertise acquired in this sector complements the Group's expertise and is expected to develop this customer segment.

The acquisition of Hagemeyer also strengthens the Group's positions in emerging markets by increasing its sales by almost 50%, at approximately €650 million on a 2007 pro forma basis. This business volume is spread across the following countries: the Baltic states, Chile, China, the Czech Republic, Hungary, Indonesia, Malaysia, Poland, Russia, Singapore, Slovakia, Slovenia and Thailand.

6.3.4 An offering of high value-added products and services

The Group offers a very wide range of products. The Group associates high value-added services to such products, such as support services, product availability, project management or installation design. In particular, the Group assists its customers in the choice and mastery of installation techniques for the products it distributes, and provides adapted delivery services. These services include:

– logistics chain outsourcing, including in the area of inventory management, assembly, distribution of replacement parts and the outsourcing of logistic services; and

– training, automatic machine programming assistance and help preparing cabling schematics.

The Group thus distributes an array of products and services that provide installation solutions aimed at functioning in an integrated manner and at satisfying all of its customers' electrical product needs. To this end, the Group constantly develops and adapts its product offering in order to take into account technological advancements and customer demand for new products arising from increased needs for comfort, security, ergonomics and automation. The Group thus offers approximately 20% of new products each year.

The Group has acquired a technical mastery of its product families that tracks the needs of electrical contractors. The close relationships of the Group with its principal suppliers have enabled it to become the favored interface between end-users and suppliers.

The Group thus offers a comprehensive range of products and services which is core to the value chain, and which responds to all of its customers' (professional contractors or end-users in the commercial, industrial or residential sectors) and suppliers' (manufacturers) needs.

The activities of Hagemeyer retained by the Group will allow the Group to develop its technical solutions offering, including products and services intended for the industrial sector as well as industrial MRO products. The Group will also benefit of a better knowledge of the basic resources industry (oil, gas, mining).

6.3.5 Experienced and skilled personnel

Due to the technical nature of its business, the Group employs experienced personnel with strong knowledge of its product specifications, local needs and applicable regulations. This know-how and the training offered to its customers allow the Group to direct its personnel towards higher value-added systems for the end-customer. The Group therefore acts as a prescriber of technical solutions.

The Group's employees benefit from an active training policy provided *inter alia* through the "Rexel School" in 11 countries. In addition, as a result of productivity gains, the Group continually increases the number of its employees who regularly interact with customers. Such employees represented approximately 60% of the Group's employees at the end of 2007 compared to 58% at the end of 2003. The Group also seeks to build customer loyalty, develop its market share and improve its productivity. As a result, its gross profit per employee has increased between 2004 and 2007, from €81,200 in 2004 to €87,600 in 2005, €101,500 in 2006 and €102,600 in 2007.

Furthermore, the Group's management team has broad experience in professional distribution, as well as operational, financial, and mergers and acquisition expertise and has created favorable conditions for continued profitability and cash flow generation.

The Group aims at relying on the skills of the Hagemeyer teams in order to strengthen the Group's expertise and to improve the integration of Hagemeyer's businesses retained by the Group.

6.3.6 Privileged relationships with suppliers

The Group has organized its supplier relationships around a limited number of strategic suppliers, who are global players in the low- and ultra-low voltage industry, and a certain number of regional and national suppliers.

These privileged relationships allow the Group to negotiate better commercial terms, to increase productivity, to achieve economies of scale for its logistics operations and to benefit from its suppliers' marketing resources. The Group's active management of its supplier portfolio has resulted in the gradual concentration of its purchases.

The Group believes that it has generally favorable interdependent relationships with most of its significant suppliers, thereby limiting the risks inherent in dealing with a limited number of suppliers. As a result, the weight of the Group in the sales of low- and ultra-low voltage electrical products by its top 25 suppliers is, in most cases, slightly superior to the corresponding weight of each such supplier in the Group's own purchasing. In addition, the Group benefits from its weight in sales of low- and ultra-low voltage electrical products by other suppliers.

Hagemeyer also seeks to reduce its number of suppliers and to focus its purchase volumes on strategic suppliers in order to add value for its customers and its suppliers, *inter alia* by strengthening its partnerships with its strategic suppliers and reducing the number of non-strategic suppliers. This concentration of the purchase volumes and a closer relationship with key suppliers are likely to result in an improvement in pricing and purchase conditions for Hagemeyer.

6.3.7 An efficient logistic model

The Group's distribution operations are based on a logistic model that includes regional logistic centers, "hub and spoke" branches and stand-alone branches. The choice of one of these methods of distribution in a given region depends on a number of factors.

The Group believes that its logistic model allows it to adapt the services it provides to its customers' needs by offering them a broader range of products and allows it to adapt its distribution system to its local markets at reduced cost.

The acquisition of Hagemeyer allows the Group to increase its geographical presence in Europe, where three countries account for sales in excess of €800 million, and six countries account for sales in excess of €350 million, and therefore develop and implement more advanced logistical models.

6.3.8 An economic model generating high cash flow

The operating profitability of the Group, together with the strict management of working capital requirements and the low capital intensity of its activities, allows the Group to generate significant cash flow.

Management's variable compensation depends in part on the optimization of working capital needs, with a view to reduce inventories and customer payment delays through the continuous optimization of logistics and credit management. As a result, working capital requirements have decreased as a percentage of sales between 2004 and 2007, down to 13.6% as at December 31, 2007. The launch of a Group logistic model based on a hub and spoke system of satellite branches and regional distribution centers, as well as the implementation of software designed to follow-up the collection of receivables, are examples of initiatives that have reduced the Group's working capital requirements relative to its overall sales.

The Group has also maintained gross capital expenditures over the last three years at an annual level between 0.7% and 0.8% of consolidated sales. This investment strategy illustrates the low capital intensity of the professional distribution of low- and ultra-low voltage electrical products.

Return on capital employed [1] increased by approximately 350 basis points between 2005 [2] and 2007 as a result of faster growth in EBITA during the period compared to capital employed growth.

Therefore, the Group was able to self-finance a significant portion of its external growth in 2005, 2006 and 2007 thanks to its operating cash flow.

6.3.9 A flexible cost structure

The Group benefits from a profitability structure that delivers improvements in operating margins during periods of growth, provided that the fixed elements of its cost base are able to be grown more slowly than its sales. Conversely, the Group believes that its adaptability allows it to limit adverse effects on its operating margins arising from any reduction in sales.

Based on 2007 financial information, the Group estimates that its operating cost structure before depreciation comprises fixed costs (approximately 48%), flexible costs (approximately 29%) and variable costs (approximately 23%). The percentages of flexible costs and variable costs vary depending on the country.

Flexible costs, which comprise mainly personnel costs in North America, promotional expenses and other similar expenses, can be rapidly adjusted according to the development of sales. Variable costs, comprising mainly commission fees and bonuses paid to sales staff, transportation costs, losses and provisions for accounts receivable, are tied directly to sales. As a result, if the Group experiences a decrease in its sales, it believes that it would be able to amend its flexible and variable cost structures in order to limit the impact on its profitability.

(1) Rexel defines return on capital employed as the ratio of after-tax adjusted operating income to adjusted capital employed. After-tax adjusted operating income is operating income before other income and other expenses, minus financial expenses relating to retirement commitments and estimated taxes calculated on the basis of the Group's average tax rate. Adjusted capital employed is defined by the Group as the sum of the following (at year end): fixed and intangible assets and working capital requirements, minus liabilities relating to retirement commitments, other non-financial debt and provisions. Intangible assets include goodwill arising from the LBO in order to retain net goodwill existing prior to the transition to IFRS.

(2) Return on capital employed for 2005 has been calculated on the assumption of the acquisition of Rexel Distribution by Ray Acquisition S.C.A as at January 1, 2005, excluding goodwill resulting from this acquisition.

6.4 THE GROUP'S STRATEGY

The Group's strategy is based upon a number of operational levers and an external growth strategy that enable it to pursue organic growth while simultaneously aiming at increasing its profitability. In addition, as a market leader, the Group is a driving force in the increase of the portion of the professional distribution of electrical materials at the core of the value chain of installation, maintenance and renovation of new or existing constructions.

6.4.1 Operating levers

6.4.1.1 Levers in relation to sales

Optimize the Group's branch network

In order to strengthen its local leadership, the Group, which has close to 2,000 branches, constantly extends its sales outlets networks in order to follow as close as possible the evolutions of its professional customers, both in terms of trading areas and of purchase behavior. Rexel has opened or moved 43 branches in 2007, thus improving proximity with its customers. These sales outlets are mainly satellites of existing branches, and their setting-up represented limited capital expenditure (approximately €20,000 to €100,000 per branch) with a rapid return on invested capital (approximately 12 to 18 months).

The Hagemeyer network will allow the Group to increase its presence in the various countries where Rexel is already established, and to become established in new countries.

Develop "key accounts"

The combination of the Group's international and local positions and the integration of its logistics and IT platforms allows the Group to provide a product and service offering tailored to the needs of "key account" customers. The Group includes in this segment national and international multi-site customers that each represent at least €0.5 million in annual sales.

In order to better serve its customers, the Group has implemented a dedicated "key accounts" structure. The Group has specialized employees in its principal markets and has developed a service offering dedicated to these customers, such as Electronic Data Interchange ("EDI") which allows these "key accounts" to visualize the Group's available inventory in real time, e-catalogues and direct management of customers' inventory. The "key account" services rely on the Group's branch network and support services.

Based on 2007 sales, the Group believes that it has generated sales of €1.3 billion on the "key accounts" segment, representing a growth rate of 11%, way above growth rates of other types of customers. The Group believes that this segment represents a substantial portion of the world market of professional distribution of low- and ultra-low voltage electrical materials (approximately €20 billion).

The acquisition of Hagemeyer will allow the Group to increase its growth in the "key accounts" segment, *inter alia* due to the increase in density of the branch network which strengthens the Group's establishment in Central Europe, the Channel Islands, Northern Europe or Eastern Europe, the development of on-site deliveries and to a broader personalized service offering (improvement of product availability, optimization of the supply chain, improvement of expense monitoring, rationalization of the product range and of brands, etc.).

Develop e-commerce

E-commerce continues being a medium for growth and for a substantial decrease in distribution costs for the Group. E-commerce has increased by 16.6% in 2007, representing 6% of sales compared to 4% in 2006.

Certain countries have made substantial progress in this field in 2007, such as Belgium through its e-commerce website, or France, due to both the Internet and EDI which allows commercial and industrial customers to check available inventories at Rexel or their specific purchase conditions.

Implement a multi-network commercial structure

In those countries in which it has significant market share, the Group believes that the coexistence of different commercial networks with respect to product and service offerings allows for gains in market share that are greater than those that can be achieved using a single network. A multi-network commercial structure offers a distributor the following advantages:

– with respect to its customers, multiple networks allow a distributor to provide offerings that cover a broader portion of market demand and better target the demands of different customer segments; and

– with respect to its suppliers, multiple networks provide more targeted advertising and promotional opportunities.

As a result, the Group intends to pursue this strategy both through acquisitions and the reorganization of its existing network.

The Group estimates that with the acquisition of Hagemeyer, the countries where the coexistence of multiple networks is economically justified represent pro forma sales of €7.3 billion in 2007 (51% of total 2007 pro forma sales), compared to €4.6 billion for the Group's scope of consolidation as at December 31, 2007 (43% of 2007 sales on a comparable basis). Therefore, the integration of Hagemeyer will lead the Group to consider the opportunity of a reorganization of certain of its networks in Europe.

6.4.1.2 Levers in relation to gross margin

Optimize relationships with suppliers

With purchase volumes of €8.1 billion in 2007, the Group has structured its relationships with its suppliers around a limited number of strategic partners of global scale, along with several national suppliers and local suppliers that allow it to shape its product offering to fit local needs and to perpetuate its profitable development. With respect to its strategic suppliers, these relationships are formalized through the implementation of Group-wide framework agreements that are both international and local in scope.

In addition to advantageous pricing terms from which it benefits as a result of its size, the Group develops value-added services which provide the framework for closer partnerships with its suppliers. For example, the Group has set up training programs, commercial transactions and joint marketing efforts, and accompanies its suppliers in their international development. In addition, by comparing the terms offered by its suppliers, the Group is able to continuously improve its purchasing terms.

The Group intends to continue to optimize its supplier portfolio with the objective of improving its gross margin.

In 2007, the Group made approximately 55% of its purchases from its 25 leading suppliers, compared to 53.5% in 2006. Moreover, Hagemeyer's accounted for approximately 45% of its cost of goods sold from its 25 leading suppliers in 2007. The lower concentration of Hagemeyer's suppliers therefore represents a substantial potential improvement for the new Group.

By increasing the Group's purchase volumes by approximately 30% up to over €10 billion, the acquisition of Hagemeyer increases Rexel's attractiveness as a partner for electrical materials manufacturers. In the context of the integration of Hagemeyer, the Group intends to capitalize on this contribution which should be the source of approximately 35% of expected synergies (see paragraph 7.2.2.1 of this *Document de Référence*).

Develop the Group's own-brands

Based on a study of its product portfolio, the Group has identified certain segments appropriate for the development of own-brands. These segments have the following characteristics:

– less importance afforded to well-known supplier brand names by customers;

– product functionality that is increased by packaging adapted to customer needs; and

– high fragmentation of manufacturers.

This is particularly the case for tools, certain installation accessories, and certain communications and security products.

In this context, the Group has successfully created its own-brand names (such as Bizline, Sector and Gigamedia) that have higher gross margins by at least 10% of sales compared to their brand-name counterparts.

In 2007, Rexel continued to develop selective distribution of its own-brands. Sales of own-brand products accounted for 2.0% of Group sales in 2007 compared to 1.8% in 2006, thus contributing to the increase of its gross margin. The Group intends to continue a targeted development of its own-brands.

In the context of the integration of Hagemeyer, the Group intends to capitalize on the own-brands brought by Hagemeyer, and, where applicable, to rationalize the own-brand portfolio in case of overlap.

Optimize sales prices

Rexel distributes tens of thousands of product references to thousands, if not tens of thousands of customers in each country. The Group continuously seeks to optimize its sales prices to its customers' purchase profile, in order to maximize in a sustainable manner its gross margin, while remaining competitive. To this end, the Group seeks to improve the services it offers to each of its customers. In 2007, the Group focused its improvement efforts in this field in 8 countries. In particular, specific initiatives have been implemented in Austria, Germany, and the United States and have led to significant improvements in its gross margin. The Group intends to continue this approach in additional countries.

According to a September 2006 external study by market research organization Cocedal, product availability and service quality are more important selection criteria than price when choosing an electrical distributor.

In light of the complexity inherent in professional distribution activities (large number of products and customers), optimal product pricing requires mastery of a number of areas, including:

– customer and product segmentation;

– analysis of competition and of purchasing habits of its customers; and

– valuation of the services that are not billed separately by the Group.

For projects, the Group negotiates favorable specific pricing conditions from certain suppliers that it passes on to its customers. These negotiations are also an important part of the process of optimizing sales prices.

In the context of the integration of Hagemeyer, the Group intends to capitalize on the know-how of both entities in this field in order to even better value its offering.

6.4.1.3 Levers in relation to costs

Optimize logistic systems

The Group intends to continue to adapt its logistics and distribution systems based on the density of its branch network and the expectations of its customers. For example, in the United States, the Group created new regional distribution centers and turned 13 stand-alone branches into hub branches. The Group estimates that in 2007, approximately 66% of its sales were generated in countries benefiting from a logistics model adapted to local market requirements and to the structure of the Group's business, compared to 60% in 2006 (including Gexpro).

The optimization of logistical structures improves the quality of services offered to customers, in particular due to a greater number of products available within shorter timeframes, and allows the Group to reduce its inventories and its costs.

Rationalize information technology systems

The Group's historic development by external growth has led to the coexistence within the Group of multiple different information system platforms.

In 2007, the Group continued the reduction of its information technology systems, and, accordingly, its IT costs accounted for 1.5% of 2007 sales, compared to 1.9% three years earlier. As an example, the Group has reduced the number of IT systems by more than 50% since 2002 and has, in particular, implemented a single commercial management platform in France replacing several regional platforms.

Rexel's objective is to have a maximum of one information system per country, capable of being adapted to customers' needs, with the option for certain small countries, where applicable, to have a joint platform. The acquisition of Hagemeyer represents, in such respect, a new improvement potential for the Group.

In addition, in order to support its organic development, the Group regularly improves its IT systems to include new functionalities, such as customer relationship management, inventory optimization, margin reviews and e-commerce.

The acquisition of Hagemeyer will result in an increase of the number of platforms and of information systems in Europe. In the context of the integration of Hagemeyer, the Group intends to continue to rationalize its information technology systems by consolidating its regional platforms.

Reduce working capital requirements

As a distributor, working capital requirements represent a significant portion of capital employed by the Group. The Group's objective is to continue to reduce its working capital requirements in percentage of sales, through the following means:

– improving inventory turnover by having a product offering that is adapted to customers' needs, by using, for example, a statistical analysis of their purchasing. In particular, the Group seeks to limit the risk of obsolescence, a risk inherent in the technological nature of the products it distributes;

– reducing differences in payment days between suppliers and customers, while also adapting the payment days to suppliers. To this end, the Group seeks to ensure that its customers' payment days are in keeping with the best market practices in the countries in which it operates; and

– improving turnover of accounts receivable.

On a comparable basis and excluding non-recurring favorable events, working capital requirements of the Group in percentage of sales, decreased from 14.0% as at December 31, 2006 to 13.6% as at December 31, 2007.

On a pro forma basis, working capital requirements of the Group amounted on December 31, 2007, to 13.2% of annual sales. In the context of the acquisition of Hagemeyer, the Group intends to continue its rationalization efforts with the medium-term target referred to in paragraph 6.4.2 of this *Document de Référence*.

Increase productivity

In order to continually improve the quality of its services, the Group is progressively increasing the percentage of its customer-facing employees, which at the end of 2007 represented approximately 60% of its total employees, compared to 58% at the end of 2003. In addition, the Group seeks to improve its support functions, particularly in the administrative services areas, in order to optimize operating costs.

6.4.2 Pursue external growth

On the local level, the professional distribution of low- and ultra-low electrical products takes place in the context of close and recurring relationships with customers. The Group has historically observed a correlation between local market share and local operating profitability, which it attributes, in part, to the optimized use of logistics infrastructures.

The Group therefore intends to pursue bolt-on acquisitions of regional distributors in order to strengthen its market share in regions where it is already present and to establish itself in new markets.

In the context of a fragmented market with significant acquisition opportunities, the Group believes that its size and its strong local market shares, in particular since the acquisition of Hagemeyer, as well as its experience with acquisitions and integration, give it an advantage over its smaller or less experienced competitors in identifying and acquiring potential targets.

Thus, between 2004 and 2007, the Group carried out, excluding Hagemeyer, 25 acquisitions, including 5 acquisitions in North America, 11 in Europe and 9 in Asia-Pacific, representing approximately €0.8 billion in sales, as well as the acquisition of GE Supply (renamed Gexpro), which generated U.S. $2.2 billion pro forma sales in 2005. The Group believes that the integration of Gexpro into the Group will allow, within a period of approximately 4 years, synergies representing approximately 1.5% of the sales of the entity acquired from General Electric, *inter alia* in the field of purchases (approximately 70%), support services (approximately 10%), logistics (approximately 10%) and information systems (approximately 5%).

The Group will continue to target the acquisition of small to mid-size companies. Furthermore, if the opportunity arises, the Group may also undertake significant acquisitions.

The Group expects to selectively analyze acquisition opportunities based on the following operating and financial criteria:

– creation of local leadership, increased coverage in a given region and improved performance arising by complementing the Group's existing presence;

– convergence of the target's and the Group's purchasing sources;

– existence of specific know-how of certain product families and services;

– strong local reputation and quality of customer portfolio; and

– value creation within a maximum of three years (i.e., return on capital employed [1] above 8% after tax).

6.4.3 Develop the Group's potential markets

6.4.3.1 Accompany the development of emerging countries

The Groups intends to develop its presence in emerging countries along with the development of the professional distribution of electrical materials in such countries. The Group offers contractors and end-users a distribution structure allowing them to access the quality and diversified offering of international manufacturers, and thus develop their own activities in these emerging markets.

The Group intends, *inter alia,* to develop its presence in Asia, where markets with strong growth potentials are located, although volumes should remain limited in the medium term compared to mature markets. These developments will be implemented in partnership with manufacturers.

6.4.3.2 Expand the scope of activity of electricians

In the context of a growing demand from end-users in the fields of security, comfort and energy savings, the Group aims at increasing the portion of equipment installed by electricians. This strategy relies on the constant effort of the Group focusing on the training of its teams and on actions aimed at its customers.

The Group thus successfully developed its product offering in relation to security and communication with, *inter alia,* the setting-up of a dedicated structure, Conectis. Geothermal and photovoltaic equipment is also subject to growing demand.

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6.5 THE GROUP'S IT SYSTEMS

The Group's IT systems include many software applications, such as software for purchasing, logistics, inventory management, accounting and commercial management. Due to its external growth, the Group has historically used different IT systems from country to country, and even within the same country.

Since 2003, the Group has implemented an IT systems rationalization, consolidation and security program with the goal of standardizing its IT systems in each country and then on a regional level. This ongoing initiative is being implemented within a Group-level secured migration plan.

Within this context, Rexel has favored interoperability as the means of integrating its various IT systems.

As a part of this initiative, the Group has entered into IT outsourcing contracts with third-party service providers in certain regions, including France and North America, which also grant the Group access to complementary technical skills. These contracts provide for the infrastructure management, and for France, applications management.

The acquisition of Hagemeyer will lead to the amendment of this program in 2008, aiming to consolidate, progressively, the infrastructure and to rationalize the applications.

6.6 INSURANCE

The Group's insurance policy focuses on the coverage of insurable risks likely to significantly affect or endanger its operations. Accordingly, the Group has implemented insurance programs that cover its activity, distribution centers and branches against damages (property damage and related operating losses) arising from unforeseeable and hard to control events (such as fire, water damage, lightning, storms, flooding, hurricanes and other natural catastrophes, fraud and wrongdoing, etc.), as well as civil liability.

The Group has developed a risk management procedure (see paragraph 4.6 of this *Document de Référence*) which includes training policies for branch managers relating to safety and site protection in order to limit the risk of the occurrence of accidents and the extent of damages.

In addition, the Group believes deductibles payable by the Group with respect to potential accidents would not have a significant effect on its results, given the level of the deductibles and the density of its branch network, limiting the impact of accidents on one or more of its branches.

The Group has underwritten Group insurance programs with insurance companies of international stature covering the following risks:

– property damage and operating losses (i.e., damages suffered by the Group and caused by an external event, such as fire, explosion, water damage, lightning, storms, flooding, hurricane, natural events, machine breakage, acts of terrorism, theft);

– general civil liability relating to damages caused to third-parties by the Group. This includes operations and product liability coverage for bodily injury, property damage and related financial damages. In addition, the Group has underwritten coverage for professional liability;

– fraud and wrongdoing, including by means of information systems, covering direct damages, additional expenses, operating losses, and legal fees relating to fraudulent acts or wrongdoing affecting in particular personal property or data;

– employment practices liability (claims related to harassment, discrimination, misconduct relating to hiring and promotions, etc.);

– transit, which covers loss of products, goods and/or property in transit.

Given the Group's international presence and applicable regulations, the Group has taken out local insurance polices in order to take into account local practice and/or obligations in the relevant countries.

The following table sets forth the level of coverage for the principal risks against which the Group is insured:

– property damages and operating losses	Replacement value plus up to 12 months' lost gross profit per occurrence €100 million cap per occurrence
– general civil liability	€150 million per occurrence per year
– fraud and wrongdoing, including by means of information systems	€20 million per occurrence per year
– employment practices liability	U.S. $15 million per occurrence per year
– transit	€2.5 million per occurrence

In addition, risks of default of payment for receivables are covered by local credit insurance policies that have been implemented in countries where such insurance is available and where the Group can obtain favorable conditions. The contractual terms of this insurance are negotiated at Group level through four credit insurance companies. Resulting coverage is obtained subject to certain conditions, on an individual basis for each customer.

6.7 REGULATIONS

The Group's business of distribution to professionals of low- and ultra-low voltage electrical products is not, as such, subject to any specific regulations. No specific legal or regulatory authorization is required to operate a branch or set up a new branch in the countries in which the Group operates.

6.7.1 Product liability

The Group believes that the risk of being held liable for the products it distributes is limited as the manufacturer generally has primary liability. The agreements entered into with the Group's customers generally include warranties covering liability for products of the same nature, standard and scope as those granted by the manufacturer. Furthermore, contracts with suppliers generally include clauses to pass through warranties granted by manufacturers. In addition, the Group's companies generally include in contracts with their suppliers clauses for the return of products in the event of product defects, changes in applicable regulations or the obsolescence of such products.

The Group applies the same contract policy to its own-brand products imported from low cost countries.

As an importer within the European Union of own-brand products, the Group assumes the obligations of manufacturers, primarily via its subsidiaries Conectis (data communications), Bizline (tools) and Dismo France (lighting). These imports make up a very small proportion of the Group's sales, which is nevertheless set to increase. The Group uses well-known manufacturers and has products tested by European laboratories that can provide certification when so required by applicable standards and/or regulations in the country of marketing.

In the United Kingdom, own-brand products, such as Sector or Steeples, are purchased either from importers that assume the manufacturers' obligations, including product liability, or, to a limited extent, directly from low cost countries.

In North America, there are no regulations requiring the importer to assume the obligations of the manufacturer. The Group uses either suppliers in low cost countries, the sale of products being later made under their own-brands –respectively Rexel and Electripro– or well-known North American importers or manufacturers, which assume all contractual warranties, including product liability.

The Group has adopted a strategy that aims for the manufacturer effectively to assume certain liabilities, including product liability, and generally includes clauses in its agreements providing for non-infringement of intellectual property rights, compliance with applicable standards and regulations in the country of manufacturing and in the country of marketing, certain indemnifications, bank guarantees subject to certain conditions, compliance with international conventions relating to child labor or the qualification of suppliers in order to verify the supplier's reputation, financial solidity, compliance with applicable standards and regulations or the existence of adequate insurance policies.

6.7.2 Waste Electrical and Electronic Equipment (WEEE)

In the field of electrical and electronic equipment waste, the Group's activities are subject to E.U., United States and Canadian regulations. However, other countries may have adopted regulations that could impact the Group's activities.

6.7.2.1 European Union

Two E.U. directives dated January 27, 2003 address the management of electrical and electronic equipment waste.

Directive 2002/95/EC of the European Parliament and of the Council of January 27, 2003, known as the "RoHS" directive (Restriction of Hazardous Substances), prohibits the use of certain hazardous substances in electrical and electronic equipment and has been implemented in France since July 1, 2006. The RoHS directive restricts, in particular, the use of four heavy metals (lead, cadmium, hexavalent chromium and mercury) and two brominated flame retardants (polybrominated biphenyls or PBBs and polybrominated diphenyl ethers or PBDEs) in the production of eight categories of electrical and electronic equipment (large household appliances, small household appliances, IT and telecommunication equipment, consumer equipment, lighting equipment, electrical and electronic tools, toys, leisure and sports equipment and automatic dispensers). The RoHS directive only applies to manufacturers. Therefore, as a distributor, the Group is not directly implicated. The Group must nevertheless ensure that the products it distributes are manufactured in accordance with the RoHS directive.

Directive 2002/96/EC of the European Parliament and of the Council of January 27, 2003, known as the "WEEE" directive, on waste electrical and electronic equipment from private households, i.e. targeting the end consumer, calls for selective collection of electrical and electronic equipment waste, selective treatment of certain components and waste recovery through recycling (material and energy recovery). The WEEE directive also calls for European Union member states to set up recycling programs for electrical and electronic equipment waste, financed by an "eco-contribution" borne by the end consumer. For each product sold, the distributor is required to offer the recovery of a similar product with a view to its collection by the eco-organizations managing the recycling program concerned. The Group believes that the impact of this system will be limited and that it complies with this regulation in the countries in which it has been implemented.

The WEEE directive also requires manufacturers to label equipment with reference to E.U. standards (e.g. NF EN 50149 standard in particular), with a symbol on all household electrical and electronic equipment indicating that these products must be collected separately.

The RoHS directive and the WEEE directive are now in effect in all E.U. countries in which the Group operates, apart from the United Kingdom. They were adapted to French law by decree n° 2005-829 of July 20, 2005 concerning the composition of electrical and electronic equipment and the elimination of waste from such equipment. The decree has been supported by various orders setting out, in particular, procedures for the treatment of electrical and electronic equipment waste or the composition of electrical and electronic equipment.

6.7.2.2 United States

In the United States, there are no regulations concerning products at the end of their lifecycle requiring manufacturers and distributors to collect products that may have an impact on the environment. Moreover, the United States Environmental Protection Agency, which regulates the treatment and elimination of hazardous waste, has not introduced any requirements for manufacturers to return used products for recycling or elimination.

As electrical product distributors that may offer products for sale on the European market, the Group's United States companies may be required to produce certifications for these products in accordance with the RoHS directive. However, as distributors, the Group's United States companies cannot obtain such certification themselves. They are working on a case-by-case basis with manufacturers to obtain these certifications.

6.7.2.3 Canada

There are no federal or local regulations in Canada concerning electrical and electronic equipment waste specifically. Therefore, the elimination of electrical and electronic equipment waste is governed by generally applicable federal or local statutes and regulations. Furthermore, if electrical and electronic equipment waste is designated as harmful or hazardous, other local or federal regulations may apply, *inter alia* in the field of processing, transport or export of hazardous materials.

7. Organizational Chart

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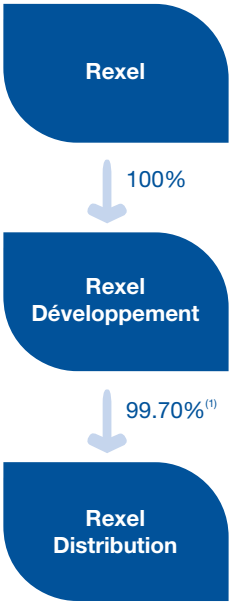
7.3.4 IT project cost-sharing agreement 66

7.1 GROUP ORGANIZATIONAL CHART

The Group has carried out certain internal restructuring operations. In particular:

- on October 31, 2007, Ray Acquisition S.C.A., a direct subsidiary of Rexel, was converted into a simplified joint stock company *(société par actions simplifiée)*;
- the interest held by Rexel Distribution in Rexel Développement SARL, has been transferred to Ray Acquisition SCA, (renamed Rexel Développement SAS) and Ray Acquisition S.C.A. merged with and absorbed, effective from January 1, 2008, Rexel Développement SARL, a direct subsidiary of Rexel Distribution, and became Rexel Développement; and
- the shares of Ray Acquisition S.A.S., another direct subsidiary of Rexel and former general partner *(associé commandité)* of Ray Acquisition S.C.A., were transferred to Rexel Distribution. Following this transfer, Ray Acquisition S.A.S. became Kelium.

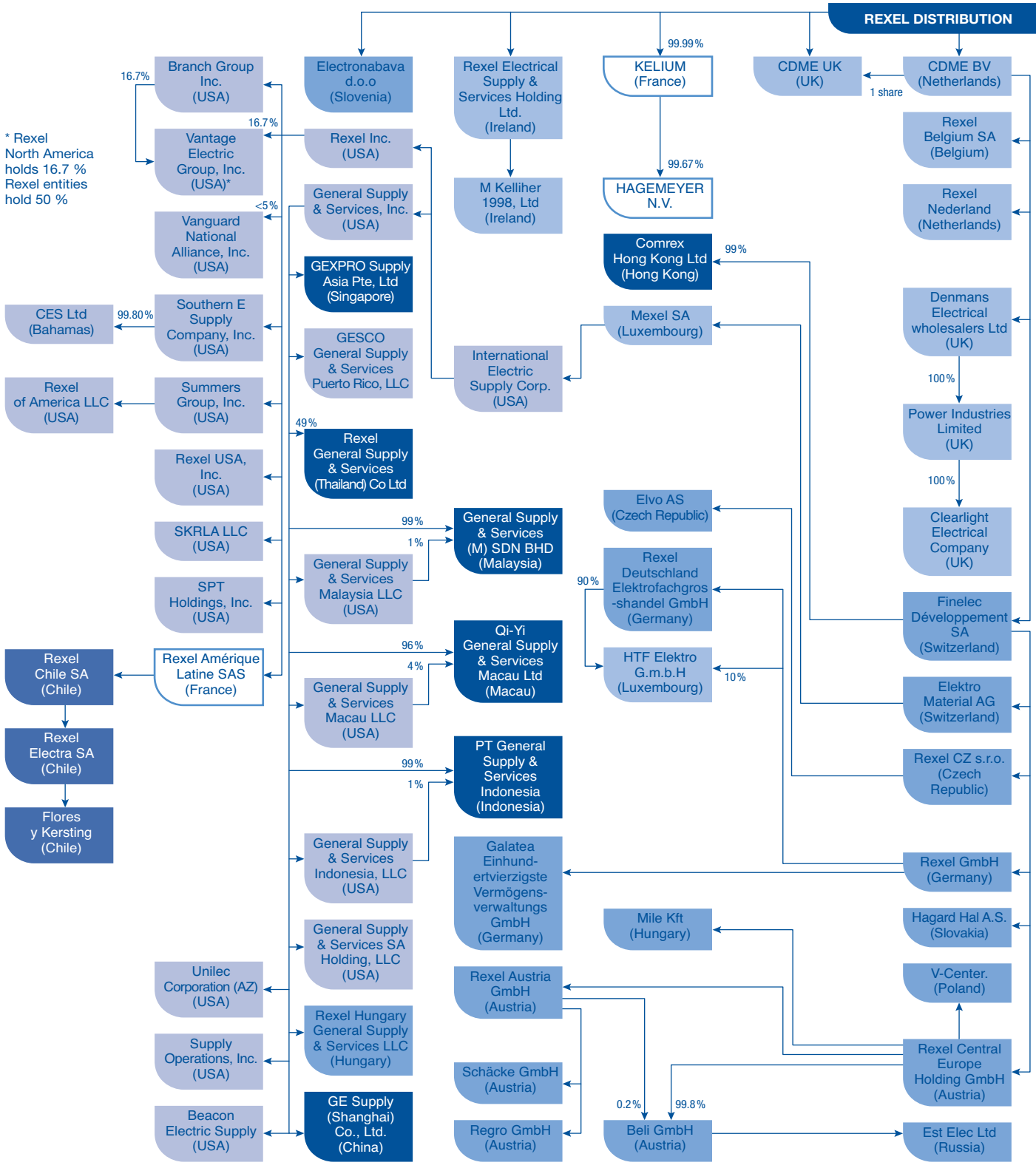
The Organizational Chart below sets forth the existing relationships between Rexel and Rexel Distribution further to the restructuring operations described above:



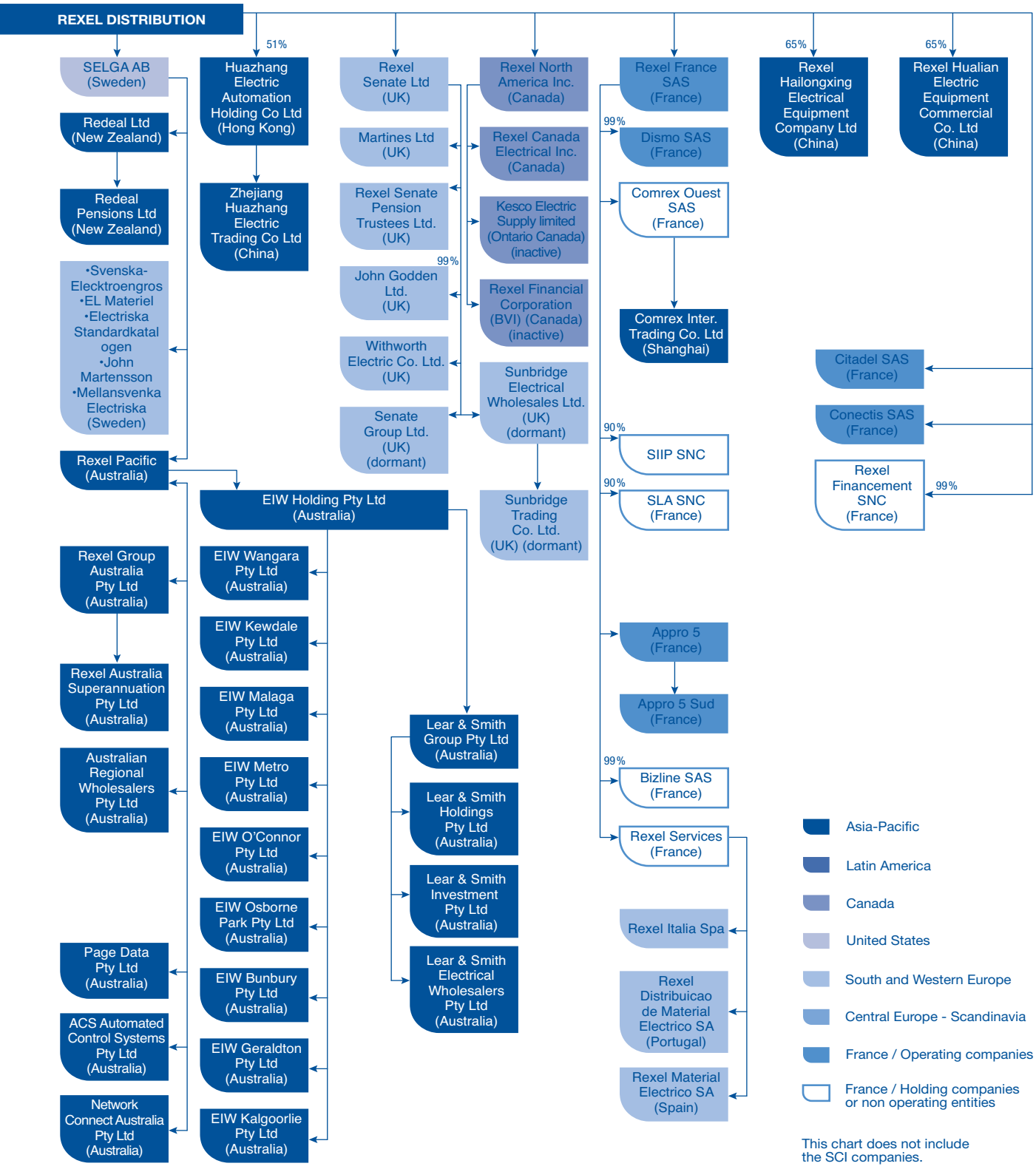
(1) The remaining of Rexel Distribution's share capital is held by Rexel, Rexel Distribution (treasury shares) and by Rexel Distribution's.

7. Organizational Chart

The Organizational Chart below sets forth the main subsidiaries that are directly or indirectly owned by Rexel Distribution as at March 5, 2008(1).



(1) Except as otherwise indicated in the Organizational Chart, the companies are wholly owned by Rexel Distribution or its subsidiaries.


REXEL DISTRIBUTION
SELGA AB (Sweden)
Redeal Ltd (New Zealand)
Redeal Pensions Ltd (New Zealand)
•Svenska-Elecktroengros •EL Materiel •Electriska Standardkatalogen •John Martensson •Mellansvenka Electriska (Sweden)
Rexel Pacific (Australia)
51%
Huazhang Electric Automation Holding Co Ltd (Hong Kong)
Zhejiang Huazhang Electric Trading Co Ltd (China)
EIW Holding Pty Ltd (Australia)
EIW Wangara Pty Ltd (Australia)
EIW Kewdale Pty Ltd (Australia)
EIW Malaga Pty Ltd (Australia)
EIW Metro Pty Ltd (Australia)
EIW O'Connor Pty Ltd (Australia)
EIW Osborne Park Pty Ltd (Australia)
EIW Bunbury Pty Ltd (Australia)
EIW Geraldton Pty Ltd (Australia)
EIW Kalgoorlie Pty Ltd (Australia)
Rexel Group Australia Pty Ltd (Australia)
Rexel Australia Superannuation Pty Ltd (Australia)
Australian Regional Wholesalers Pty Ltd (Australia)
Page Data Pty Ltd (Australia)
ACS Automated Control Systems Pty Ltd (Australia)
Network Connect Australia Pty Ltd (Australia)
Rexel Senate Ltd (UK)
Martines Ltd (UK)
Rexel Senate Pension Trustees Ltd. (UK)
99%
John Godden Ltd. (UK)
Withworth Electric Co. Ltd. (UK)
Senate Group Ltd. (UK) (dormant)
Rexel North America Inc. (Canada)
Rexel Canada Electrical Inc. (Canada)
Kesco Electric Supply limited (Ontario Canada) (inactive)
Rexel Financial Corporation (BVI) (Canada) (inactive)
Sunbridge Electrical Wholesales Ltd. (UK) (dormant)
Sunbridge Trading Co. Ltd. (UK) (dormant)
Lear & Smith Group Pty Ltd (Australia)
Lear & Smith Holdings Pty Ltd (Australia)
Lear & Smith Investment Pty Ltd (Australia)
Lear & Smith Electrical Wholesalers Pty Ltd (Australia)
Rexel France SAS (France)
99%
Dismo SAS (France)
Comrex Ouest SAS (France)
Comrex Inter. Trading Co. Ltd (Shanghai)
90%
SIIP SNC
90%
SLA SNC (France)
Appro 5 (France)
Appro 5 Sud (France)
99%
Bizline SAS (France)
Rexel Services (France)
Rexel Italia Spa
Rexel Distribuicao de Material Electrico SA (Portugal)
Rexel Material Electrico SA (Spain)
65%
Rexel Hailongxing Electrical Equipment Company Ltd (China)
65%
Rexel Hualian Electric Equipment Commercial Co. Ltd (China)
Citadel SAS (France)
Conectis SAS (France)
Rexel Financement SNC (France)
99%
Asia-Pacific
Latin America
Canada
United States
South and Western Europe
Central Europe - Scandinavia
France / Operating companies
France / Holding companies or non operating entities
This chart does not include the SCI companies.

7. Organizational Chart

The main operational entities of the Hagemeyer group as at December 31, 2007 are set forth below. In the scope of the agreement entered into with Sonepar, it is agreed that Rexel shall transfer to Sonepar Hagemeyer's activities (other than those of its ACE division) located in the United States, Canada, Mexico, Australia, Switzerland, Austria, Sweden, China and Southeast Asia (Malaysia, Thailand and Singapore), as well as six branches located in Germany. Moreover, in accordance with the authorization of the European Commission, Rexel will divest part of its electrical materials distribution business in Ireland.

Central Europe	
Hagemeyer Deutschland	
Germany	Hagemeyer Deutschland GmbH & Co. KG (Munich)
Czech Republic	Hagemeyer Czech Republic s.r.o. (Praha)
Slovakia	Hagemeyer Slovak Republic s.r.o. (Bratislava)
Hagemeyer Nederland	
The Netherlands	Hagemeyer Nederland B.V. (Capelle a/d Ussel)
Breva	
Belgium	Breva N.V. (Zonhoven)
Winterhalter + Fenner	
Switzerland	Winterhalter + Fenner AG (St. Gallen) ElectroLAN S.A. (Neuchâtel)
Hagemeyer Austria	
Austria	Hagemeyer Austria GmbH (Vienne)
United Kingdom and Ireland	
Hagemeyer U.K.	
United Kingdom	Hagemeyer (U.K.) Ltd. (Birmingham)
Ireland	Eastern Electrical Ltd. (Dublin)
Scandinavia	
Elektroskandia Sweden	
Sweden	Elektroskandia AB (Stockholm) Cardi Belysningsspecialisten AB (Stockholm)
China	Elektroskandia Logistics (Shanghai) Co. Ltd. (Shanghai) Elektroskandia (Shanghai) Co. Ltd. (Shanghai) Hagemeyer Commerce & Trade (Shanghai) Co. Ltd. (Shanghai)
Elektroskandia Norway	
Norway	Elektroskandia AS (Oslo)
Elektroskandia Finland	
Finland	Elektroskandia Oy (Hyvinkää) Suojainviisikko Oy (Vantaa)
Russia	ZAO Elektroskandia (St. Petersbourg)
Estonia	Elektroskandia AS (Tallinn)
Latvia	Elektroskandia SIA (Riga) SIA Energo (Riga) SIA Kolorits (Riga) SIA Baltlauva (Riga)
Lithuania	UAB Elektroskandia (Vilnius)

Elektroskandia Poland	
Poland	Elektroskandia S.A. (Poznan)
Southern Europe	
ABM	
Spain	ABM-Hagemeyer (Madrid)
North America	
Hagemeyer North America	
United States	Hagemeyer North America, Inc. (North Charleston, South Carolina) Encon Safety Products, Inc. (Houston, Texas) Bryant Electric Supply, Inc. (Charlotte, North Carolina)
Canada	Hagemeyer Canada Inc. (Edmonton, Alberta)
Mexico	Proveedora de Seguridad Industrial del Golfo, S.A. de C.V. (Tampico)
Asia-Pacific	
Hagemeyer Australia	
Australia	Hagemeyer Australia LLP (Melbourne, Victoria)
Singapore / Malaysia	Hagemeyer Singapore PPS Pte. Limited (Singapour)
Thailand	Hagemeyer-PPS (Thaïlande) Ltd. (Bangkok, Thaïlande)
ACE Division	
Hagemeyer Brands Australia	
Australia	Hagemeyer Brands Australia Pty. Ltd. (Sydney, NSW)
Hagemeyer – Cosa Liebermann	
Group - Asia	
China	HCL Group (Hong Kong) Limited (Hong Kong) Cosa Liebermann Limited (Hong Kong)
South Korea	Cosa Liebermann Korea Co. Ltd. (Seoul)
Micronesia	Caronel Inc. (Guam) Caronel Saipan Inc. (Saipan)
Taiwan	Cosa Liebermann Limited (HK), Taiwan Branch (Taipei)
Haagtechno / Kompro	
The Netherlands	Haagtechno B.V.,'s (Hertogenbosch) Kompro B.V.,'s (Hertogenbosch)

7.2 SUBSIDIARIES AND SHAREHOLDINGS

7.2.1 Main subsidiaries

The Group comprises Rexel and its subsidiaries.

Rexel is the holding company of the Group and the head of the tax consolidation group implemented as of January 1, 2005.

The consolidated subsidiaries, listed by region, are set out in the notes to the consolidated financial statements of Rexel for the financial period ended December 31, 2007, in paragraph 20.1.1.1 of this *Document de Référence*. Rexel's main direct or indirect subsidiaries are described below. With the exception of the securities of the Group's companies, *inter alia* the Hagemeyer securities held by Kelium, such subsidiaires do not hold any strategic economic assets.

Rexel Développement S.A.S. is a simplified joint stock company (*société par actions simplifiée*) with a share capital of €841,939,060. Its registered office is at 189-193, boulevard Malesherbes, 75017 Paris. The company is registered under number 480 172 840 R.C.S. Paris. Rexel owns 100% of the company's share capital and is the president of Rexel Développement. Rexel Développement is the result of the conversion of Ray Acquisition S.C.A. into a *société*

par actions simplifiée as well as the merger with Rexel Développement SARL. Rexel Développement provides services (management, strategic planning, finance, human resources and legal) for Rexel's subsidiaries.

Rexel Distribution is a public limited company (*société anonyme*) with a share capital of €68,541,732. Its registered office is at 189-193, boulevard Malesherbes, 75017 Paris. The company is registered under number 672 010 758 R.C.S. Paris. Rexel Distribution is 99.70% owned by Rexel Développement. Rexel Distribution holds Group operating investments and, among other things, provides cash management services for certain Group operating subsidiaries in France and abroad.

Kelium is a simplified joint stock company (*société par actions simplifiée*) with a share capital of €10,000,000. Its registered office is at 189-193 boulevard Malesherbes, 75017 Paris. The company is registered under number 479 994 394 R.C.S. Paris. Rexel Distribution owns 100% of the 9,999 class A shares making up the share capital of Kelium. In the scope of the offering on Hagemeyer's securities, Rexel and Sonepar have agreed to grant certain rights to Sonepar. In such respect, Sonepar holds one class B share in the capital of Kelium. Thus, Sonepar may participate, without voting rights, to shareholders' meetings and decisions the agenda of which is likely to directly or indirectly impact the offering or the completion of the transfers. Moreover, upon occurrence of certain events and in the absence of corrective action from Rexel (non compliance with the corporate governance framework of Hagemeyer agreed between Rexel and Sonepar, breach by Rexel or Hagemeyer of their reasonable cooperation obligation with the Hold Separate Manager and the Trustee in the scope of their duties), Sonepar will have the option of replacing the president of Kelium and the Chairman of the Management Board of Hagemeyer by a substitute jointly determined by anticipation by Rexel and Sonepar. Kelium's primary purpose is to hold and manage ownership interests in other companies.

Hagemeyer is a company governed by the laws of the Netherlands with a share capital of €810,000,000. Its registered office is in Amsterdam. Following the public offer initiated by Kelium, Kelium owns 98.67% of Hagemeyer. Hagemeyer's primary purpose is to hold and manage ownership interests in other companies.

Rexel France S.A.S. is a simplified joint stock company (*société par actions simplifiée*) under French law with a share capital of €41,940,672. Its registered office is at 189-193 boulevard Malesherbes, 75017 Paris. The company is registered under number 309 304 616 R.C.S. Paris. Created on April 2, 1997, its purpose is to distribute all electrical and electronic products, consumer electronics, IT equipment and derivative products, and more generally the supply of all materials and products for the construction and manufacturing industries, local authorities and individuals. Rexel France S.A.S. is wholly owned by Rexel Distribution.

Rexel Pacific Pty Ltd. is a proprietary limited share company under Australian law with a share capital of AUD169,598,471. Its registered office is at Level 18, Gold Fields House – 1 Alfred Street, Sydney NSW 2000, Australia. It was incorporated on December 2, 1997, and its main activity is the holding and management of interests in operational entities operating in the distribution of electrical products. Rexel Pacific Pty Ltd. is wholly owned by Svenska Elgrossist AB Selga.

EIW Holding Pty Ltd. is a proprietary limited share company under Australian law with a share capital of AUD13,898,253.20. Its registered office is at 2 Giffnock Avenue, North Ryde NSW 2113. Its main activity is the holding and management of interests in operational entities operating in distribution of electrical products. EIW Holding Pty Ltd. is wholly owned by Rexel Pacific Pty Ltd.

Redeal Ltd. is a company under New Zealand law with a share capital of NZD87,311,000. Its registered office is at 4 Henderson Place, Penrose, Auckland, New Zealand. Its main activity is the distribution of electrical products. Redeal Ltd. is wholly owned by Svenska Elgrossist AB Selga.

Rexel Central Europe Holding GmbH is a limited liability company *(Gesellschaft mit beschränkter Haftung)* under Austrian law with a share capital of €5,000,000. Its registered office is at Murbangasse 1, 1100 Vienna, Austria. It is registered under number FN 268137. Its main activity is to hold equity investments in and manage companies. It is wholly owned by Finelec Développement S.A.

Rexel GmbH is a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law with a share capital of €43,300,000. Its registered office is at Lillienthalallee 25, 80939 Munich, Germany. It is registered under number HRB 161344. Its main activity is the acquisition and management of equity investments in other companies. It is wholly owned by Finelec Développement S.A.

Mexel S.A. is a company under Luxembourg law with a share capital of €107,335,000. Its registered office is at 9, rue de la Déportation – 1415 Luxembourg, Grand Duchy of Luxembourg. Created on April 22, 1994, Mexel S.A.'s main activity is the distribution of mechanical and electrical products. Its purpose is also to acquire equity investments and take out borrowings of all kinds. Mexel S.A. is wholly owned by Elektro-Material A.G.

Rexel Senate Ltd. is a limited company under English law with a share capital of 58,005,002 pounds sterling. Its registered office is at 6-16 Southgate Road, Potters Bar, Hertfordshire EN6 5DS, 2588733 England. Created on March 5, 1991, its main activity is the supply and distribution of electrical products. It is wholly owned by Rexel Distribution.

Denmans Electrical Wholesalers Ltd. is a limited company under English law with a share capital of 11,704 pounds sterling. Its registered office is at 6-16 Southgate Road, Potters Bar, Hertfordshire EN6 5DS, 2588733 England. Created on August 25, 1934, its main activity is the sale of electrical products. Denmans Electrical Wholesalers Ltd. is wholly owned by Compagnie de Distribution de Matériel Electrique BV.

M. Kelliher 1998 Ltd. is a company under Irish law with a share capital of €142,571. Its registered office is at Ballymullen, Tralee, Co Kerry, Ireland. Its main activity is the professional distribution of electrical products. It is wholly owned by Rexel Electrical Supply & Services Holding Ltd.

Rexel Electrical Supply & Services Holding Ltd. is a company under Irish law with a share capital of €200,000. Its registered office is at 30 Herbert Street, Dublin 2, Ireland. Its main purpose is the acquisition and management of equity investments in other companies. It is wholly owned by Rexel Distribution.

Compagnie de Distribution de Matériel Electrique BV is a company under Dutch law with a share capital of €350,000. Its registered office is at Officia 1, De Boelelaan 7, 1083 HJ Amsterdam, The Netherlands. It is registered under number 33210163. Its main activity is the acquisition and management of equity investments in other companies. Compagnie de Distribution de Matériel Electrique BV is wholly owned by Rexel Distribution.

Elektro-Material A.G. is a joint stock company (*Aktiengesellschaft*) under Swiss law with a share capital of CHF135,000,000. Its registered office is in Zurich, Switzerland. It was formed from the merger between Finelec S.A, a joint stock company (*Aktiengesellschaft*) under Swiss law with its registered office in Sion, Switzerland, and Elektro-Material A.G. on June 23, 2006. Its main activity is the distribution of electrical products. It is wholly owned by Finelec Développement S.A.

Finelec Développement S.A. is a joint stock company (*Aktiengesellschaft*) under Swiss law with a share capital of CHF106,147,200. Its registered office is at Sortie autoroute Sion-Ouest, 1951 Sion, Switzerland. Its main activity is the acquisition, holding and management of equity investments. Finelec Développement S.A. is 99.99% owned by Compagnie de Distribution de Matériel Electrique BV.

Rexel, Inc. is a U.S. corporation with a share capital of U.S. $15,911,481. Its registered office is at 6606 LBJ Freeway, Suite 200, Dallas, Texas 75240, United States. Created on March 2, 1866, its main activity is the distribution of electrical products. Rexel, Inc. is wholly owned by International Electric Supply Corp.

International Electric Supply Corp. is an U.S. corporation with a share capital of U.S.$10.10. Its registered office is at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States. Created on June 6, 2006, its main activity is the acquisition and management of equity investments in other companies. International Electric Supply Corp. is wholly owned by Mexel S.A.

General Supply & Services, Inc. is an U.S. corporation with a share capital of U.S.$10. Its registered office is at Two Corporate Drive, 10th Floor, Shelton, CT 06484 United States. Created on June 9, 2006, its main activity is the distribution of electrical equipment, the provision of services and ownership of equity investments in companies in the electrical product distribution business. General Supply & Services Inc. is wholly owned by International Electric Supply & Services.

Rexel North America, Inc. is a Canadian corporation with a share capital of CAD18,904,500. Its registered office is at 505 Locke, suite 200, Saint Laurent, Quebec H4T, 1 x 7, 381380-1, Canada. Created on August 25, 2000, its main purpose is the acquisition and management of equity investments in other companies. It is wholly owned by Rexel Distribution.

Rexel Canada Electrical, Inc. is a Canadian corporation with a share capital of CAD66,744. Its registered office is at 505 Locke, suite 200, Saint Laurent, Quebec H4T, 1 x 7, 428874-2, Canada. Created on May 2, 2005, its main activity is the distribution of electrical equipment. It is wholly owned by Rexel North America, Inc.

Svenska Elgross AB Selga is a company under Swedish law with a share capital of SKR46,500,000. Its registered office is at Box 103 125 23 Älvsjö, Stockholm, Sweden. Created on October 5, 1955, its main activity is the distribution of electrical products as well as holding equity investments in companies in the electrical products distribution business. It is wholly owned by Rexel Distribution.

Contributions from subsidiaries or significant sub-groups as at December 31, 2007 are as follows.

Consolidation value (excluding dividends)	Fixed assets (including goodwill)	Gross debt (non-Group)	Cash and cash equivalents	Cash from operations	Dividends paid and due to Rexel
Rexel	0	0	2,768	103,499	0
Rexel Développement	0	0	0	(110,998)	0
Rexel Distribution	635	181,563	351,631	2,626	0
Rexel France S.A.S.	1,243,232	115,940	12,495	128,300	0
Rexel, Inc. (USA)	457,376	515,602	5,933	41,619	0
General Supply & Services, Inc. (USA)	222,699	293,987	43,607	89,941	0
Rexel North America, Inc. (Canada)	524,650	270,930	40	21,336	0
Other subsidiaries	1,117,845	743,756	98,719	155,202	0
Total consolidated	**3,566,437**	**2,121,778**	**515,193**	**431,525**	**0**

The Group analyses its operational performance based on geographical areas (see chapter 9 of this *Document de Référence*). Therefore, the Group considers that an analysis with a breakdown by legal entity would not be relevant.

7.2.2 Recent acquisitions and divestitures

The acquisitions and divestitures carried out by the Group during the 2005 and 2006 financial periods are described in the prospectus having received visa number 07-093 dated March 20, 2007 from the *Autorité des marchés financiers* (AMF).

7.2.2.1 Europe

Hagemeyer (The Netherlands)

The tender offer

In the scope of the agreement entered into on November 22, 2007, between Rexel, Sonepar, Kelium and Hagemeyer, Kelium and Hagemeyer jointly announced that Kelium was initiating a tender offer, which is the subject of a prospectus filed on December 21, 2007 with The Netherlands financial markets authority (AFM), for (i) all of the outstanding shares of Hagemeyer, with a par value of 1.20 euro each, at a price of €4.85 per share (with coupon) and (ii) all of the subordinated convertible bonds issued and outstanding bearing interest at a fixed rate of 3.50% and maturing in 2012. The offer values Hagemeyer's share capital at approximately €3.1 billion.

This offer was unanimously recommended by the management and supervisory boards of Hagemeyer.

The completion of the tender offer was subject to compliance with conditions or, as the case may be, their waiver, and in particular to (i) the condition that a minimum of 66.7% of the shares of Hagemeyer at the closing date of the offer period is tendered to the bid, on a fully diluted basis, (ii) the absence of any material adverse effect affecting Hagemeyer, (iii) the absence of any measures taken in order to hinder the disposal and the transfer of ownership to Sonepar of a substantial part of the businesses of Hagemeyer to be transferred to Sonepar, (iv) the absence of a competing bid recommended by Hagemeyer's management or supervisory board, (v) the absence of a decision of an administrative, regulatory or judicial nature limiting or prohibiting the proposed transactions, and (vi) the obtaining by Rexel and Sonepar of the authorizations required in connection with antitrust reviews in the United States and within the European Union.

All of the required authorizations under the antitrust regulations have been obtained. In particular, the European Commission has authorized the acquisition by Sonepar of the businesses of Hagemeyer. Furthermore, on February 22, 2008, the European Commission authorized Rexel's purchase of Hagemeyer on the condition that, following the completion of the tender offer, Rexel divest the electrical products distribution businesses of Hagemeyer in Ireland, which represent approximately €30 million in sales, with Rexel retaining Hagemeyer's MRO (Maintenance, Repair and Operation) business in Ireland. The transfer of these Irish businesses is expected to take place within six months. The European Commission also indicated that Rexel was to notify the transaction to the European Commission again, should the transfer of all of Hagemeyer's businesses to be sold to Sonepar not occur within a term of twelve months as of the closing of the public tender offer on Hagemeyer.

Following the offer period and of the additional acceptation period, Kelium held 98.67% of the ordinary shares of Hagemeyer and 100% of the convertible bonds issued by Hagemeyer. The total amount of the acquisition of 98.67% of Hagemeyer's ordinary shares and of 100% of the convertible bonds issued by Hagemeyer amounts to €3,127.2 million:

Transaction	Amount (in millions of euros)
Shares purchased on the market (outside of offer period): 10,774,660 x €4.73	50.9
Shares contributed to the offer at March 4, 2008: 554,336,810 x €4.85	2,688.5
Shares contributed to the offer during the reopening period at March 25, 2008: 17,597,996 x €4.85	85.4
Total cost of Hagemeyer shares	**2,824.8**
Convertible bonds contributed to the offer at March 4, 2008: 130,121 x €2,020.83	263.0
Convertible bonds contributed to the offer during the reopening period at March 25, 2008: 3,844 x €1,985.83	7.6
Coupon paid at March 31, 2008	(4.5)
Total cost of bonds	**266.1**
Estimated acquisition costs	36.3
Total acquisition amount	**3,127.2**

Kelium and Hagemeyer have requested that the shares and convertible bonds be delisted by NYSE Euronext from Euronext Amsterdam. In agreement with Euronext Amsterdam N.V., the last day of trading of the shares and of the bonds was April 18, 2008. The delisting therefore took place on April 21, 2008. Furthermore, on March 19, 2008, Kelium initiated a squeeze-out procedure in accordance with Dutch regulations.

Transfer of certain Hagemeyer businesses to Sonepar

On October 23, 2007, Rexel entered into an agreement with Sonepar relating to the transfer to Sonepar of Hagemeyer's businesses (other than those of its ACE division) located in the United States, Canada, Mexico, Australia, Switzerland, Austria, Sweden, China and Southeast Asia (Malaysia, Thailand and Singapore), as well as six branches located in Germany. This agreement will be terminated upon transfer of such businesses to Sonepar, or upon a material breach of the agreement by Rexel or Sonepar.

The agreement between Rexel and Sonepar provides for a formula for calculating the prices of these disposals based on the same sales and EBITDA (calculated on the basis of the financial statements for the 2007 financial year) multiples as those on which the price of the tender offer is based. A separate agreement between Rexel and Sonepar also provides that Rexel will transfer to Sonepar its assets and businesses located in Germany, and that Sonepar will transfer to Rexel its assets and businesses located in Sweden. The price of the said transfers will be calculated in the same manner and on the basis of the same formula as the pricing for the transfers to Sonepar of certain assets of Hagemeyer.

The agreement between Rexel and Sonepar indicates that the transfer of Hagemeyer's businesses to Sonepar will take place, subject to the approval of Hagemeyer's shareholders' meeting, as soon as possible after the completion of the offer. The transfer of Hagemeyer's businesses to Sonepar has been approved by Hagemeyer's shareholders' meeting held on March 28, 2008. Rexel expects that the completion of a majority of the transfers of businesses of Hagemeyer to Sonepar as well as asset exchanges between Rexel and Sonepar will occur within six months. Rexel also expects that the transfers to Sonepar should amount to approximately €1.6 billion (based on an enterprise value determined by applying to the businesses to be transferred to Sonepar the same sales and EBITDA multiples as those on which the offer price for the shares is based).

Should certain businesses not be transferred to Sonepar within a term of one year as from the completion of the offer, for any reason other than antitrust considerations, certain Hagemeyer businesses retained by Rexel may be transferred to Sonepar instead of such non-transferred Hagemeyer businesses. Furthermore, if the transfers do not occur or are not deemed to have occurred within two years as from the completion of the offer, Sonepar may terminate its obligation to purchase the non-transferred Hagemeyer businesses.

The agreement entered into between Rexel and Sonepar also includes provisions in relation to the implementation of a corporate governance framework within Hagemeyer.

The agreement provides that the Supervisory Board will consist of three or five members, two or three of whom will be appointed upon Rexel's nomination and one or two of whom will be independent member(s). Hagemeyer's shareholders' meeting of March 28, 2008, decided to appoint as members of the Supervisory Board of Hagemayer Messrs. Jean-Charles Pauze, Remmert Laan and André Olijslager (independent member). Mr. Jean-Charles Pauze was appointed as chairman of the Supervisory Board of Hagemeyer.

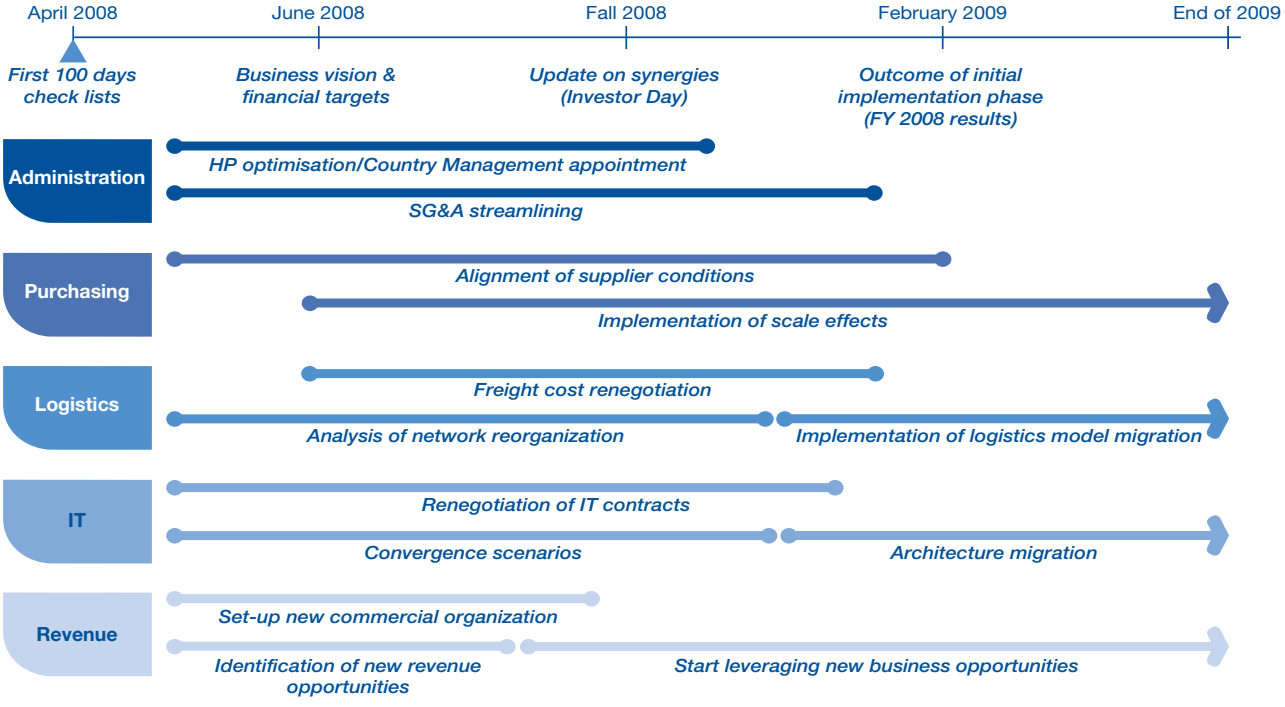
Furthermore, the Management Board of Hagemeyer will consist of seven members, five of whom will be appointed upon nomination by Rexel and two of whom will have specific duties (the Hold Separate Manager and the Trustee). Hagemeyer's shareholders' meeting of March 28, 2008, decided to appoint as members of the Management Board of Hagemeyer, in addition to the existing members, Rudi De Becker (Chairman of the Management Board) and Tjalling Tiemstra, four managers nominated by Rexel (Mr. Nicolas Lwoff, Mr. Pascal Martin, Mr. Jean-Dominique Perret and Mr. Laurent Delabarre) as well as Mr. Maarten Henderson (as Hold Separate Manager) and Mr. Hendrik Scheffers (as Trustee). The shareholders' meeting also decided to appoint Mr. Paul Zekhuis as Chairman of the Management Board as of April 28, 2008, date of expiry of the term of office of Mr. Rudi De Becker.

The Hold Separate Manager will be in charge of supervising the management of the entities pending their transfer to Sonepar and ensuring that they are managed and kept separate from the entities retained by Rexel as well as supervising the divestiture process of such entities, as organized by the Trustee. The Trustee will be in charge of implementing and facilitating the transfer of the entities to Sonepar and ensuring implementation and compliance with the corporate governance framework agreed by Rexel and Sonepar. Nevertheless, the Hold Separate Manager and the Trustee do not have the power to substitute for Rexel and Sonepar in the completion of the transfers.

Lastly, the agreement provides that the managers of the entities to be transferred to Sonepar shall be appointed by Rexel upon nomination by Sonepar, immediately after the closing of the offer.

Integration of Hagemayer's businesses retained by the Group

The integration of the businesses of Hagemeyer retained by the Group is subject to a process organized at country level and managed by a central steering committee. The Group will benefit from the experience acquired *inter alia* in the context of the acquisition of Gexpro. The main stages of this integration process will be as follows:



Rexel believes that the anticipated synergies would represent, before tax, approximately €20 million in 2009 and approximately €50 million per year until 2011, i.e., approximately 1.5% of the sales of the portion of the Hagemeyer operations acquired by Rexel. These synergies would concern the administrative services (approximately 40%), purchases (approximately 35%), logistics (approximately 15%), information systems (approximately 5%) and the impact on sales of the sharing of specific commercial know-how (approximately 5%). These synergies do not include sales synergies that may result from the strengthening of the Groups' position in the "key accounts" sector, from the widening of the product and services offering and from the implementation of more sophisticated logistical models. Rexel also estimates that the cumulative one-off costs in relation to the integration of

Hagemeyer would represent, from the present until 2011, between €75 million and €85 million, of which €40 million to €45 million between the present and 2009.

APPRO 5 (France)

On March 9, 2007, Rexel France acquired APPRO 5, a distributor of electrical equipment located in Dijon and Avignon. APPRO 5's sales in 2006 amounted to approximately €13 million. The acquisition price amounted to €7.1 million.

Clearlight Electrical Company Ltd. (United Kingdom)

On June 29, 2007, Denmans Electrical Wholesalers Limited acquired Power Industries Limited, which holds 100% of the capital of Clearlight Electrical Company Limited, a distributor of electrical equipment based in Birmingham. Clearlight Electrical Company Limited's sales in 2006 amounted to approximately €10 million. The acquisition price, after adjustment, amounted to 5.3 million pounds sterling (i.e., €7.8 million), including debt assumption for 0.6 million pounds sterling (i.e., €0.9 million)

Boutet SA (Belgium)

On July 1, 2007, Rexel Belgium acquired the activities of Boutet SA, which specializes in the distribution of electrical equipment in Eastern Belgium. Boutet SA's sales in 2006 amounted to approximately €18 million. The acquisition price, after adjustment, amounted to €6.8 million.

Kontakt Systeme AG (Switzerland)

On June 4, 2007 and August 24, 2007, Kontakt Systeme AG transferred its connector and telematic lines activities for the amount of CHF7.9 million (i.e., €4.9 million), before tax and net of disposal costs.

CDME ME Ltd (Cyprus)

On March 9, 2007, Rexel Distribution disposed of the company CDME ME Ltd (Cyprus) for an insignificant amount. Following that transfer, the Group is no longer present in Cyprus.

7.2.2.2 North America

Beacon Electric Supply (United States)

On January 31, 2008, General Supply & Services Inc. acquired Beacon Electric Supply, a distributor of electrical equipment located in San Diego. In 2006, Beacon generated sales of approximately U.S.$49.5 million (i.e., €33.6 million). The acquisition price, before adjustment, amounted to U.S.$20.7 million (i.e., €14 million), in addition to which a purchase price adjustment in a maximum amount of U.S.$3 million (i.e., €2.1 million) may be payable in May 2009, as necessary.

7.2.2.3 Asia-Pacific

Network Connect Australia Pty. Ltd. (Australia)

On February 28, 2007, Rexel Pacific Pty. Ltd. acquired Network Connect Australia Pty. Ltd., which specializes in distributing communication solutions. Network Connect Australia Pty. Ltd. made sales of approximately €5 million in 2006. The acquisition price, after adjustment, amounted to Australian $3.6 million (i.e., €2.3 million), including acquisition-related costs of Australian $0.2 million (€0.13 million) and a purchase price adjustment of Australian $0.4 million (€0.3 million).

EIW Holdings Pty. Ltd (Australia)

On October 31, 2007, Rexel Pacific Pty. Limited acquired EIW Holdings Pty. Ltd, a distributor of electrical equipment, with sales of approximately €100 million for the financial year ended 30 June 2007. The acquisition price amounted to Australian $132.8 million (i.e., €84.8 million), including acquisition costs of Australian $0.8 million (i.e., €0.5 million), based on an enterprise value of Australian $154.6 million (i.e., €98.8 million). The acquisition price includes a purchase price adjustment based on a performance objective (EBITDA for financial years 2007 and 2008), in a discounted maximum amount of Australian $11.2 million (i.e., €7.2 million) which is payable, as the case may be, in October 2009.

Huazhang Electrical Automation Holding Co. Ltd. (China)

On March 16, 2007, Rexel Distribution acquired 51% of the shares of Huazhang Electric Automation Holding Co. Ltd., located in Hong Kong, which holds 100% of the shares of Zhejiang Huazhang Electric Trading Co. Ltd. The latter company is located in the Zhejiang region and specializes in the distribution of industrial automation systems in the People's Republic of China. In 2006, Zhejiang's sales amounted to approximately €13.2 million. The amount of the transaction amounted to 36.4 million yuans (€3.5 million), including a purchase price adjustment based on the company's estimated results before financial expenses and tax in respect of the financial year ended December 31, 2007. The Group will have the option to increase its shareholding to 70% in 2009 under a call option. The purchase price will be determined based on a multiple of the operating results as at the date of exercise of the option.

ABK Electrical Wholesale Pty. Ltd. (Australia)

On January 31, 2008, Rexel Group Australia Pty. Ltd. acquired the business of ABK Electrical Wholesale Pty. Ltd., a distributor of electrical equipment. In 2006, ABK generated sales of approximately Australian $11 million (i.e., €6.5 million). The acquisition price, before adjustment, amounted to Australian $2.0 million (i.e., €1.2 million), to which a purchase price adjustment in a maximum amount of Australian $2.8 million (i.e., €1.7 million) may be payable in 2008 and 2009, as necessary.

Suzhou Xidian Co. Ltd. (China)

In January 2008, Rexel Distribution entered into an agreement in relation to the acquisition of 73.5% of the share capital of Suzhou Xidian Co. Ltd, a corporation established in Suzhou and carrying out a business of distribution of Siemens automated devices and low

voltage products, essentially in the Suzhou area. Suzhou Xidian Co. Ltd.'s 2007 sales amounted to approximately €38 million and recorded growth rates superior to the market. This distributor of electrical equipment employs 115 staff throughout 7 branches, including 6 in the Shanghai region and one in Beijing. It mainly serves the industrial and commercial markets. Thanks to this acquisition, Rexel's customers will benefit from a wider product range, improved services and proximity.

Rexel Distribution will increase its shareholding to 100% in 2011. The acquisition price, prior to adjustment, is estimated to 51.4 million yuans (i.e., €4.6 million). As at the date hereof, it is estimated that this acquisition should occur during the second quarter of 2008, subject to the customary conditions precedent for this type of transaction being met (*inter alia,* the approval of the Chinese authorities).

7.3 INTRA-GROUP AGREEMENTS

In 2007, the Group's companies entered into the following material intra-group agreements.

7.3.1 Intra-group loan agreements

Rexel Développement entered into with Rexel a loan of €746 million on April 11, 2007, the amount of which was increased to €1,346 million on May 14, 2007. As at December 31, 2007, the outstanding amount for this loan was €1,346 million in principal, plus €6 million accrued interest. On February 1, 2008, Rexel Développement repaid part of this loan, by an amount of €200 million.

On April 4, 2007, Rexel Distribution borrowed €194 million from Rexel. This amount was increased to €230 million by an amendment dated April 11, 2007. In addition, on December 7, 2006, Rexel Distribution borrowed €51 million from Rexel Développement.

As at December 31, 2007, Rexel Développement recorded a borrowing to Rexel Distribution under the form of a current account facility, amounting to €185.2 million.

As at December 31, 2007, Rexel Distribution recorded a borrowing to Kelium under the form of a current account facility, amounting to €47.5 million.

7.3.2 Cash management agreement

In 2007, Rexel Distribution entered into a cash management agreement with some of its subsidiaries under which the subsidiaries may make use of Rexel Distribution's cash management services. In accordance with the agreement, Rexel Distribution provides the necessary financing, coordinates cash operations with subsidiaries and receives a margin to cover its costs. Should Rexel Distribution cease to control one of the contracting subsidiaries, the subsidiary would no longer benefit from the cash management agreement. These agreements include a revolving credit line. Moreover, Rexel Distribution entered into, in 2007, cash management agreements with Rexel and Rexel Développement.

7.3.3 Service agreements between certain Group companies

Service agreements have been signed between Rexel Développement and the large majority of its subsidiaries. These agreements relate to services provided directly by Rexel Développement. Rexel Développement's fees are calculated on the basis of the costs borne with respect to the provision of these services, in addition to an internal margin of 5%. Pursuant to these service agreements, Rexel Développement charged approximately €29.1 million for the financial period ended December 31, 2007.

7.3.4 IT project cost-sharing agreement

In March 2001, Rexel Distribution created a special entity, Rexel Financement SNC, to administer the costs related to IT projects coordinated by Rexel Distribution and to share these costs between Rexel Distribution's subsidiaries that may use certain IT systems. Rexel Financement SNC entered into cost-sharing agreements with 29 subsidiaries of Rexel Distribution for the purpose of defining the terms of financing and sharing of all the costs related to IT projects coordinated by Rexel Distribution until December 31, 2014.

8. Property, plant and equipment

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8.1 SIGNIFICANT EXISTING OR PLANNED PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2007, properties used by the Group, excluding administrative buildings, included 1,968 branches and 28 regional logistics centers. Sales outlets are mixed-usage selling and storage premises located in areas of handicraft or industrial activity, with an average surface area of approximately 800 sq. m. to 1,500 sq. m. The properties used by the Group do not include any material existing or planned tangible fixed asset.

In the past, the Group owned a large number of properties. However, over the last few years, the Group has proceeded with the sale or sale and leaseback of the majority of its properties. The Group now rents most of its premises due to the operational flexibility this provides.

Hagemeyer's real estate properties are comprised essentially of distribution centers and branches, warehouses and certain lands principally located in Europe (Spain, The Netherlands, the United Kingdom, Sweden, Switzerland) or in North America. Also, Hagemeyer has significant rentals, in particular for its distribution centers located in Europe (Germany, Spain, Finland, Norway, The Netherlands, the United Kingdom, Sweden), in North America (United States and Canada) or in the Asia-Pacific zone (Australia, China).

8.2 ENVIRONMENT

8.2.1 The Group's sustainable development

8.2.1.1 Management's commitment

In 2007, the Management of Rexel continued with the implementation of its operational policy to address and take an active part in the challenges, both present and future, represented by Sustainable Development. Its four main objectives are as follows:

- Make Sustainable Development a subject of knowledge shared by all employees;
- Ensure concrete achievements for the Group;
- Make known the approach and its relevance so as to develop a competitive advantage;
- Generate a dynamic process of preventive actions, and accompany horizontal initiatives (suppliers, customers, employees) in its business sector.

Some significant progress was made in 2007, allowing rolling out an action plan now covering 94.5% of the Group's perimeter (excluding the entities acquired from Hagemeyer and Sonepar) and making Rexel France, *inter alia,* a prescriber in energy saving.

The plans initiated were carried out with a specific attention brought to continuity.

The initial work focus was the development of the principals contained in the Rexel Sustainable Development Charter and the expansion of this Charter to new countries. This consists of an action plan aimed at providing local responses to global challenges and at making Sustainable Development a concrete subject for each agency.

In addition to the actions implemented within the Group, Rexel adopted a responsible development strategy founded on the promotion of products and systems that are more respectful of the environment (energy saving sources, speed variation equipment, renewable energy, etc.).

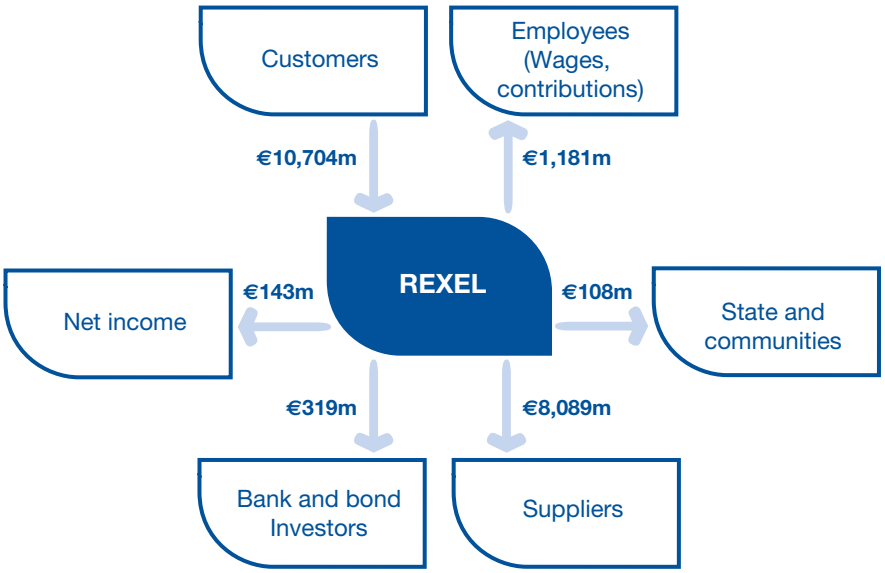
The significant increase in the prices of fossil energies and global warming are factors that are taken into account in the distribution of electrical products business. The challenge is to determine how to consume better with less energy, while continuing to upgrade service, comfort and the safety of installations for the Group's customers.

Rexel is becoming an active player in energy control, and in France has carried out an information and training plan aimed at promoting energy-saving equipment *vis-à-vis* its direct customers (contractors) and indirect customers (users). The achievement of these plans will allow them being developed in other countries.

These plans are therefore to be pursued and implemented more broadly in the Group in 2008.

8.2.1.2 Distribution of value among stakeholders

The income generated in 2007 by Rexel in connection with its business is distributed to all of its stakeholders.



The names given to the allocations mentioned in this diagram are summaries of the financial data aimed at assessing the economic weight of each item.

8.2.1.3 Organization

The organization elected for implementing Rexel's Sustainable Development policy corresponds to its activity as a distributor of products not characterized by any particular toxicity or danger. The challenge lies mainly in managing practices allowing incorporating sustainable development into daily activities.

The Sustainable Development policy must reconcile ambition, consistency and operational reality in spite of the constraint represented by a large number of locations, of sizes that do not allow systematic availability of dedicated resources.

The Sustainable Development Department – with the support of a network of correspondents throughout the Group – implements the operational policy determined and approved by the Executive Committee based on three objectives:

- distribute shared knowledge of Sustainable Development among all employees;
- survey the concrete actions taken by Rexel in this field and promote new initiatives;
- promote this approach and its strategic relevance, both in terms of sustainable growth and of competitive advantage.

The Sustainable Development Department is attached to the Finance General Department.

8.2.1.4 Operational policy

Impact profile

Rexel is a world leader in the distribution of electrical products intended for professionals. Rexel distributes certain products under its own brands, which are nevertheless purchased as end-products in accordance with contractually established standards. Hence the Group's activities do not have an impact such as a production activity.

The following table offers a summary presentation of the impacts generated by each of the Group's activities.

Table of main HSE (Hygiene, Safety and Environment) impacts resulting from Rexel's activity:

	Water	Air	Waste	Energy	Land	H&S
Real estate	NM	NM	NM	Commercial-type consumption	NM	NM
Logistics	NM	Transport	Packaging	Transport	Fuel storage	Handling Transport
Agency	NM	Heating	Packaging	Commercial-type consumption	NM	Handling
Customer sales	NM	Transport	Packaging	Transport	NM	NM
Use of distributor brand products	NM	NM	Management of products at life-end	Energy savings	NM	Compliance with product standards

Internal policy: the Rexel Sustainable Development Charter

The Rexel Sustainable Development Charter is implemented on the basis of the progress logic of an ISO 14001 management system: determination of objectives, educational tools for implementation, annual measurements, and internal control. This approach allows determining the implementation and follow-up of the environmental policy. In order to take into account the Group's structures, organized on the basis of a substantial number of branches covering the countries in which Rexel is present, a specific system has been implemented in the branches to guarantee the effectiveness of the proximity actions taken. The resources available to those branches and their limited impact on the environment require an innovative approach. Hence the implementation is local, but respects the logic and the global objectives laid down in the Rexel Sustainable Development Charter. This document – which results from exchanges with the Group's staff at business and country level – allows to determine progress objectives, and to guarantee the operational consistency of the environmental policy.

The Rexel Sustainable Development Charter determines ten simple actions that must be taken by all Group agencies in order to improve respect for the environment. Those actions include four themes:

– waste management,

– product policy,

– customer offering,

– awareness and information.

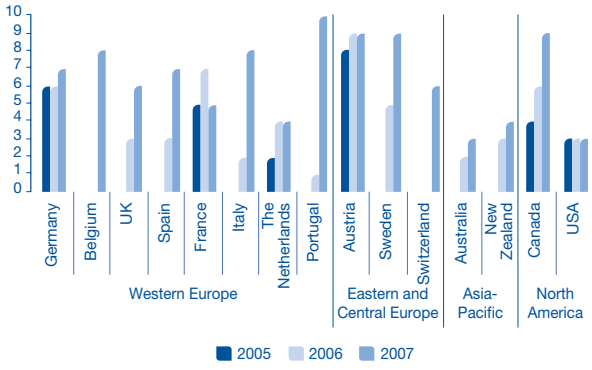
This charter is implemented in the United States, Canada, Australia, New Zealand, France, Germany, Austria, The Netherlands, United Kingdom, Italy, Sweden, Spain, Portugal, Belgium and in Switzerland. Translated into eight languages, it is accompanied by the Rexel Sustainable Development Guide, an educational tool enabling agency managers to take the recommended steps. Their implementation is appraised and rated on a yearly basis so as to provide a reliable indicator of the progress made.

Rexel Sustainable Development Charter

1. We separate boxes so that they can be recycled.
2. We separate all office papers, catalogues and magazines so that they can be recycled.
3. We take part in the return of fluorescent tubes for recycling.
4. We take part in the return of batteries for recycling.
5. We return ink and toner cartridges to the manufacturers.
6. All of the branch's equipment and lighting are low-energy consumption devices.
7. During the year we organize at least one "commercial day" for our customers promoting energy-saving lighting equipment.
8. All branch employees have reviewed the ethics guide during the year.
9. All employees have been informed about the implementation of this charter at least once during the year.
10. We inform our customers, partners and suppliers about our sustainable development policy.

At the time of assessing implementation of the Rexel Sustainable Development Charter, the reporting system provides that the branch manager shall report the number of actions implemented in his agency to his regional manager, who will establish an average for all branches in the region. This regional average will be submitted to the country manager, and the country data are consolidated at Group level.

The implementation is assessed and rated on a yearly basis so as to constitute a reliable indicator measuring the progress made.



Average number of actions taken per branch (out of a total of 10)

The 15 countries set out in the above table are involved in the implementation of this plan, namely 2,095 locations, mainly branches, but also logistical centers and administrative headquarters. Nearly all countries have made significant progress and have observed an increase in the measurement indicator corresponding to the "average number of actions taken per agency for each country".

These results result from a consolidation of the reports on the implementation of actions in branches. A branch internal control procedure has been set up for 2008 by the Rexel Audit Department.

External policy: business contribution

As a complement to an internal operational policy with the Rexel Sustainable Development Charter, Rexel decided to extend its policy to include a contribution to Sustainable Development challenges thanks to its distribution activity.

Rexel as a distributor of electrical equipment and of "energy savings"

– raising awareness, information and involvement of all parties;

– use of electric equipment contributing to lower energy consumption;

– optimization of heating and lighting management;

– promotion of more expensive equipment, but resulting in long-term savings.

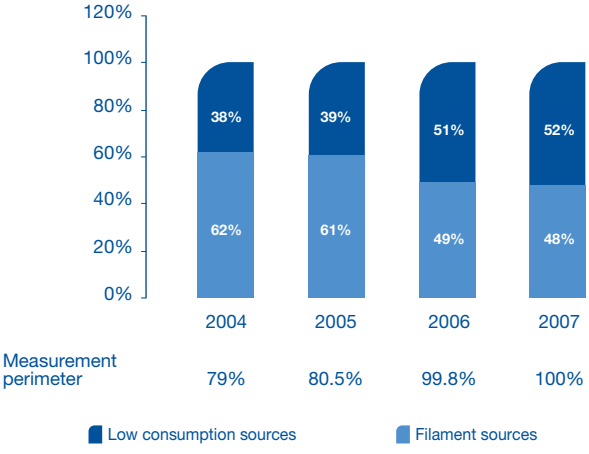
Rexel has committed itself to an information and training plan aimed at promoting energy control. Two kinds of actions are taken:

– training of Rexel sales teams;

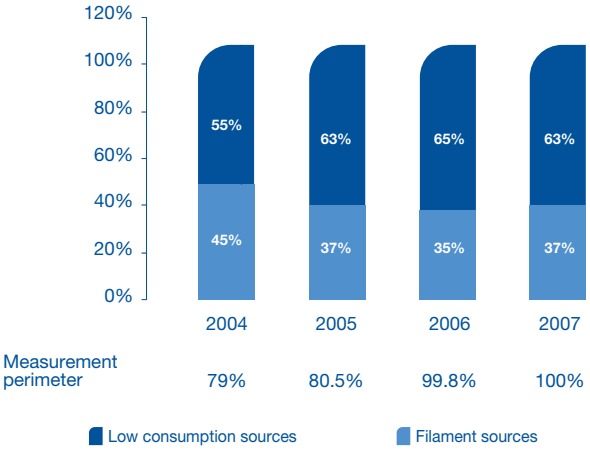
– organization of customer information days: in the presence of the partner manufacturers, Rexel branches arrange these sessions offering presentations of the problem of global warming, its causes in the field of energy consumption, and existing solutions.

The success of these operations in France is already promoting their development in other countries. In Australia, a plan for promoting energy-saving lamps was launched in 2007 to make Group customers and users aware of the energy performance offered by such innovative equipment.

BREAKDOWN OF UNITS SOLD BY TYPES OF LIGHTING SOURCES



BREAKDOWN OF SALES BY TYPES OF LIGHTING SOURCES



In 2007, the shift of sales in number of units sold towards low-energy consumption sources, which was initiated in 2006, was confirmed. The stabilization of the breakdown of the associated sales is due to a reduction of the selling prices of sources with low-energy consumption.

8.2.1.5 Conformity with environmental regulations

In connection with its business activities, the Group may be subject to certain laws and regulations concerning environmental protection in each of the countries in which it operates. These laws and regulations set out restrictive standards, in particular regarding asbestos and health and safety, as well as the use and handling of hazardous waste or materials. Therefore, the Group may have to incur costs and may be held liable for environmental matters, particularly with respect to the sale of its assets and prior activities.

With respect to regulations that may impact the Group's activities, E.U. Directive 2002/96/EC of January 27, 2003 on Waste Electrical and Electronic Equipment (WEEE) and E.U. Directive 2002/95/EC of January 27, 2003 on the Restriction on the Use of Hazardous Substances in Electrical and Electronic Equipment (RoHS) are intended to organize and improve electrical and electronic products waste management. The Group's companies may also be subject to specific environmental regulations applicable in the various countries in which the Group operates.

The Group aims to comply with all of its legal obligations concerning environmental protection. As a distributor, without manufacturing activity, the Group believes that its activities do not pose a significant risk to the environment and that, at the date of this *Document de Référence*, it does not know of any environmental risks that may have a material impact on its activities or its financial position.

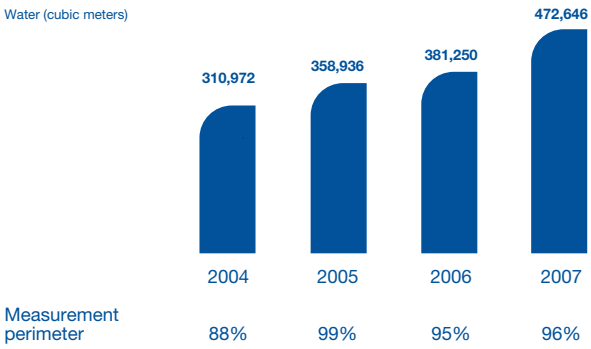
In the past, materials containing asbestos have been used in industrial construction for both insulation and roofing. The use of such materials was common practice around the world until the end of the 1970s. The Group endeavors to respect applicable laws and regulations relating to the presence of asbestos in buildings in all countries in which it operates. To the Group's knowledge, the premises that it occupies comply with applicable laws and regulations relating to asbestos in each country. The Group has identified materials containing asbestos in certain premises, and confinement measures have been taken in order to comply with applicable legislation and regulations. It is possible that certain employees or former employees of the Group may have been exposed to asbestos at these premises. The Group does not know of any significant legal disputes relating to asbestos exposure other than those described in paragraph 20.8 of this *Document de Référence*. Furthermore, the large majority of premises occupied by the Group are leased. Therefore, excluding any specific terms of the lease agreements under which the Group may have to accept liability with regards to asbestos, the compliance of these premises with applicable legislation or regulations is the responsibility of the property owner. The Group endeavors to obtain all representations and/or studies attesting to the property owner's compliance with applicable legislation or regulations.

8.2.1.6 Performance indicators

Water consumption

No water consumption is involved in Rexel's business process. The consumption figures presented result from tests and mandatory clearance of the fire protection systems and from sanitary use.

WATER CONSUMPTION

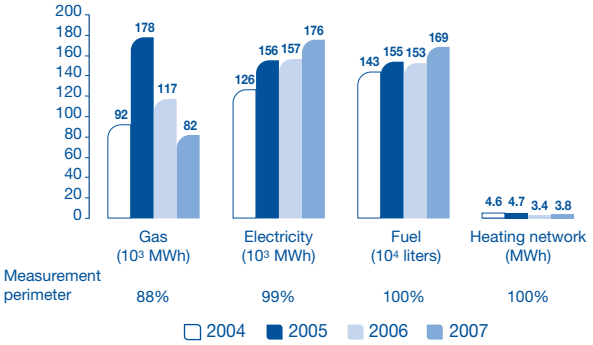


Water consumption remains low and is connected almost solely with the use of the sales locations restroom facilities. The increase noted results from the increase in the number of branches in the Group. Outfalls of such water consumption do not result in any specific or significant pollution.

Energy consumption

Energy consumption is commercial type consumption, mainly resulting from the lighting and heating of the sales locations.

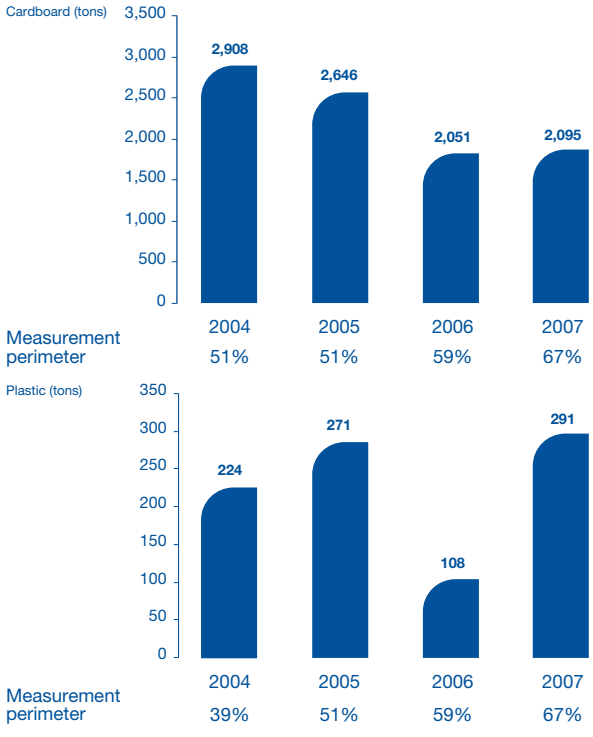
ENERGY CONSUMPTION



The reduction of gas consumption compared to 2006 is due to a generally mild winter. Taking into account the business line in which the Group operates, the cost of energy consumption resulting from the Group's business is not linked to increased performance, and in particular to an increase in activity.

Consumption of raw materials

PACKAGING



This indicator measures packaging consumption to satisfy the needs of order processing and customer delivery. A very significant effort to re-use packaging explains the stabilization of cardboard and plastic consumption, despite an increase in the number of agencies in the Group and of the scope of assessment.

Terms of use of land and outfall

The Group's activity is not characterized by any practices resulting in outfalls that could cause soil pollution.

Out of 25 countries questioned, only 6 have fuel storage facilities (Portugal-1; U.K.-13; Sweden-2; Slovakia-10; Canada-3; USA-1).

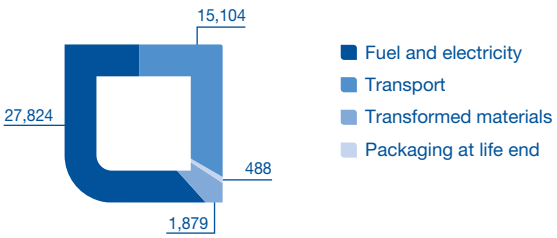
In cases in which Rexel manages a mechanical workshop for the needs involved in maintaining its vehicle fleet or underground fuel storage, precise standards are applied for managing the fluids and waste, as well as for checking the tank seals.

Air releases

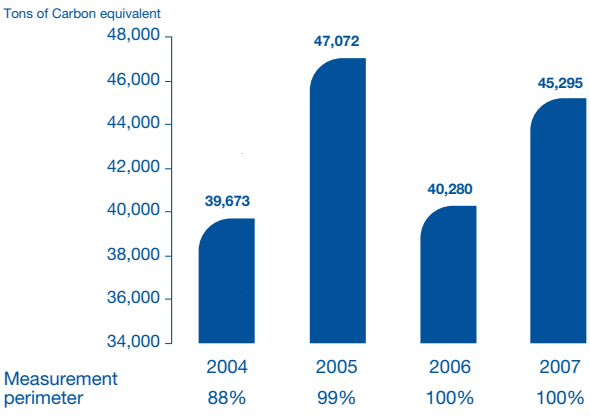
Rexel's activities have an impact on air emissions, mainly due to commercial needs (heating, electricity) and transport activities. No emissions create toxicity that would require dedicated treatment. Rexel's contribution is calculated by the quantity of greenhouse gases emitted.

Carbon Inventory

CARBON INVENTORY BY EMISSION SOURCE (TONS OF CARBON EQUIVALENT)



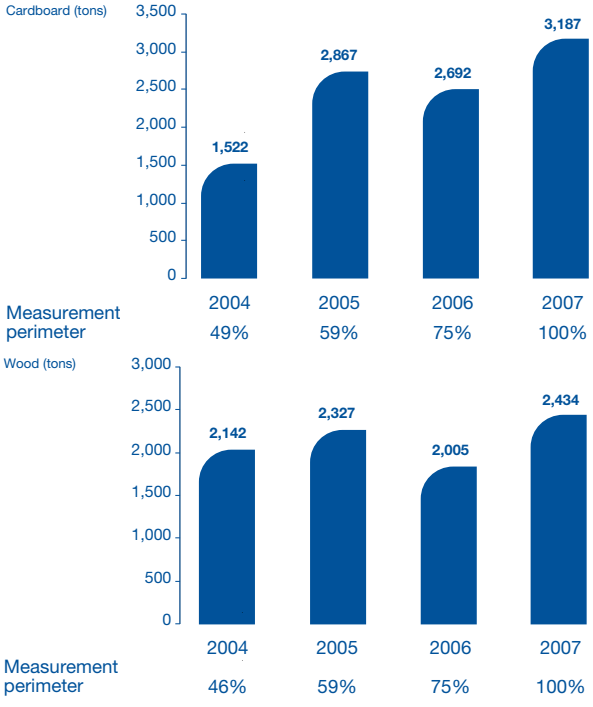
CHANGES IN EMISSIONS (TONS OF CARBON EQUIVALENT)



The uncertainty ratio of the results of the "carbon inventory©" method is of 8%. The increase in emissions is linked with the expansion of the Group's perimeter due to acquisitions.

Recycling & Reuse

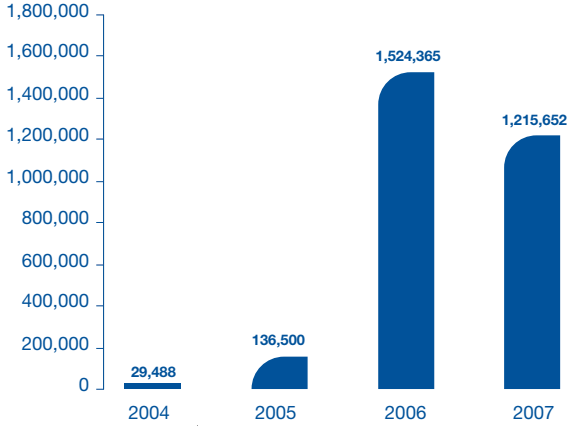
RECYCLING OF ACTIVITY WASTE



Performance levels are stable when considering the widening of the reporting perimeter.

Contribution to the collection channel of WEEE (Waste from Electrical and Electronic Equipment).

NUMBER OF FLUORESCENT TUBES AT LIFE-END COLLECTED ON BEHALF OF CUSTOMERS (UNITS)



In most European countries, local communities implemented the return of waste from electrical and electronic equipment. These measures resulted in a decrease in the quantity of fluorescent tubes at life-end collected by sales outlets of the Group on behalf of its customers, as evidenced by the decrease of the number of units collected between 2006 and 2007.

Packaging reuse

To optimize consumption of packaging for deliveries, a reuse system has been implemented in various countries. That system results in the suppliers' taking back certain wood pallets as deliveries are made and in the return to the logistical centers via the branches of plastic boxes used as containers for small equipment during delivery.

Portion of the Group in which systems of reusable packaging for deliveries are implemented (in percentage of sales):

Wood pallets	93%
Reusable delivery boxes	93%

Hazardous substances

Rexel's activities do not generate any hazardous waste:

– Pyralene/PCB transformer: 99% of the Group assessed. One country (France) says that it has a transformer of that category and has planned to withdraw it.

Reporting methodology

Scope of reporting

The geographical area covered by the reporting process is identical to the scope of the consolidated financial statements, as defined in the Group's Financial Statements.

The Group is the majority shareholder and controls all of its operating subsidiaries. In the specific case of joint ventures in China, they are 100% consolidated due to the operating control exercised by Rexel.

All of the Rexel sites are therefore part of the scope of consolidation: logistical centers, agencies and registered offices.

In view of the data collection procedures, the scope of reporting may vary depending on the data. It is then specified for each relevant data.

The data relative to the environment and set out in this report cover twelve months on a rolling basis between December 1, 2006 and November 30, 2007.

Collected indicators

The environmental indicators data is provided by a network of international correspondents. Their role, among other things, is to organize the forwarding of information or coordinating information for a geographical area, as well as to guarantee the quality and exhaustive nature of the information supplied by means of consistency and likelihood checks.

A support guide in relation to measured indicators was sent to each correspondent to specify the grounds for the choice of the indicator and its calculation procedures. This data is consolidated and checked at Group level by the Sustainable Development Department.

Environmental data

– The coverage rate is indicated for each indicator in proportion to sales.

– Carbon inventory©: the method used is the ADEME (French Agency for the Environment and Energy Control) method. The uncertainty rate of the results is calculated using the same method.

– Transport: for the drawing up of the carbon inventory, the consumption of fuel by vehicles operated by Rexel is taken into account. Within that meaning, rented vehicles are taken into account, but subcontracted transport services are disregarded.

– Energy and water consumption in Canada result from an extrapolation from a sample of representative agencies by comparison with the total number of agencies in the country.

8.2.2 Report of Statutory Auditors' review of social and environmental reporting procedures

Rexel, S.A.

Year ended December 31, 2007.

Report of Statutory Auditors' review of social and environmental reporting procedures

At the request of Rexel management and in our capacity as the company's Statutory Auditors, we have reviewed the reporting procedures for Human Resources, Safety and Environment indicators published in the 2007 reference document.

Rexel management was responsible for preparing the procedures as well as the information related to Human Resources, Safety and Environment. Our responsibility is to report our findings on the process of establishing this information, based on our review described as follows.

Nature and scope of our work

We carried out the following agreed-upon procedures:

– We reviewed and assessed the suitability of the reporting procedures in terms of completeness, reliability, neutrality, understandability and relevance with respect to Rexel activities;

– At corporate level, we conducted interviews with the managers in charge of the Human Resources and Environment data collection and consolidation systems. These interviews allowed us to reinforce our knowledge of reporting procedures and to test their application;

– We checked the transfer of the 2006 historical data and the correct consolidation of the data generated by the information system dedicated to the social reporting and put in place in 2007;

– At country level, we conducted interviews with the managers in charge of intermediate Human Resources and Environment data collection and consolidation for Canada and Australia. These interviews allowed us to assess the understanding and the application of the reporting procedures, as well as the use of reporting tools. This sample is part of an annual process of rotation of the countries;

– In order to assess the understanding and appropriation of the reporting tools and procedures at field level, we visited one entity in Canada and one in Australia.

According the ISAE audit standard (International Standard on Assurance Engagement), the procedures we performed are less detailed than an audit carried out for the purpose of providing a level of assurance onto the data. However, they enable us to report the following findings as regards procedures .

Findings

– The procedures for collection and consolidation of the data regarding Human Resources and Safety on the one hand, Environment on the other hand, are formalized and circulated to all the countries involved in reporting. The networks of correspondents are clearly established and have the possibility to obtain assistance on the definition of indicators when needed.

– These procedures are suitable audit criteria with respect to Rexel activities.

– In 2007, the implementation of a software tool dedicated to the reporting of social data has led to a clarification of roles and responsibilities, an increase in the level of control over the data at the level of subsidiaries, as well as an automated consolidation.

– In the framework of continuous improvement of environmental and social reporting, Rexel should carry

on improving the traceability of source data and methods used to compute indicators at subsidiaries level, as well as the internal controls performed. Rexel should also specify the methods of extrapolation which have to be used when all the data are not available at subsidiaries level and refine the methodology for calculating the indicators "Training budget" and "Severity rate of work accidents".

– The reporting processes do not call other comments on our behalf.

Paris la Défense, March 31, 2008

ERNST & YOUNG Audit

Pierre Bourgeois Jean Bouquot

ERNST & YOUNG
Environnement et développement durable

Eric Duvaud

8.2.3 Hagemeyer's Sustainability

Hagemeyer's objective was to implement in 2007 a comprehensive framework aimed at permitting quantitative reporting of environmental and social issues. This framework should have allowed Hagemeyer to specify its ambitions with regard to sustainability and to set objectives to be reached during the coming years. In particular, Hagemeyer believes that a substantial part of its sustainability policy and efforts depends on close cooperation with its suppliers.

The tender offer initiated by Kelium for the shares and convertible bonds of Hagemeyer halted the implementation of this project. Rexel plans to integrate the Hagemeyer activities retained by the Group into its perimeter of social and environmental reporting.

9. Operating and financial review

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9.1 GENERAL OVERVIEW

Organized in December 2004, Rexel is a holding company which acquired Rexel Distribution and its subsidiaries via its subsidiary, Ray Acquisition S.C.A. (today, named Rexel Développement) on March 16, 2005. Rexel shares have been listed for trading on the Euronext Paris market since April 4, 2007.

Numbers and percentages in this document may be calculated on the basis of numbers expressed in thousands of euros, or other currencies, and, accordingly, may differ from the numbers and percentages calculated on the basis of the numbers presented.

9.1.1 Group overview

The Group believes to be the worldwide leader in the professional distribution of low and ultra-low voltage electrical products based on sales and number of branches. The Group's business is organized around the three main geographic areas in which it operates: Europe, North America, and the Asia-Pacific zone. This geographic segmentation was determined on the basis of long-term economic trends, market characteristics, technical standards, products and suppliers operating in the countries within each geographic zone, as well as the proximity of markets. Operations deemed of lower materiality relative to the Group's operations as a whole are aggregated and presented under a separate segment called "Other Operations", as defined below. This segment also includes unallocated corporate overhead expenses.

In the year 2007, the Group recorded consolidated sales of €10,704.4 million, of which €5,041.9 million were generated in Europe (47% of sales), €4,806.1 million in North America (45% of sales), €797.2 million in the Asia-Pacific zone (7% of sales), and €59.3 million related to Other Operations (1% of sales).

The Europe zone consists principally of France (which accounts for approximately 50% of the Group's consolidated sales in this zone), Germany, the United Kingdom, Austria, Switzerland, The Netherlands, Sweden, Italy, Belgium, Spain, Ireland and Portugal, as well as several Central European countries (Slovenia, Hungary, Slovakia, the Czech Republic, Poland and Russia).

The North America zone consists of the United States and Canada. The United States represents approximately 80% of the Group's consolidated sales in this zone and Canada the remaining 20%.

The Asia-Pacific zone consists of Australia, New Zealand, and China, as well as certain countries in Southeast Asia (Indonesia, Malaysia, Singapore and Thailand). Australia accounts for approximately 65% of the Group's consolidated sales in this zone and New Zealand close to 20%.

The Other Operations segment includes Chile, which represented approximately 0.5% of the Group's sales and certain businesses managed at Group level (Bizline, Citadel and Conectis). Unallocated corporate overhead (mainly occupancy and personnel costs of the Paris headquarters) are also included in this segment, as well as the elimination of inter-segments operations.

The analysis below covers the Group's sales, gross profit, distribution and administrative expenses and operating income before other income and other expenses (EBITA) separately for each of the three geographic segments, as well as the Other Operations segment.

9.1.2 Seasonality

Notwithstanding the relatively low degree of seasonality within the Group's sales, there is seasonality in cash flows due to variations in working capital requirements, with, generally, a weaker first quarter, comparable second and third quarters, and a stronger fourth quarter.

9.1.3 Effects of changes in copper prices

The Group is indirectly exposed to fluctuations in copper prices in connection with the distribution of cable products. Cables accounted for approximately 20% of the Group's sales, and copper accounts for approximately 60% of the composition of cables. This exposure is indirect since cables prices also depend on suppliers' commercial policies and on the competition environment in the Group's markets. Changes in copper price have an estimated so-called "recurring" effect and an estimated so called "non-recurring" effect on the Group's performance:

– **The recurring effect** corresponds to the change in value of the copper part included in the selling price of cables from one period to another and reflects the Group's ability to pass on to its customers the changes in cables purchase price linked to the evolution of copper price. The effect mainly relates to sales.

– **The non-recurring effect** corresponds to the effect of copper price variations on the selling prices of cables between the moment they are purchased and the time they are sold, until all such inventory is sold (direct effect on gross profit), offset, when appropriate, by the non-recurring portion of changes in the distribution and administrative expenses (essentially, the variable portion of compensation of sales personnel, which accounts for approximately 10% of the variation in gross profit and has an effect on EBITA).

9.1.4 Comparability of the Group's operating results

The Group has undertaken a number of acquisitions and disposals, and exchange rates may fluctuate significantly. Additionally, the number of working days in each period has an impact on the Group's consolidated sales. Finally, changes in copper price have an impact on Group's financial performance. For these reasons, a comparison of the Group's reported operating results over different periods may not provide a meaningful comparison of its underlying business performance. Therefore, in the analysis of the Group's consolidated results below, financial information is also presented restated for the following adjustments.

Exclude the effects of acquisitions and disposals

The Group restates results to exclude the effects of acquisitions and disposals. Generally, the Group includes the results of an acquired company in its consolidated financial statements at the date of its acquisition and ceases to include the results of a divested company at the date of its disposal. To neutralize the effects of acquisitions and disposals on the analysis of its operations, the Group compares the results of the current year against the results of the preceding year, assuming that the preceding year would have had the same scope of consolidation for the same period as the current year.

In 2006, the Group acquired Elektro-Material A.G. (Switzerland), Elettro Bergamo (Italy), V-Center (Poland), GE Supply (United States), DH Supply (United States), Capitol Light and Supply (United States), Kesco (Canada), and ACS (Australia). Furthermore, in May 2006, the Group formed company with a Chinese partner, Shanghai Bailian Group Co Ltd., to operate Hualian, Electric & Lighting Equipment Co, a distributor of electrical products based in Shanghai. The total amount of such investments was €840.3 million in 2006. The Group made no divestitures in 2006.

In the year 2007, the Group acquired Network Connect Australia (Australia), APPRO 5 (France), Clearlight Electrical Company (United Kingdom), Tri-Valley Electric Supply (United States), Boutet (Belgium), EIW Holdings (Australia) as well as 51% of Huazhang Electrical Automation (China). The total amount of such investments was €116.8 million for the year 2007 including prices adjustments on previous acquisitions. In the same period, the Group disposed of the activity of the company Kontakt Systeme in Switzerland, deemed non-core, for an amount of €4.9 million.

Exclude the effects of fluctuations in exchange rates

Fluctuations in currency rates against the euro affect the euro value of the Group's sales, expenses and other balance sheet items as well as the income statement. Nonetheless, the Group has a relatively low exposure to the transaction risk of dealing in different currencies, as cross-border transactions are limited. To neutralize the currency translation effect on the comparability of its results, the Group compares its historical figures for the current year against the same period of the prior year figures, using for these figures the same euro exchange rates as in the current year.

Exclude the non-recurring effect related to changes in copper prices

For the analysis of financial performance on a constant and adjusted basis, the estimated non-recurring effect related to changes in copper price, as described in paragraph 9.1.3 of this *Document de Référence,* is excluded from the information presented for both the current and the previous periods. Such information is referred to as "adjusted" in the rest of this *Document de Référence.*

Exclude the effects of different numbers of working days in each period to analyze sales

The Group's sales in a given period compared to another period are affected by the number of working days, which changes between periods. In the analysis of its consolidated sales, the Group neutralizes the effect of different numbers of working days between the two periods presented by comparing its historical figures for each month in the current year against the prior year's figures, adjusted proportionally to the number of working days during the current year. This analysis by number of working days would not be relevant to the Group's other consolidated income statement items.

Accordingly, in the following discussion of the Group's consolidated results, the following information may be provided for comparison purpose:

- **On a constant basis**, meaning excluding the effect of acquisitions and disposals and the effect of fluctuations in exchange rates. Such information is used for comparison on sales and headcounts.
- **On a constant basis and same number of working days**, meaning on a constant basis and restated for the effect of different numbers of working days in each period. Such information is used only for comparisons related to sales.
- **On a constant basis, adjusted**, meaning on a constant basis and adjusted for the estimated non-recurring effect related to changes in copper price. Such information is used for comparison related to gross profit, distribution and administrative expenses and EBITA.

This information does not derive from accounting systems but is the best estimate of comparable data in accordance with the principles set out above.

EBITA is used to monitor the Group's performance. EBITA is defined as operating income before other income and expenses and is not an accepted accounting measure under IFRS. The table below sets out the reconciliation from actual operating income to adjusted EBITA on a constant basis:

	Year ended December 31,	
(in millions of euros)	2007	2006
Operating income	570.5	523.7
(–) Other income and expenses	77.9	49.9
EBITA	**648.4**	**573.6**
External growth	–	62.7
Foreign exchange effect	–	(13.6)
Non-recurring effect related to copper	9.5	(56.6)
Adjusted EBITA on a constant basis	**657.9**	**566.1**

9.2 COMPARISON OF THE FINANCIAL RESULTS AS AT DECEMBER 31, 2007 AND DECEMBER 31, 2006

In the year 2007, Rexel continued to improve its operating performance and cash flow generation: sales grew by 2.9% on a constant basis and same number of working days compared to the year 2006 to €10,704.4 million. Adjusted operating income before other income and other expenses (Adjusted EBITA) grew 16.2% on a constant basis to €657.9 million, representing 6.1% of sales in the year 2007 compared to 5.5% of sales in the year 2006. Free cash flow, after net investments and before interest and taxes paid, reached €670.4 million compared to €487.8 million in the same period of 2006.

Europe and the Asia-Pacific zone, accounting for 54% of consolidated sales, posted 6.0% and 12.6% sales growth respectively, which more than offset the decrease in sales in North America (representing 45% of consolidated sales), which was 1.6% on a constant basis and same number of working days.

Rexel's end-markets in the industrial and commercial businesses expanded in the year 2007 in Europe. The residential construction remained at high levels in the area in most countries, despite the downturn noticed in Germany and in the United Kingdom. In the Asia-Pacific zone, the growth was high in the commercial and industrial markets, especially in the mining industry, while the residential construction remained favorable in Australia. In the United States, the residential and residential-related commercial end-markets remained negative in comparison with the same period of last year.

In this situation, Rexel pursues implementing its operating levers – including development of customers' services, continuous improvement of pricing structures and enrichment of suppliers' partnerships – and is ahead of forecast synergies from the integration of the U.S. based network Gexpro (formerly GE Supply). On a constant basis, the adjusted gross margin thus improved from 24.2% of sales in the year 2006 to 24.5% in the year 2007.

Rexel is continuously improving its logistic structures and the productivity of its support functions. Finally, Rexel launched a cost reduction plan in the U.S. in the beginning of 2007, in order to adapt to the current activity trends. These actions, together with strict costs containment in the other zones, resulted in an increase of distribution and administrative expenses limited to 1.5% in the year 2007 compared to the year 2006.

Combination of the organic growth, a gross margin improvement and a strict costs control, resulted in a significant increase of Adjusted EBITA on a constant basis in the year 2007 compared to 2006.

The significant improvement of operating profitability in the year 2007 came along with a strong cash flow generation, especially through the continuing reduction of working capital requirements. As a percentage of sales, this latter decreased from 14.5% on a constant basis at December 31, 2006 to 13.4% at December 31, 2007. This 110 basis points improvement includes 70 basis points related to the one-off effect of the repayment in 2007 of the tax installments paid in 2006 by French companies as well as the one-off effect of the earn-out accrued in the period in respect of the 2007 acquisitions. Excluding one-offs, the working capital requirement at December 31, 2007 was 13.6% of sales. Free cash flow before interest and taxes paid increased by 37.4% compared to the year 2006, to €670.4 million.

In the year 2007, Rexel pursued its bolt-on acquisition strategy in the electrical equipment business: 7 acquisitions were finalized in the year, in Australia, in China, in France, in the United States, in the United-Kingdom, and in Belgium. Had these operations been completed on January 1, 2006, sales and Adjusted EBITA would have amounted respectively to €10,809.5 million and €664.2 million in 2007 and €10,466.5 million and €570.7 million in 2006.

Finally, on December 24, 2007, Rexel launched a recommended cash offer for all of the shares and bonds of its competitor Hagemeyer. Rexel and Sonepar agreed to selected assets disposals in case the offer is successful.

9.2.1 Rexel's consolidated financial results

The following table sets out Rexel's consolidated income statement for the years 2007 and 2006, in millions of euros and as a percentage of sales.

(in millions of euros)	Year ended December 31, 2007	2006	% change
REPORTED FINANCIAL DATA			
Sales	**10,704.4**	**9,298.9**	**15.1%**
Gross profit	2,615.6	2,345.6	11.5%
Distribution and administrative expenses (1)	(1,967.2)	(1,772.0)	11.0%
EBITA (2)	**648.4**	**573.6**	**13.1%**
Other income and expenses (3)	(77.9)	(49.9)	
Operating income	570.5	523.7	8.9%
Financial expense (3)	(319.2)	(252.0)	26.7%
Income tax (3)	(107.8)	(82.8)	30.1%
Net income (3)	143.5	188.9	(24.0)%
Net income, excluding items related to Rexel's IPO	312.2	188.9	65.3%
As a % of sales	*2.9%*	*2.0%*	
CONSTANT BASIS ADJUSTED FINANCIAL DATA			
Sales	**10,704.4**	**10,376.0**	**3.2%**
Same number of working days			*2.9%*
Gross profit	2,626.5	2.506.1	4.8%
As a % of sales	*24.5%*	*24.2%*	
Distribution and administrative expenses	(1,968.6)	(1,940.0)	1.5%
As a % of sales	*(18.4)%*	*(18.7)%*	
EBITA (2)	**657.9**	**566.1**	**16.2%**
As a % of sales	*6.1%*	*5.5%*	
	(77.0)	(63.5)	21.3%

(1) Including depreciation.
(2) EBITA = Operating income before other income and other expenses.
(3) Including items related to Rexel's IPO.

Sales

In the year 2007, Rexel's consolidated sales grew 15.1% to reach €10,704.4 million, a 2.9% growth on a constant basis and same number of working days. Acquisitions accounted for an increase of €1,329.0 million, partly offset by the effect of changes in exchange rates, in an amount of €252.0 million, mainly due to the depreciation of the U.S. and Canadian dollars against the euro.

The following table analyzes the changes in sales growth between 2006 and 2007, on a reported basis and on a constant basis and same number of working days:

		Growth 2007 vs. 2006					
		Q1	Q2	H1	Q3	Q4	YTD
Growth on a constant basis and same number of working days		5.9%	3.3%	4.5%	1.4%	1.3%	2.9%
Number of working days effect		(0.4)%	0.4%	0.0%	(0.0)%	1.1%	0.3%
Organic growth	**(1)**	**5.5%**	**3.7%**	**4.5%**	**1.4%**	**2.4%**	**3.2%**
External growth		27.7%	27.1%	27.4%	7.9%	0.5%	14.3%
Foreign exchange		(3.6)%	(2.1)%	(2.8)%	(2.5)%	(2.8)%	(2.7)%
Total of external growth and foreign exchange	**(2)**	**24.2%**	**25.1%**	**24.7%**	**5.5%**	**(2.3)%**	**11.6%**
Actual growth (1) x (2)		**31.0%**	**29.6%**	**30.3%**	**6.9%**	**(0.0)%**	**15.1%**

Increase in copper-based cables prices in the year 2007, that represent approximately 20% of the Group's sales, accounted for approximately 10% in the 2.9% Group's sales growth on a constant basis and same number of working days.

Gross profit

In the year 2007, gross margin was 24.4% compared to 25.2% in the year 2006. On a constant basis, adjusted gross margin improved by 30 basis points from 24.2% in the year 2006 to 24.5% in the year 2007. This improvement reflects an on-going improvement resulting from operating levers including pricing initiatives, partnership development with suppliers and synergies from the successful Gexpro integration and a non-recurring favorable effect of specific commercial initiatives, which occurred essentially in the first quarter 2007.

Distribution and administrative expenses

Rexel pursued the improvement of its costs structure over the period. Distribution and administrative expenses as a percentage of sales decreased from 19.1% in the year 2006 to 18.4% in the year 2007. On a constant basis, adjusted distribution and administrative expenses increased by 1.5% between 2006 and 2007, compared to a 3.2% increase in sales at actual number of working days and a 4.8% increase in gross margin. Adjusted personnel expenses increased by 2.3% on a constant basis while the average number of employees increased by 0.4%. At December 31, 2007, the number of employees was reduced by 356 persons compared to the end of December 2006 on a constant basis, mainly in North America, in order to adapt the Group's costs structure to the current activity trend in this zone, where headcounts were reduced by 449 persons. At December 31, 2007, total number of employees was 25,596. Other distribution and administrative expenses increased by 0.3% between the year 2006 and the year 2007.

Operating income before other income and other expenses (EBITA)

Operating income before other income and other expenses (EBITA) reached €648.4 million in the year 2007, a 13.1% increase compared to the year 2006 on a reported basis. On a constant basis, adjusted EBITA increased by 16.2% while EBITA margin improved from 5.5% in 2006 to 6.1% in 2007, a 60 basis points improvement. This improvement includes 20 basis points related to specific non-recurring commercial actions in the first quarter of 2007. This evolution stemmed from the performance of all zones. EBITA margin strongly improved in Europe and Asia-Pacific while North America managed to keep a flat EBITA margin level in a difficult economic situation, through the improvement in its gross profit and the strict control of its distribution and administrative expenses.

Other income and other expenses

In the year 2007, other income and other expenses amounted to a net expense of €77.9 million and included €61.4 million of costs related to the initial public offering of Rexel completed in April 2007, in respect of employees shares purchase plan and free shares allocation plan for amounts of €7.8 million and €53.6 million respectively. The disposal of the non-core activity of the Kontakt Systeme company, operating in Switzerland and in Germany, resulted in a capital loss of €4.0 million. In addition, a €4.2 million impairment loss was recognized on the Group's investments in the Czech Republic due to a difficult local economic situation.

Financial expenses

In the year 2007, net financial expenses were €319.2 million (compared to €252.0 million in 2006), including €165.9 million non-recurring costs related to the Group's debt restructuring following its initial public offering.

Debt restructuring related expenses were recorded in the second quarter of 2007 in an amount of €165.9 million and included (i) a redemption premium of €89.6 million for the early repayment of the Senior Subordinated Notes and (ii) the write-off on the Senior Subordinated Notes and the 2005 Senior Credit Agreement transaction costs for €76.3 million.

The effective interest rate on gross financial indebtedness was 6.0% in the 2007 financial year.

Tax expenses

The effective tax rate was 42.9% at December 31, 2007 compared to 30.5% at December 31, 2006. The September 2006 effective tax rate included the non-recurring effect of the utilization of unrecognized tax losses. Excluding non-recurring items, including especially the non-deductible expenses related to the free shares allocation plan, the effective tax rate would have been approximately 33% at December 31, 2007.

Net income

Net income amounted to €143.5 million in the year 2007. Excluding the initial public offering related costs detailed in note 2.1.2 to the Rexel Group's consolidated financial statements at December 31, 2007 (see paragraph 20.1.1.1 of this *Document de Référence*), it would have been €312.2 million in the year 2007, compared to €188.9 million in the year 2006, a 65.3% increase.

9.2.2 Europe

(in millions of euros)	Year ended December 31, 2007	2006	% change
REPORTED FINANCIAL DATA			
Sales	**5,041.9**	**4,588.4**	**9.9%**
Gross profit	1,343.5	1,250.3	7.5%
Distribution and administrative expenses	(968.8)	(926.4)	4.6%
EBITA (1)	**374.7**	**323.9**	**15.7%**
As a % of sales	*7.4%*	*7.1%*	
CONSTANT BASIS ADJUSTED FINANCIAL DATA			
Sales	**5,041.9**	**4,745.7**	**6.2%**
Same number of working days			*6.0%*
Gross profit	1,348.0	1,250.4	7.8%
As a % of sales	*26.7%*	*26.3%*	
Distribution and administrative expenses	(969.3)	(948.1)	2.2%
As a % of sales	*(19.2)%*	*(19.9)%*	
EBITA (1)	**378.7**	**302.3**	**25.3%**
As a % of sales	*7.5%*	*6.4%*	

(1) EBITA = Operating income before other income and other expenses.

In the year 2007, sales increased by 9.9% in Europe compared to the year 2006 and reached €5,041.9 million. Acquisitions, mainly completed in 2006, including Elektro-Material A.G. in Switzerland, Gexpro business in Ireland and Elettro Bergamo in Italy, accounted for a €167.5 million increase. The disposal of the Kontakt Systeme company in Switzerland resulted in a negative effect of €7.7 million on sales compared to 2006. On a constant basis and same number of working days, sales increased by 6.0%.

In France, sales amounted to €2,427.5 million in the year 2007, a 6.8% increase on a constant basis and same number of working days. This growth notably stemmed from selling performance with contractors (approximately 55% of sales), which posted an increase in sales of approximately 10%. Cables and conduits sales, as well as building equipments sales, grew by approximately 10% in volume over the period. In Germany, sales amounted to €435.7 million in the year 2007, a 1.1% decrease on a constant basis and same number of working days. This performance was realized in a particularly difficult environment in the south of Germany and followed the decision to refocus the Rexel offer on its core products, thus reducing exposure on white and brown products and on solar equipments, which have lower margins. Excluding these two products families, that account for approximately 10% of sales, the increase in sales is around 1.1%, driven by sales of industrial and automation products, which account for approximately 30% of sales and posted a near-double-digit growth. In the United Kingdom, sales amounted to €337.9 million in the year 2007, a 6.3% increase on a constant basis and same number of working days. This above-market growth was particularly strong with the large contractors, which grew by more than 28% over the year, more especially in the commercial market. This performance resulted from the selling dynamism of both banners and from the development of their marketing tools, including in particular this year the implementation of a customers' loyalty program. 12 branches increased the networks density, of which 8 are branches of the Clearlight company, acquired in 2007. In Benelux, sales increase by 15.9% on a constant basis and same number of working days to €395.4 million. This significantly higher than market growth was notably high with the small and medium contractors in Belgium and with the large contractors in The Netherlands. Rexel Belgium strengthened its network through the acquisition of the Boutet company in 2007 and is still completing its offer to the industrial market.

In the year 2007, gross profit amounted to €1,343.5 million, a 7.5% increase compared to 2006. On a constant basis, adjusted gross margin improved by 40 basis points and reached 26.7% of sales in the year 2007 compared to 26.3% in the year 2006. This performance mainly stemmed from on-going improvements, including purchasing conditions and customers' prices management. In the fourth quarter of 2007, adjusted gross margin posted a 30 basis points increase on a constant basis.

In the year 2007, distribution and administrative expenses amounted to €968.8 million, i.e., 19.2% of sales compared to 20.2% in 2006. On a constant basis, adjusted distribution and administrative expense increased by 2.2%. Adjusted personnel expenses increased by 3.2% on a constant basis compared to a 0.3% increase of average headcount on a constant basis. Number of employees increased from 12,595 at December 31, 2006 on a constant basis to 12,619 at December 31, 2007. Some actions, including in the logistics area, such as the implementation of a national distribution center in Austria, resulted in an above-inflation increase in personnel expenses over the period.

Operating income before other income and other expenses (EBITA) amounted to €374.7 million, a 15.7% increase compared to the year 2006. On a constant basis, Adjusted EBITA increased by 25.3% and reached 7.5% of sales in the year 2007 compared to 6.4% in the year 2006.

9.2.3 North America

(in millions of euros)	Year ended December 31, 2007	2006	% change
REPORTED FINANCIAL DATA			
Sales	**4,806.1**	**4,016.6**	**19.7%**
Gross profit	1,043.9	896.2	16.5%
Distribution and administrative expenses	(808,3)	(669.3)	20.8%
EBITA [1]	**235.6**	**226.9**	**3.8%**
As a % of sales	*4.9%*	*5.6%*	
CONSTANT BASIS ADJUSTED FINANCIAL DATA			
Sales	**4,806.1**	**4,872.0**	**(1.4)%**
Same number of working days			*(1.6)%*
Gross profit	1,050.6	1,048.7	0.2%
As a % of sales	*21.9%*	*21.5%*	
Distribution and administrative expenses	(809.5)	(806.3)	0.4%
As a % of sales	*(16.9)%*	*(16.5)%*	
EBITA [1]	**241.1**	**242.4**	**(0.5)%**
As a % of sales	*5.0%*	*5.0%*	

(1) EBITA = Operating income before other income and other expenses.

In the year 2007, sales in North America amounted to €4,806.1 million, a 19.7% increase compared to the year 2006. This increase resulted from the acquisitions in 2006 in an amount of €1,113.7 million, despite a €258.3 million unfavorable evolution of U.S. and Canadian dollars against the euro. On a constant basis and same number of working days, sales decreased by 1.6%, the sales performance in Canada offsetting only partially the decrease in the United States.

In the United States, sales amounted to €3,785.9 million in the year 2007, a 2.4% decrease on a constant basis and same number of working days. This evolution resulted from a particularly high level of activity in the year 2006, especially due to the increase in cables sales and to the reconstruction activity in the wake of the Katrina hurricane, which resulted in a 0.6% negative impact on the evolution between 2006 and 2007. Excluding the cables family, sales were stable on a constant basis and same number of working days in the United States in 2007 compared to 2006. The decrease of residential construction in 2007 had effects on residential-related commercial projects. In Canada, sales amounted to €1,020.2 million in the year 2007, a 1.5% increase on a constant basis and same number of working days. This increase was driven by the mining activity and the high level of construction markets in the West, as well as the commercial activity in Quebec. The increase in the Canadian dollar compared to the U.S. dollar adversely affected the competitiveness of the industrial sector, especially in Ontario, and consequently reduced the sales growth. Finally, the cables purchase and selling prices strongly decreased in the end of the year in the Canadian market.

In the year 2007, gross profit amounted to €1,043.9 million, a 16.5% increase compared to the year 2006, mainly due to changes in scope of consolidation in the United States and changes in exchange rates against the euro. On a constant basis, adjusted gross margin improved by 40 basis points from 21.5% in the year 2006 to 21.9% in the year 2007. This improvement notably stemmed from the implementation of purchasing synergies since Gexpro acquisition in August 2006 and commercial initiatives.

Distribution and administrative expenses amounted to €808.3 million in the year 2007, i.e., 16.8% of sales, the same figure as in 2006. On a constant basis, adjusted distribution and administrative expenses increased by 0.4%. Adjusted personnel costs increased by 1.0% on a constant basis. In the context of the implementation of a cost reduction plan in North America to adapt to current sales trends in the electrical distribution business, headcount was reduced by 5.1% in this activity in the year 2007 compared to the end of December 2006 (6.3% in the United States). In

North America, headcount was reduced from 10,126 at December 31, 2006 to 9,677 at December 31, 2007 on a constant basis.

Operating income before other income and other expenses (EBITA) thus amounted to €235.6 million in the year 2007, a 3.8% increase compared to the year 2006. On a constant basis, Adjusted EBITA decreased by 0.5%, remaining at 5.0% of sales.

9.2.4 Asia-Pacific

(in millions of euros)	Year ended December 31, 2007	2006	% change
REPORTED FINANCIAL DATA			
Sales	**797.2**	**635.7**	**25.4%**
Gross profit	202.3	169.4	19.4%
Distribution and administrative expenses	(152.1)	(132.4)	14.9%
EBITA (1)	**50.2**	**37.0**	**35.7%**
As a % of sales	*6.3%*	*5.8%*	
COMPARABLE BASIS ADJUSTED FINANCIAL DATA			
Sales	**797.2**	**704.4**	**13.2%**
Same number of working days			*12.6%*
Gross profit	202.2	179.7	12.6%
As a % of sales	*25.4%*	*25.5%*	
Distribution and administrative expenses	(152.0)	(142.7)	6.6%
As a % of sales	*(19.1)%*	*(20.2)%*	
EBITA (1)	**50.2**	**37.0**	**35.4%**
As a % of sales	*6.3%*	*5.3%*	

(1) EBITA = Operating income before other income and other expenses.

In the year 2007, sales in the Asia-Pacific zone increased by 25.4% compared to the year 2006 to €797.2 million, or 12.6% on a constant basis and same number of working days.

In the year 2007, sales in Australia amounted to €527.0 million, an 8.6% increase on a constant basis and same number of working days from the year 2006. Rexel considers that this growth exceeds the one of the Australian market, supported by strong industrial and mining businesses and a fair non-residential construction level. In the year 2007, sales growth was particularly high in Queensland, New South Wales and Western Australia. In these two latter states, the acquisition in late October 2007 of EIW and its 16 branches will strengthen the commercial dynamism of the current banners. In New Zealand, sales amounted to €145.7 million, a 1.2% decrease compared to 2006 on a constant basis and same number of working days in an economic environment affected by the downturn of the residential and commercial construction markets in the second half-year of 2007. In Asia, sales amounted to €124.5 million in the year 2007, a 65.6% increase on a constant basis and same number of working days compared to the year 2006, which evidences the fast development of professional distribution channel in these countries.

In the year 2007, gross profit increased by 19.4% to €202.3 million. On a constant basis, adjusted growth margin decreased by 10 basis points in the zone, due to the significant growth in Asia where gross margin is lower.

In Australia, gross margin improved, notably through the centralization of the purchasing function and a favorable mix evolution towards higher margin products.

Distribution and administrative expenses were €152.1 million in the year 2007, i.e., 19.1% of sales compared to 20.8% in the year 2006. On a constant basis, adjusted distribution and administrative expenses increased by 6.6% compared to the year 2006, including the effect of increasing building and occupancy costs following the renewal of some of the lease agreements and the opening of new branches. In 2007, the network benefited from the acquisition or opening of 24 branches, i.e., an 8% increase in the number of branches. Adjusted personnel costs increased by 8.0% on a constant basis compared to a 1.1% increase of the average headcount, due to wages increase and key employees retention plans. Headcount increased from 2,635 at December 31, 2006 to 2,687 at December 31, 2007 on a constant basis.

Operating income before other income and other expenses (EBITA) thus amounted to €50.2 million in the year 2007, a 35.7% increase compared to the year 2006. On a constant basis, Adjusted EBITA increased by 35.4%, from 5.3% of sales in the year 2006 to 6.3% in the year 2007.

9.2.5 Other Operations

(in millions of euros)	Year ended December 31, 2007	2006	% change
REPORTED FINANCIAL DATA			
Sales	**59.2**	**58.2**	**1.8%**
Gross profit	25.9	29.7	(13.3)%
Distribution and administrative expenses	(38.0)	(43.9)	(14.1)%
EBITA (1)	**(12.1)**	**(14.2)**	**(15.7)%**
As a % of sales	*(20.2)%*	*(24.4)%*	
CONSTANT BASIS ADJUSTED FINANCIAL DATA			
Sales	**59.2**	**53.9**	**9.9%**
Same number of working days			*9.9%*
Gross profit	25.7	27.3	(5.9)%
As a % of sales	*43.4%*	*50.7%*	
Distribution and administrative expenses	(37.8)	(42.9)	(11.9)%
As a % of sales	*(63.7)%*	*(79.7)%*	
EBITA (1)	**(12.1)**	**(15.6)**	**(22.5)%**
As a % of sales	*(20.4)%*	*(29.0)%*	

(1) EBITA = Operating income before other income and other expenses.

The Other Operations segment includes Chile, which represented approximately 0.5% of the Group's sales in 2007 and certain businesses managed at Group level (Bizline, Citadel and Conectis). Unallocated corporate overhead (mainly occupancy and personnel costs of the Paris headquarters) are also included in this segment, as well as elimination of inter-segments operations.

10. Liquidity and capital resources

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10.1 CASH FLOW AS AT DECEMBER 31, 2007 AND DECEMBER 31, 2006

The following table sets out Rexel's cash flows for the years ended December 31. 2007 and December 31, 2006.

(in millions of euros)		Year ended December 31, 2007	2006
Operating cash flow [1]		704.0	631.1
Interest	(a)	(217.7)	(196.6)
Taxes	(a)	(41.8)	(127.8)
Changes in working capital requirements		(13.0)	(97.9)
Cash flow from operating activities	(b)	431.5	208.8
Cash flow from investing activities		(184.2)	(866.1)
Including operating capital expenditures [2]	(c)	*(20.6)*	*(45.4)*
Cash flow from financing activities		(200.9)	701.7
Net cash flow		46.4	44.4
Free cash flow			
– before interest and taxes (b) – (a) + (c)		**670.4**	**487.8**
– after interest and taxes (b) + (c)		**410.9**	**163.4**

(1) Before interest, taxes and changes in working capital requirements.
(2) Net of disposals.

10.1.1 Cash flow from operating activities

Rexel's cash flow from operating activities was a €431.5 million inflow in the year 2007 compared to €208.8 million in the year 2006.

Operating cash flow

Operating cash flow before interest, income tax and changes in working capital requirements grew from €631.1 million in the year 2006 to €704.0 million in the year 2007. This mainly resulted from the improvement in operating income before depreciation, other income and other expenses (EBITDA) which rose from €637.1 million in the year 2006 to €725.4 million in the year 2007, a 13.9% increase.

Interest and taxes

In the year 2007, interest paid amounted to €217.7 million compared to €196.6 million in the year 2006. This increase was mainly due to the payment of the redemption premium for the Senior Subordinated Notes in an amount of €89.6 million pursuant to the refinancing operations following the initial public offering of Rexel.

In the year 2007, €41.8 million income taxes were paid compared to €127.8 million paid in the year 2006. In the year 2006, due to the termination of the previous French tax group, Rexel's French entities paid tax installments on their own profits. These installments were repaid by the French authorities in an amount of €53.4 million in the second quarter of 2007 because of tax credits at the level of the tax group headed by Rexel in France.

Changes in working capital requirements

Cash consumed by changes in working capital requirement amounted to €13.0 million in the year 2007 compared to €97.9 million in the year 2006. This change stemmed from the optimization of inventory turn and from the increase in D.P.O. (days of payables outstanding). As a percentage of the last twelve months sales converted using exchange rates effective as at the end of the period, the working capital requirement decreased from 14.5% at December 31, 2006 on a constant basis to 13.4% at December 31, 2007. This 110 basis points improvement includes 70 basis points related to the one-off effect of the repayment in 2007 of the tax installments paid in 2006 by French companies as well as the one-off effect of the earn-out accrued in the period in respect of the 2007 acquisitions. Excluding one-offs, the working capital requirement at December 31, 2007 was 13.6% of sales.

10.1.2 Cash flow from investing activities

Rexel's cash flow from investing activities consists of acquisitions and disposals of fixed assets, as well as financial investments. Cash flow from investing activities amounted to a €184.2 million outflow in the year 2007 compared to €866.1 million in the year 2006.

(in millions of euros)	Year ended December 31, 2007	2006
Acquisitions of operating fixed assets [1]	(20.6)	(45.4)
Acquisitions of financial fixed assets [1]	(111.9)	(840.0)
Net change in long-term investments	(51.7)	19.3
Net cash flow from investment activities	(184.2)	(866.1)

(1) Net of disposals.

Acquisitions and disposals of tangible fixed assets

Acquisition of operating fixed assets, net of disposals, were a €20.6 million outflow in the year 2007 compared to €45.4 million in the year 2006.

In the year 2007, gross capital expenditures amounted to €72.7 million, i.e. 0.7% of the sales of the period, of which €29.3 million related to IT systems, €26.6 million to the renovation of existing branches and the opening of new branches, €24.9 million to logistics and €1.7 million to other investments. Changes in the related suppliers payable amounted to €9.8 million, accounting for a reduction in the capital expenditures of the year. Disposals of fixed assets in the year 2007 amounted to €52.1 million and mainly related to a sale and leaseback transaction in the first quarter, on commercial premises in Switzerland in an amount of €45.8 million (€42.0 million net of related taxes).

In the year 2006, gross capital expenditures amounted to €62.8 million, i.e. 0.7% of the sales of the period, including €29.3 million related to IT systems, €18.5 million to the renovation of existing branches and the opening of new branches, €10.8 million to logistics and €4.2 million to other investments. Moreover, Rexel disposed of fixed assets amounting to €17.4 million, including operating premises in France, Belgium, Sweden, and the United Kingdom.

Financial investments

Rexel's net financial investments represented a net outflow of €111.9 million in the year 2007 compared to €840.0 million in the year 2006. In the year 2007, financial investments included mainly a price adjustment paid in March 2007 related to the acquisition of GE Supply for US$9.7 million (€7.8 million) and the acquisition of APPRO 5 in France for €6.7 million, Clearlight Electrical Company in the United Kingdom for £5.3 million (€7.8 million), Tri-Valley Electric Supply in the United States for US$1.5 million (€1.2 million), Boutet in Belgium for €6.8 million and EIW Holdings in Australia for Australian $132.8 million (€84.8 million). Financial investments also included the acquisition of the Rexel Distribution subsidiary shares in accordance with liquidity agreements on share options plans from 2002 and 2003, in an amount of €3.9 million. In the second and third quarters of 2007, Rexel disposed of the business of the company Kontakt Systeme for a net amount of €4.9 million.

In the year 2006, financial investments included the acquisitions of Elektro-Material A.G. for a cash consideration of CHF297.8 million (€191.4 million), Elettro Bergamo S.r.l. for a cash consideration of €9.4 million, Capitol Light and Supply for a cash consideration of US$167.4 million (€131.6 million), Gexpro for a cash consideration of US$605.6 million (€474.3 million), DH Supply for a cash consideration of US$35.4 million (€28.4 million) and V-Center in Poland for a cash consideration of €2.7 million.

Changes in long-term investments

Net cash from changes in long-term investments were a net outflow of €51.7 million in the year 2007 compared to a net inflow of €19.3 million in the year 2006. Net cash used in the year 2007 mainly reflected the acquisition of Hagemeyer shares for an amount of €56.6 million (including transaction costs), which represent 1.8% of the total share capital of Hagemeyer. Net cash inflow in the year 2006 mainly included a €18.4 million equity loan repayment regarding the sale in 2003 of Gardiner, the security business of the Group.

10.1.3 Cash flow from financing activities

Cash flow from financing activities is comprised of changes in indebtedness, share capital issuances and payment of dividends.

In the year 2007, financing activities accounted for €200.9 million outflow compared to €701.7 million inflow in the year 2006. The net proceeds from the initial public offering in the second quarter of 2007 were €1,005.0 million. Rexel contracted a new 2007 Senior Credit Agreement that permitted, together with the proceeds from the initial public offering, to repay in full the 2005 Senior Credit Agreement and the Senior Subordinated Notes. After an additional repayment in the third quarter, these operations resulted in an overall outflow of €1,212.9 million. Repayments of finance lease liabilities amounted to €26.9 million. Finally, various other changes resulted in a €33.9 million net inflow.

In the year 2006, financing activities resulted in net cash inflows of €701.7 million, including a net increase in securitization programs in an amount of €315.0 million. In addition, €456.8 million were drawn down under term loan B3A of the 2005 Senior Credit Agreement to finance the acquisition of Gexpro, €168.4 million under term loan D to finance the acquisitions of Capitol Light and Supply, DH Supply and Elettro Bergamo. Finance lease repayments amounted to €27.0 million. The other operations in the period resulted in a €211.5 million net outflow.

10.2 SOURCES OF FINANCING OF THE GROUP

In addition to the cash from operations and equity, the Group's main sources of financing are multilateral credit lines, debt issuances and securitization programs. At December 31, 2007, Rexel's consolidated net debt amounted to €1,606.6 million, and was made up as follows:

(in millions of euros)	December 31, 2007			December 31, 2006		
	Current	Non current	Total	Current	Non current	Total
Shareholders' loan	**–**	**–**	**–**	**496.9**	**543.0**	**1,039.9**
Senior subordinated notes and indexed bonds	–	54.8	54.8	17.5	652.8	670.3
Senior credit facility	–	960.6	960.6	45.3	1,559.1	1,604.4
Securitization	–	1,012.1	1,012.1	–	1,007.5	1,007.5
Bank loans	5.9	5.0	10.9	5.3	5.3	10.6
Bank overdrafts and other credit facilities	45.1	–	45.1	34.0	–	34.0
Finance lease obligations	16.9	37.5	54.4	27.7	62.3	90.0
Less transaction costs	–	(16.1)	(16.1)	–	(82.6)	(82.6)
Carrying amount of liabilities	**67.9**	**2,053.9**	**2,121.8**	**129.8**	**3,204.4**	**3,334.2**
Total financial debt and accrued interest			**2,121.8**			**4,374.1**
Cash and cash equivalents			(515.2)			(473.1)
Net financial debt [1]			**1,606.6**			**3,901.0**
Gearing [2]			**50%**			**141%**
Net debt/EBITDA ratio [3]			**2.3**			**4.1**

(1) Including shareholders' loan.
(2) Net financial debt (excluding shareholders' loan)/Group's consolidated equity (including shareholders' loan).
(3) Net financial debt (excluding shareholders' loan)/EBITDA of the last 12 months, as set out in the senior credit agreements.

Changes between the two dates are mainly related to the restructuring operations of the Group's financing following the listing for trading on the Euronext Paris market (see note 20 – "Financial liabilities" to Rexel's Consolidated Financial Statement as of December 31, 2007). The restructuring of the Group's indebtedness occurred in the following context:

– on April 4, 2007, the shareholders' meeting approved the capital increase reserved for the benefit of Ray Investment in the amount of €1,052.9 million for the purpose of repaying the shareholder loans of Rexel Investment in the amounts of €319.1 million and €733.8 million;

– on April 16 and 18, 2007, senior subordinated notes in an aggregate principal amount of €600.0 million bearing interest at the rate of 9.375% and maturing in 2015 that were issued on May 16, 2005 by Ray Acquisition S.C.A. (today named Rexel Développement) (the **"Senior Subordinated Notes"**) were repaid early;

– on April 17, 2007, the six lines of credit that remained payable under the Senior Credit Agreement entered into on March 16, 2005 in the context of the Acquisition in the initial amount of €2,427 million (the **"2005 Senior Credit Agreement"**) were repayed in full in the amount of €1.6 billion and were refinanced by drawings made on the 2007 Senior Credit Agreement in the amount of €1.3 billion.

Rexel's consolidated net indebtedness at December 31, 2007 included in particular:

– the 2007 Senior Credit Agreement, fully refinanced by the New Senior Credit Agreement on March 14, 2008;

– securitization programs, in an amount of €1,012.1 million at December 31, 2007;

– other indebtedness, including bonds issued by Rexel Distribution in the amount of €54.8 million at December 31, 2007 and direct financing leases in the amount of €54.4 million at December 31, 2007; and

– cash and cash equivalents in an amount of €515.2 million at December 31, 2007.

At December 31, 2007, Hagemeyer's consolidated net debt amounted to €339.6 million and included in particular:

– a credit agreement in the amount of €545 million, maturing in June 2012, which includes a letter of credit in the amount of €100 million. Hagemeyer entered into this credit agreement to replace its previous credit agreement in the amount of €600 million (including a letter of credit) maturing in February 2008;

– convertible bonds issued by Hagemeyer in the nominal amount of €135 million, bearing interest at 3.5% and maturing in 2012;

– other indebtedness, including in particular direct financing leases in the amount of €76.4 million at December 31, 2007; and

– cash and cash equivalents in the amount of €141.7 million at December 31, 2007.

The Group refinanced the 2007 Senior Credit Agreement and the Hagemeyer group's existing debt with the New Senior Credit Agreement. In addition, following the completion of the offering period and the additional acceptance period, Kelium held 100% of the convertible bonds issued by Hagemeyer. Kelium and Hagemeyer intend to redeem all of the outstanding convertible bonds, in accordance with the conditions set forth in the indenture.

10.2.1 2007 Senior Credit Agreement

On February 15, 2007, Rexel, as borrower and guarantor, signed a five-year and one day (beginning on the day of the first drawdown on the facility) €2.1 billion credit agreement (the **"2007 Senior Credit Agreement"**) with BNP Paribas, Calyon, the Royal Bank of Scotland Plc and HSBC France, as Mandated Lead Arrangers and Original Lenders, and Calyon, as Agent. Ray Acquisition S.C.A. (now Rexel Développement), Rexel Distribution and certain of its subsidiaries have also acceded to the 2007 Senior Credit Agreement as borrowers and, in the case of certain entities, as guarantors.

The 2007 Senior Credit Agreement includes a multi-currency term credit facility in an initial amount of €1.3 billion (**"Facility A"**) and a multi-currency revolving credit facility in an initial amount of €500 million (**"Facility B"**).

Facility A has allowed Rexel to refinance existing loans (principal, interest and premiums) under the 2005 Senior Credit Agreement entered into in the context of the Acquisition, as well as the Senior Subordinated Notes issued by Ray Acquisition S.C.A. on March 16, 2005. Facility A matures five years and one day from the first drawdown and was available for drawdowns until May 31, 2007. All the drawdowns effected by Rexel under Facility A were made on April 17, 2007, though a simultaneous drawdown of seven tranches (in euros, Swedish crowns, Swiss Francs, U.S. dollars and Canadian dollars, by five different borrowers) for a global amount of approximately €1.3 billion.

Facility B may be used to finance the general operating requirements of Group companies, in particular working capital requirements, as well as to finance certain acquisitions that meet the criteria defined in the 2007 Senior Credit Agreement. Drawdowns may be made under Facility B up to one month prior to the maturity date of the 2007 Senior Credit Agreement and are repayable at the end of the term of each drawing made by borrowing companies (one, two, three or six months). No drawdown has been made under Facility B.

On August 20, 2007, Rexel made an early partial repayment of Facility A in the amount of €285 million. Simultaneously, the 2007 Senior Credit Agreement was amended in order to increase the outstanding amount under Facility B in the same amount (€285 million). This transaction has allowed Rexel to optimize its financial expense while keeping its financing capacity intact.

Amounts drawn bear interest at a rate determined in reference to (i) the LIBOR rate when funds are made available in currencies other than the euro, or the EURIBOR rate when funds are made available in euros; (ii) the cost relating to lending banks' reserve requirements and fee payments; (iii) the applicable margin, which can vary from 0.30% to 1.35%, depending on the adjusted consolidated debt relative to Rexel's adjusted consolidated EBITDA (the "Indebtedness Ratio").

Until the end of the interest period following the transmittal of the compliance certificate in respect of 2007, the applicable margin was equal to 0.65%. Since then, the margin varies based on the Indebtedness Ratio. For example, if the Indebtedness Ratio is less than 2.5:1 and more than 2:1, the margin will be 0.40%. If the Indebtedness Ratio is less than 2:1, the margin will be 0.30%.

The lines of credit of the 2007 Senior Credit Agreement and the respective drawdowns on such lines at December 31, 2007 are as follows:

Credit line (term loan)	Borrower	Authorized amount	Amount due at December 31, 2007	Currency	Amount due at December 31, 2007
		(in millions, in respective currency)			(in millions of euros)
Facility A	Rexel Distribution	1,000.0	1,000.0	SEK	105.9
	Rexel Distribution	180.0	180.0	CHF	108.8
	Rexel Inc.	455.0	455.0	USD	309.1
	Rexel North America Inc.	320.0	320.0	CAD	221.5
	General Supply & Services Inc.	317.0	317.0	USD	215.3
Facility B	Rexel and/or co-borrowers	785.0	–	EUR	
TOTAL					**960.6**

Under the terms of the 2007 Senior Credit Agreement, Rexel must, at each of the dates indicated below, maintain an Indebtedness Ratio below the following levels:

Dates	Indebtedness Ratio
December 31, 2007	4.75:1
June 30, 2008	4.5:1
December 31, 2008	4.5:1
June 30, 2009	4.5:1
December 31, 2009	4.5:1
June 30, 2010	4.0:1
December 31, 2010	3.75:1
June 30, 2011 and after	3.5:1

As at December 31, 2007, the Group fully met its financial obligations.

Pursuant to the 2007 Senior Credit Agreement, Adjusted Consolidated EBITDA means operating income before other income and other expenses, plus depreciation and amortization as set forth in the Group's financial statements and:

– includes adjusted EBITDA over the last 12 months of all of the companies acquired during the relevant period, pro rata to the Group's participation but excluding dividends payable to minority shareholders;

– includes proceeds relating to commodity price derivatives to hedge exposure to the price fluctuations of certain commodities which do not qualify for cash flow hedge accounting under applicable IAS standards;

– excludes expenses relating to employee profit sharing; and

– excludes any share based payments or employee profit sharing programs.

Pursuant to the 2007 Senior Credit Agreement, adjusted consolidated net debt means:

(i) financial debt (whether the interest with respect to such debt is paid or capitalized):

– excluding transaction costs;

– excluding intra-group loans;

– including all indebtedness relating to the issuance of securities that are not mandatorily redeemable into shares;

– including any other amount raised and accounted for as borrowing under international accounting standards; plus

(ii) accrued interest, including capitalized interest but excluding interest accrued on intra-group loans; minus

(iii) cash and cash equivalents.

The 2007 Senior Credit Agreement contains standard clauses for this type of agreements. These include clauses restricting the ability of Group companies which are parties to the 2007 Senior Credit Agreement, as well as certain subsidiaries, to pledge their assets, carry out mergers or restructuring programs, borrow or lend money, provide guarantees or make certain investments, as well as provisions concerning acquisitions by Group companies. The 2007 Senior Credit Agreement allows partial or total acceleration upon the occurrence of certain events, including in the case of a payment default under the 2007 Senior Credit Agreement, failure to comply with the Indebtedness Ratio set forth above, payment defaults or acceleration of other financial debt of certain Group entities (above specified amounts) or other events that are likely to have a material adverse effect on the payment obligations of the borrowers and the guarantors or on their ability to comply with the Indebtedness Ratio as set forth above.

The borrowers have not provided any security under the 2007 Senior Credit Agreement. Rexel, Ray Acquisition

S.C.A. (renamed Rexel Développement) and Rexel Distribution guaranteed, on a joint basis, all of the obligations of their respective subsidiaries. In addition, certain U.S. and Canadian entities guaranteed the obligations of Rexel.

The 2007 Senior Credit Agreement was fully refinanced on March 14, 2008 by the New Senior Credit Agreement.

10.2.2 New Senior Credit Agreement

Within the context of the tender offer initiated in The Netherlands by Kelium (an indirect subsidiary of Rexel) on December 24, 2007 relating to 100% of the securities of Hagemeyer (the **"Offer"**), Rexel, as borrower and guarantor, and Kelium, as borrower, entered into a €5.4 billion credit agreement on December 19, 2007 (the **"New Senior Credit Agreement"**) with Calyon, Crédit Industriel et Commercial (CIC), HSBC France, HSBC Bank plc, ING Bank NV, Natixis and The Royal Bank of Scotland Plc, as Mandated Lead Arrangers and Original Lenders, and Calyon, as Agent. The New Senior Credit Agreement was entered into to finance the Offer, refinance the entirety of the Group's debt under the 2007 Senior Credit Agreement entered into on February 15, 2007 on the settlement and delivery date of the Offer, refinance the Hagemeyer group's debt and finance the general operating requirements of Group companies. The ability to draw down under the New Senior Credit Agreement is, in particular, subject to the success of the Offer. On March 14, 2008, other subsidiaries of the Group acceded to the New Senior Credit Agreement as borrowers.

The New Senior Credit Agreement includes:

– Facility A, which is a multi-currency partly redeemable credit facility with a five-year term as from the execution date of the New Senior Credit Agreement, in an amount of €3.1 billion which is intended to refinance Rexel's existing debt (in principal, interest and premiums) under the 2007 Senior Credit Agreement, finance the acquisition of the Hagemeyer securities, ensure the refinancing of Hagemeyer's debt and that of its subsidiaries and pay the expenses and charges relating to Offer;

– Facility B, which is a multi-currency revolving credit facility with a five-year term as from the execution date of the New Senior Credit Agreement, in a maximum amount of €600 million which is intended to partially refinance Rexel's existing debt (in principal, interest and premiums) under the 2007 Senior Credit Agreement, finance the general operating requirements of Group companies, in particular working capital requirements, and finance certain acquisitions that meet the criteria set forth in the New Senior Credit Agreement;

– Facility C, which is a multi-currency credit facility with a six-month term as from the settlement and delivery date of the Offer (with may be extended for an additional six-month term) in a maximum amount of €1.2 billion. Facility C is reserved for financing the acquisition of the Hagemeyer securities and paying the expenses and charges relating to the Offer. Facility C must be repaid with the proceeds resulting from the sale of Group's assets, in particular the proceeds resulting from the transfers of the Hagemeyer businesses agreed with Sonepar and, as the case may be, for the remaining amount, with the proceeds of an increase of Rexel's share capital, the subscription of which is guaranteed by Clayton Dubilier & Rice Fund VII L.P., Ray France Investment SAS, MLGPE Fund International II L.P.; and

– Facility D, which is a multi-currency credit facility with a two-year term as from the settlement and delivery date of the Offer, in a maximum amount of €500 million. Facility D is reserved for the financing of the acquisition of Hagemeyer securities and paying the expenses and charges relating to the Offer. Facility D must be repaid, in particular, with the proceeds of new securitization programs to be set up by the Group.

As at the registration date of this *Document de Référence*, the New Senior Credit Agreement has been used as follows:

– Facility A has been used for €3,077.0 million to refinance Rexel's existing debt under the 2007 Senior Credit Agreement and part of the existing debt of Hagemeyer, and finance the acquisition of the Hagemeyer securities. This facility may be subject to further draw-downs in order to finance the repurchase of the outstanding Hagemeyer securities as at the registration date of this *Document de Référence*. With a term of five years as of the date of execution of the New Senior Credit agreement, the A Facility will mature on December 19, 2012;

– Facility B has not been used;

– Facility C has been used for an amount of €737 million for financing the acquisition of the Hagemeyer securities and paying the expenses and charges relating to this transaction; this Facility has a term of six months as of the settlement-delivery, i.e., will mature on September 14, 2008, and may be extended for a further six months, i.e. at the latest on March 14, 2009. Facility C shall be repaid by the proceeds of the transfers of the Hagemeyer businesses to Sonepar; and

– Facility D has been used for €493.9 million for the financing of the acquisition of the Hagemeyer securities and paying the expenses and charges relating to this transaction. This facility may be subject to further draw-downs in order to finance the repurchase of the outstanding Hagemeyer securities as at the registration date of this *Document de Référence*. With a term of two years as of the date of settlement-delivery, this Facility will mature on March 14, 2010.

Amounts drawn bear interest at a rate determined in reference to (i) the LIBOR rate when funds are made available in currencies other than the euro, or the EURIBOR rate when funds are made available in euro, (ii) the applicable margin and (iii) the cost relating to lending banks' reserve requirements and fee payments.

Under the terms of the New Senior Credit Agreement, Rexel must, at each of the dates indicated below, maintain, at the end of each rolling twelve-month period indicated below, an Indebtedness Ratio (corresponding to the adjusted consolidated net debt relative to the adjusted consolidated EBITDA, as such terms are defined below) below the following levels:

Dates	Indebtedness Ratio
June 30, 2008	4.90:1
December 31, 2008	4.75:1
June 30, 2009	4.75:1
December 31, 2009	4.50:1
June 30, 2010	4.25:1
December 31, 2010	3.90:1
June 30, 2011 and after	3.50:1

Adjusted Consolidated EBITDA means operating income before other income and other expenses, plus depreciation and amortization as set forth in the Group's financial statements and:

– includes adjusted EBITDA over the last 12 months of all of the companies acquired during the relevant period, pro rata to the Group's participation;

– includes proceeds relating to commodity price derivatives to hedge exposure to the price fluctuations of certain commodities which do not qualify for cash flow hedge accounting under IAS;

– excludes expenses relating to employee profit sharing and any share based payments or the grant of share subscription options;

– excludes restructuring costs relating to the integration of Hagemeyer; and

– is adjusted to reflect the non-recurring impact on the Group's consolidated EBITDA related to the price of copper in cables.

Adjusted consolidated net debt means all financial debt (whether the interest with respect to such debt is paid or capitalized) converted to the average rate of the last 12 months when the debt is in a currency other than the euro:

– less transaction costs, intra-group loans and amounts payable under Facility C;

– plus all indebtedness relating to the issuance of securities that are not mandatorily redeemable into shares and any other amount relating to a loan under international accounting standards;

– plus accrued interest, including capitalized interest but excluding interest accrued on intra-group loans;

– minus cash and cash equivalents.

The New Senior Credit Agreement contains standard clauses for this type of agreement. These include clauses restricting the ability of Group companies which are parties to the New Senior Credit Agreement, as well as certain subsidiaries, to pledge their assets, carry out mergers or restructuring programs, borrow or lend money, provide guarantees or make certain investments, as well as provisions concerning acquisitions by Group companies.

The New Senior Credit Agreement allows partial or total acceleration upon the occurrence of certain events, including in the case of a payment default under the New Senior Credit Agreement, failure to comply with the Indebtedness Ratio set forth above, payment defaults or acceleration of other financial debt of certain Group entities (above specified amounts), failure to carry out Rexel's share capital increase that would be required to redeem Facility C, or other events that are likely to have a material adverse effect on the payment obligations of the borrowers and the guarantors or on their ability to comply with the Indebtedness Ratio as set forth above.

If a third-party or a group of persons, acting in concert (within the meaning of Article L.233-10 of the French Commercial Code), takes control of Rexel (within the meaning of Article L.233-3 of the French Commercial Code) before the redemption of Facility C, or if Rexel loses indirect control over Hagemeyer, or if Kelium loses direct control over Hagemeyer (control being defined, in such cases, as the holding of more than 50% of the share capital (*geplaatst kapitaal*) of Hagemeyer), a change of control would be considered as having occurred for the purposes of the New Senior Credit Agreement and, as a result, any lender would be entitled to require early payment of its share in the credit agreement, it being noted that, after the redemption of Facility C, the loss of control over Rexel by Clayton, Dubilier & Rice, Merrill Lynch, Eurazeo, Citigroup Venture Capital and the *Caisse de Dépôt et Placement du Québec* or a transfer of shareholding in Rexel among these entities would not be viewed as such a change of control.

A pledge over the Kelium shares, on the one hand, and a pledge over the Hagemeyer shares and convertible bonds that Kelium holds after the offer, on the other hand, have been granted by Rexel Distribution and Kelium, respectively, under the New Senior Credit Agreement. Rexel and Rexel Distribution also guarantee, on a joint basis, all of the obligations of their respective subsidiaries. In addition, certain U.S. (Rexel Inc., International Electrical Supply Corp.,

General Supply & Services, Inc.) and Canadian (Rexel North America, Inc.) entities guarantee the obligations of Rexel in accordance with applicable laws.

10.2.3 Securitization programs

The Group has several securitization programs, which enable it to obtain financing at a lower cost than issuing bonds or bank loans. The Group set up a securitization program in the United States in 2003 (which was amended in 2006) that matures in 2012. In 2005, the Group established two new programs for France and Canada for a period of seven years.

In 2006, the Group modified its French program to include receivables relating to its operations in Germany, Australia and the United Kingdom.

In 2006, the United States program was also amended in order to include receivables for GE Supply, which was acquired during the year.

The main characteristics of these programs are summarized below:

Programme	Currency	Commitment	Amount drawn on December 31, 2007	Amount of receivables pledged on December 31, 2007	Outstanding amount on December 31, 2007	Outstanding amount on December 31, 2006	Maturity date	Rate
		(in millions of)		(in millions of euros)				
Europe-Australia	EUR	600.0	596.0	866.4	596.0	599.0	20/11/2012	BT & Euro commercial paper + 0.48%
United States	USD	470.0	470.0	528.8	319.2	327.1	11/03/2012	US commercial paper + 0.33%
Canada	CAD	140.0	140.0	165.0	96.9	81.4	13/12/2012	Canadian commercial paper + 0.45%
TOTAL				**1,560.2**	**1,012.1**	**1,007.5**		

The specific characteristics of the Group's securitization programs vary depending on the country. The relevant subsidiaries remain generally responsible for the collection of receivables once assigned. These receivables are assigned to special purpose entities, with no other action required by the subsidiaries. The special purpose vehicles obtain the financing required to purchase these receivables, notably through the issuance of short-term debt instruments such as French *billets de trésorerie* or U.S. or Canadian commercial paper, which is rated by rating agencies.

Once receivables have been assigned, the subsidiaries receive a cash payment from the special purpose vehicle, the amount of which represents the value of the receivables minus an amount committed to guarantee the receivables, which latter amount is only paid, in whole or in part, after complete payment of the receivables. However, in the context of the U.S. securitization program, the relevant subsidiaries also have the option of transferring their receivables in exchange for an issuance of subordinated notes.

These programs set out certain contractual obligations concerning the quality of the receivables portfolio, in particular with respect to dilution (receivables subject to a credit note in relation to the total amount of eligible receivables), defaults and arrears (ratios of receivables in arrears or doubtful receivables to eligible trade receivables). As of December 31, 2007, the relevant subsidiaries were in compliance with all contractual obligations relating to the securitization programs.

The ratios to be respected under the securitization program for France, Germany, Australia and the United Kingdom include:

– dilution ratio: receivables subject to a credit note/total net amount of eligible receivables at the end of the month, equal to or less than 3.0%;

– arrears ratio: rate of receivables in arrears of more than 60 and up to 90 days/total amount of eligible receivables at the end of the month, equal to or less than 1.1%;

– default ratio: tranches of receivables in arrears of more than 90 days at the end of the month plus disputed receivables/amount of eligible receivables, equal to or less than 1.03%;

– ratio of late payment on accounts payable: tranches of accounts payable of more than 31 days at the end of the month/amount of accounts payable, equal to or less than a specific level for each of the six subsidiaries participating in the program.

Rexel Distribution provides a performance guarantee on behalf of its subsidiaries under this program.

The first three ratios are calculated on the basis of a three-month moving average.

The ratios to be respected under the United States securitization program include:

– default ratio: (tranche of receivables in arrears of more than 91 days + receivables of insolvent debtors + receivables becoming disputed during the month)/total amount of receivables at the end of the month, equal to or less than 9.5%;

– arrears ratio: tranche of receivables in arrears of 61 to 90 days/total amount of eligible receivables at the end of the month, equal to or less than 4.75%;

– credit ratio: amount of receivables subject to full or partial depreciation or disputed during the month/total amount of receivables at the end of the month, equal to or less than 6.0%;

– three-month rolling average default ratio, equal to or less than 8.75%;

– three-month rolling average late payment ratio, equal to or less than 4.25%;

– three-month rolling average credit ratio, equal to or less than 5.0%;

– coverage ratio: amount of receivables portfolio (eligible or not)/amount of financing plus amount of reserves must be equal to or higher than 108%; and

– ratio of selling days equal to or less than 66 days.

Rexel, Inc. must also have shareholders' equity at least equal to 10% of the receivables portfolio.

The ratios to be respected under the Canadian securitization program in Canada include:

– default ratio: (tranche of receivables in arrears of at least 91 days and less than 180 days + receivables becoming disputed during the month)/total amount of receivables issued in months m-6, m-5 and m-4, less than or equal to 6.5%;

– late payment ratio: tranche of receivables in arrears of more than 60 days and less than 91 days/total amount of receivables at the end of the month, less than or equal to 8.25%;

– credit ratio: amount of receivables subject to full or partial depreciation or disputed during the month/total amount of gross billings generated during month m-2, less than or equal to 10%;

– loss ratio: amount of receivables subject to full impairment during the month/total amount received during the month, less than or equal to 1.0%;

– the highest of the average default ratios for any three consecutive months during the last 12 months, less than or equal to 5.0%; and

– three-month rolling average credit ratio, less than or equal to 9.15%.

10.2.4 Other indebtedness

At December 31, 2007, the Group's other indebtedness included:

Bond issuance entered into by Rexel Distribution

Rexel Distribution entered into a €45.7 million (initially 300 million French francs) bond issuance comprising 300,000 zero-coupon bonds with a nominal value of €152.45, redeemable on May 11, 2008.

Since the delisting of Rexel Distribution, the redemption value of these bonds is calculated on the basis of the average market value of the bond based on appraisals by five options traders in the French securities market, excluding the highest and lowest valuations.

On December 31, 2007, the fair market value of these bonds amounted to €54.8 million.

In order to protect itself from fluctuation of the market value of the bond and ensure full redemption of the principal of the bond issue, Rexel Distribution entered into a swap offering this protection in exchange for the quarterly payment of interest corresponding to three-month EURIBOR minus 0.08%. At December 31, 2007, the fair market value of this hedging amounted to €9.1 million.

On May 11, 2008, Rexel Distribution will redeem this bond issue at €183.8354 per bond, i.e., a total amount of €55.75 million.

Under the swap implemented, Rexel Distribution will receive on May 11, 2008, an amount of €9.52 million corresponding to the difference between the last interest payment at the rate of three-month EURIBOR minus 0.08% and the fair market value of the swap.

Therefore, the net amount paid by Rexel under the redemption of the bond issue will amount to €45.7 million, corresponding to the nominal value of the bond issuance.

Financing leases

The Group's entered into direct financing leases relating to IT and real property assets, for a total amount of €54.4 million as at December 31, 2007.

10.2.5 Contractual commitments

The following table sets forth the maturities of the Group's debts, leases and service agreements at December 31, 2007.

(in millions of euros)	Amount remaining due at December 31,					
	Total	2008	2009	2010	2011	After
Gross financial debt	2,121.8	119.2	4.8	6.7	0.3	1,990.8
Operating leases	515.3	133.7	102.9	78.1	57.9	142.7
Service agreements	127.9	22.3	22.5	22.5	22.5	38.1

10.2.5.1 Operating leases

The above table sets forth the minimum payments due under non-cancelable operating leases relating to buildings and installations, the term of which expires in more than one year.

Total expenses relating to operating leases amounted to €210.0 million for the year ended December 31, 2007.

10.2.5.2 Non-cancelable service agreements

As part of its policy of outsourcing IT resources, the Group has signed service agreements in the United States, France and Canada. In France, these agreements expire in 2012. In Canada and the United States, these agreements, which were set to expire in 2008 and 2012, were renewed in 2007 and expire in 2014. They include payment commitments and penalties in the event of early termination. At December 31, 2007, fees remaining due in respect of these IT services agreements amounted to €127.9 million.

10.2.5.3 Pension liabilities

Pension liabilities and other post-employment benefits at December 31, 2007 are described in note 19 to Rexel's consolidated financial statements for the year ended December 31, 2007 (see paragraph 20.1.1.1 of this *Document de Référence*). At December 31, 2007, the Group's total obligations stood at €461.6 million and total fund assets at €353.1 million, corresponding to an overall funding deficit of €108.5 million.

10.2.5.4 Purchase price adjustments relating to the acquisition of subsidiaries

In connection with acquisitions, the Group could be required to pay purchase price adjustments. These are described in paragraph 7.2.2 of this *Document de Référence*.

10.2.5.5 Other contractual commitments

The Group has also provided guarantees in connection with certain transactions. At the date of this *Document de Référence,* no sums had been claimed with respect to these warranties.

Environmental warranty

Under an agreement signed on February 28, 2003 with Ashtenne, a real estate company, concerning a sale and leaseback transaction relating to 45 sites in Europe, the Group agreed to indemnify the acquirer for any environmental liabilities with respect to third party claims and governmental injunctions. This warranty covers a maximum of €4.0 million before taxes for all of the properties sold, with a minimum threshold of €30,000. This commitment expires five years after the expiration of the lease.

Warranties given in connection with the sale of the Gardiner group companies

In connection with the disposal of Gardiner to Electra Partners, an investment fund, the Group granted a tax liability warranty which expires on June 30, 2010. This warranty was granted for a maximum amount of €60 million, with a minimum threshold of €1 million.

Warranties given in connection with the sale of Schrack and its subsidiaries

In accordance with the agreement for the sale of Schrack and its subsidiaries with Hannover Finance, the Group granted tax liability warranties to the acquiror. In the event the Group fails to honor its commitments, Hannover Finance will have the right to request a price reduction for the purpose of covering possible liabilities. The warranties expire 48 months after August 31, 2005, and are limited to €7 million, with a minimum threshold of €0.1 million.

Warranties given in connection with the sale of Kontakt System

In the context of the sale of assets of the connection and telematics branch of Kontakt System, which occurred on June 4, 2007 and August 24, 2007, the Group granted the acquirer a warranty limited to CHF2.3 million (i.e., €1.4 million) for a period of 18 months, starting from the

date of the disposal and the end of the limitation period for disputes relating to tax and employment matters.

Distribution agreement

Rexel entered into an agreement with one of its key suppliers in 2006. This agreement includes a minimum purchase commitment of $1.2 billion (i.e., €820 million) over the agreement's three-year term. The supplier also committed to purchase from Rexel a maximum amount of $1.0 billion (i.e., €680 million). These volumes conform with historical sale levels. The agreement contains adjustment provisions in the event that the contractual volume commitments are not attained so that Rexel may be protected from circumstances which are beyond its control. At December 31, 2007, residual reciprocal commitments amounted to €0.6 billion for the Group and €0.3 billion for the supplier.

11. Research and development, patents and licenses

Due to the nature of its business, the Group does not carry out any research and development activities.

The Group's intellectual property policy is centered on protecting its brand names (mainly the Rexel brand) and domain names (mainly rexel.com and rexel.fr). As a result of this policy, the Group either applies or registers for local trademark protection, or for brands and domains intended for wider use, it applies or registers for trademark protection in all of the countries in which it operates.

The Group also uses intellectual property rights (in particular names, brands, logos, designs, models and creations) that are not necessarily registered, either because they are used only temporarily, for example for a promotional campaign, or because they are difficult to protect. However, this second category is marginal. To the Group's knowledge, the use of these rights does not infringe any third-party rights.

In April 1998, Rexel Distribution signed an agreement relating to the co-existence and use of the "Rexel" name around the world with a company operating in a different sector that had already registered the same trade name. Under the terms of this agreement, both of the companies are authorized to use the "Rexel" name for products and services that are not related to the activities of the other company.

Intellectual property rights held by Hagemeyer essentially consist of brands, including the principal brand "Hagemeyer." The integration of Hagemeyer will not modify the Group's policy on the management of its intellectual property rights.

12. Trend information

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The trends and objectives presented in this Chapter have been determined on the basis of assumptions considered reasonable by the Group's management. This information and the assumptions upon which it is based may change as a result of uncertainties relating to, among other things, the economic, financial, accounting, competitive and regulatory environment. In addition, the occurrence of certain of the risks described in Chapter 4 of this Document de Référence could have an impact on the Group's ability to achieve these objectives. The Group can give no assurances and provide no guarantee that the following objectives will be met.

12.1 BUSINESS TRENDS

In 2007, the Group's sales increased by 2.9% on a constant basis and same number of working days, compared to 2006, and adjusted operating income before other income and other expenses (Adjusted EBITA) increased 16.2% on a constant basis to €657.9 million, representing 6.1% of sales in 2007 compared to 5.5% in 2006.

Europe and the Asia-Pacific zone, which account for 54% of consolidated sales, posted 6.0% and 12.6% sales growth, respectively, which more than offset the decrease in sales in North America (representing 45% of consolidated sales), which amounted to 1.6% on a constant basis and same number of working days.

In 2007, Rexel's industrial and commercial end-markets in the industrial and commercial industries continued to grow in Europe. The residential market remained at high levels in most countries, despite the downturns in Germany and the United Kingdom. In the Asia-Pacific zone, growth was high in the commercial and industrial markets, especially in the mining industry, while residential construction remained favorable in Australia. In the United States, the residential and residential-related commercial markets experienced a downturn in comparison with the same period of last year.

In this context, Rexel continues to implement its operational levers – including the development of its customer service, continuous improvement of its pricing structures and the strengthening of its partnerships with its suppliers – and is ahead in implementing synergies from the integration of the U.S. based network Gexpro (formerly GE Supply). On a constant basis, adjusted gross margin thus improved by 30 basis points in 2007, from 24.2% in 2006 to 24.5% in 2007.

Moreover, Rexel continues to optimize its logistical structures and improve the productivity of its support functions. In the beginning of 2007, Rexel launched a cost reduction plan in the United States in order to adapt to current activity trends. These actions, together with strict cost containment in the other zones, allowed Rexel to limit the increase in its administrative and commercial expenses to 1.5% in 2007 compared to 2006.

The combination of a number of favorable factors – organic growth, increase in gross margins and strict cost control – led to a marked increase of adjusted EBITA on a constant basis in 2007 compared to 2006, representing an increase of 16.2%.

The significant improvement of operating profitability in 2007 occurred alongside strong cash flow generation, notably through the continuing reduction of working capital requirements. As a percentage of sales, working capital requirements decreased from 14.5% at December 31, 2006 to 13.4% at December 31, 2007. This 110 basis points improvement includes 70 basis points related to the non-recurring effects of the repayment of the income tax receivable on French entities in 2007 and of the earn-out accrual for the acquisitions of the period. On a constant basis, Rexel's working capital requirements have decreased from 14.0% to 13.6% between December 31, 2006 and December 31, 2007. Free cash flow before interest and taxes paid increased by 37.4% compared to 2006, to €670.4 million.

12.2 OUTLOOK

12.2.1 Assumptions for 2009-2011

The Group established its objectives on the basis of the following assumptions:

– Macroeconomic assumptions:
  - in Europe, a moderate but sustained growth in the commercial and industrial markets; mixed situations but overall resilience in residential markets through exposure to renovation;
  - in North America, growth in industry which is the Group's principal market; weakening commercial market; negative trend in residential market up to 2009; and
  - in Asia-Pacific, continued growth in all end-markets.

– Financial assumptions:
  - euro/U.S. dollar exchange rate of 1.50; euro/Canadian dollar exchange rate of 1.51; euro/Australian dollar exchange rate of 1.70 and euro/pound sterling exchange rate of 0.746;
  - copper prices of approximately U.S.$7,500 per ton;
  - effective tax rate of approximately 31% from 2009 in the income statement with a cash tax savings of approximately €35 million per year resulting from the utilization of tax loss carry forward;
  - completion of bolt-on acquisitions representing an enterprise value between €100 million and €200 million on a yearly basis from 2009;
  - disposal of part of Hagemeyer's activities to Sonepar and completion of assets swaps agreed between Rexel and Sonepar for an estimated net amount of approximately €1.6 billion (enterprise value); and
  - booking of a non-cash and non-tax deductible charge of approximately €16 million in connection with long term incentive schemes implemented to the benefit of the Group's employees.

The following trends are compared with 2007 financial information "Restated" in order to reflect the impact of (i) the acquisitions carried out by the Group in 2007; (ii) the tender offer to purchase all of the shares and convertible bonds of Hagemeyer; (iii) the assets swaps and disposals of activities agreed upon with Sonepar; and (iv) the disposal of Hagemeyer's distribution of electrical products businesses in Ireland, as if these events had occurred as of January 1, 2007.

The 2007 Restated financial information differ from the pro forma financial information insofar as:

– they reflect the exchange rates as of the date of this *Document de Référence*. Restated financial information has been established on the basis on the above-mentioned exchange rates;

– they exclude non-recurring favorable events that took place during the first quarter of 2007, corresponding to the non-recurring favorable impact of the increase in the prices of products other than cables, mainly in France and the United States (see paragraph 9.2.1 of this *Document de Référence*);

– they include the non-cash charge of long-term incentive schemes designed to reward performance and promote management retention. Due to the recurring nature of these multiannual plans, their cost is included in the operational performance of the Group.

The table below sets out the adjustments carried out in order to present in Restated data the sales and Adjusted EBITA for the 2007 financial year:

	2007 pro forma	Non-recurring events for 1st quarter 2007	Impact of exchange rate fluctuations	Long-term incentive plans	Others	2007 Restated
Sales	14,282	–	(466)	–	–	13,816
Adjusted EBITA	771	(16)	(17)	(16)	3	725
In % of sales	*5.4%*					*5.2%*

12.2.2 Outlook

At the time of its IPO, Rexel disclosed in its prospectus (dated March 20, 2007, which received visa number 07-093 from the French Market Authority) that it had the following objectives through 2009-2010:

– average annual organic sales growth rate of 4% to 6% and additional average annual growth of 2% to 3% in the context of its acquisition strategy;

– an improvement of approximately 100 basis points in EBITA margin through the implementation of measures described in paragraphs 6.3.1 and 6.3.2 of the *Document de Base* registered with the French Market Authority on February 21, 2007 under number I.07-011, based on 2006 Adjusted Pro Forma EBITA margin;

– a reduction in working capital requirements of 1% of sales and the maintenance of a low level of gross capital expenditures between 0.6% and 0.8% of the Group's consolidated sales; and

– a policy to pay annual dividends of approximately 30% to 35% of net income.

Taking into account the Hagemeyer acquisition and changes in the macroeconomic environment, these objectives are no longer adapted to the Group's structure.

By 2011, and on the basis of the assumptions described in paragraph 12.2.1 of this *Document de Référence,* the Group's objectives are as follows:

– a revenue compound average growth of 4% to 6%, from 2007 Restated sales of €13.816 billion, with at least half of this growth coming from organic development;

– an Adjusted EBITA margin increase of at least 100 basis points from a 2007 Restated level of 5.2%. This improvement would be achieved through:

  • the implementation of the measures described in paragraph 6.4 of this *Document de Référence*;

  • expected synergies from acquisitions completed before 2008, particularly the acquisition of Gexpro;

  • the post-acquisition synergies described in paragraph 7.2.2 of this *Document de Référence*, expected in particular after the integration of assets resulting from the Hagemeyer acquisition, and the disposals described in the same paragraph of this *Document de Référence*;

– an improvement of working capital requirements as a percentage of sales to 12.5%, representing a 70 basis points decrease from a Restated level of 13.2% as at December 31, 2007, after neutralization of Rexel 2007 non-recurring events and of the impact of expenses related to the change of control of Hagemeyer; and

– a significant reduction of the net debt to EBITDA ratio, from a level of 4x on a Restated basis as at December 31, 2007, down to a level ranging between 2x and 3x.

13. Profit forecasts or estimates

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The following forecasts were established on the basis of EC Regulation N° 809/2004 of April 29, 2004 and CESR recommendations relating to forecasts. They are based on data, assumptions and estimates that are considered reasonable by the Group's management. These data, assumptions and estimates may change as a result of uncertainties relating to, among other things, the economic, financial, accounting, competitive and regulatory environment, or other factors that are currently unknown by the Group at the registration date of this Document de Référence. In addition, the occurrence of certain of the risks described in Chapter 4 "Risk Factors" of this document could have an impact on the Group's ability to achieve these objectives. The Group can give no assurances and provide no guarantee that the forecasts discussed below will be achieved.

These forecasts were prepared on the basis of accounting principles adopted by the Group to prepare its consolidated financial statements for the year ended December 31, 2007.

13.1 GROUP FORECASTS FOR 2007

In the prospectus filed by Rexel with the *Autorité des marchés financiers* in connection with its initial public offering which received visa number 07-093 on March 20, 2007, Rexel indicated that it expected organic sales growth of 3% to 5% and an EBITA margin higher than the Estimated Adjusted 2006 Pro Forma EBITA margin (as defined in the prospectus filed with the *Autorité des marchés financiers* in connection with the initial public offering that received visa number 07-093 on March 20, 2007).

Based on the consolidated financial statements of Rexel for the year ended December 31, 2007, sales amounted to €10,704 million, a 2.9% increase compared to 2006 on a constant basis and same number of working days. Furthermore, 2007 Adjusted EBITA margin amounted to 6.1%, compared to 5.5% for the Adjusted 2006 Pro Forma EBITA margin (as defined in the prospectus filed with the *Autorité des marchés financiers* in connection with the initial public offering that received visa number 07-093 on March 20, 2007). Consequently, Rexel is in line with the objectives announced at the time of its initial public offering, thereby demonstrating the efficiency of its economic model.

13.2 GROUP FORECASTS FOR 2008

13.2.1 Assumptions for 2008

The Group prepared its forecasts on the basis of the following assumptions:

- euro/U.S. dollar exchange rate of 1.50, euro/Canadian dollar exchange rate of 1.51, euro/Australian dollar exchange rate of 1.70 and euro/pound sterling exchange rate of 0.746;
- Copper prices of approximately U.S.$7,500 per ton;
- effective tax rate slightly lower than 31% in 2008 in the income statement with a cash tax savings of approximately €35 million resulting from the utilization of tax loss carry forward;
- completion of bolt-on acquisitions representing an enterprise value of approximately €100 million in 2008;
- disposal of part of Hagemeyer's activities to Sonepar and completion of assets swaps agreed between Rexel and Sonepar for an estimated net amount of approximately €1.6 billion (enterprise value); and

– booking of a non-cash and non-tax deductible charge of approximately €16 million in connection with long-term incentive schemes implemented to the benefit of the Group's employees.

The following forecasts are compared with 2007 financial information "Restated" in order to reflect the impact of:

– the completion of the acquisitions carried out by the Group in 2007, as if they had occurred as of January 1, 2007;

– the completion of (i) the tender offer to purchase all shares and convertible bonds of Hagemeyer, (ii) the assets swaps and disposals of activities agreed upon with Sonepar, and (iii) the disposal of Hagemeyer's business of distribution of electrical products in Ireland, as if these events had occurred as of April 1, 2007[5].

The Restated 2007 financial information has been prepared in order to:

– reflect the exchange rates as of the date of this *Document de Référence*. Restated financial information has been established on the basis on the above-mentioned exchange rate;

– exclude non-recurring favorable events that took place during the first quarter of 2007, corresponding to the non-recurring favorable impact of the increase in the prices of products other than cables, mainly in France and the United Sates (see paragraph 9.2.1 of this *Document de Référence*);

– include the non-cash charge of long-term incentive schemes designed to reward performance and promote management retention.

The table below sets out the adjustments carried out in order to present in Restated data the sales and Adjusted EBITA for the 2007 financial year:

	2007 pro forma	Non-recurring events for 1st quarter 2007	Impact of exchange rate fluctuations	Long-term incentive plans	Others	2007 Restated
Sales	13,476	–	(449)	–	(10)	13,017
Adjusted EBITA	757	(16)	(18)	(16)	1	708
In % of sales	*5.6%*					*5.4%*

13.2.2 Group forecasts

Based on the assumptions set forth in paragraph 13.2.1 of this *Document de Référence* and taking into account current market conditions, the Group expects for 2008:

– a limited revenue growth, including bolt-on acquisitions, compared to 2007 Restated revenue of €13.017 billion, reflecting less dynamic macroeconomic conditions than in 2007;

– an adjusted EBITA margin comparable to 2007 Restated level of 5.4%;

– an improvement in working capital requirements on track to reach the mid-term objective set forth in paragraph 12.2.2 of this *Document de Référence*; and

– a strengthening of the financial structure with a reduction in the net debt to EBITDA ratio on track to reach the mid-term objective set forth in paragraph 12.2.2 of this *Document de Référence*.

In addition, on a constant basis and same number of working days, sales growth for the first quarter of 2008 would be of approximately 2.5%.

(5) The date of April 1, 2008, has been set for the consolidation of the businesses of Hagemeyer retained by Rexel, to the extent that the assets and liabilities of Hagemeyer are consolidated as of March 31, 2008, the offer on Hagemeyer's shares and convertible bonds ended on March 25, 2008 and Hagemeyer's shareholders' meeting that appointed the members of the Management Board and of the Supervisory Board of Hagemayer took place on March 28, 2008.

13.2.3 Statutory Auditors' Report on Profit Forecasts

This is a free translation into English of a report issued in French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.

KPMG Audit
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92923 Paris-La Défense Cedex
France

Commissaire aux Comptes
Membre de la compagnie
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France

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Rexel

Statutory Auditor's report on the profit forecast

To the Chairman of the Supervisory Board

In our capacity as statutory auditors and in compliance with the EU regulation 809/2004, we hereby report on the profit forecast for Rexel which is included in section 13 of its prospectus, the registration of which is scheduled for April 30, 2008.

In accordance with EU regulation 809/2004 and the relevant CESR guidance, you are responsible for the preparation of this forecast and its principal underlying assumptions.

It is our responsibility to express our conclusion, pursuant to appendix 1, paragraph 13.2 of the EU regulation 809/2004, as to the proper compilation of the profit forecast.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the national auditing body *(Compagnie Nationale des Commissaires aux Comptes)*. Our work consisted in an assessment of the preparation process for the profit forecast, as well as the procedures implemented to ensure that the accounting methods applied are consistent with those used for the preparation of the historical financial information of Rexel. We also gathered all the relevant information and explanations that we deemed necessary to obtain reasonable assurance that the profit forecast has been properly compiled on the basis stated.

It should be noted that, given the uncertain nature of forecasts, the actual figures are likely to be significantly different from those forecasts and that we do not express a conclusion on the achievability of these figures.

We conclude that:

– this profit forecast has been properly compiled on the basis stated;

– the accounting methods applied in the preparation of the profit forecast are consistent with the accounting principles adopted by Rexel.

This report is issued only for the purposes of the registration of the reference document with the AMF, and if required, of a public offering in France and other European Union countries in which a prospectus (comprising the reference document) registered with the AMF would be published, and may not be used for any other purpose.

Paris la Défense, April 29, 2008

The Statutory Auditors

KPMG Audit

French original signed by

Hervé Chopin

ERNST & YOUNG Audit

French original signed by

Pierre Bourgeois Jean Bouquot

14. Management Board and Supervisory Board

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14.1 COMPOSITION OF MANAGEMENT BOARD AND SUPERVISORY BOARD

Rexel was converted into a French *société anonyme* with a Management Board and a Supervisory Board by a resolution of the ordinary and extraordinary shareholders' meeting of February 13, 2007. Therefore, the first appointment of the members of the Management Board and Supervisory Board took place on February 13, 2007.

14.1.1 Management Board

In accordance with the provisions of the by-laws (article 14 of the by-laws), the Management Board is made up of a minimum of two members and a maximum of four members. Its members are appointed by the Supervisory Board for a term of office of four years. The age limit for serving as Management Board member is 65.

As of the date of this *Document de Référence*, the Management Board comprised the following four members:

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
Jean-Charles Pauze 189-193, boulevard Malesherbes 75017 Paris 60 years old	Chairman of the Management Board	From February 13, 2007 Until the shareholders' meeting deciding on the accounts for the financial year ending December 31, 2010	**Current titles and duties :** – Chairman of the Supervisory Board of Hagemeyer – Chairman and Chief Executive Officer of Rexel Distribution – Director of Rexel France S.A.S. – Chairman of Rexel North America, Inc. – *Geschäftsführer* (manager) of Rexel Central Europe Holding GMBH – *Geschäftsführer* (manager) of Rexel Deutschland Elektrofachgrosshandel GmbH – *Geschäftsführer* (manager) of Rexel GmbH – Director and Chairman of International Electric Supply Corp. – Director of Rexel, Inc. – Director of General Supply & Services, Inc. – Director of Rexel Belgium S.A. – Director of Rexel Senate Limited – *Geschäftsführer* of Galatea Einhundertvierzigste Vermögensverwaltungs GmbH	**Current titles and duties:** – Director of Redcats – Director of Discodis **Titles and duties exercised over the course of the five last financial years:** – Chairman of the Board of Directors of Guilbert S.A. – Chairman of Guilbert Groupe Service S.A. – Chairman and Chief Executive Officer of Guilbert France S.A. – Chairman and Chief Executive Officer of Reliable S.A. – Director of Bernard S.A. – Director of GIE Guilbert Boise Network – Director of CFAO – Chairman of Rexdir S.A.S.

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
Nicolas Lwoff 189-193, boulevard Malesherbes 75017 Paris 43 years old	Member of the Management Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2010	**Current titles and duties:** – Member of the Management Board of Hagemeyer – Director of Rexel France S.A.S. – Manager of Rexel Financement S.N.C. – Director of Rexel Pacific Pty Limited – Director of Redeal Limited – Director of Selga – *Geschäftsführer* (manager) of Rexel Central Europe Holding GmbH – Director of Rexel Distribution – Director of Rexel, Inc. – Director of General Supply & Services, Inc. – Director of Rexel Electrical Supply & Services Holding Ltd. – Director of Mexel S.A. – Director of CDME BV – Director of International Electric Supply Corp **Titles and duties exercised over the course of the five last financial years:** – Manager of Rexcourta SARL (liquidated in 2007) – Director of Finelec BV (liquidated in 2007) – Director of M Kelliher 1998, Ltd. – Director of Rexel General Supply and Services (Thailand) Co., Ltd.	**Titles and duties exercised over the course of the five last financial years:** – Chief Executive Officer of Rexdir S.A.S
Pascal Martin 189-193, boulevard Malesherbes 75017 Paris 50 years old	Member of the Management Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2010	**Current titles and duties:** – Member of the Management Board of Hagemeyer – Chairman of Citadel S.A.S. – Chairman of Comrex Ouest S.A.S. – Chairman of Rexel Amérique Latine S.A.S. – Chairman of Bizline S.A.S. – Director of Comrex International Trading (Shanghai) Co. Ltd. – Director of Rexel Distribution – Director of Rexel Chile S.A. – Director of Rexel Electra S.A. – Director of Flores y Kersting – Director of Rexel, Inc. – Director of General Supply & Services, Inc. – Director of International Electric Supply Corp. **Titles and duties exercised over the course of the five last financial years:** – Director of Kelliher 1998, Ltd	**Titles and duties exercised over the course of the five last financial years:** – Chairman of SOTEL S.A.S. – Chief Executive Officer of Guilbert France – Chairman of the Board of Directors of Guilbert

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
Jean-Dominique Perret 189-193, boulevard Malesherbes 75017 Paris 60 years old	Member of the Management Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2010	**Current titles and duties:** – Member of the Management Board of Hagemeyer – Director of Rexel Material Electrico – Director of Rexel Senate Limited	

Jean-Charles Pauze has served as a Member of the Management Board of Rexel since February 13, 2007. He began his career with Total in 1971. In 1974, he joined the Alfa Laval group. He was appointed CEO of that company in France in 1981 and CEO of its subsidiary Brand & Luebbe in Germany in 1984. He then moved to the Strafor Facom group as Chairman and CEO of Clestra-Hauserman in 1986 and Chairman and CEO of Steelcase Strafor in 1991. In 1998, Mr. Pauze was appointed Chairman of the Management Board of Guilbert (PPR Group). From 2002 until 2004, he served as Chairman and CEO of the Rexel Group. Since 2005, he has acted as Chairman and CEO of Rexel Distribution. Mr. Pauze graduated from IDN-EC Lille with an engineering degree. He holds a Masters of Science in Economics and a Master of Business Administration from INSEAD.

Nicolas Lwoff has been a member of the Management Board of Rexel since February 13, 2007. In 1989, he joined Arthur Andersen. From 1991 to 1993, he worked with the GTM Group as Executive Assistant to senior management. He served as Director of Administration and Finance for Entrepose Algérie (GTM Group) in 1994, then as Finance Director for Entrepose (GTM Group) in 1996. In 1997, he was appointed Director of Finance and Cash Management of the GTM Group and, in 2000, Corporate Secretary of that group's Industry division. In 2002, Mr. Lwoff was named Corporate Secretary of the Rexel Group. In 2006, Mr. Lwoff became Chief Financial Officer of Rexel. Since 2007, Nicolas Lwoff has been a member of the Management Board and the Group Senior Vice-President, Finance, Control and Legal Affairs. Mr. Lwoff holds an engineering degree from *Ecole Nationale Supérieure des Mines de Saint-Etienne* and a Master of Business Administration from *Ecole des Hautes Etudes Commerciales* (HEC).

Pascal Martin has been a member of the Management Board of Rexel since February 13, 2007. He started his career in 1980 with Société Vosgienne de Coton Hydrophile. In 1981, he joined Renault France as Head of the Methods Department. He was appointed Production Manager in 1983, Head of a Production Site Expansion Project in 1985 and Head of Technical Services in 1989. From 1992 to 2000, he served as Chief of International Operations (1992-2000), Group Human Resources Director (1993-1999) and Chairman and CEO of Steelcase S.A. International. Mr. Martin also held positions as Chairman and CEO of Airborne France (1994-2001) and CEO of Steelcase Strafor France (1999-2000). He was appointed CEO of Guilbert France (PPR Group) in 2001 and Chairman of the Management Board of that company in 2002. He was named CEO of the Rexel Group Business Sector in 2003, Director of the Latin America region in 2004 and Senior Vice-President, Business Development and Corporate Operations of Rexel Distribution in 2005. Since 2007, Pascal Martin has been a member of the Management Board and Senior Vice-President, Business Development and Corporate Operations of the Group. Mr. Martin holds an engineering degree from ENSAM and is a graduate of ICG.

Jean-Dominique Perret has been a member of the Management Board of Rexel since February 13, 2007. He began his career with Asea Brown Boveri in 1973. In 1975, he joined Schlumberger Services Pétroliers, where he held operational positions in the Middle East, Asia, Africa and South America as Profit Centre Manager, Country or Regional Director and lastly, in January 1991, as Regional Director for Latin America. In 1993, he became Sales Engineering Director for Eastern Europe at Air Liquide. In 1994, he was promoted to Human Resources Director of several entities of the Air Liquide group. In 2001, Mr. Perret was appointed Senior Vice President, Group Human Resources within Rexel Développement. Since January 1, 2008, Mr. Perret has carried out, in addition to his officership, the duties of Group Delegate for Latin America. Mr. Perret holds an engineering degree from ESIM and is a graduate of the *Institut de l'Administration des Entreprises* (IAE).

14.1.2 Supervisory Board

In accordance with the provisions of Rexel's by-laws (article 19 of the by-laws), the Supervisory Board is made up of a minimum of five members and a maximum of 15 members.

Its members are appointed by the Ordinary Shareholders' meeting for a term of office of five years. The age limit for serving as a member of the Supervisory board is 65.

As of the date of this *Document de Référence*, the Supervisory Board was comprised of the following 10 members and of one observer *(censeur)*:

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
Roberto Quarta Cleveland House 33, King Street London SWIY 6RJ United Kingdom 57 years old	Chairman of the Supervisory Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011	**Titles and duties exercised over the course of the five last financial years:** – President and member of the Board of Directors of Ray Holding S.A.S. – Member of the Board of Directors of Ray Acquisition S.A.S. – Director of Rexel Distribution – President of Ray Acquisition S.C.A.	**Current titles and duties:** – Partner of Clayton, Dubilier & Rice – Chief Executive Officer of Clayton, Dubilier & Rice Limited – Chairman of Italtel S.p.A. – Non-executive Director of BAE Systems Plc **Titles and duties exercised over the course of the five last financial years:** – Chairman of BBA Group Plc – Non-executive Director of Equant NV – Non-executive Director of PowerGen Plc – Non-executive Director of Azure Dynamic Corp.
Patrick Sayer 32, rue de Monceau 75008 Paris 50 years old	Deputy Chairman of the Supervisory Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011	**Titles and duties exercised over the course of the five last financial years:** – Director of Rexel Distribution – Member of the Board of Directors of Ray Holding SAS (renamed Rexel) – Member of the Board of Directors of Ray Acquisition S.A.S. – Director of Rexel	**Current titles and duties:** – Chairman of the Management Board of Eurazeo – Deputy Chairman of the Supervisory Board of ANF – Chairman of the Supervisory Board of Groupe B&B Hotels – Director of RedBirds Participations S.A. – Member of the Supervisory Board of Presses Universitaires de France – Chairman of the Advisory Board of APCOA Parking Holdings GmbH – Chairman of the Board of Directors of Legendre Holding 18 – Chairman of the Board of Directors and Chief Executive Officer of BlueBirds Participations SA – Chief Executive Officer of Legendre Holding 19 – Director of Europcar Groupe SA – Director of Colyzeo Investment Advisors – President of Eurazeo Partners – Permanent representative of ColAce SARL on the Supervisory Board of Groupe Lucien Barrière – Manager of Investco 1 Bingen – Manager of Investco 3d Bingen – Member of the Board of Directors of Gruppo Banca Leonardo – Manager of Euraleo – Member of the Board of Directors of Legendre Holding 20 – Director of Ipsos

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
				Titles and duties exercised over the course of the five last financial years: – Deputy Chairman of the Supervisory Board of Groupe B&B Hotels – Director of Eutelsat SA – Director of Eutelsat Communications – President of the *Association Française des Investisseurs en Capital* (AFIC) – Member of the Board of Directors of Lazard LLC – Managing Partner of Lazard Frères S.A.S. – Managing Partner of Maison Lazard S.A.S. – Managing Partner of Partena – Managing Director of Lazard Frères & Co. LLC – Director of Sovaclux – Director of Fonds Partenaires-Gestion (F.P.G.) – Director of Eurazeo (formerly Azeo) – Director of IRR Capital – Manager of BlueBirds Participations S.à r.l. (renamed BlueBirds Participations SA) – Co-Manager of BlueBirds II Participations SARL – Member of the Supervisory Board of SatBirds SAS (renamed Eutelsat Communications) – Member of the Supervisory Board of Eutelsat – Chairman of the Supervisory Board of Fraikin SA – Chairman of the Supervisory Board of Fraikin Groupe – Permanent representative of Eurazeo on the Board of Directors of François-Charles Oberthur Fiduciaire – Permanent representative of Eurazeo on the Board of Directors of Oberthur Card Systems – Permanent Representative of Eurazeo on the Board of Directors of Infogrames Entertainment – Permanent Representative of Financière et Industrielle Gaz et Eaux on the Board of Directors of France Asie Participations – Permanent Representative of Lux Tiles SARL on the Management Board of Clay Tiles Sponsors – Deputy Chairman of the Supervisory Board of Financière Galaxie SAS – Deputy Chairman of the Supervisory Board of Galaxie SA – President of Eurazeo Editions

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
				– Chairman of the Advisory Board of Perpetuum Beteiligungsgesellschaft mbH (renamed APCOA Parking Holdings GmbH) – Chairman of the Supervisory Board of APCOA Parking Aktiengesellschaft (renamed AE Holding AG)
Eurazeo[6] 32, rue de Monceau 75008 Paris Represented by **Gilbert Saada** 32, rue de Monceau 75008 Paris 44 years old	Member of the Supervisory Board	From August 1, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011		**Current titles and duties:** – Member of the Board of Directors of Eurazeo – Chairman of the Board of Directors of Europcar Groupe – Permanent Representative of Eurazeo on the Board of Directors of LT Participations – Permanent Representative of Eurazeo on the Board of Directors of Cegid – Manager of Clay Tiles Participations SARL – Manager of Eurazeo Entertainment Lux – Director of BlueBirds Participations S.A. – Chairman of the Board of Directors of RedBirds Participations SA – Chairman of the Board of Directors of Legendre Holding 20 – Manager of Euraleo – Manager of Eurazeo Italia – Chief Executive Officer and Director of Legendre Holding 18 **Titles and duties exercised over the course of the five last financial years:** – President of Legendre Holding 16 – President of Legendre Holding 7 (renamed Quasarelis) – President of Legendre Holding 20 – President of Legendre Holding 19 – Permanent Representative of Eurazeo on the Board of Directors of CCMX – Permanent Representative of Eurazeo on the Board of Directors of CCMX Holding – Chairman of the Board of Directors of SatBirds SAS – President of Legendre Holding 17 – Director of IRR Capital – Director of Eutelsat Communications – Director of Eutelsat S.A. – Manager of Clay Tiles Sponsors

(6). Eurazeo was coopted by the Supervisory Board to replace Mr. Xavier Marin, who resigned from his functions of member of the Supervisory Board during July 2007. The Management Board has submitted for confirmation the coopation of Eurazeo as a member of the Supervisory Board to Rexel's general shareholders' meeting to be held on May 20, 2008.

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
Luis Marini-Portugal 32, rue de Monceau 75008 Paris 37 years old	Member of the Supervisory Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011		**Current titles and duties:** – Member of the Management Board of Ray Investment S.à r.l. – Director of Investments and member of the Executive Committee of Eurazeo – Manager of Investco 4i Bingen – Director of Passerelles & Compétences – Director of Arabelle **Titles and duties exercised over the course of the five last financial years:** – Permanent representative of BlueBirds II Participations on the Board of Directors of Eutelsat S.A. – Permanent representative of BlueBirds II Participations on the Board of Directors of Eutelsat Communications S.A. – Permanent representative of BlueBirds II Participations on the Board of Directors of SatBirds S.A.S. – Permanent representative of Whitebirds S.A.S., Director of Eutelsat S.A. – Director of Legendre Holding 17
Djamal Moussaoui 2, King Edward Street London, EC1A 1HQ United Kingdom 42 years old	Member of the Supervisory Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011	**Titles and duties exercised over the course of the five last financial years:** – Director of Rexel Distribution – Member of the Board of Directors of Ray Acquisition S.A.S.	**Current titles and duties:** – Member of the Management Board of Ray Investment – Managing Director of Merrill Lynch Global Private Equity – Director of Merrill Lynch Investment Banking
David Novak Cleveland House 33, King Street London SWIY 6RJ United Kingdom 39 years old	Member of the Supervisory Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011	**Titles and duties exercised over the course of the five last financial years:** – Director of Rexel Distribution – Member of the Board of Directors of Ray Acquisition S.A.S.	**Current titles and duties :** – Director of Italtel S.p.A. – Member of the Management Board of Ray Investment S.à r.l. – Director of HD Supply – Director and Company secretary of Clayton, Dubilier & Rice

14. Management Board and Supervisory Board

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
Guido Padovano 2, King Edward Street London, EC1A 1HQ United Kingdom 51 years old	Member of the Supervisory Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011	**Titles and duties exercised over the course of the five last financial years:** – Member of the Board of Directors of Ray Holding S.A.S. – Member of the Board of Directors of Ray Acquisition S.A.S. – Director of Rexel Distribution	**Current titles and duties:** – Chairman of the Board of Directors of Grupo Convermex S.A. de C.V. – Chairman of the Board of Directors of Cremer S.A. – Chairman of the Board of Directors of Despegar.com, Inc. – Member of the Management Board of Ray Investment – Managing Director of Merrill Lynch Global Private Equity **Titles and duties exercised over the course of the five last financial years:** – Member of the Board of Directors of Debenhams Plc
Joseph L. Rice, III 375 Park Avenue 18th Floor New York, NY 10152 United States 75 years old	Member of the Supervisory Board	From February 13, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011	**Titles and duties exercised over the course of the five last financial years:** – Member of the Board of Directors of Ray Acquisition S.A.S.	**Current titles and duties:** – Chairman of Clayton Dubilier & Rice – Director of Uniroyal Holding **Titles and duties exercised over the course of the five last financial years:** – Director of Brake Bros. – Director of Italtel S.p.A. – Member of the management committee of Ray Investment – Director of VWR International
Fritz Fröhlich Saschsenstr 25 42287 Wuppertal Germany 66 years old	Member of the Supervisory Board	From April 4, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011		**Current titles and duties:** – President of the Supervisory Board of Draka N.V. – President of the Supervisory Board of Randstad Holding N.V. – President of the Supervisory Board of Altana A.G. – Member of the Supervisory Board of Allianz Nederland Groep N.V. – Member of the Supervisory Board of AON Jauch & Hübener Holdings GmbH – Member of the Supervisory Board of ASML N.V. – Member of the Supervisory Board of Kempen & Co N.V. – Member of the Supervisory Board of Gamma Holdings N.V.

Name, surname, professional address and age	Title	Date of first appointment and date of expiry of term of office	Titles and duties exercised within the Group over the course of the five last financial years	Titles and duties exercised outside of the Group over the course of the five last financial years
François David 6 rue August Bartholdi 75015 Paris 66 years old	Member of the Supervisory Board	From April 4, 2007 Until the general meeting deciding on the accounts for the financial year ending December 31, 2011		**Current titles and duties:** – Chairman and Chief Executive Office of Coface – Member of the Board of Directors of Stichting Administratiekantoor EADS – Chairman and Chief Executive Officer de Coface Scrl – Chairman of the Board of Directors of Viscontea Coface (Italia) – Chairman of the Board of Directors de Coface Services – Chairman of the Supervisory Board of AK Coface (Allgemeine Kreditversicherung Aktiengesellschaft Coface) (Germany) – Director of Vinci – Director of the association Coface Trade Aid – President of Coface ORT – President of La Librairie Electronique (LLE) – President of the financial studies center – President of Or Informatique – Member of the Board of Directors of EADS
Joe Adorjan 7733 Forsyth Blvd Suite 730 Clayton MO 63105 United States 69 years old	Observer	May 14, 2007		**Current titles and duties:** – Chairman of Adven Capital Partners, Inc. – Partner of Stonington Partners, Inc. – Director of Patriot Coal Corporation – Director of Thermadyne Holdings Corporation – Director of Goss Graphic Systems, Inc. – Member of the Board of Directors of Saint Louis University – Member of the Board of Directors of Ranken Technical College – Chairman of the Hungarian-Missouri Educational Partnership

Roberto Quarta has served on the Supervisory Board of Rexel since February 13, 2007. He joined Clayton Dubilier & Rice in 2001. Mr. Quarta is Chairman of Italtel S.p.A. and a Non-Executive Director of BAE Systems Plc, the premier global defense and aerospace company, and of Azure Dynamic Corp., which specializes in developing and manufacturing electric commercial vehicles. He has served as Non-Executive Director of PowerGen Plc, a U.K. oil and gas company, and has held a number of executive positions at BTR Plc, a U.K.-based holding company. Roberto Quarta was CEO of BBA Group PLC from 1993 to March 2001 and was Chairman of that group from 2001 to January 2007. Mr. Quarta graduated from the College of the Holy Cross and is also a trustee of that institution.

Patrick Sayer has served on the Supervisory Board of Rexel since February 13, 2007. He has also served as the Chairman of the Management Board of Eurazeo since May 2002. Previously, he was a General Partner of Lazard Frères & Cie in Paris, and Managing Director of Lazard Frères & Co in New York. He participated in the creation of Fonds Partenaires, in which he participated from 1989 until 1993. He later helped to redefine the investment strategy of Gaz et Eaux, which became Eurazeo. Patrick Sayer is a Director of a number of companies, including Europcar Group, B&B Hotels, Legendre 20 (acquisition holding of Elis), Ipsos, Groupe Lucien Barrière and Presses Universitaires de France (PUF). He is Deputy Chairman of the Management Board of ANF. He is also member of the streaming committee of France Investissement. He is a graduate of *Ecole Polytechnique* and *Ecole des Mines de Paris*, as well as of *Centre de Formation des Analystes Financiers*.

François David has served on the Supervisory Board of Rexel since April 4, 2007. Mr. David was a civil administrator at the Department of External Economic Relations at the French Ministry of Finance (1969-1973), Trade Advisor at the French Embassy in London (1974-1976), Agricultural Policy Bureau Chief at the Department of External Economic Relations (1976-1978), Technical Advisor to Jean-François Deniau (Minister of Foreign Trade) (1978-1980), Junior Director (1981-1984), Assistant Director (1984-1986) at the Economics, Finance and Budget Ministry, Bureau Director to Michel Noir (Minister Delegate to the Minister of State, Minister of Economics, Finance and Privatization, Foreign Trade Representative) (1986-1987), Director of the Department of External Economic Relations (1987-1989), General Director of International Aerospatiale Affairs (1990-1994). Mr. David has been the chairman and CEO of the French Insurance Company for Foreign Trade (Coface) since 1994, AK Coface since 1996 and Coface ORT since 2004. Mr. David has been the chairman of the supervisory board of Viscontea Coface since 1997 and chairman of the board of directors of Coface Scrl since 2002. Mr. David was also the chairman and CEO of Union de Berne from 1997 to 1999, Global Economy Information and Reflection Club (Cirem) from 1992 to 2002 and European Adviser at City Group in 2001. Mr. David is chairman of the International Credit Insurance & Surety Association (Icisa) since 2004, a director of EADS (European Aeronautic Defense and Space Company) since 2004 and Vinci and was an observer *(censeur)* at Rexel until 2007.

Fritz Fröhlich has been a member of the Supervisory Board of Rexel since April 4, 2007. Previously, Mr. Fröhlich served as deputy chairman and chief financial officer of AKZO Nobel from 1991 to 2004. Prior to joining AKZO Nobel, Mr. Fröhlich was CEO of Krupp Widia from 1984 to 1991 and CEO of Sachs Dolmar from 1976 to 1984. He began his career working in the fields of Marketing and Economic studies. Mr. Fröhlich is a member of the supervisory boards of Allianz Nederland Groep N.V., AON Jauch & Hübener Holdings GmbH, ASML N.V., Draka N.V., Gamma Holdings N.V., Kempen & Co N.V., and is chairman of the supervisory board at Randstad Holding N.V. He holds a doctorate in economics from Cologne University and an Master of Business Administration (MBA).

Luis Marini-Portugal has served on the Supervisory Board of Rexel since February 13, 2007. Luis Marini-Portugal is Investments Director for Eurazeo and is a member of its Steering Committee. He joined Eurazeo in 1999 and participated in a number of investments, including Eutelsat S.A., Ipsos, Rexel and Terreal. Before joining Eurazeo, Luis Marini-Portugal worked at JP Morgan in London and Paris in the Investing Banking and Equity Research Departments. Mr. Marini-Portugal is a graduate of *Hautes Etudes Commerciales* (HEC) in Paris. Luis Marini-Portugal is a member of the Management Board of Ray Investment.

Djamal Moussaoui has served on the Supervisory Board of Rexel since February 13, 2007. Djamal Moussaoui has served as Managing Director of Merrill Lynch Global Private Equity since 2005. Previously, he was Senior Principal at Merrill Lynch Global Private Equity (2003-2005) and Director at Merrill Lynch Investment Banking (2000-2003). Before joining Merrill Lynch, Mr. Moussaoui was Deputy Chairman of the Mergers and Acquisitions Department at Salomon Brothers/Citigroup in London. Mr. Moussaoui is a graduate of *Ecole des Hautes Etudes Commerciales* (HEC) in Paris.

David Novak has served on the Supervisory Board of Rexel since February 13, 2007. He joined Clayton Dubilier & Rice in 1997 after working in the Private Equity and Investment Banking divisions of Morgan Stanley & Co., Inc. and for the Central European Development Corporation, a private equity firm. Mr. Novak is a Director of Italtel S.p.A. He is a graduate of Amherst College and the Harvard Business School.

Guido Padovano has served on the Supervisory Board of Rexel S.A. since February 13, 2007. Guido Padovano is Managing Director of Merrill Lynch Global Private Equity and is in charge of the Europe and Latin America regions. Before joining Merrill Lynch in 1996, he was a Partner of Brasilpar Serviços Financeiros, a financial services company based in Sao Paulo. He is a Director of Debenhams Plc (United Kingdom), of Despegar.com, Inc. (United States) as well as Chairman of the Board of Directors of Grupo Convermex S.A. de C.V. (Mexico) and of Cremer S.A. (Brazil). Guido Padovano holds an engineering degree from the University of Sao Paulo and a Master of Business Administration from Stanford University.

Joseph L. Rice, III, has served on the Supervisory Board of Rexel since February 13, 2007. He is one of the founders of Clayton Dubilier & Rice and now serves as its chairman. He is Trustee Emeritus of Williams College and member of the Board of Trustees of Manhattan Institute, of the international board of INSEAD and of the JP Morgan National Advisory Board. Mr. Rice is a Director of Uniroyal Holding. He was a director of Brake Bros., Italtel S.p.A. and Uniroyal Holding. He holds degrees from Williams College and Harvard Law School.

Gilbert Saada has served on the Supervisory Board or Rexel as a permanent representative of Eurazeo since August 2, 2007. He joined Eurazeo in 1999 as the director of investment development. Previously, Mr. Saada worked in the corporate finance department of Crédit Agricole. Between 1992 and 2000, Mr. Saada has taught Corporate Finance at *Ecole des Hautes Etudes Commerciales* (HEC). Since 2002, Gilbert Saada is a member of the Management Board of Eurazeo and co-managed the investment team. Mr. Saada is the Chairman of the Board of Europcar Groupe and Legendre Holding 21 (acquisition holding of Elis). He managed operations in the Eutelsat, Terreal, Cegid, Oberthur, Ipsos and IRR transactions. He is a graduate of the

University of Paris II with a DEA in Economy and Statistics (1988, top of his class) and from HEC with a masters in international finance (1989). He has also a history degree from the Paris University.

Joe Adorjan was appointed as observer *(censeur)* of the Supervisory Board on May 14, 2007. Mr. Joe Adorjan is President of the Adven Capital investment fund and is a partner of Stonington Partners Inc. From 1995 to 2000, he was Chairman and CEO of Borg-Warner Security Corporation. Previously, Mr. Adorjan was President of Emerson Electric, where he supervised the integration of Fisher Controls Company into the group's control companies, creating Fisher-Rosemount, the world leader in process controls and instruments. From 1990 to 1992, Mr. Adorjan was President of ESCO Electronics Corporation. From 1968 to 1990, he held various management positions within Emerson Electric Company. In 1978, he was named Director of Corporate Development, responsible for finance, international, planning, acquisitions and technologies activities. In 1988, Mr. Adorjan became Vice-President of the Management Committee, where he also was responsible for government and defense operations. Mr. Adorjan is a director of Thermadyne Holdings Corporation and Goss Graphics Systems Inc. He is also a member of the Board of Directors of Saint Louis University and Ranken Technical College. He is the founder and President of the Hungarian-Missouri Educational Partnership. At the beginning of his career, Mr. Adorjan was a director of a number of public and private companies and played a very active role in civic affairs.

The Management Board has submitted for the approval of the shareholders' meeting of May 20, 2008 the appointment of Mr. Joe Adorjan as a member of the Supervisory Board. As the appointment of Mr. Joe Adorjan would result in increasing the number of members of the Supervisory Board over the age of 65 to more than one-third, the Management Board has submitted for the approval of the shareholders' meeting of May 20, 2008, a resolution aiming at amending the by-laws of Rexel in order to increase the age limit from 65 to 70 years old.

14.1.3 Supervisory Board Committees

The Supervisory Board has created four special committees and determined their composition and responsibilities: the Audit Committee, the Compensation Committee, the Nominations Committee and the Strategic Committee.

The Audit Committee is made up of the following persons:

– Fritz Fröhlich (chairman);

– David Novak;

– Luis Marini-Portugal; and

– Djamal Moussaoui.

The Nominations Committee is made up of the following persons:

– Patrick Sayer (chairman);

– Roberto Quarta;

– Guido Padovano; and

– Fritz Fröhlich.

The Compensation Committee is made up of the following persons:

– Guido Padovano (chairman);

– Luis Marini-Portugal;

– Roberto Quarta; and

– François David.

The Strategic Committee is made up of the following persons:

– David Novak (chairman);

– Patrick Sayer;

– François David; and

– Djamal Moussaoui.

The organization and the operation of these committees is described in paragraph 16.3 of this *Document de Référence*.

14.1.4 Executive Committee

Rexel's operational organization is structured around an Executive Committee.

The Executive Committee includes the members of the Management Board, CEOs of the Group's geographic zones and the Senior Vice President, Group Communication. The Committee serves as a forum for the consolidation of strategy, initiative coordination and the monitoring of performance and Group-wide projects.

As of the registration date of this *Document de Référence*, the Executive Committee is comprised of the following persons: Jean-Charles Pauze (President of the Management Board); Nicolas Lwoff (member of the Management Board); Pascal Martin (member of the Management Board); Jean-Dominique Perret (member of the Management Board); Laetitia Olivier (Senior Vice-President, Group Communication); Patrick Bérard (CEO France, Group Delegate Italy, Spain and Portugal); Jeff Hall (CEO Canada); Werner Hardt (CEO Central Europe and Scandinavia); Henri-Paul Laschkar (CEO Asia-Pacific); Jeremy de Brabant (CEO Rexel Inc. (USA)); Mitch Williams (CEO, Senior Vice-President Gexpro); Christopher Hartmann (CEO IESC (USA)); and Hubert Salmon (CEO U.K. and Group Delegate Western Europe).

In addition, in the context of the Hagemeyer integration, Mr. Paul Zekhuis (Hagemeyer) became a member of the Executive Committee.

The Executive Committee meets at least every two months to define the Group's strategy, coordinate initiatives (particularly with respect to operations), monitor Group performance and ensure the implementation of horizontal projects for the Group.

14.1.5 Statements concerning the Management Board and Supervisory Board

To Rexel's knowledge:

– there are no family ties among members of the Management Board and Supervisory Board of Rexel;

– no member of the Management Board or Supervisory Board of Rexel has been convicted of fraud within the last five years;

– no member of the Management Board or Supervisory Board of Rexel has been associated with any "bankruptcy", receivership or liquidation within the last five years;

– no member of the Management Board or Supervisory Board of Rexel has been the subject of any official public incrimination or sanctions by statutory or regulatory authorities within the last five years; and

– no member of the Management Board or Supervisory Board of Rexel has been disqualified by a court from acting as a member of an administrative, management or supervisory body of any issuer or from participating in the management or conduct of the business of any issuer within the last five years.

14.2 CONFLICTS OF INTEREST

David Novak, Luis Marini-Portugal, Djamal Moussaoui and Guido Padovano are members of the Management Board of Ray Investment, the main shareholder of Rexel. To Rexel's knowledge, David Novak, Louis Marini-Portugal, Djamal Moussaoui and Guido Padovano are not in a situation of conflict of interest with respect to the performance of their corporate duties within Rexel.

Patrick Sayer and Gilbert Saada are corporate officers of Eurazeo, an indirect shareholder of Rexel S.A. To Rexel's knowledge, Patrick Sayer and Gilbert Saada are not in a situation of conflict of interest with respect to the performance of their corporate duties within Rexel.

Djamal Moussaoui and Guido Padovano are Managing Directors of Merrill Lynch Global Private Equity, an indirect shareholder of Rexel. To Rexel's knowledge, Djamal Moussaoui and Guido Padovano are not in a situation of conflict of interest with respect to the performance of their corporate duties within Rexel.

David Novak, Roberto Quarta and Joseph L. Rice, III hold various offices within Clayton Dubilier & Rice, an indirect shareholder of Rexel. To Rexel's knowledge, David Novak, Roberto Quarta and Joseph L. Rice, III are not in a situation of conflict of interest with respect to the performance of their corporate duties within Rexel.

As of the registration date of this *Document de Référence* and to Rexel's knowledge, there exists no other situation that could give rise to a conflict between the private interests of members of the Management Board or Supervisory Board and Rexel's interests.

For information regarding the selection of members of the Supervisory Board, see paragraph 21.2 of this *Document de Référence*.

15. Compensation and benefits

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15.1.1 Compensation and benefits in kind 124

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15.1 COMPENSATION AND BENEFITS IN KIND

15.1.1 Compensation and benefits in kind

15.1.1.1 Compensation and benefits in kind of the members of the Management Board

Rexel converted to a company with limited liability *(société anonyme)* with a Management Board and Supervisory Board on February 13, 2007. As a result, Rexel has not paid any compensation or provided benefits of any kind (including attendance fees) to the members of its Management Board or Supervisory Board in their capacity as members during the fiscal years ended December 31, 2006.

Compensation and benefits in kind received by Mr. Jean-Charles Pauze

In 2006, Jean-Charles Pauze was paid compensation in the amount of €680,000. In addition, Jean-Charles Pauze was paid variable compensation of €480,000 in 2006. The variable component of compensation consisted of a contractually defined obligation bonus tied to working conditions (€170,000) and a bonus paid for the preceding year based on the achievement of both financial and individual goals (€310,000). Benefits in kind awarded to Jean-Charles Pauze (€3,064.60) consisted of the use of a company car and a credit card for fuel. Finally, Jean-Charles Pauze was paid in 2006, in respect of the year ended December 31, 2005, attendance fees in an amount of €90,000 in his capacity of director of Rexel Senate, an English affiliate of Rexel, and Rexel, Inc., a U.S. affiliate of Rexel.

Gross compensation paid to Mr. Jean-Charles Pauze for the financial year ended December 31, 2007 consisted of:

(i) until February 28, 2007, under his employment contract:
- gross fixed compensation, amounting to €121,667;
- a variable annual target-based bonus that may reach 100% of his gross annual compensation if 100% of his set targets are reached, it being noted that if 100% of his targets are exceeded, his variable bonus could exceed 100% of his gross annual fixed compensation, limited to 130% of his gross annual base compensation;
- a hardship allowance for travel in France and abroad in a gross amount of €28,333; and
- benefits in kind amounting to €1,021, comprising: a company car, and a gas card.

(ii) starting on March 1, 2007, under his mandate as the Chairman of the Management Board of Rexel:
- gross fixed compensation in the amount of €608,333;
- an annual variable target-based bonus that may reach 100% of his gross annual compensation if 100% of his set targets are reached, it being noted that if the Chairman exceeds 100% of his set target, his variable bonus could exceed 100% of his gross base annual compensation, limited to 130% of his gross annual base competition;
- a hardship allowance for travel in France and abroad in a gross amount of €141,667; and
- benefits in kind amounting to €5,684, comprising: a company car, and a gas card.

Furthermore Mr. Jean-Charles Pauze was paid €507,516 in 2007 corresponding to his variable compensation for 2006. Variable compensation paid to Jean-Charles Pauze for the year ended December 31, 2007 amounted to €678,690.

Mr. Jean-Charles Pauze also received attendance fees for 2006, paid in 2007, of €90,000 for corporate mandates held with Rexel Senate, an English subsidiary, and Rexel, Inc., an American subsidiary.

In addition, Mr. Jean-Charles Pauze continues to benefit from the following advantages:

- supplemental health insurance *(mutuelle)*;
- welfare insurance *(contrat de prévoyance)*;
- a basic and supplementary pension; and
- a defined benefit plan, which takes into account his seniority.

Compensation and benefits in kind received by Mr. Nicolas Lwoff

In 2006, Nicolas Lwoff was paid compensation in the amount of €300,000. In addition, Nicolas Lwoff was paid variable compensation of €171,941 in 2006. The variable component of compensation consisted of a bonus paid for the preceding year based on the achievement of both financial and individual goals. Benefits in kind awarded to Nicolas Lwoff (€4,772.16) consisted of the use of a company car and a credit card for fuel.

Mr. Nicolas Lwoff received no compensation for his role as a member of the Management Board for the financial period ended December 31, 2007. Gross compensation paid to Mr. Nicolas Lwoff pursuant to his employment contract consisted of, for the financial year ended December 31, 2007:

- gross fixed compensation in the amount of €325,000;
- an annual variable target-based portion which may reach 50% of his gross annual base salary if he reaches set individual and collective targets and other targets established each year;
- benefits in kind in the amount of €5,833, consisting of: a company car, and a gas card.

In addition, €179,360 were paid to Mr. Nicolas Lwoff in 2007 corresponding to his variable compensation for 2006.

Variable compensation paid to Nicolas Lwoff for the year ended December 31, 2007 amounted to €200,000.

Compensation and benefits in kind received by Mr. Pascal Martin

In 2006, Pascal Martin was paid compensation in the amount of €360,500. In addition, Pascal Martin was paid variable compensation of €221,984 in 2006. The variable component of compensation consisted of a bonus paid for the preceding year based on the achievement of both financial and individual goals. Benefits in kind awarded to Pascal Martin (€3,136.68) consist of the use of a company car and a credit card for fuel.

Mr. Pascal Martin received no compensation for his role as a member of the Management Board for the financial period ended December 31, 2007. Gross compensation paid to Mr. Pascal Martin pursuant to his employment contract consisted of, for the financial year ended December 31, 2007:

– gross fixed compensation in the amount of €390,000;

– an annual variable target-based portion which may reach 50% of his gross annual base salary if he reaches set individual and collective targets and other targets established each year; and

– benefits in kind in the amount of €5,783, consisting of: a company car, and a gas card.

In addition, €213,730 were paid to Mr. Pascal Martin in 2007 corresponding to his variable compensation for 2006. Variable compensation paid to Pascal Martin for the year ended December 31, 2007 amounted to €201,200.

Compensation and benefits in kind received by Mr. Jean-Dominique Perret

In 2006, Jean-Dominique Perret was paid compensation in the amount of €225,318. In addition, Jean-Dominique Perret was paid variable compensation of €71,137 in 2006. The variable component of compensation consisted of a bonus paid for the preceding year based on the achievement of both financial and individual goals. Benefits in kind awarded to Jean-Dominique Perret (€4,972.08) consist of the use of a company car and a credit card for fuel.

Mr. Jean-Dominique Perret received no compensation for his role as a member of the Management Board for the financial period ended December 31, 2007. Gross compensation paid to Mr. Jean-Dominique Perret pursuant to his employment contract consisted of, for the financial year ended December 31, 2007:

– gross fixed compensation in the amount of €245,300;

– an annual variable target-based portion which may reach 40% of his gross annual base salary if he reaches set individual and collective targets and other targets established each year; and

– benefits in kind in the amount of €5,800, consisting of: a company car, and a gas card.

In addition, €101,465 were paid to Mr. Jean-Dominique Perret in 2007 corresponding to his variable compensation for 2006. Variable compensation paid to Jean-Dominique Perret for the year ended December 31, 2007 amounted to €101,187.

In addition, members of the Management Board were granted free shares described in paragraph 17.2.4 of this *Document de Référence*

15.1.1.2 Compensation and benefits in kind of the members of the Supervisory Board

Rexel converted to a company with limited liability (*société anonyme)* with a Management Board and Supervisory Board on February 13, 2007. As a result, Rexel has not paid any compensation or provided benefits of any kind (including attendance fees) to the members of its Supervisory Board in their capacity as members during the fiscal years ended December 31, 2006.

The Rexel shareholders' meeting held on April 4, 2007 allocated to the Supervisory Board a global amount of €300,000 for the payment of attendance fees. Upon the recommendations of the Compensation Committee, the Supervisory Board meeting of August 1, 2008 decided, within the scope of the allocated global amount, to allocate compensation to the observer *(censeur)* and to the independent members of the Supervisory Board in the gross amount of €60,000 including (i) a fixed portion in the amount of €30,000 gross and (ii) a variable portion in the amount of €30,000 gross. Taking into account the large number of meetings of the Supervisory Board that were held during the 2007 financial year, the Supervisory Board meeting of February 12, 2008, upon the Compensation Committee's proposal of February 12, 2008, decided to increase the variable portion of the compensation paid to the independent members and to the observer of the Supervisory Board. Thus, Mr. Fritz Fröhlich and Mr. François David, as independent members, and Mr. Joe Adorjan, as observer, received the following compensation:

Member	Compensation	Total
Mr. Fritz Fröhlich		€114,000
As committee Chairman	€10,000	
As independent member		
Fixed portion	€30,000	
Variable portion	€74,000	
Mr. François David		€93,000
As independent member		
Fixed portion	€30,000	
Variable portion	€63,000	
Mr. Joe Adorjan		€93,000
As observer		
Fixed portion	€30,000	
Variable portion	€63,000	
Total		**€300,000**

Rexel has paid no other compensation to the members of the Supervisory Board for the year ended December 31, 2007.

The Management Board submitted for the approval of the Rexel shareholders' meeting to be held on May 20, 2008, the allocation of compensation to the members of the Supervisory Board in the form of attendance fees, in a global maximum amount of €300,000.

15.1.2 Compensation, indemnities or benefits due or that may become due as a result of the assumption, termination or change in the functions of corporate officers

No senior executive is entitled to compensation, indemnification or benefits due or that may become due as a result of the assumption, termination or change in his functions as a corporate officer of Rexel or following the cessation thereof.

15.1.3 Other benefits

During the financial period ended December 31, 2007, Rexel did not grant any loans, advances or guarantees to any of its corporate officers.

15.2 TOTAL AMOUNTS SET ASIDE OR ACCRUED TO PROVIDE PENSION, RETIREMENT OR SIMILAR BENEFITS

An additional defined-benefit retirement plan is in force within Ray Acquisition S.C.A. (which became Rexel Développement).

Pursuant to the terms of the May 31, 2005 plan, modified on March 1, 2007, the conditions for eligibility are as follow:

– beneficiaries of the plan are employees who are senior executives of Ray Acquisition S.C.A. and who are class 20 employees and fulfill superior qualities established by the Global Grading system as defined for the Group by Hewitt;

– such employees must be members of an old-age insurance plan provided by the French Social Security regime.

Furthermore, pursuant to the terms of the May 31, 2005 plan, as modified, the length of service of employees or officers of any entity controlling or being controlled, directly or indirectly, by Ray Acquisition SCA (renamed Rexel Développement) within the meaning of article L.233-3 of the French commercial code (*Code de Commerce*), shall be taken into account in the calculation of periods of service for seniority.

As of the date of this *Document de Référence*, Jean-Charles Pauze, Nicolas Lwoff and Pascal Martin satisfy these eligibility conditions.

Furthermore, the vesting and payment of the benefits are subject to a certain number of conditions precedent, including:

– definitive termination of professional career as at the departure or retirement date;

– presence within the staff of the company as at the departure or retirement date;

– minimum age of 60 as at the date preceding departure from the company;

– liquidation, at the full rate, of the base pension provided by the French Social Security regime.

The total provision booked by Rexel for all employees covered by this additional defined-benefit retirement plan amounted to €2.52 million as at December 31, 2007.

16. Operation of the management and administration bodies

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16.1 OPERATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

16.1.1 Operation of the Management Board

The Management Board has broad powers to act in the name of Rexel in all circumstances within the scope of Rexel's corporate purpose and subject to those powers that have been expressly granted by law or the by-laws to the shareholders' meeting and the Supervisory Board or otherwise require prior authorization from the Supervisory Board. The Management Board is also vested with the following specific powers under applicable law and the by-laws:

– to convene general meetings;

– to carry out capital increases and/or to determine the terms and conditions of capital increases pursuant to a grant of authority from the extraordinary general meeting;

– to carry out capital reductions pursuant to a grant of authority from the extraordinary general meeting;

– to grant options to subscribe for or to purchase shares or to award free shares to employees of Rexel pursuant to the authorization of the extraordinary general meeting;

– to issue bonds with the option to delegate such power to the Chairman or to another member of the Management Board; and

– to modify the share capital of Rexel following the conversion of convertible bonds at any time, subscriptions to shares by tendering rights detached from compound securities giving the right to receive shares, the exercise of stock options or the payment of dividends in shares.

On February 13, 2007, the Management Board of Rexel adopted its own Rules of Procedure of which the purpose is, in accordance with applicable law, regulations and by-laws, to assign certain Management Board responsibilities between the Management Board members, to determine the organization and operation of the Management Board and to set out the rights and responsibilities of its members. It is not enforceable *vis-à-vis* third parties and may not be invoked by such parties against members of the Management Board.

The main provisions of the Rules of Procedure are reproduced or summarized below.

Members of the Management Board

The Management Board is made up of at least two members and no more than four members, who are appointed by the Supervisory Board. The term of their appointment is four years.

Duties and powers of the Management Board

The Management Board is vested with broad powers to act in all circumstances on behalf of Rexel, within the scope of Rexel's corporate purpose and subject to those powers expressly granted by law and by the by-laws to general meetings of shareholders and to the Supervisory Board.

With respect to its relationships with third parties, Rexel is bound even by the actions of the Management Board that do not fall within Rexel's corporate purpose unless it can demonstrate that the third party was aware that the action was not within the scope of such purpose or that such person could not be unaware of it under the circumstances, it being specified that publication of Rexel's by-laws does not in itself constitute such proof.

At least once every quarter, the Management Board must submit a report to the Supervisory Board summarizing the main actions or events that have occurred in the management of Rexel. The Supervisory Board may also at any time request that the Management Board submit a report on Rexel's management and ongoing operations. This report may be supplemented by interim financial information on Rexel.

Within three months after the end of each financial year, the Management Board approves and submits to the Supervisory Board, for purposes of verification and control, the year-end financial statements and, if any, the consolidated financial statements, together with the report submitted to the annual shareholders' meeting. It proposes the appropriation of net income for the previous financial year to the Supervisory Board.

The Management Board reviews quarterly and half-yearly financial statements and submits them to the Supervisory Board.

The Management Board convenes general meetings of shareholders, sets the agenda of the meetings and carries out the decisions of the shareholders.

Management Board members are liable to Rexel or to third parties, as the case may be, for violations of the provisions of the laws governing *sociétés anonymes,* the by-laws or for negligence in their management, under the conditions and subject to the penalties provided by law.

The Management Board's Rules of Procedure sets forth those Management Board decisions that are subject to prior approval by the Supervisory Board under the terms of Rexel's by-laws. A list of such decisions appears in paragraph 21.2.2.2, "Supervisory Board" of the present *Document de Référence.*

Division of responsibilities among Management Board members

Management Board members are responsible to Rexel or third parties, as the case may be, for negligence in the performance of their duties. However, Management Board

members may, with the Supervisory Board's authorization, divide management responsibilities amongst themselves. This division will in any event not deprive the Management Board of its status as the collegial body responsible for the management of Rexel.

Jean-Charles Pauze is the Chairman of the Management Board. As such, he is responsible for the administration and management of the Group, as well as its strategy and orientation. His mission also includes: developing the Group's business internationally and exercising hierarchical control over the employees of Rexel.

As a member of the Management Board, Nicolas Lwoff is in charge of the following departments: treasury, financing and credit management; management controls; financial communications; internal audit/control; consolidation and accounting; legal affairs; tax; Group insurance policy; transactions on fixed assets and/or property; and sustainable development policy.

As a member of the Management Board, Pascal Martin is in charge of the following departments: marketing and commercial development; relationships with suppliers; IT systems; logistics and supply chain; large key international accounts; indirect purchases; strategic development; and mergers and acquisitions.

As a member of the Management Board, Jean-Dominique Perret is in charge of the following departments: human resources development; employee affairs; ongoing training and development; developing recruitment best practices; general services for the headquarters, holding companies and the Group; general Group policies with respect to general services.

Also, as it deems appropriate, the Management Board may assign to one or more of its members, or to any person who is not a member, special missions, on a permanent or temporary basis, to achieve one or more specified goals, with or without the ability to further delegate such powers.

Meetings of the Management Board

Whenever required for the best interests of Rexel, the Management Board meets when convened by its Chairman, at Rexel's registered office or at any other place specified in the meeting notice. If specified in the meeting notice, Management Board meetings may be held by videoconference or other forms of telecommunication.

The meetings are chaired by the Chairman of the Management Board or, in his absence, by a member of the Management Board who is selected by the Management Board at the beginning of the meeting. The Management Board appoints a secretary who is not required to be a Board member.

In order for resolutions to be valid, there must be a quorum of at least more than one half of Management Board members in attendance. Resolutions are adopted by a simple majority of Management Board members present and represented. Each Management Board member may represent one other Management Board member at each Management Board meeting. In the event of a tie, the Chairman of the meeting shall cast the tie-breaking vote.

Deliberations are recorded in minutes that are entered in a special book and are signed by the Chairman of the meeting.

Assessment of the Management Board

An assessment of the Management Board's operations is included as a separate item on the agenda at least once every year.

Information provided to the Management Board

The Chairman of the Management Board ascertains that a file containing all documents and information needed to review the items on the agenda of the Management Board meeting is sent to each member of the Management Board in a timely manner. In addition, members of the Management Board have the right to request any documents they deem necessary for a meeting, provided that they submit such requests within a reasonable time frame.

Furthermore, between meetings, members receive all appropriate information on events and transactions having a material impact on Rexel.

Charter for Management Board members

In the interest of good corporate governance, the Management Board's Rules of Procedure, to which each member of the Management Board is subject, contain a charter setting out the rights and responsibilities of the members of the Management Board.

16.1.2 Operation of the Supervisory Board

The Supervisory Board exercises ongoing control over Rexel's management by the Management Board under the conditions provided by law. It performs the controls and verifications that it deems appropriate and has the right to request any document it deems necessary for the performance of its duties. The Supervisory Board is vested with the following specific powers:

– it appoints and dismisses Management Board members and determines their compensation (including benefits in kind and special pension arrangements);

– it appoints and dismisses the appointment of the Chairman of the Management Board;

– if permitted by the by-laws, it may grant powers to one or more Management Board members to represent Rexel;

– it co-opts Supervisory Board members;

– it authorizes agreements that are subject to article L.225-86 of the French Commercial Code *(Code de Commerce)*;

– it creates the Supervisory Board Committees, defines their powers, appoints committee members and determines their compensation;

– it authorizes the sale of real property and the disposal of equity investments, in whole or in part, and grants security interests;

– it distributes directors' fees;

– it authorizes sureties, endorsements and other guarantees.

The Supervisory Board of Rexel adopted its own Rules of Procedure on February 13, 2007 pursuant to Rexel's by-laws, and updated them in April 2007, for the purpose of setting forth the provisions governing the organization and operation of the Supervisory Board and the rights and responsibilities of its members. These Rules of Procedure are not enforceable *vis-à-vis* third parties and may not be invoked by such parties against members of the Supervisory Board.

The main provisions of the Rules of Procedure are reproduced or summarized below.

Members of the Supervisory Board

The Supervisory Board is made up of five to fifteen members, subject to exemptions provided for by law in the case of a merger. Supervisory Board members are appointed or reappointed by the ordinary shareholders' meeting. The term of their appointment is five years.

Powers of the Supervisory Board

Throughout the year, the Supervisory Board carries out those verifications and controls that it deems appropriate and receives all documents that it deems necessary for the performance of its duties.

It has the following powers:

(i) powers in the area of control:
  – it reviews the financial condition, cash position and commitments of Rexel and its subsidiaries;
  – it reviews the financial statement auditing process and information provided to the shareholders and to the market;
  – it authorizes related-party agreements;

(ii) powers in the area of appointments and compensation:
  – it appoints and dismisses Management Board members (including the Chairman), determines their number within the limits provided by the by-laws and their compensation;
  – it appoints and dismisses the Chairman of the Management Board, including in his capacity as member of the Management Board;
  – it appoints Supervisory Board members;
  – it distributes directors' fees;

(iii) preparation of reports to be submitted to general meetings of shareholders:

  Each year, the Supervisory Board submits to the ordinary annual general meeting its comments on the Management Board's report and on the financial statements for the financial year.

  The Chairman of the Supervisory Board must append to this report a report on how the Supervisory Board prepares and organizes its work, and on the internal control procedures implemented by Rexel.

  The Supervisory Board submits recommendations on the reappointment of Supervisory Board members;

(iv) powers to grant prior authorization to the Management Board to make certain decisions.

The Supervisory Board grants to the Management Board the authorizations required by law or by a provision of the by-laws of Rexel.

In addition, a list of decisions made by the Management Board, which are subject to prior authorization by the Supervisory Board under the terms of Rexel's by-laws, is mentioned in paragraph 21.2.2.2 of this *Document de Référence.*

Meetings of the Supervisory Board

Insofar as possible and depending on the circumstances, any deliberation of the Supervisory Board on a matter falling within the scope of a committee shall be preceded by referring such matter to the relevant committee and may be made only after the relevant committee has submitted its recommendations or proposals.

The Supervisory Board meets as often as required to serve the interests of Rexel and at least once every three months at meetings convened by its Chairman or Deputy Chairman. Meetings may be held by videoconference or any other form of telecommunication. Meetings are held at the registered office of Rexel or at any other place specified in the meeting notice.

The Chairman of the Supervisory Board may invite some or all members of the Management Board to attend Supervisory Board meetings, without the right to participate in the vote.

The Supervisory Board is duly convened only if a quorum consisting of at least half of its members is present. Decisions are approved by a majority of votes of the members present or represented; each Supervisory Board member has one vote and may not represent more than one of his colleagues. In the event of a tie, the Chairman of the meeting shall cast the tie-breaking vote, if and only if the Supervisory Board consists of an even number of Supervisory Board members and only at meetings chaired by the Chairman of the Supervisory Board.

An attendance record is kept, and signed by those members of the Supervisory Board participating in each meeting.

The deliberations of the Supervisory Board are recorded in minutes that are drafted in accordance with the applicable legal provisions and signed by the chairman of the session and at least one member of the Supervisory Board or, in the case of the Chairman not being able to sign, by two members of the Supervisory Board. The copies or extracts of these minutes are certified by the Chairman or Deputy Chairman of the Supervisory Board, or a duly empowered proxy.

Code of Conduct of the Supervisory Board

The Supervisory Board, a collegiate body, is required to act in Rexel's corporate interests under all circumstances. Therefore, the Supervisory Board members carry out their duties with loyalty, in good faith, and with professionalism and independence. Also, they ensure that any conflict of interest that might exist between their personal interests and those of Rexel is avoided.

Compensation of Supervisory Board members

The ordinary general meeting may allocate attendance fees to Supervisory Board members. The Supervisory Board allocates such fees among its members as its sees fit.

The compensation of the Chairman and Deputy Chairman of the Supervisory Board is determined by the Supervisory Board. Such compensation may be both fixed and proportional.

The Supervisory Board may allot exceptional compensation for special missions or functions assigned to Supervisory Board members. Any such compensation is recorded in operating expenses and is subject to approval by the ordinary shareholders' meeting.

The Supervisory Board may authorize reimbursement of travel and other expenses incurred by its members in the interests of Rexel.

No other compensation, whether permanent or temporary, may be allotted to Supervisory Board members unless they are bound to Rexel by an employment agreement under the conditions allowed by applicable law and regulations.

Independent members of the Supervisory Board

In accordance with the good corporate governance principles and practices set out in its Rules of Procedure, the Supervisory Board and each of the committees comprise independent members who are elected or appointed as such.

Definition of independence and related criteria

An independent member may not:

- be an employee or corporate officer of Rexel or of the Group, an employee or director of a shareholder that controls Rexel alone or in concert with others (within the meaning of the law) or a company consolidated thereby, and must not have held such capacity within the five previous years;
- be a corporate officer of a company in which Rexel directly or indirectly holds an office as a director or in which an employee designated as such or a corporate officer of Rexel (incumbent or having held such position within less than five years) holds the office of director;
- be a significant customer (or have direct or indirect ties to a customer), supplier, corporate banker or investment banker (i) of Rexel or the Group; or (ii) for whom Rexel or the Group represents a significant portion of its business;
- have any family ties with any corporate officer of Rexel or the Group;
- have been an auditor of Rexel or of any Group company within the last five years;
- have served as a corporate officer of Rexel for more than 12 years; and
- receive or have received material additional compensation from Rexel or the Group, other than directors' fees, including participation in any stock option plan or any other type of performance-related compensation.

Supervisory Board members who represent significant direct or indirect shareholders of Rexel may be deemed to be independent if such shareholders do not control Rexel within the meaning of article L.233-3 of the French Commercial Code *(Code de commerce)*. However, when a member of the Supervisory Board represents a shareholder of Rexel that directly or indirectly owns more than 10% of Rexel's share capital or voting rights, the Supervisory Board, acting on a report of the Nominations Committee, shall systematically review the qualification of independence by taking into account the share ownership of Rexel and the existence of a potential conflict of interest.

The Supervisory Board may find that while one of its members fulfills the aforesaid criteria, he may not be designated as independent owing to his individual situation or to the situation of Rexel, in light of its shareholder base or for any other reason.

Qualification procedure for independent members

The Nominations Committee reviews the designation of independent members each year and draws up a report to the Supervisory Board on the matter. Each year, in light of this report, the Supervisory Board reviews the situation of each Supervisory Board member with respect to independence criteria.

The Supervisory Board submits the findings of its review to the shareholders in the annual report.

Supervisory Board observer *(censeur)*

The Supervisory Board may appoint one or more observers *(censeurs)*, who may be but are not required to be shareholders, and who shall be asked to attend Supervisory Board meetings, exclusively for purposes of information.

Supervisory Board Committees

The Supervisory Board may create committees to assist it in carrying out its functions. The Supervisory Board Rules of Procedure set the rules that apply to each committee, in particular the rules relating to their composition and operational procedures. In addition, the Supervisory Board Rules of Procedure set certain rules that are specific to the Audit Committee, Nominations Committee, Compensation Committee and Strategic Committee.

16.2 SERVICE AGREEMENTS BETWEEN MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS AND REXEL OR ONE OF ITS SUBSIDIARIES

There are no service agreements between Management Board and Supervisory Board members and Rexel or one of its subsidiaries and that award any benefits.

16.3 OPERATIONS OF THE COMMITTEES

Each of the Supervisory Board's special committees has drawn up Rules of Procedure that have been approved by the Supervisory Board and set out the applicable provisions of the Supervisory Board Rules of Procedure described in paragraph 16.1.2 of this *Document de Référence*.

The main provisions of each committee's Rules of Procedure are reproduced or summarized below.

16.3.1 Audit Committee

Members

The Audit Committee is made up of a maximum of five members, at least one of whom must be independent, who are appointed by the Supervisory Committee for their expertise in accounting and finance.

The Chairman of the Supervisory Board shall not be a member of the Audit Committee.

Powers

The Audit Committee assists the Supervisory Board in ascertaining the accuracy and faithfulness of the parent company and consolidated financial statements of Rexel and the quality of the information provided. Its mission, as assigned by the Supervisory Board when preparing the parent company and consolidated financial statements, which are drawn up annually, half-yearly and quarterly in accordance with applicable regulations, and when preparing any deliberations with respect to the financial statements of Rexel, is to make recommendations and submit proposals to the Supervisory Board in all areas listed below:

– review and control of the financial statements, for the ultimate purpose of assisting the Management Board in reviewing and approving the year-end and interim accounts;

  - knowledge of the scope of consolidation, accounting methods and auditing procedures;
  - review of the quarterly, half-yearly and annual financial statements, and in particular analysis of provisions and of material risks and off-balance sheet commitments;
  - knowledge of accounting positions taken in recognizing material transactions;
  - submission of recommendations to the Supervisory Board on all proposed adoption of material changes in accounting methods;
  - review of the Group's financial position;

– control of the statutory auditors' mission:

  - oversight of the selection procedure applicable to the statutory auditors;
  - submission of recommendations to the Supervisory Board on the Management Board's proposals to replace and reappoint statutory auditors to the shareholders' meeting;
  - knowledge of the amount of fees paid to the statutory auditors and recommendation thereon to the Management Board;
  - ascertaining that the statutory auditors comply with the rules governing their independence;

– oversight of internal audit procedures:

  - submission of recommendations on the mission and organization of the Group's internal audit department and its action plan;
  - review of work carried out by Internal Audit, followed by a report to the Supervisory Board.

In addition to the aforesaid responsibilities, the duties described below also fall within the scope of the Audit Committee:

– review of the procedures for preparing information provided to shareholders and to the market;

– review of the organization and application of internal control procedures within the Group;

– providing assistance to the Strategic Committee in reviewing the Group's financial position.

Operations

The Audit Committee meets at least four times per year and whenever it deems it necessary. It meets prior to those Supervisory Board meetings during which matters falling within its scope are to be reviewed. The frequency and duration of Audit Committee meetings must be such that they allow for in-depth review and discussion of the matters falling within the Committee's scope.

The Committee must report on its activities to the Supervisory Committee on a regular basis, and at least at the time at which the Management Board adopts the financial statements for the year, semester and trimester.

The Committee is duly convened only if a quorum consisting of at least half of its members is present. A committee member may not be represented by proxy.

The Committee adopts decisions by a simple majority. In case of a tie, the Chairman does not cast the tie-breaking vote.

16.3.2 Nominations Committee

Members

The Nominations Committee is made up of a maximum of four members, at least one of whom is independent.

Powers

The Nominations Committee has the following responsibilities:

– issue recommendations on the appropriateness of appointments, dismissals of appointments, dismissals and renewals of appointments of members and the Chairman of the Supervisory Board, members and the chairman of the Audit, Strategic and Compensation Committees, members and the Chairman of the Management Board and members of the Executive Committee, and to issue recommendations on the candidates considered, in terms of expertise, availability, appropriateness and complementarity with other Supervisory Board, Management Board or Executive Committee members;

– propose independence criteria for members of the Supervisory Board;

– verify compliance with independence criteria and issue opinions thereon, as required, and advise the Chairman of the Supervisory Board on the number of independent members;

– be in a position at any time to formulate a proposal on a potential successor to the Chairman of the Management Board or of the Supervisory Board;

– issue a recommendation, on the Management Board's proposal, on the acceptance and resignation by Rexel from any office as member of the board of directors or any equivalent body and on the appointment and dismissal of permanent representatives of Rexel on the said board of directors or equivalent bodies.

Operations

The Nominations Committee meets at least once each year and, in any case, prior to those Supervisory Board or Management Board meetings during which matters falling within its scope are to be reviewed. The frequency and duration of Nominations Committee meetings must be such that they allow for in-depth review and discussion of the matters falling within the Committee's scope.

The Committee is duly convened only if a quorum consisting of at least half of its members is present. A committee member may not be represented by proxy.

The Committee adopts decisions by a simple majority. In case of a tie, the Chairman does not cast the tie-breaking vote.

16.3.3 Compensation Committee

Members

The Compensation Committee is made up of a maximum of four members, at least one of whom must be independent.

The Chairman and Deputy Chairman of the Supervisory Board may serve on the Compensation Committee but may not participate in Committee work concerning their own compensation.

Powers

The responsibilities of the Compensation Committee are the following:

– to make all recommendations to the Supervisory Board on the compensation of Management Board and Executive Committee members, on the rules for determining the variable components and any supplemental components such as pension schemes and benefits in kind;

– to be informed of planned compensation in the event of the breach of an employment agreement of a Management Board or Executive Committee member and to render an opinion in this respect to the Chairman of the Supervisory Board;

– to render an opinion on the stock option and bonus share award policy, for all categories of beneficiaries, and more particularly for Rexel Management Board and Executive Committee members; to make recommendations on the frequency of such awards and the terms and conditions of award.

Operations

The Compensation Committee meets at least once each year and whenever it deems it necessary. It meets prior to those Supervisory Board meetings during which matters falling within its scope are to be reviewed. The frequency and duration of Compensation Committee meetings must be such that they allow for in-depth review and discussion of the matters falling within the Committee's scope.

The Committee is duly convened only if a quorum consisting of at least half of its members is present. A committee member may not be represented by proxy.

The Committee adopts decisions by a simple majority. In case of a tie, the Chairman does not cast the tie-breaking vote.

On an annual basis, pursuant to the exercise of its advisory functions on the setting of compensation for the members of the Management Board, the Compensation Committee may hear the members of the Management Board, notably in order to prepare the performance evaluations of the latter by the Supervisory Committee.

16.3.4 Strategic Committee

Members

The Strategic Committee is made up of a maximum of four members, at least one of whom must be independent, who are appointed by the Supervisory Committee.

Powers

The Strategic Committee's responsibilities are:

– review and issue recommendations to the Supervisory Board on projects for the strategic plans and annual budgets of Rexel drawn up by the Management Board. In this respect, the Committee may interview Management Board members on the assumptions applied in drawing up the said plans;

– review and issue recommendations to the Supervisory Board on planned acquisitions or disposals of business divisions or assets, and on investments, whenever the enterprise value exceeds the threshold above which such transactions are subject to prior approval by the Supervisory Board;

– review and issue recommendations to the Supervisory Board on the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which Rexel does not operate;

– review and issue recommendations to the Supervisory Board on any borrowing or assumption of liabilities by Rexel in an amount exceeding the threshold above which such transactions are subject to prior approval by the Supervisory Board;

– review and issue recommendations to the Supervisory Board on all proposed mergers, spin-offs or asset transfers in connection with Rexel;

– review and issue recommendations to the Supervisory Board on any proposal for the admission to trading on an organized exchange of tradable securities issued by Rexel or any of its subsidiaries;

– review and issue recommendations to the Supervisory Board on any transaction entailing a significant alteration in the scope of the business activities of Rexel and its subsidiaries;

– review the Group's financial position, in conjunction with the Audit Committee.

Operations

The Strategic Committee meets at least once each year and whenever it deems it necessary. It meets prior to those Supervisory Board meetings during which matters falling within its scope are to be reviewed. The frequency and duration of Strategic Committee meetings must be such that they allow for in-depth review and discussion of the matters falling within the Committee's scope.

The Committee is duly convened only if a quorum consisting of at least half of its members is present. A committee member may not be represented by proxy.

The Committee adopts decisions by a simple majority. In case of a tie, the Chairman does not cast the tie-breaking vote.

16.4 STATEMENT RELATING TO CORPORATE GOVERNANCE

Following the admission of its shares to trading on the Euronext Paris market, Rexel has initiated a general review in order to comply with corporate governance practices as defined by the recommendations of the *Association Française des Entreprises Privées* (AFEP) and the *Mouvement des Entreprises de France* (MEDEF) dated October 20, 2003 and entitled *"Principes de Gouvernement d'Entreprise Résultant de la Consolidation des Rapports Conjoints de l'AFEP et du MEDEF de 1995, 1999 et 2002"* and the Code of Conduct of the *Institut Français des Administrateurs* (IFA) dated March 1, 2004. In this context, Rexel has implemented several measures

in order to comply with corporate governance principles in accordance with relevant recommendations to the extent that such principles are compatible with the organization, size and means of the Group.

On condition that Rexel shareholders' meeting convened for May 20, 2008 appoints a third independent Supervisory Board member, Rexel considers that the corporate governance measures implemented within the Group allow the company to comply with the above-mentioned corporate governance principles.

16.4.1 Rules of Procedure of the Supervisory Board, Management Board and Supervisory Board Committees

The Management Board and Supervisory Board each adopted Rules of Procedure (see paragraph 16.1 of this *Document de Référence*). The Supervisory Board committees have also drawn up their own Rules of Procedure, the main provisions of which are set out in paragraph 16.3 of this *Document de Référence*. The purpose of these Rules of Procedure are to specify the organization and operations of the various bodies, their powers, responsibilities and duties, and the rights and obligations of their members.

16.4.2 Supervisory Board Committees

The Supervisory Board has set up four special committees: an Audit Committee, a Compensation Committee, a Nominations Committee and a Strategic Committee (see paragraphs 14.1.3 and 16.3 of this *Document de Référence*). These committees are made up of at least one independent Supervisory Board member and their mission is to prepare Supervisory Board meetings and decisions.

16.4.3 Independent Supervisory Board members

The Supervisory Board Rules of Procedure specify the definition and criteria of independence (see paragraph 16.1.2 of this Document de Référence).

Thus, the qualification as an independent member is deliberated upon every year by the Nominations Committee, which establishes a report on this subject. Each year, the Supervisory Committee examines, based on its review of this report, the situation of each member of the Supervisory Committee with respect to the criteria of independence. It results from this review that, during the financial period ended December 31, 2007, two members of the Supervisory Committee are independent: Mr. François David and Mr. Fritz Fröhlich.

In addition, the Management Board proposed to the Rexel shareholders' meeting the appointment of Mr. Joe Adorjan as a member of the Supervisory Board. According to the definition of criteria of independence set forth in the Supervisory Board's Rules of Procedure, Mr. Joe Adorjan could qualify as an independent member of the Supervisory Board.

16.4.4 Self-assessment of the Supervisory Board

In accordance with its Rules of Procedure, Rexel's Supervisory Board evaluates its organization and operation based on a questionnaire addressed to its members. The responses to this questionnaire are presented on an anonymous basis and debated during meetings of the Supervisory Board.

In 2007, the conclusions of this evaluation demonstrate and highlight, in particular, the transparency and quality of the information at the disposal of the members of the Supervisory Committee, which allow them to fully carry out their functions.

16.4.5 Internal control

As a *société par actions simplifiée,* Rexel was privately held and was not required to publish a report on internal control for the years ended December 31, 2006 and December 31, 2005.

For the year ended December 31, 2007, the Chairman of the Supervisory Board of Rexel, acting in accordance with the provisions of article L.225-37 of the French Commercial Code *(Code de commerce)*, has drawn up a report on corporate governance and on internal control procedures and the statutory auditors have drawn up a report on this report from the Chairman, in accordance with the provisions of article L.225-235 of the Code. These reports appear in Appendix 1 and Appendix 2 of this *Document de Référence.*

Furthermore, the Group has implemented a risk management process based on the approach defined by the Committee of Sponsoring Organizations of the Tradeway Commission (COSO). The purpose of this process is to identify potential risks, to define and implement measures to limit such risks and to promote a risk control environment.

16.4.6 Market ethics charter

On April 4, 2007, Rexel adopted a market ethics charter the objective of which is to specify the applicable regulations in respect of share transactions by permanent and/or occasional insiders and interested persons, including in particular corporate officers and employees of the Group who have constant or occasional access to inside information as well as outsiders to the Group who can, in the context of their role or position, have access to inside information in relation to Rexel or the Group.

The market ethics charter provides for the creation of the position of a market ethics manager within the Group. The market ethics manager oversees compliance with the market ethics charter, in particular by informing those persons concerned of the periods during which they must abstain from transactions involving Rexel's shares, informing the Management Board and the Supervisory Board of any finding of violations of the applicable regulations within the Group, or by establishing and updating a list, to be provided upon request to the AMF, of persons considered to be insiders, and informing such persons of their inclusion in such list.

The market ethics charter mentions the applicable obligations with respect to the holding, disclosure and use of inside information as well as the applicable sanctions in the event of a violation of such obligations. The market ethics charter thus specifies the confidentiality and abstention obligations or the obligation to hold shares in registered form that applies to permanent or occasional insiders and interested persons. The market ethics charter also lays out the definition of inside information as well as the applicable rules in the case of, for example, an offense and breach by an insider, or a market manipulation. It also provides for periods of abstention linked, in particular, to the publication of Rexel's financial accounts.

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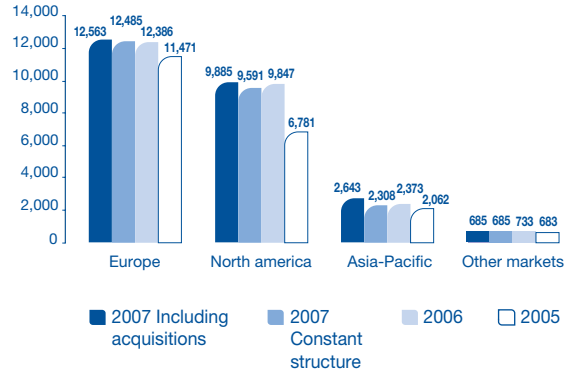
17.1.1 Group's employees

17.1.1.1 Number of employees and analysis of workforce

17.1.1.1.1 Overall headcount (number of people registered as at 31/12/2007)

At December 31, 2007, the Group had 25,776 employees in 28 countries, compared to 25,339 at December 31, 2006 and 20,997 at December 31, 2005. This slight increase (1.7%) is mainly due to the Group's growth by acquisition policy in each of its geographic zones. 77 nationalities are represented within the Group's employees.

Number of employees	Number of employees at December 31, 2007			
	2007 Including acquisitions	2007 Constant structure	2006	2005
Total number of employees	25,776	25,069	25,339	20,997
By geographic zone				
Europe	12,563	12,485	12,386	11,471
North America	9,885	9,591	9,847	6,781
Asia-Pacific	2,643	2,308	2,373	2,062
Other Operations	685	685	733	683



On a pro forma basis, the Group has 34,800 employees, including 9,678 in North America, 20,825 in Europe, 2,686 in Asia-Pacific and 1,611 in other countries.

Headcount by type of contract and per position

The use of fixed-term contracts and temporary contracts is rare in the Group and such contracts are used for the replacement of absent personnel or to face short-term requirements. In 2007, the average number of temporary workers was 840.4 in full-time equivalent (i.e., 3.3% of the overall monthly headcount in full-time equivalent). As at December 31, 2007, 24,517 people held an open-ended contract and 552 people held a fixed-term contract (2.2% of the headcount on a constant basis).

Within the Group, a large part of the headcount is dedicated to sales positions (60.3% in 2007) as well as to sourcing and logistics positions (20.6% in 2007). The portion allocated to other positions remains stable as compared to previous years: all of the Finance, Human Resources, Communication and other positions account for 10.6%, transportation accounts for 4.1%, Marketing and Purchasing account for 2.6%, and IT accounts for 2%.

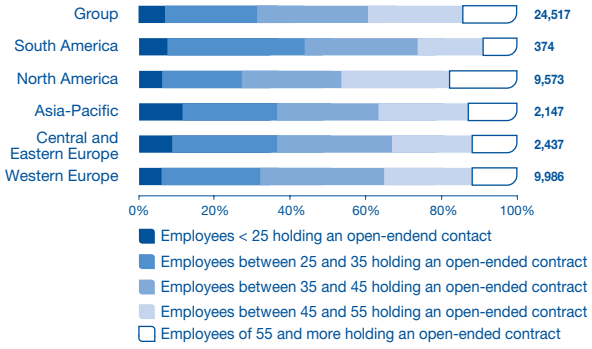
The percentage of managers was 15.4% of the overall headcount. The management/staff ratio varies between 11.2% for Central and Eastern Europe and 20.8% in Asia-Pacific. This variation is explained by differences in business organization and the number and size of sales locations in each country.

Headcount by age range (open-ended contracts)

The average age of employees holding open-ended contracts is 37.9 as compared to 39.2 last year. The most represented age range is 35 to 45, similar to the previous years (7,325 employees), followed by 45 to 55 (6,315 employees) and by 25 to 35 (6,042 employees). There are

3,122 employees holding open-ended contracts aged 55 and more (+7% compared to 2006).

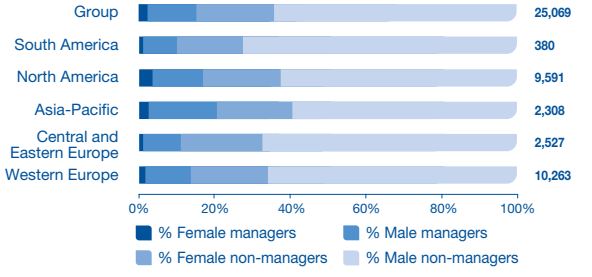
HEADCOUNT BY AGE RANGE (OPEN-ENDED CONTRACTS) AS AT DECEMBER 31, 2007



Headcount by gender

The Group focuses on promoting, on a like-for-like basis, gender equality in terms of career evolution, access to training, salaries and positioning in the company. Although the feminization of the Group's personnel faces recruitment difficulties in the specialized distribution industry, the number of female employees remains stable (5,793 in 2007 as compared to 5,814 in 2006), i.e. 23.1% of the overall headcount. The percentage of female managers remains stable at 16.3%, i.e. 628 people.

HEADCOUNT BY GENDER AS AT DECEMBER 31, 2007

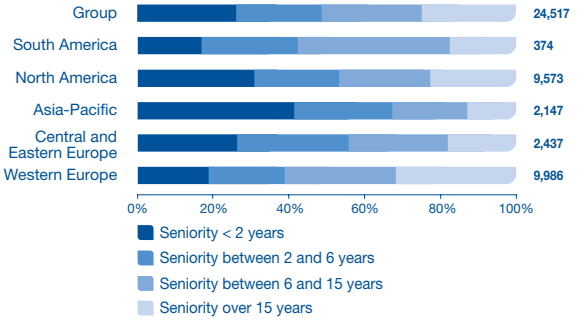


17.1.1.1.2 Turnover for employees holding open-ended contracts

Headcount by seniority

52% of employees have been in the company for more than 6 years. A higher turnover trend has been observed in Asia-Pacific, Central Europe and North America, where more than 50% of employees have a seniority lower than 6 years.

HEADCOUNT BY SENIORITY (OPEN-ENDED CONTRACTS) AS AT DECEMBER 31, 2007



Turnover for employees with open-ended contracts as at December 31, 2007

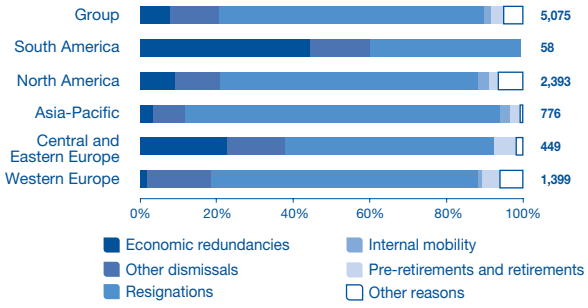
	2005	2006	2007
Group total	**17.3%**	**19.1%**	**20.6%**

The employee turnover rate within the Group was 20.6% in 2007 as compared to 19.1% in 2006 and 17.3% in 2005. The turnover rate remains notably higher in North America and Asia-Pacific, where the job market is more dynamic and unemployment rates are lower. For the more exposed countries, targeted actions have been implemented to reduce this turnover rate, namely with respect to key positions: head of branch, mobile or counter salespeople. These actions include personalized assistance (job training, management competence development, etc.), retention measures, and systematic analysis of departure motives.

Departures of employees with open-ended contracts

In 2007, the number of employees departures holding open-ended contracts amounted to 5,075 as compared to 24,517 employees holding open-ended contracts. These departures result mainly from resignations (69.6% of the total number of departures in 2007 as compared to 60.6% in 2006), dismissals for all other causes (12.7% of the total number of departures in 2007 as compared to 16.2% in 2006) and finally economic redundancies (7.9% of the total number of departures in 2007 as compared to 8.4% in 2006). The number of retirements and pre-retirements in 2007 was 166 as compared to 230 in 2006.

BREAKDOWN AND NUMBER OF DEPARTURES AS AT DECEMBER 31, 2007



Collective procedures

Three collective reorganizations were carried out in 2007 in the United States, in Austria and in The Netherlands. In the U.S., a reorganization affecting mainly the sales network was carried out further to the slow-down of the economic activity. 169 employees were laid off in compliance with applicable legal provisions.

In Austria, the linking process of the Schäcke and Regro branches to the new national logistics center located in Weisskirchen began in November 2007. Within the context of the consultation carried out with the personnel representative organizations, an action plan facilitating employee mobility was implemented. 64 employees were involved in this reorganization.

In The Netherlands, a transportation outsourcing project was carried out after the required consultation procedures were completed in July 2007. This project involved 36 people. The transfer of drivers took place in November 2007 further to negotiations with the unions.

Number and evolution of hires

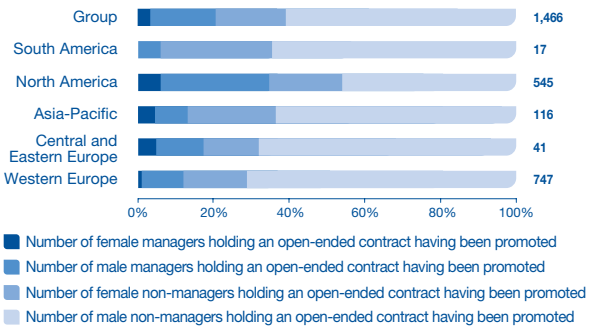
	2007
Number of hires	5,080
Including:	
– Open-ended contracts	**89.1%** i.e. 4,527 people
– Fixed-term contracts	**10.9%** i.e. 553 people

In 2007, the Group proceeded with 5,080 recruitments on a constant basis (5,201 including recruitments made in entities acquired in 2007), i.e. 20.2% of its registered headcount as at December 31, 2007 (on a constant basis). These recruitments were mainly (89.1%) open-ended contracts for non-managerial positions (91.2%). 23.6% of these positions were filled by women (1,039 open-ended contracts and 158 fixed-term contracts). 12.1% of these recruitments involved beginners, representing 615 people (people aged less than 30 with less than 2 years' professional experience). This data is consistent with previous years and confirm the very low rate of precarious jobs within the Group. Sales (BTS, Baccalaureate + 4/5 years' graduate studies) and technical profiles are sought in order to fulfill most needs and face the job requirement evolution.

The integration success rate for new employees improved (87.7% success rate after 3 months in 2007 as compared to 84.6% in 2006). The countries pursued the actions implemented since 2005 with respect to integration paths. The new welcome pack "Energize your first steps with REXEL", which is available in 3 languages (English, German and French), was published and presents the Group's key figures, its environment, its stakes and its activities. This pack is systematically distributed to each new arrival. In parallel, the integration program for each new arrival is structured in 4 stages: welcome (presentation of Rexel by the Human Resources department), meeting with site employees upon beginning the job, immersion and site visits, summary and discussion with respect to the new arrival's potential requirements (training, etc.).

In addition to these external hires, the number of promotions over 2007 was 1,466, showing an increase as compared to 2006 (1,173 promotions). These promotions are allocated geographically as follows.

BREAKDOWN AND NUMBER OF PROMOTIONS IN 2007



17.1.1.2 Organization and management of working hours

Weekly working hours and allocation of part-time or full-time jobs

For full-time employees, weekly working hours do not exceed legal and industry limits. The Group rarely uses overtime (1.5% of the annual number of worked hours).

Use of part-timers

	2005	2006	2007
% of part-time employees	3.5%	3.6%	3.1%

The overall number of part-time employees in the Group is 817, i.e., 3.1% of the overall headcount, and is comparable to the level during previous years. Women constitute the highest part-time population (64.9%), mainly in non-managerial positions (88.1%).

Absences

	2005	2006	2007
% of part-time employees	3.7%	2.5%	2.7%

The absence rate is 2.7% for 2007. The absence rate is highest in certain European countries (Belgium, France, Slovenia, Sweden). Prevention actions with respect to employee health (annual medical check-up, flu vaccination campaign) as well as information campaigns on hygiene and nutrition (Switzerland, Sweden) were implemented in most countries. Several countries (Germany, Canada, France, USA) carried out actions to reduce the absence rate (incentives, personalized follow-up, flexible working hours, etc.).

17.1.1.3 Remuneration and benefits

The remuneration policy is based on performance and on the company's results. Remuneration levels are defined for each country in order to fulfill two requirements: competitive remunerations and internal equity. The percentage of employees eligible for variable remuneration (bonus and commissions) represents 2/3 of the Group's overall headcount. This applies mainly to sales positions and management personnel.

Employee shareholding

When it was listed in April 2007, Rexel employees had the opportunity to purchase shares in the company further to a transaction reserved for them in France and 20 other countries. In order to allow employees to subscribe to new shares within the context of a capital increase reserved for them, Rexel implemented a group savings plan *(Plan d'Epargne Groupe)* (**"PEG"**) open to the Group's French entities and an International Group Savings Plan *(Plan d'Epargne Groupe International)* (**"PEGI"**), open to Group subsidiaries abroad. Among 24,373 eligible employees, 4,468 subscribed to the plan, i.e., an overall rate of 18.33% which was a very satisfactory rate given the very short implementation time-frame and the confidentiality constraints affecting the listing. In five countries (U.S., France, Ireland, Hungary and Chile), the subscription rate exceeded 20%. Two thirds of the employees subscribed to formulas with leverage whereas one third preferred "ordinary" formulas.

Benefits

In most countries, complementary health and retirement coverage is offered to employees in addition to mandatory coverage. For employees, subscribing to these plans is voluntary in most cases. With respect to social security benefits, there is no practice applying to all countries. Some benefits are also granted in addition to mandatory benefits, either further to collective agreements or unilaterally: housing allowance, meal tickets, participation to child care, legal assistance services, etc.

17.1.1.4 Labor relations

	2005	2006	2007
Number of agreements signed within the Group	31	19	36

Rexel respects the independence and pluralism of union organizations. It maintains permanent dialog with them in all countries where it operates. The Group's commitment to freedom of expression, social dialog and the effective recognition of the right to collective bargaining is restated in the ethics guide. The social climate within the Group is stable. The overall number of hours of strike in 2007 was 100 hours, registered in Italy within the context of national discussions with respect to the reform of employment contracts. Employee representative organizations exist in most countries where the Group develops its activities. The way these organizations operate varies widely from one country to another, depending on applicable national laws. In 2007, 36 agreements were signed in the following countries: Germany, Austria, Belgium, France, The Netherlands, Sweden, Canada, the USA. The agreements signed in 2007 related to the organization of work and working conditions, salary negotiations, social dialog and employment protection plans.

The European works council was created in December 2005 and represents all the Group's employees in Europe. During its plenary meeting in June 2007, the European works council signed an agreement widening its scope to two new countries included in the Group in 2006 (Ireland and Poland). The European works council is the privileged forum to discuss the company's strategy. The following topics were presented: listing of Rexel during the first quarter of 2007, information on the "Opportunity 2007" employee shareholding plan, the organization of elections within the supervisory boards of the two employees' mutual funds (FCPE), information on Rexel growth levers and strategic orientations, information on action plans with respect to controlled energy. Upon request by the representatives, Rexel also carried out a specific study with respect to the protection of pregnant women in Europe, the results of which will be discussed during a bureau meeting during the first quarter of 2008.

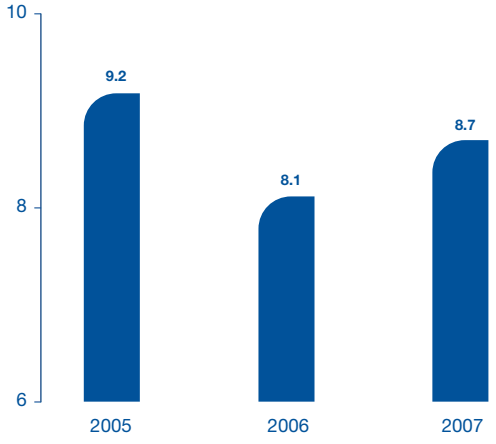
17.1.1.5 Hygiene and safety

The safety of personnel and assets is a permanent and major preoccupation. Rexel is intent on pursuing the actions initiated over the past few years: reinforcing the

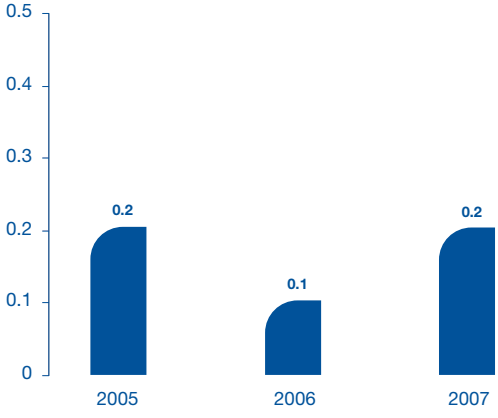
safety of its installations, improving the safety of employees in the workplace, offering motivating working conditions. Further to the internal monitoring campaign carried out at the end of 2006, action plans were implemented in order to reinforce the personnel's individual involvement as well as the dedication of the management.

	2005	2006	2007
Number of accidents resulting in death	0	1	0
Number of accidents resulting in medical leave	422	390	440
Number of working hours lost further to a working accident	10,182	7,095	12,485

Frequency rate

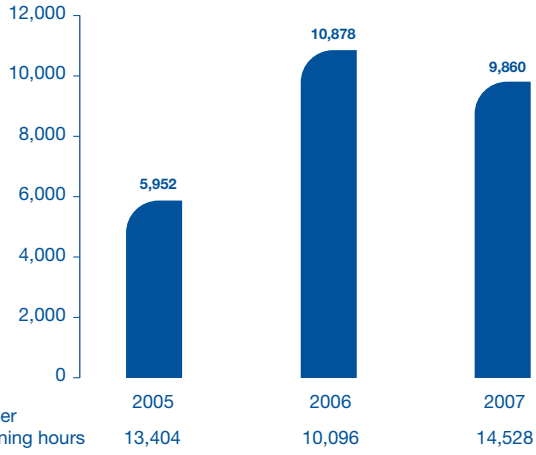


Gravity rate



With 8.7 working accidents per million working hours, the frequency rate of working accidents with medical leave has slightly increased in 2007 due to longer medical leaves caused by working accidents and pathologies. The gravity rate of working accidents was 0.2 in 2007.

Number of employees trained (headcount)



In 2007, 9,860 employees were trained with respect to safety and the overall number of training hours is 14,527.5 hours. This awareness campaign is also carried out in the form of risk prevention programs through the intranet site or through multimedia means, directly accessible to the employees. There are numerous local initiatives (integration path in logistics centers, first aid training, "gestures and postures" training, etc.) which complete the mandatory programs (fire evacuation plan, first aid training, etc.). These actions will be pursued in 2008 with the purpose of reducing the number of working accidents more significantly.

17.1.1.6 Training and skills management

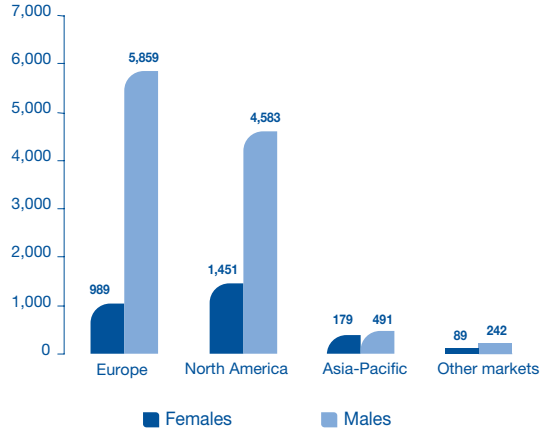
As for previous years, more than half of the training sessions organized by the Rexel School related to marketing and sales: sales territory management, counter sales, telephone sales, customer service, branch marketing and merchandising, role of the head of branch in sales promotion. In parallel, very diverse training sessions regard team management, management, IT and/or advanced language courses. These sessions are carried out either internally or with the assistance of external suppliers.

In 2007, the training budget amounted to €8,149,400. The overall number of people trained was 13,883 and the number of training hours amounted to 155,215 hours. On a constant basis, the number of persons trained slightly decreased as compared to 2006 (–7%). This reduction is directly linked to the end of training cycles which supported the launch of new IT platforms in France and in the U.S.

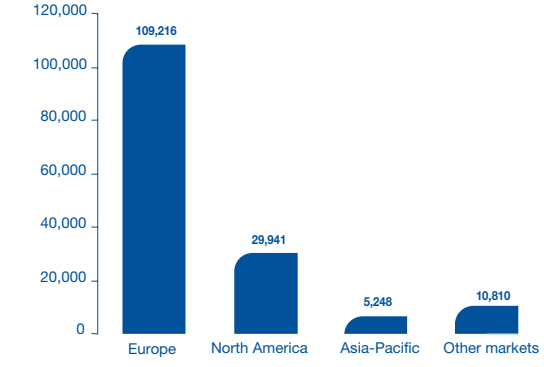
Training expenses by position



Training expenses by gender



Total number of hours of training



Overall training expenses (k€)	Europe	North America	Asia-Pacific	Other markets
	5,477	1,916	375	382

Performance assessment and skills development

An annual employee performance assessment session takes place in all Group entities. Further to the employee opinion study carried out in 2006, the Group implemented a strong policy in order to widen the practice of these interviews and energize the process. The management line is the first involved in the development of company employees. The activity interview was oriented towards a more operational logic in the definition of objectives and a more managerial logic by integrating employee personal development plans. This new assessment format will be dispatched in 2008 to all managers in the Group through new career management software (Successfactor).

	2005	2006*	2007
Number of employees having received a performance assessment	12,120	11,198	17,563
% of employees assessed as compared to eligible employees	77.4%	74.1%	81.1%
% of employees assessed as compared to overall headcount	57.7%	44.1%	67.8%

* Outside of France.

17.1.1.7 Charities and patronage

Rexel encourages each of its entities to develop close relationships with local organizations and to be attentive to the specific requirements of professional organizations, associations and third parties. The overall amount of donations at Group level is €217,000. These donations were mainly made to support medical research, charitable organizations for developing countries or education programs in which employees participate.

17.1.1.8 Rexel's ethical commitment

In 2007, Rexel implemented its ethical approach and distributed the ethics guide to its employees. The purpose of this approach is to favor the adhesion of all the employees to strong values of integrity, respect, transparency and discussion in their daily activities. This guide affirms the protection of human rights, the absence of collusion in human rights violations, the elimination of all forms of forced and mandatory labor, the effective abolition of child labor, the elimination of discrimination with respect to employment and the exercise of a profession, the fight against corruption and illicit payments, the prevention of conflicts of interest and the affirmation of responsible practices with respect to labor and environmental issues.

The Group named its ethics approach "Asking the right questions" and set out 3 priority actions for 2007:

– Ensuring the distribution of the ethics guide to all employees: the ethics guide is published in the 16 languages used within the Group. It has been forwarded to all Group employees between May and September 2007. The guide was also included in the documents given to each new arrival, as well as on the Intranet/Internet sites of the various entities (www.rexel.com).

– Generate awareness and train the employees. Information and discussion meetings are organized in all countries regarding the ethics guide. A multimedia document was provided by the Group, consisting in practical cases and multiple-choice questions in order to facilitate exchanges and explain the nature and scope of the Group's rules of ethics. As at December 31, 2007, these meetings had taken place in 80.7% of the sites (Group headquarters, national management, regional management, branches, logistics centers). In addition to these meetings, specific training was provided namely to the sales teams within the framework of the guide distribution (Spain, Portugal, The Netherlands). Specific training was provided by the ethics correspondent in Germany on the themes of corruption and illicit payments.

– Encourage open discussions between employees and their management: each employee's privileged correspondent with respect to matters of ethics is his/her manager. Rexel forbids any retaliation measures against anyone having attempted to highlight or attempt to resolve an ethical issue. A network of "ethics correspondents" has been implemented. These correspondents are appointed by the General Manager of each country and carry out these duties in addition to their usual duties. Therefore, employees holding various positions (human resources, legal, marketing, purchasing, finance, internal control, general managers) participate in the Group's ethics approach. They ensure the dissemination of the ethics guide to all employees, take any required initiatives to implement the Group's ethics principles and practices and answer questions which may be sent to them under the authority of the Group Manager for Human Resources. They may be contacted by e-mail by any person, whether or not they are employees, wishing to ask a question or highlight a specific issue. In North America, a hotline is also available to employees. The chart below sets out the requests received by the ethics correspondents according to type, author, subject and geographic area where these questions were asked.

		Number of requests made to the ethics correspondent
Type of request	Information	5
	Complaint	5
	Dispute	1
	Others	–
Author of the request	Rexel employees	5
	Customers	3
	Suppliers	1
	Local authorities	–
	Others	2
Subject matter of the request	Relationships with suppliers	2
	Relationships with customers	2
	Relationships between employees	–
	Working conditions	5
	Fight against corruption	1
	Fight against fraud and theft	1
	Environmental protection	2
Geographic area	Europe	7
	North America	3
	Asia-Pacific	1
	Others	–

For each of these cases, answers were given at the relevant country level. None of these requests resulted in sanctions. In 2008, Rexel wishes to initiate discussions with all stakeholders (suppliers, customers, shareholders, local authorities, others) and if necessary implement targeted and coordinated actions in compliance with its ethics approach and durable development.

17.1.2 Hagemeyer's employees

Information presented in this section is taken from the "Human Resources" section of Hagemeyer's Annual Report for the year ended December 31, 2007 (page 27). Hagemeyer's Annual Report for the year ended December 31, 2007 is available in English on Hagemeyer's website (www.hagemeyer.com). Rexel has translated into French and reproduced this information. Rexel cannot assume responsibility for the accuracy and exhaustive nature of this information as disclosed in Hagemeyer's Annual Report.

Development of number of employees

In 2007, the number of full-time equivalent employees (FTE) at Hagemeyer increased from 17,519 to 18,047 at year-end. This increase of 528 FTEs consisted of:

- 395 employees who joined Hagemeyer as a result of acquisitions (mainly in Belgium, Latvia and in the United States);
- 583 newly-created jobs, mainly in Hagemeyer's PPS activities in Finland (agency openings) in Eastern Europe and China (substantial growth activities) as well as in Mexico (new commenced industrial contracts); and
- a reduction of 407 FTEs in the United Kingdom (247 employees) and the United States (160 employees) due to the efficiency improvements in the branch network, logistical restructuring and the reduced industrial contracts. In addition, Hagemeyer divested a business activity in the United States (43 workers).

59% of Hagemeyer's employees work in the PPS operations in Europe and China, 28% in North America, and 8% in the Asia-Pacific region. The ACE activities employ 5% of Hagemeyer's total number of employees.

International Human resources, training and management development

The international Human Resources committee, consisting of the six regional Human Resources directors of the PPS business of Hagemeyer, met a number of times in 2007. In their meetings a variety of Human Resources-related topics were discussed, such as the implementation of an international development program for high potentials, recruitment of new talent, performance evaluation and remuneration, internal communication, sustainability and social indicators, and the streamlining of employee satisfaction measurement systems with the help of a renowned external benchmarking firm in this field.

"Summit", the Hagemeyer international management development programme which was initiated in 2006 in co-operation with Tias Nimbas Business School in The Netherlands was successfully rounded off in 2007. In this global programme, 45 senior managers of the Hagemeyer group focused on acquiring new knowledge, knowledge-sharing and practical project work. The last module of the programme of four modules, each lasting three to four days, was organized in April 2007 in The Netherlands. It finished with an internal award ceremony for the best group work on assigned strategic topics.

17.2 SHAREHOLDINGS HELD BY REXEL'S MANAGEMENT BOARD MEMBERS, SUPERVISORY BOARD MEMBERS AND CERTAIN GROUP EMPLOYEES

17.2.1 Rexel interests held by Management Board and Supervisory Board members

At the registration date of this *Document de Référence*, the members of Rexel's Management Board and Supervisory Board held the following ownership interests in Rexel's share capital:

	Number of shares	% of the share capital and voting rights
Members of the Management Board		
Jean-Charles Pauze	568,478	0.22
Nicolas Lwoff	269,276	0.11
Pascal Martin	269,276	0.11
Jean-Dominique Perret	179,518	0.07
Members of the Supervisory Board		
Roberto Quarta	2	NS
Patrick Sayer	2	NS
François David	1	NS
Fritz Fröhlich	1	NS
Djamal Moussaoui	2	NS
Luis Marini-Portugal	2	NS
David Novak	2	NS
Guido Padovano	2	NS
Joe Rice	2	NS
Eurazeo (1)	1	NS

(1) This shareholding does not take into account the Rexel shares held by Ray Investment, 30.6% of the share capital of which is held by Ray France Investment S.A.S., a 95%-owned subsidiary of Eurazeo.

Furthermore, members of the Managing Board received free shares, the characteristics of which are described in paragraph 17.2.4 of this *Document de Référence*.

17.2.2 Employees shareholding

In accordance with the eleventh resolution of the Ordinary and Extraordinary Shareholders' Meeting held on February 13, 2007, the Management Board has decided, on March 20, 2007 and April 4, 2007, to implement an increase in Rexel's share capital reserved for the employees of Group companies which have adhered to the PEG and the PEGI in the following countries: Germany, Australia, Austria, Belgium, Canada, Chile, Spain, the United States, France, Hungary, Ireland, Italy, New Zealand, The Netherlands, Portugal, the Czech Republic, the United Kingdom, Slovakia, Slovenia, Sweden and Switzerland.

The total number of shares that have been issued pursuant to the decisions of the Management Board of March 20, 2007 and April 4, 2007, implementing the increase in Rexel's share capital reserved for the employees of Group companies which have adhered to the PEG and the PEGI plan amounts to 1,436,874 shares, and the total amount of the capital increase reserved to such employees amounts to €19,266,448 (including an issuance premium of €12,082,078), taking into account a par value of €5 per share. This capital increase was carried out and recorded by the Management Board meeting of April 18, 2007. On April 18, 2007, the Management Board also carried out the issuance of 40,594 warrants to subscribe for shares

(BSAs) attached to the 40,594 shares subscribed by the "Rexel Germany Levier 2012" compartment of the "Rexel Actionnariat International" Employee Investment Fund.

17.2.3 Options to subscribe for shares of the Company

17.2.3.1 Rexel's share purchase option plans

On October 28, 2005, the Extraordinary Shareholders' Meeting authorized the Chairman of Rexel (then a *société par actions simplifiée*) to grant certain employees or corporate officers of the Group's French or foreign companies, under two share subscription options plans, on one or more occasions, a maximum total of 3,171,300 options to subscribe for Rexel's shares giving the right to subscribe for a maximum total of 3,171,300 of Rexel's shares, in the event of exercise of all the options, at a subscription price of €10 per share (before division of the par value of Rexel's share which took place during 2007) and subject to certain conditions.

Pursuant to the delegation of powers granted to him by the Shareholders' Meeting, the Chairman:

1. on October 28, 2005, fixed the terms and conditions of a first share subscription option plan for certain of Rexel's employees or corporate officers of the Group's French or foreign companies (the "**Plan No. 1**"). Plan No. 1 concerned 2,882,000 options to subscribe for shares at the maximum, representing 2,882,000 new shares to be issued by Rexel at the maximum. The subscription price was €10 (before division of the par value of Rexel's share which took place during financial year 2007). Plan No. 1 has a duration of ten (10) years as from (i) October 28, 2005, if all the options have been granted on this date, or (ii) October 28, 2006. Under Plan No. 1, the Chairman of Rexel granted 2,775,120 options to subscribe for shares, of which 2,711,000 were effectively granted to 46 beneficiaries; and

2. on November 30, 2005, fixed the terms and conditions of a second share subscription option plan for certain other employees and corporate officers of the Group's French or foreign companies (the "**Plan No. 2**"). Plan No. 2 concerned 289,300 options to subscribe for shares at the maximum, representing 289,300 new shares to be issued by Rexel at the maximum. The subscription price was €10 (before division of the par value of Rexel's share which took place during 2007). Plan No. 2 has a duration of 10 years as from (i) November 30, 2005, if all the options have been granted on this date, or (ii) November 30, 2006. Under Plan No. 2, the Chairman of Rexel granted 265,700 options to subscribe for shares, of which 259,050 were effectively granted to 198 beneficiaries.

On May 31, 2006, the Shareholders' Meeting, duly noting that there remained a certain number of options to be granted under Plan No. 1 and Plan No. 2 and that other options had become available after certain beneficiaries had left the Group, authorized the Chairman of Rexel to carry out (i) a new grant of options up to a maximum of 171,000 options under Plan No. 1, and (ii) a new grant of options up to a maximum of 35,586 options under Plan No. 2. Furthermore, on the basis of a multi-criteria analysis, the Shareholders' Meeting fixed at €13 the subscription price for one share of Rexel upon the exercise of one option to subscribe for shares.

On the same day, the Chairman, using the delegation of powers he had been granted, decided to award (i) 169,236 options to subscribe for shares to 5 beneficiaries under Plan No. 1 and (ii) 35,550 options to subscribe for shares to 35 beneficiaries under Plan No. 2, 34,550 options having been effectively granted to 34 beneficiaries.

On October 4, 2006, the Shareholders' Meeting, duly noting that there remained a number of options to be granted under Plan No. 1 and that other options had become available after certain beneficiaries had left the Group, authorized the Chairman of Rexel, under Plan No. 1, to carry out a new stock option grant up to a maximum of 164,460 options. Furthermore, on the basis of a multi-criteria analysis, the Shareholders' Meeting fixed the stock option subscription price at €19 per Rexel share upon the exercise of an option to subscribe for shares.

On the same day the Chairman, using the delegation of powers he had been granted, decided to grant 164,460 options to 7 beneficiaries under Plan No. 1.

The beneficiaries of options granted under Plan No. 1 and Plan No. 2 may exercise their option only on the latest date between (i) expiry of a period of non-availability of 4 years as from the time they are granted and (ii) the occurrence of certain events defined by Plan No. 1 and Plan No. 2, including in particular admission of Rexel's shares to trading on a regulated market.

Furthermore, the terms and conditions of Plan No. 1 stipulate that the number of options that may be exercised varies based on the annual internal rate of return of funds invested by Ray Investment S.à r.l. in the Group, calculated as of the date and on the basis of the pricing of the initial public offering of Rexel.

Consequently, the table below sets forth the number of share subscription options definitively vested as at April 17, 2007 and which can be exercised at the term of the periods of non-availability.

Plan	Plan No 1			Plan No 2	
Date of shareholders' meeting	October 28, 2005	May 31, 2006	October 4, 2006	October 28, 2005	May 31, 2006
Option grant date	October 28, 2005	May 31, 2006	October 4, 2006	November 30, 2005	May 31, 2006
Number of options to subscribe for shares granted	2,711,000	169,236	164,460	259,050	34,550
Maximum total number of options that can be exercised [1]	1,231,002	140,944	267,452	474,456	67,976
Total number of shares that can be subscribed for [1]	1,231,002	140,944	267,452	474,456	67,976
Total number of shares that can be subscribed by [1]					
Rexel's corporate officers	–	–	–	–	–
Rexel's ten first employees	860,750	169,236	164,460	35,500	17,600
Start of option exercise period	October 28, 2009	May 31, 2010	October 4, 2010	November 30, 2009	May 31, 2010
Option expiry date	October 28, 2016	October 28, 2016	October 28, 2016	November 30, 2016	November 30, 2016
Exercise price [1]	€5	€6.50	€9.50	€5	€6.50

(1) After the division of the par value of the Rexel share which occurred in 2007.

Furthermore, during the financial year ended December 31, 2007, (i) no option was granted to Rexel's corporate officers or to the ten first employees of Rexel in terms of number of option to subscribed for shares, and (ii) no option was exercised by Rexel's corporate officers or the ten first employees of Rexel in terms of number of options to subscribe for shares.

17.2.3.2 Plans instituted by Rexel Distribution

17.2.3.2.1 Share purchase option plans

Rexel Distribution share purchase option plans instituted in 1998

At the extraordinary general meeting held on June 4, 1998, the shareholders of Rexel Distribution authorized the Board of Directors of Rexel Distribution to grant, on one or more occasions, options to purchase Rexel Distribution shares in the amount of up to 10% of the Rexel Distribution's capital.

On the same date, the Board of Directors of Rexel Distribution set up for the benefit of certain managers and senior executives of Rexel Distribution the plan relating to these share purchase options and awarded 24,500 options to purchase Rexel Distribution shares, giving the right to purchase 24,500 shares of Rexel Distribution at the price of €371.21 per share. On July 6, 1998, following the extraordinary shareholders' meeting of June 4, 1998, the number of Rexel Distribution shares was multiplied by four and the nominal amount of the shares divided by four. The number of stock purchase options was therefore increased to 98,000 options giving the right to purchase 98,000 shares of Rexel Distribution at the price of €92.80 per Rexel Distribution share. The stock options could not be exercised during a period of five years following the date of grant. The beneficiaries of these options could subsequently exercise their options only during a period of five years following the end of this first five-year period, that is, until June 3, 2008 inclusive.

Following the Rexel Distribution capital increase effected in June 2003 and the exceptional distribution of reserves on March 4, 2005, the purchase price of the Rexel Distribution shares was adjusted. As of the date of this *Document de Référence*, the purchase price of the Rexel Distribution shares is €68.38 per share.

Rexel Distribution share purchase option plans established in 1999

At the extraordinary general meeting held on May 25, 1999, the shareholders of Rexel Distribution authorized the Board of Directors of Rexel Distribution to grant, on one or more occasions, options giving the right to purchase existing shares of Rexel Distribution arising from share repurchases by Rexel Distribution under the conditions and within the limits of applicable laws.

On December 8, 1999, the Board of Directors of Rexel Distribution set up for the benefit of certain managers and senior executives of Rexel Distribution the plan relating to these stock purchase options and awarded 176,100 options to purchase Rexel Distribution shares, giving the right to purchase 176,100 shares of Rexel Distribution at the price of €74.67 per Rexel Distribution share. The stock options could not be exercised during a period of five years following the date of grant. The beneficiaries of these options could subsequently exercise them only during a period of five years following the expiration of this first five-year period, that is, until December 7, 2009 inclusive.

Following the Rexel Distribution capital increase effected in June 2003 and the exceptional distribution of reserves on March 4, 2005, the purchase price of the Rexel Distribution shares when exercising the options was adjusted. As of the date of this *Document de Référence,* the purchase price of Rexel Distribution shares is €55.02 per share.

17.2.3.2.2 Share subscription option plans

Rexel Distribution share subscription option plans established in 2001

At the extraordinary general meeting held on May 16, 2001, the shareholders of Rexel Distribution authorized the Board of Directors of Rexel Distribution to grant to certain employees of Rexel Distribution, on one or more occasions, options to subscribe for Rexel Distribution shares, giving the right to subscribe for a maximum of 1,000,000 Rexel Distribution shares, subject to certain conditions and to the exercise of all options. The subscription price was equal to the average of the closing prices on the stock exchange during the 20 trading days preceding the option grant date.

On May 16, 2001, the Board of Directors of Rexel Distribution set up the plan relating to these options to subscribe for shares and awarded 299,300 options to subscribe for Rexel Distribution shares, giving the right to subscribe for 299,300 shares of Rexel Distribution at the price of €81 per Rexel Distribution share. These options could not be exercised for a period of four years following the date of grant. The beneficiaries of these options could subsequently exercise them only during a period of six years following the expiration of this four-year period, that is, until May 15, 2011 inclusive.

Following the Rexel Distribution capital increase effected in June 2003 and the exceptional distribution of reserves on March 4, 2005, the subscription price of the Rexel Distribution shares when exercising the options was adjusted. As of the date of this *Document de Référence,* the subscription price for the Rexel Distribution shares that may be subscribed for after exercising the options to subscribe for shares granted under the 2001 plan is €59.68 per share.

Rexel Distribution share subscription option plans established in 2002

On May 13, 2002, under the authorization granted by the shareholders of Rexel Distribution at the aforesaid extraordinary general meeting held on May 16, 2001, the Board of Directors of Rexel Distribution granted 360,543 options to subscribe for 360,543 Rexel Distribution shares at the price of €70.57 per Rexel Distribution share. The stock options could not be exercised for a period of four years following the date of grant. The beneficiaries of these options could subsequently exercise them only during a period of six years following the expiration of this four-year period, that is, until May 12, 2012 inclusive.

Following the Rexel Distribution capital increase effected in June 2003 and the exceptional distribution of reserves on March 4, 2005, the subscription price for the Rexel Distribution shares was adjusted. As of the date of this *Document de Référence,* the subscription price for the Rexel Distribution shares that may be subscribed for after exercising the options to subscribe for shares granted under the 2002 plan is €51.99 per share.

Rexel Distribution share subscription option plans established in 2003

At the extraordinary general meeting held on May 14, 2003, the shareholders of Rexel Distribution authorized the Board of Directors of Rexel Distribution to grant to certain employees and corporate officers of Rexel Distribution, on one or more occasions, options to subscribe for Rexel Distribution shares, giving the right to subscribe for a maximum of 1,000,000 Rexel Distribution shares, subject to certain conditions and to the exercise of all options. The subscription price could not be lower than 80% of the average of the opening prices on the stock exchange during the 20 trading days preceding the option grant date.

On July 7, 2003, the Board of Directors of Rexel Distribution set up the plans relating to these options and granted 623,413 options to subscribe for a maximum of 623,413 Rexel Distribution shares at the price of €26.75 per Rexel Distribution share, it being specified that 173,488 of the 623,413 options granted could be exercised only if certain performance criteria tied to the results of Rexel Distribution were met in 2004 and 2005. Following the exceptional distribution of reserves on March 4, 2005, the subscription price for Rexel Distribution shares was adjusted. As of the date of this *Document de Référence,* the subscription price is €21.61 per Rexel Distribution share. The options to subscribe for shares under the 2003 plan that are not covered by the liquidity agreement described below are exercisable between July 8, 2007 and July 6, 2013 inclusive.

Rexel Distribution share subscription option plans established in 2004

At the extraordinary general meeting held on May 24, 2004, the shareholders of Rexel Distribution authorized the Board of Directors of Rexel Distribution to grant to certain employees and corporate officers of Rexel Distribution, on one or more occasions, a maximum number of options to subscribe for Rexel Distribution shares, giving the right to subscribe for a maximum of 1,300,000 Rexel Distribution shares, subject to certain conditions and to the exercise of all options. The subscription price was equal to the average of the opening prices on the stock exchange during the 20 trading days preceding the date of grant of the options.

On July 5, 2004, the Board of Directors of Rexel Distribution set up the plans relating to these options and awarded 782,790 options to subscribe for Rexel Distribution shares, giving the right to subscribe for 782,790 Rexel Distribution shares at the price of €35.26 per Rexel Distribution share, here being specified that 179,550 of the 782,790 options granted could be exercised only if certain performance criteria tied to the results of Rexel Distribution were met in

2005 and 2006. Following the exceptional distribution of reserves on March 4, 2005, the exercise price for the stock options was adjusted. As of the date of this *Document de Référence,* the subscription price is €28.49 per Rexel Distribution share. Options to subscribe for shares under the 2004 plan that are not covered by the liquidity agreement described below are exercisable between July 6, 2008 and July 4, 2014 inclusive.

The table below summarizes the status of the share purchase and subscription option plans established by Rexel Distribution as of December 31, 2007:

Date of general meeting	Option type	Number of options initially granted	Option grant date	Purchase or subscription price as of grant date (in euros)	Options potentially exercisable as of date of this document	Purchase or subscription price as of date of this document (in euros)	Number of options covered by liquidity agreement	Number of Rexel shares to which the options give a right
June 4, 1998	Share purchase options	98,000	June 4, 1998	92.80	8,422	68.38	NA	8,422
May 25, 1999	Share purchase options	176,100	December 8, 1999	74.67	36,845	55.02	NA	36,845
May 16, 2001	Share subscription options	299,300	May 16, 2001	81	101,085	59.68	NA	101,085
May 16, 2002	Share subscription options	360,543	May 13, 2002	70.57	61,802	51.99	NA	61,802
May 14, 2003	Share subscription options	449,925	July 7, 2003	26.75	1,134	21.61	0	1,134
May 14, 2003	Share subscription options tied to performance criteria	173,488	July 7, 2003	26.75	0	21.61	0	0
May 24, 2004	Ordinary share subscription options	603,240	July 5, 2004	35.26	345,461	28.49	341,669	345,461
May 24, 2004	Share subscription options tied to performance criteria	179,550	July 5, 2004	35.26	145,553	28.49	145,553	145,553

See note 16.3 to Rexel's consolidated financial statements set forth in paragraph 20.1.1.1 of this *Document de Référence*.

17.2.3.2.3 Liquidity agreement

Under the terms of the guaranteed-price tender offer followed by a squeeze-out initiated after Rexel Distribution was acquired by Ray Investment on December 10, 2004, Ray Acquisition S.C.A. (today Rexel Développement) set up a liquidity mechanism for the beneficiaries of stock options granted under the 2003 and 2004 plans. Ray Acquisition S.C.A. (today Rexel Développement) entered into an agreement with certain beneficiaries under the terms of which such beneficiaries undertook to sell to Ray Acquisition S.C.A. (today Rexel Développement), if Ray Acquisition S.C.A. (today Rexel Développement) wished to purchase them (the "**Call**") and Ray Acquisition S.C.A. (today Rexel Développement) undertook to purchase from the relevant beneficiaries, if they

wished to sell them (the "**Put**") all Rexel Distribution shares held by beneficiaries of options under the 2003 and 2004 plan and obtained by exercising their 2003 and 2004 options at the end of a four-year lock-up period. In consideration for this liquidity undertaking, the beneficiaries of 2003 and 2004 options to subscribe for shares waived their right to exercise their options in advance under the tender offer followed by the squeeze-out and also irrevocably waived their right to any options that may have been granted to them under the 1998, 1999, 2001 and 2002 plans.

Ray Acquisition S.C.A. (today Rexel Développement) may exercise the Call during a period of 15 days from the end of the four-year lock-up period, that is, from July 6, 2008 until July 21, 2008 for the 2004 options (the "**Liquidity Period**") at a price of €31.12 per share. With respect to the 2003 options, the beneficiaries were able to exercise their Call from July 8, 2007 until July 23, 2007. 360,667 options were exercised and Ray Acquisition S.C.A. (today Rexel Développement) bought back 360,667 Rexel Distribution shares. The beneficiaries of the 2004 options may exercise the Put during a 15 day period from the expiration of each Liquidity Period. In the event the option is exercised, the price per share is determined through a classic formula pursuant to which the exercise price is equal to Rexel Distribution's shareholder's equity, divided by the number of shares of the company that are issued and to be issued. Shareholders' equity corresponds to a consolidated EBITDA multiple (enterprise value) from which is deducted consolidated financial debt, net of excess cash. Rexel Développement should exercise its Call on the 2004 options, as it did for the 2003 options.

17.2.3.2.4 Supplemental liquidity mechanism

As part of its initial public offering plan, Rexel offered the beneficiaries of options to purchase or to subscribe for Rexel Distribution shares, a liquidity mechanism (the **"Supplemental Liquidity Mechanism"**) for the beneficiaries of Rexel Distribution options that are not covered by the liquidity mechanism set up following the acquisition of Rexel Distribution by Ray Investment.

The table below shows the number of options issued by Rexel Distribution that were potentially exercisable as of February 28, 2007, and whose beneficiaries will be covered by the Supplemental Liquidity Mechanism:

Rexel Distribution Stock Option Plans	Exercise Price	Options Not Yet Exercised / (Number of Beneficiaries)	Options Covered by Supplemental Liquidity Mechanism
1998 Plan (share purchase options)	€68.38	8,422 options / (7)	8,422 options
1999 Plan (share purchase options)	€55.02	42,416 options / (64)	42,416 options
2001 Plan (share subscription options)	€59.68	110,191 options / (105)	110,191 options
2002 Plan (share subscription options)	€51.99	264,152 options / (442)	264,152 options
2003 Plan:			
– Ordinary options	€21.61	242,793 options/ (59)	991 options (out of 2,125)*
– Performance plan		124,584 options / (33)	–
2004 Plan:			
– Ordinary options	€28.49	345,461 options / (67)	1,747 options (out of 3,792)**
– Performance plan		151,098 options / (41)	–

* 991 out of the 2,125 2003 options potentially covered by the Supplemental Liquidity Mechanism are covered by the 2007 liquidity agreement.
** 1,747 of the 3,792 2004 options potentially covered by the Supplemental Liquidity Mechanism are covered by the 2007 liquidity agreement.

With respect to options under the 1998, 1999, 2001 and 2002 plans, for which the tax lock-up period (four or five years depending on the date of grant of these options) has expired, the Supplemental Liquidity Mechanism entailed granting to each beneficiary a call that may be exercised during a period of 20 trading days as from the settlement/ delivery date following admission of the Rexel shares to trading on the Euronext Paris market. Rexel undertook to purchase the Rexel Distribution shares resulting from the exercise of options under the 1998-2002 plans at a price per share equal to the product of (i) Rexel's equity at the date of Rexel's initial public offering (i.e., the number of shares that make up the share capital of Rexel at that date, multiplied by the initial offering price), increased by

the amount of the net indebtedness of Rexel and Ray Acquisition at the date of Rexel's initial public offering, (ii) divided by the number of Rexel Distribution shares issued and to be issued, and (iii) if applicable, multiplied by a coefficient of less than 1 to take into account the lack of liquidity of the Rexel Distribution shares. The net indebtedness of Rexel and Ray Acquisition S.C.A. (today Rexel Développement) are defined as the total indebtedness less the current assets of each company at the date of Rexel's initial public offering (after elimination of any inter-company assets and liabilities). The number of Rexel Distribution shares taken into account included the shares that make up that company's share capital immediately before implementation of the Supplemental Liquidity Mechanism, plus any shares that may be issued following the exercise, conversion or subscription of any rights or securities issued by the company and giving rights to its share capital. 154,587 Rexel Distribution shares were bought at a price of €53.06 per share.

With respect to Rexel Distribution options under the 2003 plan, for which the tax lock-up period expired on July 8, 2007, and the Rexel Distribution options under the 2004 plan, for which the tax lock-up period will expire on July 6, 2008, the Supplemental Liquidity Mechanism would entail entering into calls and puts with the relevant option beneficiaries, who did not wish to benefit from the liquidity mechanism proposed in 2005. Only certain option beneficiaries executed the 2007 liquidity agreement concerning their 2003 and/or 2004 options.

Thus, 991 out of the 2,125 2003 options potentially covered by the Supplemental Liquidity Mechanism were covered by the 2007 liquidity agreement. In this respect, Rexel had a put option on the shares resulting from the exercise of the options granted by the option beneficiaries, which was exercisable during a period of 10 trading days as from the end of the tax lock-up period under the 2003 plan, at a price per share identical to the price offered to the beneficiaries of options under the 1998-2002 plans under the liquidity arrangement described above. At the end of each put exercise period, the relevant option beneficiaries had a period of 20 trading days to exercise an option to purchase the shares created as a result of the exercise of the relevant options and granted by Rexel, at a price per share determined based on a multiple of Rexel's last consolidated EBITDA, plus the net indebtedness of Rexel and Ray Acquisition S.C.A., divided by the number of Rexel Distribution shares issued and to be issued. In this context, the put option was exercised and 991 Rexel Distribution shares were bought at a price of €53.06 per share.

With respect to Rexel Distribution options under the 2004 plan, 1,747 out of the 3,792 options potentially concerned by the Supplemental Liquidity Mechanism are covered by the 2007 liquidity agreement. In this respect, Rexel has a put option on the shares resulting from the exercise of the options granted by the option beneficiaries, which will be exercisable during a period of 10 trading days as from the end of the tax lock-up period under the 2004 plan, at a price per share identical to the price offered to the beneficiaries of options under the 1998-2002 plans under the liquidity arrangement described above, i.e. €53.06 per share. At the end of each put exercise period, the relevant option beneficiaries will have a period of 20 trading days to exercise an option, granted by Rexel, to purchase the shares created as a result of the exercise of the relevant options, at a price per share determined based on a multiple of Rexel's last consolidated EBITDA, plus the net indebtedness of Rexel and Ray Acquisition S.C.A., divided by the number of Rexel Distribution shares issued and to be issued. Rexel reserves the right to substitute Rexel Développement for itself to purchase the Rexel Distribution shares following implementation of the Supplemental Liquidity Mechanism.

17.2.4 Allotment of free shares

The Ordinary and Extraordinary Shareholders' Meeting of Rexel held on March 20, 2007 authorized the Management Board, for a period of 38 months, to grant free shares to certain members of the salaried staff and/or the corporate officers of Rexel and/or the companies and groups that are linked to Rexel directly or indirectly pursuant to the conditions of articles L.225-197-1, II and L.225-197-2 of the French commercial code or to certain categories among them.

The Shareholders' Meeting decided that, upon prior authorization by the Supervisory Board, the Management Board will determine the beneficiaries of the awards and the number of shares granted to each of them, the conditions of the award and, as the case may be, the criteria for granting the shares. The Shareholders' Meeting decided that the Management Board could, notably, make the grant of shares subject to certain criteria relating to individual or collective performance.

The Shareholders' Meeting decided that the number of free shares that can be granted will represent no more than 3% of Rexel's share capital evaluated on the day of the decision by the Management Board, subject to the regulatory adjustments necessary to preserve the beneficiaries' rights, it being specified that this ceiling is distinct from and autonomous of the overall ceiling specified in the eighth resolution of the Ordinary and Extraordinary Shareholders' Meeting held on February 13, 2007.

The Shareholders' Meeting decided that the shares granted to their beneficiaries will become vested after a minimum period of acquisition of 2 years and that the beneficiaries will be required to retain the said shares for an additional minimum period of 2 years as from the final grant of the shares. Notwithstanding the above, for beneficiaries who are not French residents on the date of the award, the granting

of said shares to their beneficiaries will be vested after a minimum period of acquisition of 4 years, the beneficiaries then being bound by no retention period.

Pursuant to the authorizations granted by the Ordinary and Extraordinary Shareholders' Meeting held on March 20, 2007 and by the Supervisory Board on April 4, 2007, the Management Board decided on April 4, 2007 on the principle of granting free shares, and, during its meeting on April 11, 2007, decided:

- to grant 5,022,190 free Rexel shares under the provisions of articles L.225-197-1 *et seq*. of the French commercial code;
- to set (i) the criteria and conditions for granting the free shares, and in particular the conditions of performance, and (ii) the duration of the period of acquisition and, as the case may be, the retention period, as included in the regulations of plans for granting shares free set out by the Management Board (the "**Plans**"). The regulations of the Plans are designated in function of their specific terms and conditions by the letters A, B, C, D, E, and F;
- to establish (i) the list of the names of the beneficiaries of the free share awards (collectively, the "**Beneficiaries of Free Shares**"), (ii) the number of free shares granted to each of the Beneficiaries of Free Shares, and (iii) the conditions applicable to each of the Beneficiaries of Free Shares according to Plans A, B, C, D, E and/or F under which, as the case may be, they are granted free shares.

Following these awards of free shares, certain Beneficiaries of Free Shares left the Group, thus liberating 45,949 shares that could be granted for free to new employees. Consequently, on October 5, 2007, the Supervisory Board authorized the Management Board to proceed with distributing the liberated shares to new employees who entered the Group between April 11, 2007 and October 29, 2007. On October 29, 2007, the Management Board decided:

- to grant 33,991 free Rexel shares under the provisions of articles L.225-197-1 *et seq*. of the French commercial code;
- to amend the two plans, E and F, that were implicated in the granting of the liberated shares, designated by the titles "Plan for Granting Free Shares 2+2 with conditions of performance 2007/2008" and "Plan for Granting Free Shares 4+0 with conditions of performance 2007/2008";
- to establish (i) the list of the names of the new beneficiaries of awards of free shares, (ii) the number of free shares granted to each of them, and (iii) the conditions applicable to each of the beneficiaries according to amended plans E and F under which, as the case may be, they have been granted the free shares.

Consequently, pursuant to the authorization conferred on it by the Shareholders' Meeting held on March 20, 2007, the Management Board, during the financial year ended December 31, 2007, granted to the managers named below, on the basis of the mandates and duties they perform in Rexel, the following free shares:

Name of the Director	Title and duties within the Group	Number of free shares granted	Value of the free shares granted (1)
Mr. Jean-Charles Pauze	Chairman of the Management Board	518,921	8,717,872
Mr. Nicolas Lwoff	Member of the Management Board, Director of Finance, Control and Legal Affairs of the Group	264,297	4,440,189
Mr. Pascal Martin	Member of the Management Board, Director of Group Operations and Development	264,297	4,440,189
Mr. Jean-Dominique Perret	Member of the Management Board, Director of Group Human Resources	176,199	2,960,143
Total		**1,223,714**	**20,558,395**

(1) On the basis of the closing price of the Rexel share on the date of the decision of the Management Board to grant the free shares.

Furthermore, pursuant to the authorization conferred to the Management Board by the Shareholders' Meeting on March 20, 2007, the Management Board granted, during the financial year ended December 31, 2007, to each of the twenty-eight first employees in terms of number of shares who are not corporate officers of Rexel, the following free shares:

Name of the Director	Title and duties within the Company	Number of free shares granted	Value of the free shares granted (1)
Mr. Patrick Bérard	General Manager France and Group Delegate for Italy, Spain and Portugal	264,297	4,440,189
Mr. Dan Palumbo	General Manager, Rexel Inc.	240,841	4,046,128
Mr. Richard Waterman	General Manager, International Electric Supply Corp. (USA)	240,841	4,046,128
Mr. Werner Hardt	General Manager, Central Europe and Scandinavia	222,302	3,734,673
Mr. Jeff Hall	General Manager Canada	176,886	2,971,684
Mr. Henri-Paul Laschkar	General Manager Southeast Asia	171,490	2,881,032
Ms Laetitia Olivier	Director of Communication	88,104	1,480,147
Mr. Frédéric de Castro	Director of Special Projects and of Financial Communication	44,558	748,574
Mr. Jeff Schaper	General Manager General Supply & Services Inc.	39,754	667,867
Mr. Guy Picken	General Manager Australia	31,190	523,992
Mr. Hubert Salmon	Managing Director U.K., Group Delegate Belgium, Netherlands & Luxembourg	31,190	523,992
Mr. Wayne Donaldson	VP Marketing and Purchasing	31,190	523,992
Mr. Richard Ferguson	VP Nedco	31,190	523,992
Mr. Patrick Foley	CFO & VP Finance & Administration Canada	31,190	523,992
Mr. Laurent Delabarre	Corporate VP Financial Control	31,190	523,992
Mr. Pierre Ferrere	Director Supplier Relationship Development	31,190	523,992
Mr. Alain Lenfant	CFO & VP Finance & Administration France	31,190	523,992
Mr. Jean-Noël Royer	Director National Sales Network	31,190	523,992
Mr. Pascal Buchner	VP IT Systems	31,190	523,992
Mr. Tim Copeland	President South Central Division	31,190	523,992
Mr. Mark Daniel	VP New Business Development	31,190	523,992
Mr. Mark Dendle	CFO & VP Finance & Administration USA	31,190	523,992
Mr. Douglas Hample	President Rocky Mountain Division	31,190	523,992
Mr. Timothy Hogan	President Southern Division	31,190	523,992
Mr. John Kudlacek	Director Marketing and Purchasing	31,190	523,992
Mr. Alan Rosenfeld	President West Coast Division	31,190	523,992
Mr. Peter Schiller	President Mid Atlantic & North East Divisions	31,190	523,992
Mr. Thomas Steffen	President South East Division	31,190	523,992
Total		**2,081,683**	**34,972,274**

(1) On the basis of the closing price of the Rexel share on the date of the decision of the Management Board to grant the free shares.

17.2.5 Issuance and grating of warrants to subscribe for Rexel shares

On April 4, 2007, the Management Board decided to use the authorization granted to him by the Ordinary and Extraordinary Shareholders' Meeting of February 13, 2007 in its eleventh resolution in order to carry out an increase in Rexel's share capital reserved for the employees. In order to take into account the constraints relating to local regulation, the Management Board has decided that the subscription price of the shares reserved for the beneficiaries in Germany (the **"German Beneficiaries"**), within the context of the leverage formula, would correspond to 100% of the offer price, i.e. €16.50 (after the division of the par value of the Rexel share which occurred in 2007), the German Beneficiaries receiving, in lieu of the 20% discount, a warrant to subscribe for shares of Rexel (a **"Warrant"**) for each share subscribed for through the compartment "Rexel Germany Levier 2012" of the "Rexel Actionnariat International" Employee Investment Fund.

17.2.5.1 Number of Warrants issued

The number of shares subscribed for within the context of the leverage formula in Germany amounting to 40,594, 40,594 Warrants, attached to the said shares subscribed for through the "Rexel Germany Levier 2012" compartment of the "Rexel Actionnariat International" Employee Investment Fund, approved by the AMF under the number FCE20070042, on behalf of the German Beneficiaries, holders of share of the "Rexel Germany Levier 2012" Employee Investment Fund, have been issued and freely allocated.

17.2.5.2 Form of the Warrants issued

The Warrants are held in registered form. They are registered in the name of the "Rexel Germany Levier 2012" compartment of the "Rexel Actionnariat International" Employee Investment Fund, in an account maintained by BNP PARIBAS SECURITIES SERVICES, 3, rue d'Antin, 75002 Paris.

17.2.5.3 Exercise conditions of the Warrants

The Warrants are exercisable at any time by the holder of the Warrants until April 30, 2012, inclusive. After April 30, 2012 at midnight, the Warrants which will not have been exercised will lapse.

The "Rexel Germany Levier 2012" Compartment of the "Rexel Actionnariat International" Employee Investment Fund, holder of the Warrants, will not be able to sell the Warrants except to BNP PARIBAS, underwriter, which will act as a counterpart within the context of the swap agreement entered into between BNP PARIBAS and the "Rexel Germany Levier 2012" compartment.

17.2.5.4 Representation of the Warrants holders

In accordance with Article L.228-103 of the French commercial code, Warrants holders will be grouped together, to protect their common interests, in a collective group *(masse)* which shall have legal personality. The *Masse* is governed by provisions identical to those applicable to bonds, under Articles L.228-47 to L.228-64, L.228-66 and L.228-90 of the French commercial code. A separate *Masse* for each type of securities giving access to the same rights will be, as the case may be, created.

17.2.5.5 Maintenance of the rights of the Warrants holders

In the event of a transaction affecting Rexel's share capital resulting in an adjustment in accordance with the provisions of Articles L.228-98 *et seq.* of the French commercial code and Articles R.228-87 *et seq.* of the French commercial code, the rights of the Warrants holders will be maintained through an adjustment of the subscription conditions in accordance with the provisions of the French commercial code above mentioned.

17.2.5.6 Exercise of the subscription right

Subject to the adjustments effected, as the case may be, in accordance with paragraph 17.2.5.5 of this *Document de Référence,* each Warrant gives the right to subscribe for one new share of Rexel with a par value of €5 (as of the date hereof) in consideration of a subscription price corresponding to the Offer Price as determined by the Management Board on April 4, 2007, i.e., €16.50 (after the division of the par value of the Rexel share which occurred in 2007). The subscription price will have to be fully paid in cash by the Warrant holder in an amount corresponding to the number of Warrants exercised. The new shares subscribed upon exercise of the Warrants will be fully fungible with existing shares and shall confer to their holders the same rights.

An application will be immediately filed with respect to the listing of the new shares on the Euronext Paris market.

17.3 PROFIT-SHARING AND INCENTIVE AGREEMENTS

17.3.1 Profit-sharing agreements

The following companies have entered into profit-sharing agreements : SRP Nord Est, SRP Ile de France Centre, SRP Ouest, SRP Sud Est, SRP Sud Ouest, Conectis and Dismo. The computation method used in these agreements is the one required by the French Labor Code.

On May 1, 2006, Rexel France S.A.S. merged with SRP Nord Est, SRP Ile de France Centre, SRP Ouest, SRP Sud Est and SRP Sud Ouest. At that time, Rexel France S.A.S. had not entered into any profit-sharing agreement. Consequently, negotiations with a view to enter into a new profit-sharing agreement occurred in 2007. Upon the request of 2 labor unions, the profit-sharing agreement was submitted to the approval of the employees of Rexel France and was ratified by 80.34% of these employees.

17.3.2 Incentive agreements

Five of Rexel's French subsidiaries have entered into incentive agreements, all of which comply with applicable laws and regulations:

- on June 14, 2004, SRP Nord Est entered into a three-year incentive agreement for years 2004, 2005 and 2006, which provides for a sharing of profits based on the company's operating results;
- on June 30, 2004, SRP Ouest, entered into a three-year incentive agreement for years 2004, 2005 and 2006, which provides for a sharing of profits based on the net contributory result, except for the support centers, the share of profits of which is based on their productivity and the reliability rate of their preparations;
- on June 29, 2005, Dismo entered into a three-year incentive agreement for years 2004, 2005 and 2006, which provides for a sharing of profits based on the company's operating results before tax, expressed as a percentage of the company's sales;
- on June 28, 2006, Conectis entered into a three-year incentive agreement for years 2004, 2005 and 2006, which provides for a sharing of profits based on the company's operating results before tax and the company's sales;
- on June 29, 2006, Rexel Développement, entered into a three-year incentive agreement for years 2004, 2005 and 2006, which provides for a sharing of profits based on the three following criteria: evolutions of the sales volume, variation in the gross operating margin and the working capital requirements.

On May 1, 2006, SRP Nord Est, SRP Ile de France Centre, SRP Ouest, SRP Sud Est, SRP Sud Ouest and RMF merged with Rexel France S.A.S. The negotiation of an incentive agreement at the level of Rexel France S.A.S. started during the first quarter of 2007 and ended in June of the same year.

The sharing of profits is based on the redistribution of part of the difference between the annual budget and the actual EBITA of Rexel France.

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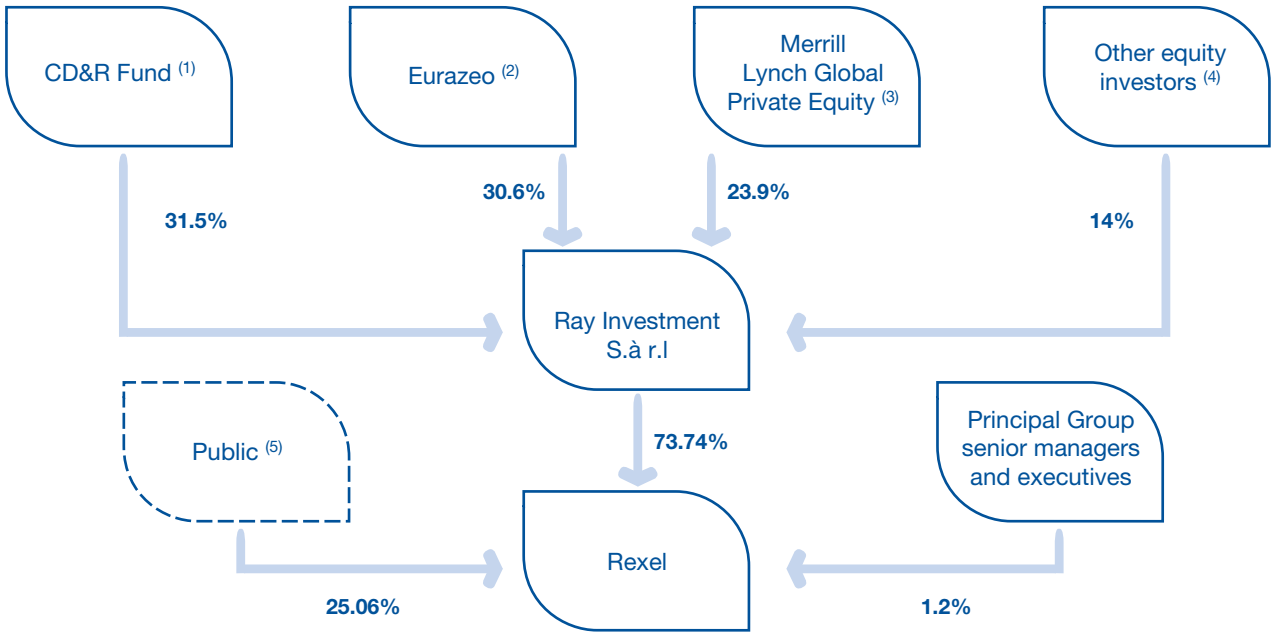
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18.1 GROUP ORGANIZATION

18.1.1 Group simplified organizational chart

The chart below shows the simplified ownership structure of Rexel as of the registration date of this *Document de Référence* :



(1) *CD&R Investment Funds:* Clayton, Dubilier & Rice Fund VI Limited Partnership and Clayton, Dubilier & Rice Fund VII Limited Partnership, private equity funds managed by CD&R, indirectly own approximately 18.8% and 4.7%, respectively, of Ray Investment S.à r.l.. In addition, a co-investment vehicle controlled by a subsidiary of CD&R indirectly owns approximately 8% of Ray Investment.
(2) *Eurazeo:* Ray France Investment S.A.S., a 95%-owned subsidiary of Eurazeo, owns approximately 30.6% of Ray Investment.
(3) Merrill Lynch Global Private Equity: the private equity funds managed by Merrill Lynch Global Private Equity and its subsidiaries own approximately 19.7% of Ray Investment S.à r.l. In addition, a co-investment vehicle controlled by a subsidiary of Merrill Lynch Global Private Equity indirectly owns approximately 4.2% of Ray Investment.
(4) *Other equity investors:* Caisse de Dépôt et Placement du Québec owns 9.5% of Ray Investment S.à r.l. and Citigroup Venture Share Capital Equity Partners L.P., an investment fund managed by Citigroup Venture Capital, indirectly owns 4.5% of Ray Investment.
(5) Public ownership includes shares owned by employees of the Group.

18.1.2 Principal shareholders (direct and indirect)

Clayton, Dubilier & Rice, Inc. ("CD&R")

With 30 years of history, CD&R is one of the most experienced and respected private equity firms. The Firm's focused investment strategy is predicated on producing superior financial returns through building stronger, more profitable businesses. Approximately 90% of the Firm's historical returns have resulted directly from business improvements, as measured by earnings growth.

CD&R's unique investment strategy is supported by a similarly unique professional staffing model, blending experienced investment and operating talent. CD&R's operating partners are full-time and participate in every phase of the investment process, playing a particularly important role in driving post-acquisition operating performance and strategy, management, organizational effectiveness and value-building initiatives at portfolio companies.

Since its founding in 1978, CD&R has invested over $9 billion of capital in 42 U.S. and European businesses – mostly subsidiaries or divisions of large multi-business

corporations – representing a broad range of industries with an aggregate transaction value of over $50 billion. The Firm has extensive experience with B-to-B distribution businesses, including HD Supply, VWR, Brakes and WESCO. With offices in New York and London, the Firm manages a pool of equity capital, including Clayton Dubilier & Rice Fund VI, LP and Clayton, Dubilier & Rice Fund VII, LP, on behalf of pension funds, university endowments and other leading financial institutions.

Eurazeo S.A. ("Eurazeo")

With some €6 billion in diversified assets, Eurazeo is one of Europe's largest investment companies. With investments for 2007 worth €1.4 billion and proceeds from disposals worth €1 billion, Eurazeo is also one of Europe's most active investment companies.

Eurazeo's strategy consists of making leveraged investments in France and other European countries in which it can exercise significant influence and that meet the following 4 criteria:

– quality of management,

– barriers to entry,

– profitability,

– recurring cash flow.

Eurazeo enjoys a flexible investment horizon, which allows it, where necessary, to establish long-term partnerships with acquired companies in order to develop all areas of value creation.

Eurazeo pursues a value creation strategy, mainly focused on private equity investments, completed with selective investments in listed companies. This approach creates the potential for attractive returns. Nevertheless, Eurazeo is very sensitive to risk, which it seeks to limit as much as possible for its shareholders. From an operating standpoint, this conservative approach is reflected in risk diversification, as Eurazeo limits each of its new investment to 15% of its net asset value and takes on no structural debt at the corporate level.

With more than 30 years of experience in the investment world, Eurazeo has also significant equity interests in real estate with ANF, the listed real estate investment company (*Société d'Investissements Immobiliers Cotée* or "SIIC") and in listed worldwide companies of global size: Danone and Air Liquide, in which Eurazeo owns 5.4% and 5.5% respectively, making it the largest shareholder of these two companies.

Eurazeo's investment team, held by a five-member Management Board, is made up of 20 professionals with proven know-how in financial engineering and business.

Merrill Lynch Global Private Equity ("MLGPE")

ML Global Private Equity Fund, L.P. and Merrill Lynch Ventures L.P. 2001 (hereinafter jointly referred to as "**Merrill Lynch Global Private Equity**") are investment companies that belong to the private equity division of Merrill Lynch & Co., Inc. (hereinafter, "**Merrill Lynch**"). MLGPE manages assets worth over U.S.$2 billion.

MLGPE undertakes and manages investments on behalf of Merrill Lynch and of certain partner-employees throughout the world, particularly in the United States of America, in Europe and elsewhere in the Americas, and in Asia. MLGPE currently holds investments in companies in over 10 different countries. These are managed by professionals of many nationalities. The division has offices in New York, London, Hong Kong, Sao Paulo and Australia.

Merrill Lynch is one of the world's leading financial institutions in wealth management, capital markets and strategic consulting, with offices in 38 countries and territories and total customer assets worth some U.S.$1,600 billion.

As an investment bank, Merrill Lynch is a world leader in securities and derivatives trading and issuances in many asset categories, and in strategic consulting to corporations, governments, institutions and individuals throughout the world. Merrill Lynch owns nearly 50% of BlackRock, one of the largest listed management companies in the world, with some U.S.$1,000 billion in assets under management.

Ray Investment S.à r.l. ("Ray Investment")

Ray Investment is a *société à responsabilité limitée* established under Luxembourg law, with registered offices at 10, avenue de la Liberté, L1930 Luxembourg, registered with the Luxembourg companies registry under number B 104 766. Its authorized capital is €1,599,194,600, divided into 31,983,892 shares with a par value of €50 each. Ray Investment is owned by CD&R, Eurazeo and MLGPE and other equity investors, including Caisse de Dépôt et Placement du Québec and Citigroup Venture Share capital Equity Partners L.P., an investment fund headed by Citigroup Venture Share capital.

18.1.3 Breakdown of shares and voting rights by shareholder

The table below lists the shareholders of Rexel as of December 31, 2007, 2006 and 2005.

Shareholders	December 31, 2007				December 31, 2006				December 31, 2005			
	Number of shares	Number of voting rights	% of shares	% of voting rights	Number of shares	Number of voting rights	% of shares	% of voting rights	Number of shares	Number of voting rights	% of shares	% of voting rights
Ray Investment	188,778,562	188,778,562	73.74	73.74	62,479 369	62,479,369	99.10	99.10	62,479,369	62,479,369	99.10	99.10
Rexdir S.A.S	N/A	N/A	N/A	N/A	304,404	304,404	0.48	0.48	304,404	304,404	0.48	0.48
Rexop S.A.S.	N/A	N/A	N/A	N/A	262,001	262,001	0.42	0.42	262,001	262,001	0.42	0.42
Principal Group senior managers and executives [1]	3,068,990	3,068,990	1,20	1,20	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Public	63,561,275	63,561,275	24.83	24.83	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Treasury shares	585,000	585,000 [2]	0.23	0.23 [2]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
TOTAL	**255,993,827**	**255,993,827**	**100**	**100**	**63,045,774**	**63,045,774**	**100**	**100**	**63,045,774**	**63,045,774**	**100**	**100**

(1) Employees of the Group holding shares in pure or administered registered form.
(2) Theoretical voting rights. For the purpose of shareholders' meetings, no voting right is actually attached to these shares.

18.2 SHAREHOLDERS' VOTING RIGHTS

Each share of Rexel entitles the holder to one vote. Consequently, as of the registration date of this *Document de Référence*, the shareholders listed in paragraph 18.1 of this *Document de Référence* hold the same number of voting rights as the number of shares they own.

18.3 CONTROL STRUCTURE

Rexel is currently controlled directly by Ray Investment, limited liability company established under the laws of Luxembourg, which owns 73.74% of Rexel. Ray Investment is owned, directly or indirectly, by Clayton, Dubilier & Rice, Inc., Eurazeo S.A., Merrill Lynch Global Private Equity and other investors. The remainder of Rexel's share capital is held by the principal Group senior managers and executives and the public.

The structure of management, as well as the combination of the corporate governance measures described in Chapter 16 of this *Document de Référence*, will notably enable Rexel to avoid being controlled in an "abusive manner" within the meaning of European Council Regulation N°809/2004 dated April 29, 2004.

18.4 AGREEMENTS POTENTIALLY LEADING TO A CHANGE OF CONTROL

CD&R, Eurazeo, MLGPE and Ray Investment, the Caisse de Dépôt et Placement du Québec and Citygroup Venture Capital Equity Partners L.P. (either directly or through their respective investment vehicles) entered into several agreements in order to structure their relationship as direct and indirect shareholders of Rexel. These agreements are described below.

Furthermore, the New Senior Credit Agreement contains provisions allowing acceleration upon the occurrence of certain events, including in the case of a change of control, as described in paragraph 10.2.2 of this *Document de Référence*.

18.4.1 Ray Investment Agreement

On April 4, 2007, Ray Investment, CD&R, Eurazeo, MLGPME, the Caisse de Dépôt et Placement du Québec and Citigroup Venture Capital Equity Partners L.P. amended the existing Ray Investment shareholders agreement entered into on March 26, 2005 (the "**Ray Investment Agreement**"). The Ray Investment Agreement aims at structuring the relationships between the shareholders of Ray Investment.

The Ray Investment Agreement notably provides that decisions to be taken by Ray Investment as a shareholder of Rexel, as well as certain decisions with respect to Ray Investment should be previously approved by the members of the Consortium or of Ray Investment partners, in accordance with particular majority requirements.

With the exception of transfers to affiliates, interests held in Ray Investment are not transferable to third-parties without the prior written consent of CD&R, Eurazeo, MLGPE and the Caisse de Dépôt et Placement du Québec.

However, the parties to the Ray Investment Agreement have the option to exchange their shares in Ray Investment against the corresponding proportion of Rexel shares held by Ray Investment, in accordance with certain conditions.

The Ray Investment Agreement entered into force upon the admission of Rexel's shares to trading on the Euronext Paris market and will remain in effect for 10 years from the date of this admission. However, the Ray Investment Agreement will cease to apply to a given party at such time as such party no longer holds any interest in Ray Investment.

18.4.2 Rexel Shareholders' Agreement

On April 4, 2007, CD&R, Eurazeo and MLGPE entered into a shareholders' agreement (the "**Rexel Shareholders' Agreement**") in order to organize the corporate governance of Rexel.

The Rexel Shareholders' Agreement provides that Rexel's Supervisory Board initially comprises three members appointed from a list proposed by CD&R, three members appointed from a list proposed by Eurazeo, two members appointed from a list proposed by MLGPE and three independent members, one of whom may be appointed from a list proposed by MLGPE, so long as such person meets independence criteria and MLGPE's direct or indirect participation in Rexel's capital remains equal to at least 5%. This structure will be maintained until the shareholders' meeting of Rexel held to approve the financial statements for the year ended December 31, 2007. After this date, the number of Supervisory Board members that may be nominated by CD&R, Eurazeo and MLGPE may be reduced if their direct or indirect ownership of Rexel is reduced below certain thresholds.

CD&R has the right to nominate the first chairman of the Supervisory Board. Subsequently, if Eurazeo or MLGPE's shareholdings are greater by 50% than CD&R's, Eurazeo or MLGPE, as the case may be, will be entitled to nominate the chairman of the Supervisory Board.

The Rexel Shareholders' Agreement also provides that the Supervisory Board have the following four committees: an Audit Committee, a Compensation Committee, a Nominations Committee and a Strategic Committee.

The Rexel Shareholders' Agreement will remain in effect until the later of (i) the second anniversary of the initial public offering of Rexel and (ii) the date on which CD&R, Eurazeo and MLGPE cease to collectively hold, directly or indirectly, at least 40% of Rexel's capital or if such shareholders cease to control Rexel within the meaning of article L.233-3 of the French commercial code (*Code de commerce*). In any case, the provisions of the Rexel Shareholders' Agreement will cease to be applicable after the fifth anniversary of the initial public offering of Rexel. Furthermore, the provision of the Rexel Shareholder's Agreement will cease to apply to any party whose direct or indirect shareholding in Rexel becomes less than 5%.

The Rexel Shareholder's Agreement also provides that it will automatically become void if any of the shareholders (acting alone or through one of its subsidiaries) launches a tender offer to purchase all of Rexel's existing shares.

18.4.3 Liquidity Agreement

On April 4, 2007, Ray Investment, CD&R, Eurazeo, MLGPE, the Caisse de Dépôt et de Placement du Québec and Citigroup Venture Capital Equity Partners L.P entered into an agreement relating to the acquisition and disposal of Rexel's shares (the "Liquidity Agreement").

Since the lock-up period has expired on January 1, 2008, CD&R, Eurazeo, MLGPE, the Caisse de Dépôt et de Placement du Québec and Citigroup Venture Capital Equity Partners may, under certain conditions:

- sell, or have Ray Investment sell, Rexel shares into the market subject to a maximum of €10 million per 30-day period, subject to prior notice to the other shareholders of Ray Investment; and
- initiate, or have Ray Investment initiate, (i) the sale of Rexel's shares through a block trade with reasonably estimated gross proceeds of at least €75 million, or (ii) an underwritten secondary public offering of Rexel's shares with reasonably estimated gross proceeds of at least €150 million (it being clarified that such an offering could not be initiated within six months of the completion of a similar offering without the prior approval of CD&R, Eurazeo and MLGPE). The other parties to the Liquidity Agreement will have the right to participate in such block trades or offerings, pro rata to their respective shareholdings.

The transfer of Rexel's shares between affiliates of the parties to the Liquidity Agreement are authorized since January 1, 2008, at any time, subject to the transferee affiliate agreeing to adhere to the provisions of the Liquidity Agreement. In addition, the Liquidity Agreement will not apply to market transactions or asset management transactions effected by any bank or asset management company affiliated with CD&R, Eurazeo or MLGPE.

The Liquidity Agreement also provides that any sale of Rexel shares to a competitor of the Group be subject to the prior approval of CD&R, Eurazeo and MLGPE (with the exception of sales made in the context of a public offering covering 100% of the shares of Rexel).

The Liquidity Agreement will remain in effect until the later of (i) the second anniversary of the initial public offering of Rexel and (ii) the date on which CD&R, Eurazeo and MLGPE cease to collectively hold, directly or indirectly, at least 40% of Rexel's capital. In any case, the provisions of the Liquidity Agreement will cease to be applicable after the fifth anniversary of the initial public offering of Rexel. Furthermore, the provision of the Liquidity Agreement will cease to apply to any party whose direct or indirect shareholding in Rexel becomes less than 5%.

18.4.4 Public Offering Rights Agreement

On February 13, 2007, Ray Investment, CD&R, Eurazeo, MLGPE, the Caisse de Dépôt et de Placement du Québec and Citigroup Venture Capital Equity Partners L.P. on February 13, 2007 entered into an agreement in order to structure their relationship in the context of the proposed initial public offering (the "**Public Offering Rights Agreement**").

Each of the partners of Ray Investment is able to request that, starting January 1, 2008, Ray Investment proceed with the repurchase of all of such partner's current interests in Ray Investment in exchange for the corresponding amount of Rexel' shares held by Ray Investment.

In addition, in the event that Ray Investment effects a capital decrease through the repurchase of ownership interests using proceeds from the sale of shares in the proposed initial public offering of Rexel, each of the partners of Ray Investment will be entitled to participate in this capital decrease, prorata to their interest in Ray Investment. Payment for such interests will be made through cash or shares of Rexel held by Ray Investment. This foregoing will remain true, even if such a capital decrease occurs before January 1, 2008.

18.4.5 Cooperation Agreement

On April 4, 2007, Ray Investment and its partners entered into an agreement (the "**Cooperation Agreement**") in order to structure their relationships in case of sale of Rexel's shares by Ray Investment or its partners in the context of a public offering or a private placement and to the extent that the proceeds of such offering would exceed €100 million (except for any public offer outside of France that would require the filing of a prospectus by a market authority).

The Cooperation Agreement notably specifies the terms and conditions of the parties' participation in the preparation of the offering documents, the memoranda to underwriters and institutional buyers as well as the *due diligences* to be conducted in the context of these transactions. Rexel will not have to take part to any disposal transaction carried out within the six months following any capital increase or disposal of shares, if the proceeds of the latter exceed €100 million (except for the initial public offering of Rexel's shares). Similarly, Rexel has no obligation to take part to any disposal transaction carried out within the six months following any capital increase or disposal of shares during the lock-up period, the length of which could be possibly modified upon request of the underwriters. Furthermore, Rexel has no obligation to assist Ray Investment or its partners in the context of any secondary offering if/as long as Rexel's Supervisory Board considers that taking part to the latter would go against Rexel's corporate purpose.

19. Related party transactions

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19.1 PRINCIPAL RELATED PARTY TRANSACTIONS

The agreements that were entered into during the financial year ended December 31, 2007 are:

- three novations for the purpose of formalizing the substitution of Ray Investment with Ray Finance LP for the following loan agreements: Ray Finance LP granted loans to Rexel for a total amount of €952,200,000. These loans were evidenced by three credit agreements between Ray Finance LP and Rexel; the first is dated January 25, 2005, for the amount of €492,300,000 (**"Loan No. 1"**), and the two other loans are dated March 15, 2005, for the respective amounts of €443,700,000 and €16,200,00 (together, with Loan No. 1, the **"Loans"**). These agreements were authorized by the Supervisory Board on March 20, 2007. The Loans were repaid in the context of Rexel's initial public offering;
- an underwriting agreement, pursuant to which Rexel, along with the selling shareholders, made certain commitments and representations and granted certain guarantees to the banks participating in the initial public offering of Rexel, which occurred on April 4, 2007. This agreement was authorized by the Supervisory Board on April 4, 2007;
- a loan agreement between Rexel (as lender) and Rexel Distribution (as borrower) in the amount of €194,000,000 (one hundred ninety-four million euros). This agreement was authorized by the Supervisory Board on April 4, 2007;
- a loan agreement between Rexel (as lender) and Rexel Développement (as borrower) in the amount of €746,000,000 (seven hundred forty-six million euros). This agreement was authorized by the Supervisory Board on April 4, 2007;
- Secondary Offering Cooperation Agreement, which organizes the relationship between Rexel, Ray Investment and the shareholders of Ray Investment in the context of transactions relating to the sale of Rexel shares by Ray Investment or its shareholders, in the event such a transaction generates proceeds of at least €100 million, This agreement was authorized by the Supervisory Board on April 4, 2007;
- amendment to a loan agreement between Rexel (as lender) and Rexel Distribution (as borrower) dated April 11, 2007, for the purposes of financing cash requirements, as well as the refinancing of Rexel Distribution's debt, reducing the amount of the loan agreement from the initial amount of €194,000,000 to €230,000,000. This agreement was authorized by the Supervisory Board on May 14, 2007;
- the recapitalization of Rexel Développement and the execution of an amendment to the loan agreement approved on April 4, 2007 under the following conditions: (i) on April 4, 2007, the shareholder loan granted by Ray Investment to Rexel was partially capitalized in the amount of €550 million; (ii) concomitantly to this capitalization, the outstanding shareholder loan was cancelled; and (iii) the amount of the loan agreement entered into between Rexel (as lender) and Rexel Développement (as borrower) on April 11, 2007 was increased by €600 million, taking it from €746,000,000 to €1,346,000,000. This agreement was authorized by the Supervisory Board on May 14, 2007. The recapitalization transactions were completed;
- the execution of the Facility Agreement with BNP Paribas, Calyon, the Royal Bank of Scotland plc and HSBC France, as Mandated Lead Arrangers and Original Lenders, and Calyon, as Agent, for a global amount of €2.1 billion, with a term of five years and one day. This agreement was authorized by the Supervisory Board on February 13, 2007. This loan was refinanced through the New Senior Credit Agreement;
- the execution of the Supplemental Agreement between Rexel, Rexel Distribution, Rexel North America, Inc., Rexel, Inc., International Electrical Supply Corp., General Supply & Services, Inc., Rexel Electrical Supply & Services Holding Ltd. as Obligors, and Calyon as Agent, for the purposes of increasing Facility B in a maximum amount of €285,000,000 and repayment of Facility A in the same amount. This agreement was authorized by the Supervisory Board on August 1, 2007. This loan was refinanced through the New Senior Credit Agreement; and
- the execution on December 19, 2007 of a Facility Agreement in the principal maximum amount of €5,400,000,000 between Rexel as Borrower and Guarantor, Kelium, as Borrower, and Calyon, Crédit Industriel et Commercial, HSBC France, ING Bank N.V., London Branch, Natixis and the Royal Bank of Scotland plc, as Mandated Lead Arrangers, and Calyon as Facilities Agent and Security Agent, for the purpose of financing the tender offer of Hagemeyer securities and the refinancing of the Group under its new scope of consolidation. This agreement went into effect on March 14, 2008.

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19.2 SPECIAL REPORTS OF THE STATUTORY AUDITORS IN RELATION TO RELATED PARTY AGREEMENTS

19.2.1 Special report of the statutory auditors in relation to the related party agreements for 2007

This is a free translation into English of the Statutory Auditors' report on the pro forma financial information issued in the French language and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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France

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Rexel S.A.

Registered office:
189-193 boulevard Malesherbes – 75017 Paris

Share capital:
€1,279,969,135

Statutory Auditor's report on regulated party agreements and commitments

Year ended December 31, 2007

To the Shareholders,

In our capacity as statutory auditors of your Company, we hereby present to you our report on the regulated related party agreements and commitments.

1. Regulated related party agreements and commitments authorized during the year

In accordance with article L.225-88 of the French Commercial Law, we have been notified of regulated related party agreements and commitments which were authorized by your Supervisory Board prior to their being entered into.

We are not required to ascertain whether any other such agreements or commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of the agreements and commitments of which we were notified. It is not our role to determine whether they are beneficial or appropriate. It is your responsibility, under the terms of article R.225-58 of the French Commercial Law, to evaluate the benefits arising from these agreements or commitments prior to their approval.

We conducted our work in accordance with professional standards applicable in France; those standards require that we perform the procedures deemed necessary so as to verify that the information provided to us is in agreement with the underlying documentation from which it was extracted.

Assignment of debt due by the Company from Ray Finance LP to Ray Investment S.a.r.l.

Related party

Ray Investment S.a.r.l., as shareholder of your Company.

Description

On March 20, 2007, your Supervisory Board authorized the assignment to Ray Investment S.a.r.l. of three loan agreements entered into between Ray Finance LP and the Company, as follows: one, dated January 25, 2005, of a principal amount of €492,300,000, and two others, dated March 15, 2005, of principal amounts of €443,700,000 and €16,200,000.

The three loan agreements had been authorized by the Board of Directors of your Company on January 25, February 28 and March 9, 2005, respectively.

Terms and conditions

Your Company recorded interest expense of €13,035,000 on these loans during the year ended December 31, 2007. On April 4, 2007, the loans were incorporated into the share capital of your Company.

Warranty agreement

Related party

Ray Investment S.a.r.l., as shareholder of your Company.

Description

On April 4, 2007, your Supervisory Board authorized your Company, jointly with its shareholders, to make certain commitments and declarations, and to grant certain warranties to sponsoring banks in respect of the listing of your Company on a stock exchange on April 4, 2007.

Terms and conditions

This agreement had no impact on the financial statements of your Company in the year ended December 31, 2007.

Loan agreement with Rexel Distribution S.A.

Related parties

Roberto Quarta, Djamal Moussaoui, Xavier Marin, Guido Padovano, Patrick Sayer and David Novak, as directors of Rexel Distribution S.A., and members of the Supervisory Board of your Company. Jean-Charles Pauze, as Chairman of Rexel Distribution S.A. and Chairman of the Management Board of your Company.

Description

On April 4, 2007, your Supervisory Board authorized the Company to contract a "Loan Agreement" under which the Company undertook to lend an amount of €194,000,000 to Rexel Distribution S.A.

On May 14, 2007, your Supervisory Board authorized an amendment to the loan agreement dated April 11, 2007 between your Company and Rexel Distribution S.A. under which the loan amount was increased from €194,000,000 to €230,000,000.

Terms and conditions

Your Company recorded interest income of €11,779,000 in respect of this agreement during the year ended December 31, 2007. The outstanding loan to Rexel Distribution S.A. amounted to €230,000,000 at December 31, 2007.

Loan agreement with Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.)

Related party

Jean-Charles Pauze, as director of Rexel Développement S.A.S. and Chairman of the Management Board of your Company.

Description

On April 4, 2007, your Supervisory Board authorized the Company to contract a "Loan Agreement" under which the Company undertook to lend an amount of €746,000,000 to its subsidiary, Rexel Développement S.A.S.

A number of loans had previously been granted to Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.), authorized by the Board of Directors of your Company, on January 25, February 28, and March 9, 2005, for a total principal amount of €1,040,000,000.

On May 14, 2007, your Supervisory Board authorized (i) the capitalization of part of the shareholders' loan, in an amount of €550,000,000; (ii) the termination of the shareholders' loan entered in before 2007; and (iii) the increase by €600,000,000 of the amount of the Loan Agreement dated April 11, 2007, from €746,000,000 to €1,346,000,000.

Terms and conditions

Your Company recorded interest income of €85,781,000 in respect of this agreement during the year ended December 31, 2007. The outstanding loan to Rexel Développement S.A.S. amounted to €1,346,000,000 at December 31, 2007.

Secondary offering cooperation agreement

Related party

Ray Investment S.a.r.l., as shareholder of your company.

Description

On April 4, 2007, your Supervisory Board authorized your Company to enter into an agreement to regulate the relations between the parties in the event of any sale by Ray Investment S.a.r.l. or its shareholders of the shares of your Company for a consideration of at least €100,000,000.

Terms and conditions

This agreement had no impact on the financial statements of your Company in the year ended December 31, 2007.

Senior credit agreement known as "Facility Agreement"

Related parties

Roberto Quarta, Djamal Moussaoui, Xavier Marin, Guido Padovano, Patrick Sayer and David Novak, as directors of Rexel Distribution S.A., and members of the Supervisory Board of your Company. Jean-Charles Pauze, as Chairman of Rexel Distribution S.A. and Chairman of the Management Board of your Company.

Description

On February 13, 2007, your Supervisory Board authorized your Company to enter into a new loan agreement known as "Facility Agreement" in a capacity of Borrower and Guarantor, between your Company, Rexel Distribution and certain of its subsidiaries, in a capacity of Obligors, and BNP Paribas, Calyon, The Royal Bank of Scotland Plc and HSBC France, in their capacity of Mandated Lead Arrangers and Original Lenders, and Calyon in its capacity as Agent, in a total principal amount of approximately €2,100,000,000, for a term of five years and one day from the first drawdown date.

Terms and conditions

This agreement had no impact on the financial statements of your Company in the year ended December 31, 2007.

Supplemental Agreement

Related parties

Roberto Quarta, Djamal Moussaoui, Xavier Marin, Guido Padovano, Patrick Sayer and David Novak, as directors of Rexel Distribution S.A., and members of the Supervisory Board of your Company. Jean-Charles Pauze, as Chairman of Rexel Distribution S.A. and Chairman of the Management Board of your Company.

Description

On August 1, 2007, your Supervisory Board authorized your Company to enter into a "Supplemental Agreement" to the "Facility Agreement" between your Company, Rexel Distribution and certain of its subsidiaries, in a capacity of Obligors, and BNP Paribas, Calyon, The Royal Bank of Scotland Plc and HSBC France, in their capacity of Mandated Lead Arrangers and Original Lenders, and Calyon in its capacity as Agent, in order to increase the B Facility to a maximum amount of €285,000,000 and to repay the A Facility.

Terms and conditions

This agreement had no impact on the financial statements of your Company in the year ended December 31, 2007.

Facility agreement

Related party

Jean-Charles Pauze, as director of Kelium S.A.S., formerly Ray Acquisition S.A.S., and Chairman of the Management Board of your Company.

Description

On December 19, 2007, your Company, in its capacity of Borrower and Guaranter, and Kelium S.A.S., in its capacity of Borrower, contracted with Calyon, CIC, HSBC France, ING Bank, Natixis and The Royal Bank of Scotland, in their capacity of Mandated Lead Arrangers, and with Calyon in its capacity of Facility Agreement and Security Agent, a multi-currency syndicated credit agreement in a total amount of €5,400,000,000 known as the Facility Agreement, in order to finance a take-over bid for the shares of Hagemeyer and to refinance Rexel's 2007 Senior Credit facility and Hagemeyer's existing credit lines.

Terms and conditions

This agreement had no impact on the financial statements of your Company in the year ended December 31, 2007.

2. Regulated related party agreements and commitments authorized in previous years with continuing effect

We have been notified that the following agreements and commitments, which were authorized in previous years, remained in force during the year ended December 31, 2007.

Grant of security

Description, terms and conditions

On March 9, 2005, your Board of Directors authorized the Company to enter into a Senior Credit Agreement known as the "Credit Agreement Relating to the Acquisition of Rexel S.A." as guarantor for the commitments of Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.) and other borrowers or guarantors with respect to the Senior Credit Agreement.

After duly noting that the Senior Credit Agreement requires that the Company grant security, the Board of Directors authorized the Company to grant the following security interests:

- a pledge of a financial instruments account (the "Shares Account Pledge Agreement"), under the terms of which the Company will grant security to the lenders over the shares of Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.).
- a conditional delegation to Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.) in respect of amounts reimbursed on current or future intra-group loans granted by your Company to Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.), in favour of the Senior Loan Agreement creditors.

These security interests were extinguished when the 2005 Senior Credit Agreement was repaid on April 17, 2007.

Subordination and ranking agreements

Description, terms and conditions

On March 9, 2005, your Board of Directors authorized the Company to enter into subordination and ranking agreements known as "Intercreditor Deeds", which set out the relationships and in particular determine the ranking of creditors that are parties to the various financing arrangements entered into in the context of these operations, in particular a subordination and ranking agreement known as the "Investor Debt and Intra-Group Debt Subordination Deed" to be entered into with Rexel Développement S.A.S (formerly Ray Acquisition S.C.A.) and certain financial institutions, which sets out the relationships and determines the ranking of creditors under the Senior Credit Agreement, certain investors and the Company in its capacity as a creditor under the shareholder loans granted to Rexel Développement S.A.S (formerly Ray Acquisition S.C.A.).

These subordination and ranking agreements were extinguished when the 2005 Senior Credit Agreement was repaid on April 17, 2007.

Service agreements

Description, terms and conditions

On March 9, 2005, your Board of Directors authorized the Company to enter into agreements formalizing various advisory and other services, and specifying the conditions

under which the Company could again receive assistance from the members of the Consortium and/or their affiliates, in particular:

– the service agreement with Clayton, Dubilier & Rice Inc.;

– the service agreement with Merrill Lynch Global Private Equity;

– the service agreement with Eurazeo.

During the year ended December 31, 2007 the Company did not incur any expense in respect of these service agreements.

The shareholders' agreement known as the "Security Holders' Agreement"

Description, terms and conditions

On June 27, 2005, your Board of Directors authorized the Company to enter into a shareholders' agreement known as the "Security Holders' Agreement" with Ray Investment S.a.r.l., Rexdir and Rexop S.A.S.

This agreement terminated during the year ended December 31, 2007.

The "Liquidity Agreement"

Description, terms and conditions

On June 27, 2005, your Board of Directors authorized the Company to enter into an agreement (the "Liquidity Agreement") with Ray Investment S.a.r.l. and the shareholders of Rexdir S.A.S.

This agreement terminated when the 2005 Senior Credit Agreement was repaid on April 17, 2007.

Tax consolidation agreement

Description, terms and conditions

On March 9, 2005, your Board of Directors authorized the Company to sign the tax consolidation agreement thereby joining the new tax group with Kelium S.A.S. (formerly Ray Acquisition S.A.S.) and Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.), with your Company as the lead company. Your company has thereby assumed sole responsibility for a period of five years from January 1, 2005 for the group's corporate income tax.

During the year ended December 31, 2007, your Company has recognized income arising from the operation of the tax consolidation agreement of €70,336,000. An asset of an equivalent amount is shown on the balance sheet at December 31, 2007.

Paris la Défense and Paris, February 13, 2008

KPMG Audit
Division of KPMG S.A.

French original signed by

Hervé Chopin
Partner

ERNST & YOUNG Audit

French original signed by

Jean Bouquot
Partner

Pierre Bourgeois
Partner

19.2.2 Special reports of the statutory auditors in relation to the related party agreements for 2006 and 2005

The special reports of the statutory auditors in relation to the related party agreements for the 2006 and 2005 financial years are set out in the prospectus that has been granted visa number 07-093 on March 20, 2007 by the French financial markets authority (AMF), and which are incorporated by reference in this *Document de Référence*.

20. Financial information concerning the assets and liabilities, financial position and profits and losses of Rexel

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Rexel is a holding company that was incorporated in December 2004. It has no operating activities of its own, but acquired Rexel Distribution and its subsidiaries on March 16, 2005 through its subsidiary Ray Acquisition S.C.A., which became Rexel Développement. Therefore Rexel's consolidated financial statements for the year ended December 31, 2005 only include Rexel Distribution for the period March 16, 2005 to December 31, 2005. Furthermore, on December 21, 2007, Rexel submitted an offer to purchase all of the shares of Hagemeyer.

This Chapter 20 therefore contains:

– Rexel's consolidated financial statements for the year ended December 31, 2007, prepared in accordance with International Financial Reporting Standards (**"IFRS"**), as adopted by the European Union and as applicable at such dates;
– Rexel's annual financial statements for the year ended December 31, 2007, prepared in accordance with IFRS; and
– pro forma financial information for Rexel for the year ended December 31, 2007, established to reflect the impact of (i) the acquisitions of companies carried out by the Group in 2007, (ii) the public tender offer for all of Hagemeyer's shares and convertible bonds, (iii) the assets swaps and the divestures agreed with Sonepar, and (iv) the transfer of Hagemeyer's electrical equipment distribution activities in Ireland, as if they had occurred as of January 1, 2007.

Furthermore, the consolidated pro forma financial information for Rexel for the years ended December 31, 2006 and December 31, 2005 is included in the prospectus filed by Rexel with the *Autorité des marchés financiers* in connection with the initial public offering of its shares that received visa number 07-093 dated March 20, 2007 and is incorporated by reference in this *Document de Référence*.

20.1 HISTORICAL FINANCIAL INFORMATION

20.1.1 Consolidated financial statements of Rexel

20.1.1.1 Consolidated financial statements of Rexel for the financial year ended December 31, 2007

Consolidated income statement

(in millions of euros)	Note	For the year ended December 31,	
		2007	2006
Sales	5	10,704.4	9,298.9
Cost of goods sold		(8,088.8)	(6,953.3)
Gross Profit		**2,615.6**	**2,345.6**
Distribution and administrative expenses	6	(1,967.2)	(1,772.0)
Operating income before other income and expenses		**648.4**	**573.6**
Other income	8	6.9	9.0
Other expenses	8	(84.8)	(58.9)
Operating income		**570.5**	**523.7**
Financial income		43.0	31.8
Interest expense on borrowings		(172.3)	(254.4)
Refinancing related expenses	2.1	(165.9)	–
Other financial expenses		(24.0)	(29.4)
Financial expenses (net)	9	*(319.2)*	*(252.0)*
Net income before income tax		**251.3**	**271.7**
Income tax	10	(107.8)	(82.8)
Net income		**143.5**	**188.9**
Attributable to:			
Equity holders of the parent		143.0	188.9
Minority interests		0.5	–
Earnings per share:			
Basic earning per share (in euros)	17	0.65	1.50
Fully diluted earnings per share (in euros)	17	0.64	1.48

Consolidated balance sheet

(in millions of euros)	Note	As of December 31,	
		2007	2006 (1)
Assets			
Goodwill	11.1	2,608.3	2,562.5
Intangible assets	11.1	686.0	696.9
Property, plant & equipments	11.2	272.1	268.5
Long-term investments	11.3	76.8	39.3
Deferred tax assets	10	127.4	127.3
Total non-current assets		**3,770.6**	**3,694.5**
Inventories	12.1	1,143.2	1,117.0
Trade accounts receivable	12.2	2,018.5	2,026.9
Income tax receivable		1.4	54.6
Other accounts receivable	12.3	422.6	437.0
Assets classified as held for sale	12.4	–	50.7
Cash and cash equivalents	13	515.2	473.1
Total current assets		**4,100.9**	**4,159.3**
Total assets		**7,871.5**	**7,853.8**
Equity			
Share capital	15	1,280.0	630.5
Share premium	15	1,409.9	1.6
Reserves and retained earnings		531.4	350.9
Total equity attributable to equity holders of the parent		**3,221.3**	**983.0**
Minority interests		6.0	5.6
Total equity		**3,227.3**	**988.6**
Liabilities			
Shareholders' loan (long-term portion)	20	–	543.0
Other financial liabilities (long-term portion) excluding shareholders' loan	20	1,999.1	3,204.4
Employee benefits	19	125.6	133.7
Deferred tax liabilities	10.2	161.5	173.5
Provision and other non-current liabilities	18	52.8	58.0
Total non-current liabilities		**2,339.0**	**4,112.6**
Shareholders' loan (current portion)	20	–	496.9
Other financial liabilities (current portion) excluding shareholders' loan	20	118.1	109.5
Accrued interests	20	4.6	20.3
Trade accounts payable		1,659.3	1,616.1
Income tax payable		24.0	25.8
Other current liabilities		499.2	481.6
Liabilities classified as held for sale	12.4	–	2.4
Total current liabilities		**2,305.2**	**2,752.6**
Total liabilities		**4,644.2**	**6,865.2**
Total equity and liabilities		**7,871.5**	**7,853.8**

(1) As per the requirements of IFRS 3, certain preliminary estimates in the fluctuation of the acquisitional cost of Gexpro have been revised in the 12 months following acquisition (see note 4.1.1).

Consolidated statement of cash flows

(in millions of euros)	Note	For the year ended December 31, 2007	2006
Cash flows from operating activities			
Operating income		570.5	523.7
Depreciation, amortization and impairment of assets		85.2	108.9
Employee benefits		(6.4)	(4.1)
Change in other provisions		(5.0)	(0.9)
Other non-cash operating items		59.7	3.5
Interest paid		(217.7)	(196.6)
Income tax paid		(41.8)	(127.8)
Operating cash flows before change in working capital requirements		*444.5*	*306.7*
Change in inventories		(50.5)	(33.3)
Change in trade and other receivables		(11.2)	(221.8)
Change in trade and other payables		54.3	139.4
Changes in other working capital items		(5.6)	17.8
Change in working capital		*(13.0)*	*(97.9)*
Net cash from operating activities		**431.5**	**208.8**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(72.7)	(62.8)
Proceeds from disposal of property, plant and equipment		52.1	17.4
Acquisition of subsidiaries, net of cash acquired	4.2.3	(116.8)	(840.3)
Proceeds from disposal of subsidiaries, net of cash disposed of	12.4	4.9	0.3
Change in long-term investments		(51.7)	19.3
Net cash from investing activities		**(184.2)**	**(866.1)**
Cash flows from financing activities			
Proceeds from the issue of share capital		1,005.0	–
Repurchase of treasury shares	15.1	(8.3)	–
Net change in credit facilities and other financial borrowings	20	(1,212.9)	415.6
Net change in securitization	20	42.2	315.0
Payment of finance lease liabilities	20	(26.9)	(27.0)
Repayment of long-term borrowings		–	(1.9)
Net cash from financing activities		**(200.9)**	**701.7**
Net increase in cash and cash equivalents		46.4	44.4
Cash and cash equivalents at the beginning of the period		473.1	434.7
Effect of exchange rate changes on cash and cash equivalents		(4.3)	(6.0)
Cash and cash equivalents at the end of the period		**515.2**	**473.1**

Consolidated statement of recognized income and expense

(in millions of euros)	For the year ended December 31, 2007	2006
Net income	**143.5**	**188.9**
Foreign currency exchange discrepancies	(24.2)	(63.8)
Cash flow hedges (net of tax)	(6.9)	13.0
Equity available for sale (net of tax)	(0.3)	–
Income and expenses recognized directly in equity	*(31.4)*	*(50.8)*
Total recognized income and expense for the period	**112.1**	**138.1**
Attributable to:		
Equity holders of the parent	111.7	138.5
Minority interest	0.4	(0.4)

Consolidated statement of changes in shareholders' equity

(in millions of euros)	Share capital	Share premium	Retained earnings and other reserves	Foreign currency translation	Fair value	Treasury shares	Total attributable to the Group	Minority interests	TOTAL
At January 1, 2006	**630.5**	**1.6**	**139.3**	**68.7**	**(0.7)**	**–**	**839.4**	**2.8**	**842.2**
Foreign currency exchange discrepancies				(63.4)			(63.4)	(0.4)	(63.8)
Cash flow hedges					13.0		13.0		13.0
Income and expenses recognized directly in equity	**–**	**–**	**–**	**(63.4)**	**13.0**		**(50.4)**	**(0.4)**	**(50.8)**
Net income			188.9				188.9	–	188.9
Total recognized income and expense for the period	**–**	**–**	**188.9**	**(63.4)**	**13.0**		**138.5**	**(0.4)**	**138.1**
Issue of share capital							–		–
Share-based payments			5.1				5.1		5.1
Minority interests in companies acquired or sold							–	3.2	3.2
At December 31, 2006	**630.5**	**1.6**	**333.3**	**5.3**	**12.3**	**–**	**983.0**	**5.6**	**988.6**
Foreign currency exchange discrepancies				(24.1)			(24.1)	(0.1)	(24.2)
Cash flow hedges					(6.9)		(6.9)		(6.9)
Equity available for sale			(0.3)				(0.3)		(0.3)
Income and expenses recognized directly in equity	**–**	**–**	**(0.3)**	**(24.1)**	**(6.9)**		**(31.3)**	**(0.1)**	**(31.4)**
Net Income			143.0				143.0	0.5	143.5
Total recognized income and expense for the period	**–**	**–**	**142.7**	**(24.1)**	**(6.9)**		**111.7**	**0.4**	**112.1**
Issue of share capital	649.5	1,408.3	14.7				2,072.5		2,072.5
Share-based payments			62.4				62.4		62.4
Treasury shares						(8.3)	(8.3)		(8.3)
Dividends paid							–		–
Minority interests in companies acquired or sold							–		–
At December 31, 2007	**1,280.0**	**1,409.9**	**553.1**	**(18.8)**	**5.4**	**(8.3)**	**3,221.3**	**6.0**	**3,227.3**

Notes

1. GENERAL INFORMATION

Rexel (formerly Ray Holding S.A.S.) was incorporated on December 16, 2004. Shares of Rexel were admitted to trading on the Eurolist market of Euronext Paris on April 4, 2007. The group consists of Rexel and its subsidiaries (together referred to here as "the Group" or "Rexel").

The Group's business is the distribution of low- and ultra-low voltage electrical products to professional customers, and serves the needs of a large variety of customers and markets in the fields of construction, industry and services. The product offer covers electrical installation equipment, conduits and cables, lighting, security and communication, climate control, tools, and white and brown products. The principal markets in which the Group operates are in Europe, North America (United States and Canada) and Asia-Pacific (mainly in Australia, New Zealand and China).

The present consolidated financial statements cover the period from January 1, 2007 to December 31, 2007. They have been authorized for issue by the Management Board on February 11, 2008.

2. SIGNIFICANT EVENTS FOR THE PERIOD ENDING DECEMBER 31, 2007

2.1 Initial public offering and debt restructuring

During the year ended December 31, 2007, Rexel was introduced to the stock market. The following transactions are described in the offering circulars filed to the Financial Markets Authority (AMF) on March 20, 2007, registered with the numbers 07-093 and 07-094.

Initial public offering (IPO) of Rexel

In April 2007, Rexel shares were admitted to trading on the Eurolist market, through both a retail offering in France and a global offering to international investors for newly issued shares. The initial offering share price was fixed at €16.5 per share, which resulted in gross proceeds for the newly issued capital of €1 billion. Concurrently, an employee offering resulted in additional proceeds of €32.6 million. Lastly, share subscription rights issued in 2005 as part of a management shareholding scheme have been exercised and resulted in a share capital increase of €15.2 million (see note 15).

In addition, Rexel has entered into several free shares schemes to top executives and certain key employees. In connection with these plans, 5,022,190 free shares were granted on April 11, 2007 subject to service and performance conditions (see note 16).

Restructuring of indebtedness

Concurrently to these transactions, the structure of the Group's indebtedness was modified as follows:

- **Capitalization of the shareholders' loan:** On April 4, 2007, the General Meeting of Rexel's shareholders approved the incorporation of the shareholders' loan into the company's capital for an amount of €1,052.9 million, including the interest accrued as of this date;
- **Paying off of theSenior Subordinated Notes:** these bonds with a total par value of €600.0 million were redeemed in April, 2007.
- **Refinancing of the 2005 Senior Credit Agreement** for an amount of €1.6 billion and drawing of the 2007 Senior Credit Agreement, which was entered into on February 15, 2007, for a total value of €1.3 billion, and put into effect on April 17, 2007 following the execution of the initial public offering (see note 20.1.2).

2.1.1 Impact on shareholders' equity and indebtedness of the Group

The impact of the restructuring of capital, initial public offering, and refinancing on equity and debt as of December 31, 2007 is presented in the table below:

(in millions of euros)	Impact on equity	Impact on net debt
IPO proceeds	1,000.0	(1,000.0)
Employee Offering [1]	31.1	(32.6)
Share subscription warrants	15.2	(15.2)
Transaction costs [1]	(28.0)	42.9
Capitalization of shareholders' loan	1,052.9	(1,052.9)
Subordinated notes redemption premium [1]	(58.8)	89.6
Write down of past transaction costs [1]	(50.0)	76.3
Total increase (decrease)	**1,962.4**	**(1,891.9)**

(1) After tax.

The initial public offering related costs (retail offering in France, international offering to investors, and employee offering) amounted to €42.9 million before tax and were recorded against the share premium. Consequently to these transactions, Rexel's share capital amounted to €1,280.0 million divided in 255,993,827 shares with a par value of €5 each.

2.1.2 Impact on the income statement

The impact on net income as of December 31, 2007 of the IPO-related transactions was an additional expense of €168.7 million including:

- the premium for early redemption of the Senior Subordinated Notes for €89.6 million (€58.8 million net of tax) and the write-down of the transaction costs relating to the Senior Subordinated Notes and the 2005 Senior Credit Agreement for €76.3 million (€50.0 million net after tax), both recorded as financial expenses;
- the effect of the employee offering and the free share scheme amounted to respectively €7.8 million before tax (€6.3 million net of tax) and €53.6 million (without any tax effect), both recorded under the line item "other expenses". The overall estimated expense relating to the free shares scheme is estimated at €74.4 million and is spread over the vesting period (see note 16).

2.2 Issuance of an offer on Hagemeyer

On December 24, 2007, Rexel launched a recommended offer to acquire outstanding shares of Hagemeyer at a price of €4.85 per share, thus valuing Hagemeyer at €3.1 billion. The closing date of the offer is set on March 4, 2008.

This offer will be financed through a €5.4 billion syndicated credit loan entered into on December 19, 2007 (see note 25.2).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These consolidated financial statements (hereafter referred to as "the financial statements") for the period ended December 31, 2007 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

3.2 Basis of preparation

The financial statements are presented in euro. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments held for trading and financial instruments classified as available-for-sale.

Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed frequently. The effect of changes in accounting estimates is accounted for during the period in which they are made and all subsequent periods.

Information related to the main estimates and judgments made on the application of accounting policies which have the most significant effect on the financial statements are described in the following notes:

- Business combinations (notes 3.5 and 4),
- Impairment of intangible assets and goodwill (notes 3.5 and 11.1),
- Employee benefits (notes 3.13 and 19),
- Provisions and contingent liabilities (notes 3.15, 18 and 23),
- Measurement of financial instruments (notes 3.9.4 and 21),
- Recognition of deferred tax assets (notes 3.19 and 10),
- Measurement of share-based payments (notes 3.14 and 16).

The accounting policies for the year ended December 31, 2007 are identical to those used in the consolidated financial statements for the year ended December 31, 2006, since new accounting standards and interpretations effective in 2007 and described below have had no effect on the Group's financial statements.

3.2.1 Accounting standards and interpretations effective in 2007

IFRS 7 "Financial Instruments: Disclosures" and the amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures" require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks arising from financial instruments, to which the entity is exposed.

In addition, the following interpretations were mandatory from January 1, 2007:

- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies" addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular accounting for revaluation of non-monetary items and related deferred tax accounting.

– IFRIC 8 "Scope of IFRS 2 Shared-based Payment" requires that IFRS 2 be applied to all equity instruments transactions in which the consideration for the goods and services received is lower than the fair value of the share-based payment. As equity instruments are issued in connection with an Employee Share Purchase Plan, this interpretation has no effect on the Group's financial statements.
– IFRIC 9 "Reassessment of Embedded Derivatives" requires that reassessment of whether an embedded derivative should be separated from the underlying host contract should be made according to IAS 39 criteria only when the entity becomes party to the contract or when there are changes to the contract resulting in significant changes in expected cash flows.
– IFRIC 10 "Interim Financial Reporting and Impairment" prohibits the reversal of an impairment loss recognized in a previous interim period in respect to goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will apply prospectively from the date that the Group first applied the measurement criteria of IAS 36 "Impairment of Assets" and IAS 39 "Financial instruments: Recognition and Measurement" respectively (i.e. January 1, 2004).

These interpretations had no significant effect on the Group's financial statements for the year ended December 31, 2007.

3.2.2 Accounting standards and interpretations approved by the European Union not yet in effect

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" gives guidance on how to account for and evaluate equity instruments granted by a parent company to a subsidiary's employees.

IFRIC 11 will be mandatory for consolidated financial statements covering fiscal years from March 1, 2007, with possible earlier application. The Group has not opted for earlier application of the above interpretation. This interpretation should not have any effect on the Group's financial statements when applied.

IFRS 8 ("Operating Segments") supersedes IAS 14 ("Segment Reporting") and adopts a full management approach to identifying and measuring the result of reportable operating segments. IFRS 8 will be applicable from January 1, 2009. The company has elected not to apply IFRS 8 by anticipation.

3.3 Basis of consolidation

Subsidiaries and associates

Subsidiaries (including special purpose entities) are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, presently or potentially, exercisable voting rights are taken into account.

Entities over which the Group has a significant influence are accounted for using the equity method.

The financial statements of subsidiaries are included in the financial statements from the date control is obtained until the date control ceases.

Inter-company transactions

Inter-company balances, unrealized gains and losses, and income and expenses arising from inter-company transactions, are eliminated in preparing the financial statements.

Minority interests

Minority interests represent the portion of profit and loss and net assets not held by the Group. They are presented separately in the income statement and separately from equity attributable to equity holders of the parent.

3.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The functional currency of Rexel and the presentation currency of the Group's financial statements are the euro.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the functional currency at the foreign exchange rate prevailing at that date. Exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the closing date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except where hedge accounting is applied (see note 3.9.5). Non-monetary assets and liabilities that are measured at cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation are translated into euro at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into euro at rates approximating the foreign exchange rates ruling at the dates of the transactions. All resulting translation differences are recognized as a separate component of equity (foreign currency translation reserve).

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. When a foreign operation is sold, such exchange differences are recognized in the income statement as part of the gain or loss on disposal.

Hedge of net investment in foreign operations

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognized directly in equity. The ineffective portion is recognized immediately in profit or loss. Gains and losses accumulated in equity are recognized in the income statement when the foreign operation is disposed of.

3.5 Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Under this method, the purchase price is allocated to assets acquired, liabilities and contingent liabilities assumed based on their estimated fair values as of the acquisition date. Any excess of the purchase price over the estimated fair value of the net assets acquired is allocated to goodwill. The estimate of the fair value of the net assets acquired is subject to revision as additional information becomes available within a twelve-month period starting from the acquisition date.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortized but is tested annually for impairment or as soon as there is an indication that the cash-generating unit may be impaired (the impairment testing policy is described in note 3.7).

When goodwill is allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Intangible assets other than goodwill are stated at cost less accumulated amortization (see below) and impairment losses (see note 3.7).

Identifiable intangible assets existing at the date of acquisition in a business combination are recognized as part of the purchase accounting and measured at fair value. Intangible assets are considered identifiable if they arise from contractual or legal rights or are separable.

Strategic partnerships acquired in business combinations arise from contractual rights. Their valuation is determined on the basis of a discounted cash flow model.

Distribution networks are considered separable assets as they could be franchised. They correspond to the value added to each branch through the existence of a network, and include notably banners and catalogues. Their measurement is performed using the royalty relief method based on royalty rates used for franchise contracts, taking their profitability into account. The royalty rate ranges from 0.4% to 0.8% of sales depending on each country.

Strategic partnerships and distribution networks are regarded as having an indefinite useful life when there is no foreseeable limit to the period over which they are expected to generate net cash inflows for the Group. They are not amortized and are tested for impairment annually or as soon as there is an indication that these assets may be impaired.

Computer software purchased for routine processing operations is recognized as an intangible asset. Internally developed software which enhances productivity is capitalized.

Amortization

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are tested for impairment at each annual balance sheet date, at least. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment of indefinite useful life for this asset continues to be justified. If not, a change in the useful life assessment from indefinite to finite is made on a prospective basis. Other intangible assets are amortized from the date that they are available for use. Estimated useful lives of capitalized software development costs range from five to ten years.

3.6 Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 3.7).

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. For assets in progress, the Group has elected not to capitalize borrowing costs incurred during the development period.

Leased assets

Lease contracts which substantially transfer to the Group all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Assets held under finance leases are stated at an amount equal to the lower of fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see note 3.7). Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. The capital gains arising from the sale and leaseback of assets are recognized in full upon sale when the lease qualifies as an operating lease and the transaction is realized at fair value. They are spread on a straight-line basis over the lease term in case of a finance lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the finance lease.

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement on a straight-line basis as an integral part of the total lease expense.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives are as follows:

Commercial and office buildings	20 to 35 years
Building improvements and operating equipment	5 to 10 years
Transportation equipment	3 to 8 years
Computers and hardware	3 to 5 years

The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each balance sheet date.

3.7 Impairment

The carrying amounts of the Group's assets, other than inventories (see note 3.8), trade and other accounts receivable (see note 3.9.3), and deferred tax assets (see note 3.19), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

The recoverable amount of intangible assets that have an indefinite useful life and of intangible assets that are not yet available for use is estimated annually or as soon as there is an indication of impairment.

Goodwill is not amortized but subject to an impairment test, as soon as there is an indication that it may be impaired, and at least once a year. Indications that goodwill may be impaired include material adverse changes of a lasting nature affecting the economic environment or the assumptions and objectives made at the time of acquisition.

An impairment loss is recognized whenever the carrying amount of an asset or of its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement (in "Other expenses").

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis.

Calculation of the recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets) when the effect is material.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group performs impairment tests of goodwill at the country level, which represents the lowest level within the entity at which operations are monitored by management for the purpose of measuring return on investment.

Reversal of impairment losses

An impairment loss in respect of a held-to-maturity security or receivable carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

Impairment losses in respect of goodwill may not be reversed.

With respect to other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.8 Inventories

Inventories are mainly composed of goods held for resale. Inventories are stated at the lower of cost and net realizable value. Cost is calculated by reference to a first-in first-out basis, including freight in costs, net of any purchase rebates. Net realizable value is the estimated selling price at balance sheet date, less the estimated selling expenses, taking into account technical or marketing obsolescence and risks related to slow moving inventory.

3.9 Investments

3.9.1 Long-term investments

Long-term investments principally include investments in non-consolidated companies and other shareholdings, deposits required for operating purposes, and loans.

Investments in non-consolidated companies and other shareholdings are classified as assets available-for-sale and measured at fair value. When fair value is not reliably measurable, investments are stated at cost less impairment losses when necessary. Changes in fair value are recognized in equity and transferred to profit or loss when the asset is sold or permanently impaired.

3.9.2 Held for trading instruments

Financial instruments held for trading mainly include marketable securities and are stated at fair value, with any resulting gain or loss recognized in profit or loss.

The fair value of financial instruments classified as held for trading is their quoted bid price at the balance sheet date. Change in fair value is recognized in profit or loss.

3.9.3 Trade and other accounts receivable

Trade and other accounts receivable are measured initially at fair value and subsequently measured at amortized cost using the effective interest rate method (see note 3.12) less impairment losses.

Impairment losses from estimated irrecoverable amounts are recognized in the income statement when there is objective evidence that the asset is impaired. The principal factors considered in recognizing these potential impairments include actual financial difficulties or overdue receivables in excess 30 days.

3.9.4 Derivative financial instruments

Derivative financial instruments that qualify for hedge accounting according to IAS 39 are classified as hedges. The derivative financial instruments that do not qualify for hedge accounting, although set up for the purpose of managing risk (the Group's policy does not authorize speculative transactions), are designated as and accounted for as trading instruments.

Derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss. However, when derivatives qualify for hedge accounting, the recognition of any resulting gain or loss is dependent on the nature of the item being hedged (see note 3.9.5). They are counted as assets or liabilities depending on their fair value.

Interest rate & foreign exchange risks

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks.

In accordance with Group procedures, derivative financial instruments are not used for speculative purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Commodity risks

The Group uses commodity derivatives including put options to hedge economically part of its exposure to the price fluctuation of certain commodities. Such transactions are notably entered into on copper as the price of copper represents a significant portion of the price of cable distributed by the Group.

When such derivatives do not qualify for cash flow hedge accounting, they are accounted for as trading instruments and the gain or loss arising from the fair value measurement of the derivatives is presented in "other financial expenses" in the income statement.

Fair value estimates

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

3.9.5 Hedge accounting

Cash flow hedges

When a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognized asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, then the associated gains and losses that were recognized directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e., when interest income or expense is recognized).

For cash flow hedges, other than those covered by the two preceding policy statements, the associated cumulative gain or loss is removed from equity and recognized in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognized immediately in profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the Group revokes the designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point is retained in equity and is recognized in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, then the cumulative unrealized gain or loss recognized in equity is recognized immediately in profit or loss.

Fair value hedges

Fair value hedge accounting is used when a derivative financial instrument is designated as a hedge of the variability of the fair value of a recognized asset or liability (or firm commitment), including fixed rate indebtedness such as indexed bonds and other fixed rate borrowings.

The hedging instrument is measured at fair value with changes in fair value recognized in the income statement. The hedged item is remeasured to fair value in respect of the hedged risk. Any resulting adjustment to the carrying amount of the hedged item related to the hedged risk is recognized in the income statement.

Hedge of monetary assets and liabilities denominated in foreign currency

When a derivative financial instrument is used as an economic hedge of the foreign exchange exposure of a recognized monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognized in profit or loss ("natural hedge").

3.9.6 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits with banks and other short-term highly liquid investments subject to an insignificant risk of changes in value.

3.10 Non-current assets held for sale and discontinued operations

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of their carrying amount and fair value less costs to sell.

3.11 Share capital

Repurchase of equity instruments

When an equity instrument is repurchased by the entity, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

Dividends

Dividends are recognized as a liability in the period in which the distribution has been approved by the shareholders.

3.12 Financial liabilities

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the proceeds (net of the transaction costs) and redemption value being recognized in the income statement over the period of the borrowings on an effective interest rate basis.

Effective interest rate

The effective interest rate is the rate that exactly discounts the expected stream of future cash flows through to maturity to the current net carrying amount of the liability on initial

recognition. When calculating the effective interest rate of a financial liability, future cash flows are determined on the basis of contractual commitments.

Transaction costs

Transaction costs are incremental costs that are directly attributable to the issue of the financial liability. Transaction costs include fees and commissions paid to agents and advisers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums, or allocations of internal administrative or overhead expenses.

For financial liabilities that are carried at amortized cost, transaction costs are included in the calculation of amortized cost using the effective interest rate method and, in effect, amortized through the income statement over the life of the instrument.

Net financial debt

Net financial debt includes interest-bearing borrowings and accrued interest less cash and cash equivalents.

3.13 Employee benefits

Group companies operate various pension schemes. Some of these schemes are funded by insurance companies or trustee-administered funds in accordance with local regulation.

Pension and other long-term benefits include two categories of benefit:

– post-employment benefits including pensions, medical benefits after retirement and severance payments;

– other long-term benefits (during employment) mainly including jubilees and long service leaves.

These benefits are classified as either:

– defined contribution plans when the employer pays fixed contributions into a separate entity recognized as an expense in profit and loss and will have no legal or constructive obligation to pay further contributions; or

– defined benefit plans when the employer guarantees a future level of benefits.

The Group's net obligation in respect of defined post-employment benefit plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed periodically by an independent actuary using the projected unit credit method.

The liability recognized in the balance sheet in respect of defined benefit schemes is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs.

When the benefits of a plan are improved (reduced), the portion of the increased (decreased) benefit relating to past service by employees is recognized as an expense (income) in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense (income) is recognized immediately in profit or loss.

The Group recognises actuarial gains and losses (resulting from changes in actuarial assumptions) using the corridor method. Under the corridor method, to the extent that any cumulative unrecognized actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognized in profit or loss over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognized.

When the calculation results in plan assets exceeding Group's liabilities, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any currently available future refunds from the plan or reductions in future contributions to the plan.

The current and past service costs are presented in the income statement as part of the personnel expense.

The interest expenses (income) relating to the unwinding of the discounting of the defined benefit obligation and the expected return on plan assets are presented in financial income and expenses.

Other long-term benefits

Long-term benefits mainly include jubilees or long service leaves. The Group's net obligation in respect of long-term benefits, other than post-employment plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted at a rate equal to the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating to the terms of the Group's obligations.

Actuarial gains and losses are immediately recognized in the income statement.

3.14 Share-based payment transactions

Free shares and stock option programmes allow the Group employees to acquire shares of the Group entities. The fair value of options granted is recognized as a personnel expense with a corresponding increase in other reserves in equity (when the plan qualifies as equity-settled) over the period during which the employees become unconditionally entitled to the options (the vesting period). The expense is based on Group's estimates of the acquired equity instruments in accordance with conditions of granting.

The fair value is measured at grant date using a Black & Scholes model or a binomial model in accordance with the characteristics of the plans.

The proceeds received net of any directly attributable costs are recognized as an increase in share capital (for the nominal value) and share premium when equity instruments are exercised.

3.15 Provisions

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when the amount can be estimated reliably.

If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Restructuring

A restructuring is a programme that is planned and controlled by management that materially changes either the scope of the business or the manner in which that business is conducted.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. Certain restructuring expenses are presented in "Other expenses". Restructuring costs principally include personnel costs (severance payments, early retirement costs, notice time not worked), branch closure costs, and indemnities for the breach of non-cancellable agreements.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Provisions for disputes and litigations

Provisions for disputes and litigation include estimated costs for risks, disputes, litigation and third-party claims, and the probable costs associated with warranties given by the Group in the context of the disposal of non-current assets or subsidiaries.

These provisions also include costs of personnel disputes and tax litigation. A provision is not made for tax assessments received or in course of preparation when it is considered that the assessment is not justified or when there is a reasonable probability that the Group will succeed in convincing the tax authority of its position.

Any accepted assessment is recorded as a liability when the amount can be reasonably estimated.

3.16 Sales

Revenue arising from the sale of goods is presented in sales in the income statement. Sales are recognized when the significant risks and rewards of ownership have been transferred to the buyer, which usually occurs with the delivery or shipment of the product.

Sales are recognized net of customer rebates and discounts.

The Group may enter into direct sales (as opposed to warehouse sales) whereby the product is sent directly from the supplier to the customer without any physical transfer to and from the group's warehouse. The Group is acting as principal and therefore recognises the gross amount of the sale transaction.

3.17 Financial expenses (net)

Financial expenses (net) comprise interest payable on borrowings calculated using the effective interest rate method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in profit or loss (see note 3.9.5).

Interest income is recognized in profit or loss as it accrues, using the effective interest rate method. Dividend income is recognized in profit or loss on the date the entity's right to receive payment is established which in the case of quoted securities is the ex-dividend date. The interest expense component of finance lease payments is recognized in profit or loss using the effective interest rate method.

3.18 Other income and other expenses

Operating items which significantly affect the current operating performance before financial items and taxation are presented as separate line items "Other income" and "Other expenses". Income and expenses arising from abnormal or unusual events are included in these line items. They comprise capital gains and losses, significant

impairment losses, certain restructuring expenses, separation costs and other items such as significant provisions for litigation.

3.19 Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A net deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income tax levied by the same tax jurisdiction and the Group intends to settle its current tax assets and liabilities on a net basis.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Information as to the calculation of income tax on the profit for the periods presented is included in note 10.

3.20 Segment reporting

A segment is a group of assets and operations that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group operates in the single business segment of the distribution of electrical products so that the Group only discloses segment reporting information for geographical segments.

Operations that are substantially similar are combined as a single segment. Factors considered in identifying such segments include the similarity of economic and political conditions, the proximity of operations, and the absence of special risks associated with operations in the various areas where the Group operates. Segments are also determined to be similar when they exhibit similar long-term financial performance. In addition, operations, which are deemed non-material, non-specific, unallocated, or non-core are presented under the segment "Other operations".

3.21 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares.

Basic earning per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertibles notes and share options granted to employees.

4. BUSINESS COMBINATIONS

4.1 Follow up of 2006 acquisitions

4.1.1 Acquisition of GE Supply

In accordance with the purchase agreement signed on July 11, 2006, the Group concluded on March 6, 2007 a transaction relating to the purchase price of GE Supply and in connection with a working capital requirement adjustment, under which the Group undertook to pay General Electric an amount of U.S.$9.7 million (€7.1 million). This amount was paid on March 8, 2007. GE Supply has been renamed Gexpro during the period ended December 31, 2007.

The purchase agreement for Gexpro included certain assets located in China, Malaysia, and Indonesia. The effective transfer of these assets was made, after obtaining the necessary administrative authorization, for an amount of U.S.$2.9 million (€2.3 million) on January 1, 2007 for China, May 6, 2007 for Malaysia and June 3, 2007 for Indonesia. These assets were consolidated from their acquisition dates.

In addition, during the year ended 2007, the preliminary estimate of deferred tax assets was adjusted against goodwill, for a total amount of US$11.7 million (€8.5 million).

This adjustment was recognized retroactively on the date of the acquisition.

These transactions resulted in an increase of Gexpro goodwill of US$24.3 million (€17.7 million based on the average exchange rate), which amounts to US$197.3 million as of December 31, 2007 (€134.0 million) in comparison with US$173.0 million as of December 31, 2006 (€131.3 million).

4.1.2 Acquisition of V-Center

On November 2, 2006, the Group acquired V-Center, an electrical equipment distributor located in Katowice (Poland). This company was consolidated from January 1, 2007. The goodwill related to this acquisition amounts to €3.7 million as of December 31, 2007.

4.2 Acquisitions for the period ended December 31, 2007

4.2.1 Acquisition of EIW

On October 31, 2007, the Group acquired the assets of EIW Holdings; an electrical supplies distributor operating in Western Australia and New South Wales. EIW Holdings is comprised of 16 agencies, 9 of which are located in Western Australia and 7 in New South Wales. The total consideration of the transaction amounted to AU$132.8 million (€84.8 million), including acquisition costs of AU$0.8 million (€0.5 million) and based on an enterprise value of AU$154.6 million. The acquisition price included a discounted earn-out for an amount of AU$11.2 million, to be paid in October 2009, subject to performance conditions based upon 2007 and 2008 EBITDA for fiscal years 2007 and 2008. The goodwill related to this acquisition, determined on a provisional basis, amounted to AU$113.2 million (€72.3 million) as of the date of acquisition. The company was consolidated from November 1, 2007.

4.2.2 Other acquisitions

During the period ended December 31, 2007, Rexel also completed the following acquisitions, which are not deemed to be material on the financial situation of the company:

Acquisition of Network Connect Australia Pty (NCA)

On February 28, 2007, the Group acquired Network Connect Australia Pty Ltd (NCA), a company located in Australia, specialized in the distribution of communication solutions. This entity was consolidated from March 1, 2007. The amount of the transaction was AU$3.6 million (€2.3 million), including acquisition costs of AU$0.2 million and an earn-out payment of AU$0.4 million. The goodwill related to this acquisition, determined on a provisional basis, amounts to €1.4 million as of December 31, 2007.

Acquisition of APPRO 5

On March 9, 2007, the Group completed the acquisition of APPRO 5, an electrical equipment distribution company located in France, for an amount of €7.1 million. This entity has been consolidated as of this date. The goodwill related to this transaction, determined on a provisional basis, amounted to €5.2 million as of December 31, 2007.

Acquisition of Huazhang Electrical Automation

On March 16, 2007, the Group acquired control, through a shareholding of 51%, of Huazhang Electrical Automation Co. LTD, a Hong Kong based company that distributes automatisms and industrial equipment controls in Hong Kong and in the west of China. This entity has been consolidated as of this date. The transaction amounted to CNY36.4 million (€3.5 million), including an estimated earn-out based on the 2007 operating income before net financial expenses and income taxes. The Group has the option to extend its shareholding to 70% in 2009. The purchase price will be based on the operating income at the date of the execution of the option. The goodwill related to this transaction, determined on a provisional basis, amounted to €2.9 million as of December 31, 2007.

Acquisition of Clearlight Electrical Company Ltd

On June 29, 2007, the Group acquired the company Power Industries Ltd, which holds the shares of Clearlight Electrical Company Ltd, located in Great Britain and specialized in the distribution of electrical material in the London and Essex regions. This entity has been consolidated as of this date. The transaction amounted to £5.3 million (€7.8 million), including indebtedness of £0.6 million. The goodwill related to this transaction, determined on a provisional basis, amounted to €6.0 million as of December 31, 2007.

Acquisition of Boutet SA

On July 1, 2007, the Group acquired the assets of Boutet SA, the leading company in East Belgium in the electrical material distribution business. This entity has been consolidated as of this date. The transaction amounted to €6.8 million. The goodwill related to this transaction, determined on a provisional basis, amounted to €5.1 million as of December 31, 2007.

4.2.3 Assets and liabilities acquired during the period

The assets and liabilities acquired during the year ended December 31, 2007, stated at their estimated fair value and determined at their acquisition date are as follows, and represent the allocated purchase prices of V-Center, Huazhang, Electrical Automation, NCA, APPRO 5, Clearlight, Boutet, EIW and Gexpro's assets in Asia.

(in millions of euros)	EIW AUD	EIW euros	Other euros	Total euros
Intangible assets	16.0	10.2	0.0	10.3
Tangible assets	2.3	1.5	1.3	2.8
Other financial assets	0.2	0.1	0.0	0.1
Other non-current assets	0.8	0.5	0.3	0.9
Stocks	7.9	5.1	10.2	15.3
Trade accounts receivable	33.5	21.4	21.3	42.8
Other accounts receivable	6.2	4.0	2.5	6.5
Cash and cash equivalents	3.0	1.9	2.0	3.9
Financial liabilities	(16.5)	(10.5)	(4.1)	(14.6)
Trade accounts payable	(16.1)	(10.3)	(20.4)	(30.7)
Other current liabilities	(17.8)	(11.4)	(4.4)	(15.8)
Net assets acquired (excluding *goodwill*)	**19.5**	**12.5**	**9.0**	**21.5**
Goodwill acquired	113.2	72.3	24.9	97.2
Cash consideration	**132.8**	**84.8**	**33.9**	**118.7**
Cash acquired	(3.0)	(1.9)	(3.1)	(5.0)
Outstanding deferred payment	(11.5)	(7.4)	(2.0)	(9.3)
Acquisition of V-Center in 2006	–	–	(4.2)	(4.2)
Net cash outflow related to acquisitions during the period	**118.3**	**75.5**	**24.6**	**100.2**

During the period, net cash outflows resulting from acquisitions are as follows:

(in millions of euros)	
Net cash outflow due to transactions during the period	**100.2**
Gexpro price adjustment	7.8
Earn-out payments	2.3
Other	6.5
Net cash outflow during this period	**116.8**

4.2.4 Effects of acquisitions on sales and operating income

Had the acquisitions described here been completed by January 1, 2007, consolidated sales and operating income before other income and expenses throughout the fiscal year closing December 31, 2007 would be as follows:

(in millions of euros)	Europe	North America	Asia-Pacific	Other markets and activities	Consolidated amount
Sales	5,060.4	4,806.1	883.9	59.2	10,809.6
Operating profits before other revenues and expenses	375.2	235.6	56.1	(12.1)	654.8

5. SEGMENT REPORTING

The Group operates in the business of the distribution of electrical products, which represents its only business segment. Segment information is therefore presented in respect to the Group's geographical segments, which are the primary basis of segment reporting. The geographical segments presented under IFRS have been determined by reference to the criteria defined by IAS 14.

The Group has determined the geographical segments to be the continents where the Group operates. Operations in each continent present similar business model characteristics. Economic and market conditions in the sector are usually comparable on a continent level. The segment "Other operations" includes holding companies and operations in Latin America.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical segment information for the periods ended December 31, 2007 and December 31, 2006

(in millions of euros)	Europe		North America		Asia-Pacific		Other operations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sales	5,041.9	4,588.4	4,806.1	4,016.6	797.2	635.7	59.2	58.2	10,704.4	9,298.9
Operating income before depreciation and other income & expenses	409.7	358.3	266.9	242.5	53.9	40.4	(5.1)	(4.1)	725.4	637.1
Depreciation	(35.0)	(34.4)	(31.3)	(15.6)	(3.7)	(3.4)	(7.0)	(10.1)	(77.0)	(63.5)
Operating income before other income and expenses	374.7	323.9	235.6	226.9	50.2	37.0	(12.1)	(14.2)	648.4	573.6
Goodwill impairment	(8.2)	(23.6)	–	–	–	–	–	–	(8.2)	(23.6)
Cash flow statement items										
Capital expenditure net of disposals	8.1	(25.7)	(22.9)	(18.4)	(3.3)	(3.8)	(2.5)	2.5	(20.6)	(45.4)
Balance sheet items										
Goodwill	1,475.8	1,466.1	927.7	966.4	204.5	129.0	0.4	1.0	2,608.4	2,562.5
Non-current assets (excluding deferred tax assets & goodwill)	649.7	645.4	256.4	273.1	56.4	50.3	72.4	35.9	1,034.9	1,004.7
Current assets (excluding income tax receivables)	2,097.8	2,095.1	1,153.9	1,261.9	269.9	211.2	62.7	63.4	3,584.3	3,631.6
Current liabilities (excluding tax liabilities & current portion of financial liabilities)	(1,325.0)	(1,291.1)	(598.9)	(638.3)	(168.3)	(122.9)	(66.3)	(47.8)	(2,158.5)	(2,100.1)

6. DISTRIBUTION & ADMINISTRATIVE EXPENSES

(in millions of euros)	For the year ended December 31,	
	2007	2006
Personnel costs (salaries & benefits)	1,181.5	1,062.3
Building and occupancy costs	210.0	185.7
Other external costs	474.1	423.2
Depreciation expense	77.0	63.5
Bad debt expense	24.6	37.3
Total distribution and administrative expenses	**1,967.2**	**1,772.0**

7. SALARIES AND BENEFITS

(in millions of euros)	For the year ended December 31,	
	2007	2006
Salaries and social security charges	1,137.5	1,021.2
Share-based payments	1.0	5.1
Pension and other post-retirement benefits-defined benefit plans	12.1	14.3
Other employee benefits	30.9	21.7
Total employee expenses	**1,181.5**	**1,062.3**

8. OTHER INCOME & OTHER EXPENSES

(in millions of euros)	For the year ended December 31, 2007	2006
Capital gains	3.6	3.7
Other operating income	1.8	3.4
Release of provisions	1.5	1.9
Total other income	**6.9**	**9.0**
Restructuring costs	(11.9)	(9.8)
Loss on non-current assets disposed of	(0.9)	(23.8)
Costs related to transactions following the IPO	(61.4)	–
Goodwill impairment	(8.2)	(23.6)
Other operating expenses	(2.4)	(1.7)
Total other expenses	**(84.8)**	**(58.9)**

8.1 Other income

Capital gains

For the year ended December 31, 2007, capital gains consisted mainly of gain on disposals of buildings, yielding €2.8 million in France and €0.4 million in the United States.

For the year ended December 31, 2006, capital gains consisted mainly of gains on disposal of non-current assets in Sweden, Belgium, the United Kingdom and in France.

Other operating income

For the year ended December 31, 2007, other operating income included a curtailment gain for €1.3 million on pension scheme following Kontakt Systeme business disposals (see note 11).

For the year ended December 31, 2006, other operating income mainly included (i) an indemnity received following the settlement of a litigation in Ireland of €0.7 million and (ii) curtailment gains of €2.2 million resulting from a pension scheme closure in the United Kingdom and the termination of employees in connection with a restructuring in Switzerland.

8.2 Other expenses

Restructuring costs

For the year ended December 31, 2007, restructuring costs amounted to €11.9 million and mainly related to reorganization plans in the United States for €4.1 million, in Germany for €1.8 million and in The Netherlands for €1.0 million; Gexpro separation costs for €3.6 million; and costs related to the closure of Kontakt System business for €1.0 million (see note 11).

For the year ended December 31, 2006, restructuring expenses were mainly incurred in France by the merger of the five regional divisions, in Germany by the closure of a logistic centre, in the United States, by the closure of a foreign operation and in The Netherlands, due to reorganization of logistics.

Loss on non-current assets disposed of

For the year ended December 31, 2007, losses on assets disposed of were related mainly to buildings in the United States for €0.4 million.

For the year ended December 31, 2006, loss on assets disposed of were related to buildings in France and the depreciation of technological assets resulting from the disengagement from certain software and related developments due to changes in the organization in France and in the distribution network strategy following the acquisitions made in the United States in 2006.

Costs related to transactions following the IPO

For the year ended December 31, 2007, the impacts of the employee offering and the free share scheme amounted to €7.8 million and €53.6 million respectively (see notes 2 and 16).

Goodwill impairment

For the year ended December 31, 2007, goodwill impairment amounted to €8.2 million and was related to operations in the Czech Republic for €4.2 million, due to a difficult local economic environment and in Switzerland in the company Kontakt Systeme. In connection with the disposal of the connectic and telematic business of Kontakt Systeme on June 4, 2007 and on August 28, 2007 respectively, the carrying value was brought to its fair value less selling costs, resulting in an additional impairment of €4.0 million (see note 11 – assets classified as held for sale).

For the year ended December 31, 2006, impairment losses recognized on goodwill amounted to €23.6 million and were mainly related to operations in Hungary, for €13.0 million and to the company Kontakt Systeme, for €10.0 million.

Other operating expenses

For the year ended December 31, 2007, other costs consist primarily of a £1 million (€1.5 million) charge related to the resolution of a litigation in the United Kingdom (see note 23 – "Litigations").

For the year ended December 31, 2006, other items are mainly comprised of expenses incurred in connection with the integration of GE Supply.

9. FINANCIAL EXPENSES (NET)

Les charges financières nettes comprennent les éléments suivants :

(in millions of euros)	For the year ended December 31, 2007	2006
Expected return on employee benefit plan assets	21.3	20.6
Interest income on cash and cash equivalents	5.4	3.0
Interest income on receivables and loans	3.2	3.5
Gain on financial instruments held for trading	12.7	4.4
Other financial income	0.4	0.3
Financial income	**43.0**	**31.8**
Interest expense on financial debt (stated at amortized costs)	(177.6)	(253.3)
– Interest expense on shareholders' loan	*(13.0)*	*(44.7)*
– Interest expense on senior debt	*(76.5)*	*(89.9)*
– Interest expense on Senior Subordinated Notes	*(18.8)*	*(57.4)*
– Interest expense on securitization	*(53.8)*	*(38.0)*
– Interest expense on other financing	*(4.5)*	*(5.3)*
– Interest expense on finance leases	*(4.9)*	*(5.7)*
– Amortization of transaction costs	*(6.1)*	*(12.3)*
Reclassifying income gains and losses on the preceding derivative instruments deferred in equity	10.6	(1.5)
Gain (loss) on hedging (foreign exchange rate)	0.1	0.1
Amount reclassified from equity to profit and losses	1.1	0.1
Foreign exchange gain (loss) on financial liabilities	(6.5)	0.2
Interest expenses on borrowings	**(172.3)**	**(254.4)**
Write-down of transaction costs	(76.3)	–
Premium for early redemption of the Senior Subordinated Notes	(89.6)	–
Refinancing costs	**(165.9)**	**–**
Interest cost of employee benefit obligation and other long-term liabilities (discounting effect)	(21.8)	(20.6)
Change in fair value of commodity derivatives	(0.4)	(7.3)
Financial expenses (other)	(1.8)	(1.5)
Other financial expenses	**(24.0)**	**(29.4)**
Financial expenses (net)	**(319.2)**	**(252.0)**
Financial expenses recounted in equity		
Change in the fair value of interest rate derivatives	(11.5)	19.8
Foreign currency exchange discrepancies	(24.2)	(63.8)

The above financial items include the following amounts related to assets and liabilities which are not measured at fair value through profit and loss:

Interest income from financial assets	8.6	6.5
Interest expense from financial liabilities	(177.6)	(253.3)

Gain and loss on exchange of financial debt

The foreign currency exchange losses mainly arise from the repayment of loans granted to subsidiaries in the United States and in Switzerland, which were initially qualified as net investments in foreign operations, for an amount of €5.5 million.

10. INCOME TAX

Rexel and its French subsidiaries have formed a tax group from January 1, 2006. Rexel uses tax consolidation in other countries where similar options exist.

10.1 Income tax expense

(in millions of euros)	For the year ended December 31, 2007	2006
Current tax	(98.7)	(75.7)
Deferred tax	(9.1)	(7.1)
Total income tax expense	**(107.8)**	**(82.8)**

10.2 Deferred tax assets and liabilities

Changes in net deferred tax assets are as follows:

(in millions of euros)	2007	2006
At the beginning of the period	**(46.2)**	**(51.5)**
Net income	(9.1)	(7.1)
Change in consolidation scope	(5.3)	(6.4)
Translation differences	1.9	2.5
Other changes	24.6	16.3
At the end of the period	**(34.1)**	**(46.2)**

For the year ended December 31, 2007, other changes consist essentially of different relative tax assets: (i) €14.7 million of expenses linked to the initial public offering related costs recorded against the share premium (see note 2.1.1), (ii) €4.7 million of fair value of derivative instruments recognized directly as equity; and (iii) €5.2 million of tax losses prior to the acquisition of Rexel, whose recoverability has become likely in 2007.

Deferred tax assets and liabilities are broken down as follows:

(in millions of euros)	As of December 31, 2007	2006
Intangible assets	(184.8)	(186.1)
Property, plant and equipment	(7.8)	(10.7)
Financial assets	1.5	(1.1)
Trade accounts receivable	9.2	11.6
Inventories	2.5	7.4
Employee benefits	42.3	43.2
Provisions	2.4	7.5
Financing fees	(5.0)	(17.1)
Other items	9.8	4.6
Tax losses carried forward	134.1	156.5
Deferred tax assets/ (liabilities) net	**4.2**	**15.8**
Valuation allowance on deferred tax assets	(38.3)	(62.0)
Net deferred tax assets/ (liabilities)	**(34.1)**	**(46.2)**
of which deferred tax assets	127.4	127.3
of which deferred tax liabilities	(161.5)	(173.5)

The valuation allowance on net deferred tax assets, totalling €38.3 million as of December 31, 2007 (from €62.0 million as of December 31, 2006) results from analysing the net deferred tax assets recoverability by tax entity.

10.3 Effective tax rate

(in millions of euros)	2007	2006
Income before tax	251.3	271.7
Theoretical tax rate	*34.4%*	*34.4%*
Income tax calculated at the theoretical tax rate	(86.5)	(93.5)
Effect of tax rates in foreign jurisdictions	12.6	5.2
Effect of tax rate variations	(4.7)	–
Effect of fiscal deficits used and unrecognized	1.1	9.8
Non-deductible expenses, tax exempt revenues and effect of change in tax rates	(30.2)	(4.3)
Actual income tax expense	**(107.7)**	**(82.8)**
Effective tax rate	***42.9%***	***30.5%***

In 2007, income tax expense includes the effect of non-deductible costs related to the free shares scheme and employee offering for an amount of €19.6 million.

In 2006, income tax expense included tax saving resulting from the utilization of tax losses incurred subsequently to the acquisition of Rexel Distribution by Rexel Développement S.A.S. (formerly Ray Acquisition S.C.A.), which were not recognized as of December 31, 2005.

11. LONG-TERM ASSETS

11.1 Goodwill and intangible assets

(in millions of euros)	Distribution networks and banners	Strategic partnerships	Software and other intangible assets [1]	Total intangible assets	Goodwill [2]
Gross carrying amount as of January 1, 2006	**358.8**	**185.0**	**195.7**	**739.5**	**2,318.5**
Change in consolidation scope	101.8	–	6.0	107.8	398.8
Increase	–	–	20.5	20.5	–
Decrease	–	–	(0.1)	(0.1)	(5.4)
Translation differencies	(17.2)	–	(4.7)	(21.9)	(97.2)
Other changes	–	0.6	(0.5)	0.1	(28.2)
Gross carrying amount as of December 31, 2006	**443.4**	**185.6**	**216.9**	**845.9**	**2,586.5**
Change in consolidation scope	–	–	11.9	11.9	109.3
Increase	–	–	21.1	21.1	–
Decrease	–	–	(12.0)	(12.0)	–
Translation differencies	(6.9)	–	(7.5)	(14.4)	(50.0)
Other changes	(32.7)	–	30.1	(2.6)	(4.7)
Gross carrying amount as of December 31, 2007	**403.8**	**185.6**	**260.5**	**849.9**	**2,641.1**
Accumulated depreciation and depreciation as of January 1, 2006	**–**	**–**	**(107.1)**	**(107.1)**	**–**
Amortization expense	–	–	(23.0)	(23.0)	–
Impairment losses	–	–	(21.8)	(21.8)	(23.6)
Decrease of amortization	–	–	0.2	0.2	–
Translation differencies	–	–	2.7	2.7	(0.4)
Accumulated depreciation and depreciation as of December 31, 2006	**–**	**–**	**(149.0)**	**(149.0)**	**(24.0)**
Change in consolidation scope	–	–	(0.7)	(0.7)	
Amortization expense	–	–	(27.8)	(27.8)	–
Impairment losses	–	–		–	(8.2)
Decrease of amortization	–	–	11.6	11.6	–
Translation differencies	–	–	2.2	2.2	0.1
Other changes	–	–	(0.2)	(0.2)	(0.7)
Accumulated amortization and depreciation as of December 31, 2007	**–**	**–**	**(163.9)**	**(163.9)**	**(32.8)**
Carrying amount at January 1, 2006	**358.8**	**185.0**	**88.6**	**632.4**	**2,318.5**
Carrying amount at December 31, 2006	**443.4**	**185.6**	**67.9**	**696.9**	**2,562.5**
Carrying amount at December 31, 2007	**403.8**	**185.6**	**96.6**	**686.0**	**2,608.3**

(1) Including customer relationships.
(2) In accord with IFRS 3, certain preliminary estimations with regard to changes in the price of acquisition of Gexpro have been revised in the 12 months following its acquisition. In this respect, the provisional estimate of deferred tax assets was adjusted by U.S.$11.7 million with a similar correction in goodwill (see note 4.1.1).

Goodwill

Goodwill arising in a business combination represents future economic benefits arising from assets that are not capable of being identified individually according to IFRS, such as market shares; the assembled work force and the potential to develop existing businesses. In the wholesale business, such synergies notably include those expected in terms of purchasing, logistics, network density and administration.

Goodwill is allocated by country based on the value in use determined in accordance with note 3.7. Cash flows used to calculate the value in use of each cash-generating unit are based on a three year business plan extrapolated over a period of five years after taking into account a terminal value. The discount rate applied was determined on the basis of the weighted average cost of capital calculated for each country. A single perpetual growth rate of 2.0% was used to calculate the terminal value.

At December 31, 2007, goodwill was tested for impairment. This resulted in an impairment loss of €8.2 million mainly related to investments in the Czech Republic for €4.2 million and in Switzerland for €4.0 million in the company Kontakt Systeme. In connection with the disposal of its activities during the fiscal year, Kontakt's net assets were brought to its fair value less cost to sell. With respect to the investment in the Czech Republic, the recoverable amount was determined on the basis of the present value of estimated future discounted cash flows. The following discount rates were used to assess the value in use:

	2007	2006
Europe	6.2% to 11%	6.7% to 10.7%
North America	7.3% to 7.9%	7.9% to 8.3%
Asia-Pacific	7.8% to 9.5%	7.7% to 9.5%

The impairment loss at December 31, 2006 of €23.6 million mainly related to investments in Hungary (€13.0 million) due to a difficult local economic environment and to a non-core Swiss company (€10.0 million). This company being classified as held for sale as of December 31, 2006, it was valued at its estimated selling price less costs to sell. In respect of the investment in Hungary, the recoverable amount was determined on the basis of the present value of estimated future discounted cash flows. After impairment, goodwill on investments in Hungary was fully impaired and the recoverable amount of the goodwill relating to the Swiss company amounted to €4.7 million.

With regard to the assessment of value in use of the cash-generating units, management estimates that no possible reasonable change in the key assumptions used could cause the recoverable amount of the units to be significantly lower than their carrying amount.

Intangible assets

In accord with the principle enunciated in note 3.5, distribution networks and strategic partnerships are not amortized but rather tested annually for depreciation or as soon as there is an indication of impairment.

At December 31, 2007, distribution networks and strategic partnerships were tested for impairment and the calculations did not evidence any impairment.

Impairment losses recognized in 2006 related to the write down of internally developed software.

11.2 Property, plant & equipment

(in millions of euros)	Land & buildings	Plant & equipment	Other tangible assets	Total property, plant and equipment
Gross carrying amount as of January 1, 2006	**206.0**	**408.5**	**56.8**	**671.3**
Change in consolidation scope	93.4	62.6	–	156.0
Increase	3.1	36.3	2.5	41.9
Decrease	(17.2)	(20.3)	(0.5)	(38.0)
Translation differencies	(3.1)	(17.3)	–	(20.4)
Other changes	(79.0)	17.2	(25.8)	(87.6)
Gross carrying amount as of December 31, 2006	**203.2**	**487.0**	**33.0**	**723.2**
Change in consolidation scope	0.7	6.0	–	6.7
Increase	2.7	55.9	2.9	61.5
Decrease	(9.4)	(20.6)	(3.0)	(33.0)
Translation differencies	(4.2)	(11.1)	(1.2)	(16.5)
Other changes	2.8	2.6	(4.5)	0.9
Gross carrying amount as of December 31, 2007	**195.8**	**519.8**	**27.2**	**742.8**
Accumulated depreciation and depreciation as of January 1, 2006	**(70.3)**	**(323.2)**	**(40.2)**	**(433.7)**
Amortization expense	(24.9)	(31.0)	–	(55.9)
Depreciation expense	(7.8)	(31.0)	(2.0)	(40.8)
Impairment losses	–	–	–	–
Decrease	6.0	15.7	0.4	22.1
Translation differencies	1.1	13.5	–	14.6
Other changes	31.3	(11.0)	18.7	39.0
Accumulated depreciation and depreciation as of December 31, 2006	**(64.6)**	**(367.0)**	**(23.1)**	**(454.7)**
Change in consolidation scope	–	(2.8)	–	(2.8)
Amortization expense	(5.9)	(36.5)	(2.1)	(44.5)
Impairment losses	–	(4.8)	–	(4.8)
Decrease of amortization	2.1	18.4	3.0	23.5
Translation differencies	1.2	7.5	0.9	9.6
Other changes	0.3	1.5	1.2	3.0
Accumulated depreciation and depreciation as of December 31, 2006	**(66.9)**	**(383.7)**	**(20.1)**	**(470.7)**
Carrying amount at January 1, 2006	**135.7**	**85.3**	**16.6**	**237.6**
Carrying amount at December 31, 2006	**138.6**	**120.0**	**9.9**	**268.5**
Carrying amount at December 31, 2007	**128.9**	**136.1**	**7.1**	**272.1**

For the year ended December 31, 2006, other changes consisted essentially of tangible assets in Switzerland classified as held for sale.

11.3 Long-term investments

(in millions of euros)	As of December 31, 2007	2006
Loans	3.9	8.8
Deposits	5.3	15.9
Other financial assets	67.6	14.6
Long-term investments	**76.8**	**39.3**

As of December 31, 2007, other financial assets include the fair value of derivatives due within more than one year for €9.1 million compared to €7.0 million as of December 31, 2006 (see note 21.1 on interest rate risk), and the fair value of Hagemeyer N.V.'s shares, purchased on the market during the fourth quarter of 2007 as a prerequisite to the offer on Hagemeyer's shares (see note 25.2) for the amount of €50.4 million and representing 1.8% of Hagemeyer N.V.'s capital. These shares, classified under IAS 39 as "available for sale assets", were acquired at the price of €4.68 per share, and re-measured through equity on December 31, 2007 based on the stock market price on that date (€4.68); this €0.3 million change in value was recognized against equity.

12. CURRENT ASSETS

12.1 Inventories

(in millions of euros)	As of December 31, 2007	2006
Cost	1,228.3	1,212.7
Allowance	(85.1)	(95.7)
Inventories	**1,143.2**	**1,117.0**

Changes in allowance for inventories

(in millions of euros)	2007	2006
Allowance for inventories as of January 1	**(95.7)**	**(67.8)**
Change in consolidation scope	(2.4)	(21.5)
Net change in allowance	10.5	(9.7)
Translation difference	2.4	3.3
Other changes	0.1	–
Allowance for inventories as of December 31	**(85.1)**	**(95.7)**

12.2 Trade accounts receivable

(in millions of euros)	As of December 31, 2007	2006
Nominal value	2,104.1	2,119.8
Impairment losses	(85.6)	(92.9)
Trade accounts receivable	**2,018.5**	**2,026.9**

Trade accounts receivable include taxes collected on behalf of the fiscal authorities that, in certain circumstances, may be recovered when the client goes into default. These recoverable taxes amounted to €281.3 million as of December 31, 2007 (€190.4 million as of December 31, 2006).

The Group has enacted credit assurance programmes in most major countries. Trade accounts receivable covered by these programmes amounted to €767.4 million as of December 31, 2007 (€563.1 million as of December 31, 2006).

Finally, in certain countries, the Group benefits from supplementary guarantees in specific local jurisdictions, notably in the United States. Trade accounts receivable covered by these guarantees represented €242.5 million as of December 31, 2007.

Changes in impairment losses

(in millions of euros)	2007	2006
Impairment losses on trade accounts receivable as of January 1	**(92.9)**	**(69.6)**
Change in consolidation scope	2.4	(11.9)
Net depreciation	3.7	(13.1)
Translation differences	1.4	1.7
Other changes	(0.2)	–
Impairment losses on trade accounts receivable as of December 31	**(85.6)**	**(92.9)**

Impairment losses resulting from an individual observation of default risk amounted to €59.9 million (€47.5 million as of December 31, 2006).

The remaining impairment loss recorded corresponds to the risks estimated on the basis of overdue payments.

The repayment schedule for outstanding trade accounts not subject to depreciation is as follows:

(in millions of euros)	As of December 31, 2007	2006
From 1 to 30 days	193.2	220.5

All trade accounts receivable past due 30 days are impaired.

12.3 Other accounts receivable

(in millions of euros)	As of December 31, 2007	2006
Purchase rebates	315.5	310.3
VAT receivable and other sales taxes	33.3	23.2
Prepaid expenses	11.0	15.0
Derivatives	13.5	20.4
Other receivables	49.3	68.1
Total accounts receivable	**422.6**	**437.0**

12.4 Assets classified as held for sale

On March 8, 2007, the Group completed the sale of land and buildings belonging to Elektro-Material A.G., a Swiss subsidiary acquired in February of 2006, for an amount of CHF74.8 million before tax and net of selling costs (€45.8 million). As these assets were stated at fair value as of December 31, 2006, no gain and loss on the disposal was recognized during the period.

On June 4, 2007 and August 24, 2007, assets related to respectively the connectic and telematic business of Kontakt Systeme, operating in Germany and Switzerland, were sold for an amount of CHF7.9 million before tax and net of selling costs (€4.9 million).

Following these business disposals, the Group went into a liquidation process of Kontakt Systeme remaining assets and liabilities.

Based on fair value estimates of the remaining assets of Kontakt Systeme, an additional goodwill impairment of €4.0 million was accounted for on the Group's income statement for the first semester of 2007 on the line "Other expenses".

As of December 31, 2006, the net assets of Kontakt Systeme were classified as held for sale.

13. CASH AND CASH EQUIVALENTS

(in millions of euros)	As of December 31, 2007	2006
Short-term investments	351.6	244.0
Cash at bank	162.0	226.6
Cash in hand	1.6	2.5
Cash and cash equivalents	**515.2**	**473.1**

As of December 31, 2007, the Group invested in two Certificates of Deposit for a nominal value of €50 million each. These CDs, maturing on January 7 and 14, 2008, have been issued by top-ranked European banks.

Short-term investments include treasury investment funds in compliance SICAVs, as required by the Group's policy which requires funds to be highly liquid, easily convertible to a known amount of cash and subject to a negligible risk of loss.

14. SUMMARY OF FINANCIAL ASSETS

(in millions of euros)	IAS 39 Category	As of December 31,			
		2007		2006	
		Carrying amount	Fair value	Carrying amount	Fair value
Loans	L&R	3.9	3.9	8.8	8.8
Deposits	L&R	5.3	5.3	15.9	15.9
Assets available for sale	AFS	50.4	50.4	4.9	4.9
Hedging derivatives [1]	N/A	9.1	9.1	8.5	8.5
Others	AFS	8.1	8.1	1.2	1.2
Total long-term investments		**76.8**		**39.3**	
Trade accounts receivable	L&R	2,018.5	2,018.5	2,026.9	2,026.9
Supplier rebates receivable	L&R	315.5	315.5	310.3	310.3
VAT and other sales taxes receivable [2]	N/A	33.3	N/A	23.2	N/A
Other accounts receivables	L&R	49.3	49.3	68.1	68.1
Hedging derivatives [1]	N/A	10.4	10.4	19.7	19.7
Other derivative instruments	HTM	3.1	3.1	0.7	0.7
Repaid expenses [2]	N/A	11.0	N/A	15.0	N/A
Total non-current assets		**422.6**		**437.0**	
Short-term investments	FV	351.6	351.6	244.0	244.0
Cash	L&R	163.6	163.6	229.1	229.1
Cash and cash equivalents		**515.2**		**473.1**	

(1) Specific accounting treatment for hedging.

(2) Not a financial asset under IAS 39.

Loans receivables	L&R
Assets available for sale	AFS
Investments held to maturity	HTM
Fair value through profit or loss	FV
Not applicable	N/A

15. SHARE CAPITAL AND ISSUANCE PREMIUM

15.1 Changes in share capital and issuance premium

Since January 1, 2007, the Group has registered the following movements in shareholders' equity following the issuance of ordinary shares:

	Number of shares	Share capital	Issuance premium
		(in millions of euros)	
On January 1, 2005	**8,500**	**0.1**	**–**
Increase in share capital – extraordinary decision on March 9, 2005	5,490,000	54.9	–
Increase in share capital – extraordinary decision on March 21, 2005	56,980,869	569.8	–
Increase in share capital – extraordinary decision on June 30, 2005	304,404	3.0	1.6
Increase in share capital – extraordinary decision on October 28, 2005	262,001	2.6	–
On December 31, 2005	**63,045,774**	**630.5**	**1.6**
On January 1, 2007	**63,045,774**	**630.5**	**1.6**
Exercise of share subscription rights	1,518,854	15.2	–
Merger of Rexdir and Rexop	2,085,259	20.9	47.9
Reduction in capital from the cancellation of treasury shares	(2,085,259)	(20.9)	(47.9)
Splitting of the share par value and doubling of the number of shares	129,129,256	–	–
Increase in capital by payment of receivables	63,813,323	319.1	733.8
Increase in capital as a result of the Initial Public Offering (IPO)	60,606,060	303.0	654.1
Increase in share capital as a result of the offer reserved for employees	2,445,188	12.2	20.4
On December 31, 2007	**255,993,827**	**1,280.0**	**1,409.9**

Exercise of share subscription rights

On June 30, 2005, Rexdir, a special purpose entity designed to hold the investment of several top executives of the Group, was authorized to subscribe 304,404 shares with share subscription rights (*actions à bons de souscriptions d'actions,* hereinafter referred to as "ABSAs") at a price of €15.44 per ABSA, or €10 per share and €0.272 per subscription right (*bon de souscription d'actions,* hereinafter referred to as "BSA"). Each share consists of 20 BSAs exercisable under certain conditions, giving the right to subscribe one share for a price of €10 per BSA. During the Management Board Meeting of April 4, 2007, the Chairman authorized the exercise of the BSAs by Rexdir and the issuance of 1,518,854 new shares at a par value of €10.

Merger of the companies Rexdir and Rexop

In order to streamline Rexel's structure of capital before its IPO, the Shareholders' Meeting of April 4, 2007 approved the merger of the companies Rexdir and Rexop, two special purpose entities created to manage the shares issued in respect of the top executives' plan (Rexdir) and the shares issued in respect of a larger group of Rexel executives' and managers' plan (Rexop). The ratio of exchange between Rexel shares and those of the companies being absorbed has been determined to be 0.8948 Rexel shares for each Rexdir share and 0.09938 Rexel shares for each Rexop share. The net value of the assets contributed by the two companies was €60.2 million for Rexdir and €8.6 million for Rexop, leading to the creation of 1,823,258 and 262,001 shares respectively, each worth €10. That translated into a capital increase of €20.9 million, with the remainder being regarded as a merger premium worth €47.9 million.

Reduction in capital from the cancellation of treasury shares resulting from the merger of Rexdir and Rexop

The net assets contributed by the companies Rexdir and Rexop were composed solely of 2,085,259 shares of Rexel, which were cancelled, resulting in a capital decrease of €20.9 million. Taking into account the value of the shares in Rexel retained for the merger, the difference between the value of the contribution of the cancelled shares and their face value, €47.9 million, was deducted from the merger premium.

Upon completion of this operation, the Shareholders' Meeting of April 4, 2007 certified that the share capital was not subjected to any modification and there was no merger premium.

Splitting of the share par value and doubling of the number of shares

After the Company's Management Board had acknowledged, on April 4, 2007, that the requisite that Rexel shares be admitted in the Eurolist stock exchange was met, the face value of a share was divided by two, from €10 to €5, and the number of shares was consequently doubled.

Increase in capital by capitalization of shareholders' loan

Acting under the mandate given by the Shareholders' Meeting of February 13, 2007, the Company's Management board executed an issuance of 63,813,323 shares by capitalization of a loan to Ray Investment S.à.r.l. for an amount of €1,052.9 million, interests included. The value of the shares is identical to those held for the new shares issued in Rexel's IPO, more specifically, €16.5 divided between the face value of €5.0 and the issuance premium of €11.5 per share (see note 20.1.1).

Increase in capital as a result of the IPO

Acting under the mandate given by the Shareholders' Meeting of February 13, 2007, the Company's Management Board decided to issue 60,606,060 shares at face value of €5 a piece on April 11, 2007, in the form of an increase in capital with the cancellation of preferential subscription rights through an IPO. The value of the shares was fixed at €16.5, reflecting an issuance premium of €11.5. The fees stemming from this increase in capital are deducted from the issuance premium for an amount of €42.9 million (before tax).

Increase in capital as a result of the employee offering

Acting under the mandate given by the Shareholders' Meeting of February 13, 2007, the Company's Management Board decided on April 18, 2007 in favor of two capital increases with the cancellation of preferential subscription rights:

– to members of the Rexel Group Savings Plan (PEG) and the Rexel Group International Savings Plan (PEGI), for an amount of €19.3 million, with the issue of 1,436,874 new shares;

– to BNP Paribas Arbitrage SNC, for an amount of €13.3 million, representing 1,008,314 new shares, in order to cover its engagement in Share Appreciation Rights (SARs) issued to certain employees (see note 16.1).

Treasury shares

The Shareholders' Meeting of February 13, 2007 authorized the Company's Management Board, subject to authorization from the Company's Supervisory Board, with subdelegatation power, to buy shares of the company amounting to a maximum of 10% of the share capital. This programme has a duration of 18 months from the date of the Shareholders' Meeting (ending August 13, 2008).

The objectives of this programme in order of priority are as follows:

– to ensure the liquidity and foster the stock market by having an intermediary investment services provider acting independently, under a liquidity agreement compliant with the code of ethics recognized by the AMF;

– to implement share purchase option plans of the company, in accordance with the provisions of Article L.225-177 and following of the French Code of Commerce, any attribution of free shares within the framework of any savings plan undertaken in accordance with the provisions of articles L.443-1 and following of the French Code of Labor, any attribution of free shares in accordance with the provisions of articles L. 255-197-1 and following of the French Code of Commerce, any attribution of shares in the context of profit sharing and the operations to hedge these schemes, under the conditions set by the market authorities and at the time the Management Board or the individual acting on behalf of the Management Board will act;

– to conserve and to provide shares in exchanges or payments concerning external growth, with a limit of 5% of the company's share capital;

– to provide shares in the occasion of rights attached to securities giving access to capital being exercised, immediate or long-term;

– to cancel all or part of the shares repurchased, subject to the nineteenth decision of the Shareholders' Meeting of February 13, 2007;

– and any other objective compliant with regulation in force.

With this share repurchase programme, in April 2007, the Group entered into a contract with the Rothschild bank to promote the liquidity of Rexel shares for an initial amount of €6.0 million increased to €11 million under the mandate given by the Supervisory Board in November 2007. This amount may be adjusted either up or down as required to ensure the effectiveness of the contract.

On December 31, 2007, Rexel held 585,000 treasury shares acquired at an average price of €15.23 per share, recorded as a reduction in shareholders' equity for an amount of €8.3 million.

15.2 Capital Management

Since April 4, 2007, Rexel's shares have been admitted to the Eurolist market of Euronext Paris. The principal indirect stakeholders of Rexel – investment funds managed by Clayton; Dubilier & Rice, Inc., Ray France Investment S.A.S (a subsidiary of Eurazeo S.A.), investment funds managed by Merrill Lynch Global Private Equity (collectively, the "Main Investors"), and Caisse de Dépôt et de Placement du Québec (together with the Main Investors, the "Investors")

agreed not to transfer or sell shares of Rexel prior to December 31, 2007. After this period, the Investors agreed to organize the sale of part or all of the shares they hold in Rexel, directly or indirectly, in accordance with certain terms. Each of the Investors may thus:

– sell their Rexel shares into the market subject to a maximum of €10.0 million per rolling 30 day period;

– initiate (i) the sale of Rexel's shares through a block trade with estimated proceeds of at least €75 million; or (ii) an underwritten secondary public offering of Rexel's shares with estimated proceeds of at least €150 million, provided that the other Investors may participate in such block trades or offerings and that no underwritten secondary offering has occurred in the preceding six months.

This agreement will terminate on the later of (i) April 4, 2009, or (ii) the date on which the Main Investors cease to collectively hold, directly or indirectly, 40% of Rexel's share capital. At the latest, such agreement will in any event terminate on April 12, 2012. In addition, this agreement will cease to be applicable to any party when such party's direct or indirect shareholding in Rexel falls below 5%.

Dividend distribution policy

Rexel's objective is to pay annual dividends of approximately 30 to 35 percent of net income.

In compliance with exterior regulations, neither Rexel nor its subsidiaries are subject to specific requirements with regard to their capital.

16. SHARE-BASED PAYMENTS

16.1 Employee offering

In the context of an increase in capital reserved for certain employees, Rexel has implemented a Group Savings Plan and an International Group Savings Plan (*Plan d'Epargne Groupe Rexel* or "PEG"), of which French and affiliated foreign companies can become members.

The subscription is carried out either directly (direct shareholding) or via *fonds commun de placement d'entreprise* (collective employee shareholding vehicle or "FCPE") depending on the country and subscription formula.

Two subscription formulas were proposed to employees:

– a "classic" formula in which the subscriber benefits from a discount to the Retail Offering Price in compensation for a 5-year lock-up period; and

– a "leverage" formula in which the subscriber benefits from the guarantee of receiving at expiration of the term of the legal 5-year lock-up period and before taking into account possible tax and social security withholdings, the amount of his or her personal contribution and a multiple of the possible average increase in the price of the Share between the Retail Offering Price and an average of the Share price over the last 24 months of the 5-year lock-up period (if Share price is lower than the Retail Offering Price, the latter is used for the average calculation).

The price of the offering reserved for employees was set at the Management Board meeting of April 4, 2007 on the base of 80% of the Retail Offering Price (€16.5), so €13.2, except for in the following countries:

– in the United States, 85% of the Retail Offering Price, specifically €14.03;

– in Germany, under the "Rexel Germany Levier 2012" formula, 100% of the Retail Offering Price, it being specified that Company BSAs are allocated to German beneficiaries who decide to subscribe to this formula.

In Australia, the United States, Italy, New Zealand, Portugal and Sweden, SARs (Share Appreciation Rights) have been granted by the local employers to the beneficiaries. The SARs are comprised of a determined number of call options to buy Rexel shares with a strike price equal to the IPO price and one put option with a strike price equal to that of the employee offering, so 80% of Retail Offering Price (85% in the U.S.). These companies also entered into hedging agreements to cover the SARs with BNP Paribas, which was the underwriter of the operation, and which subscribed to an increase in capital which was reserved for it by the decision of the Management Board on April 18, 2007.

Benefits granted to employees resulted in an expense of €7.8 million before tax with a counterparty in equity for €4.5 million and a personnel related debt of €3.3 million, at the date of the transaction on April 18, 2007 (see note 8.2). This amount corresponds to the stock discount subscriptions by employees, by common investment funds and by BNP Paribas Arbitrage SNC. The portion corresponding to SAR was recognized as a personnel liability.

SARs are qualified as cash settled instruments which result in the recognition of a personnel related debt. This debt is measured at fair value at the balance sheet date, and is recorded under "other non-current liabilities". As a hedge against possible fluctuations in Rexel share prices, the Group has entered into a hedging contract with BNP Paribas, which is registered as "non current financial assets" for an amount equivalent to that of the SARs. As of December 31, 2007 the fair value of the SARs was €1.3 million.

Changes in value of debt and non current assets are both accounted for on the income statement, resulting in no effect on the net income.

16.2 Free share scheme

Concurrently with the IPO, Rexel entered into several free share plans for its top executives and key employees amounting to a total of 5,022,190 shares on April 11, 2007. According to local regulations, these employees and executives will

either be eligible to receive Rexel shares two years after the granting date (April 12, 2009), these being restricted during an additional two year period (April 12, 2011), or four years after the granting date with no restrictions.

The issuance of these free shares is subject to the service and performance conditions of the scheme.

The vesting conditions are presented in the following table:

Beneficiaries	Vesting conditions	Number of shares attributed April 11, 2007	Cancellations this period (1)	Number of shares December 31, 2007
Top executives and managers	One year service condition from grant date	2,556,576		2,556,576
Top executives and managers	Performance conditions based on the consolidated 2007 EBITDA and one year service condition from grant date	1,193,055		1,193,055
Key employees	Half of the shares will be attributed based on 2007 EBITDA and a one-year service condition from the installation of the plan, and the other half based on 2008 EBITDA and a two-year service condition from grant date	1,272,559	(74,726)	1,197,833
Total		**5,022,190**	**(74,726)**	**4,947,464**

(1) Service condition unfulfilled.

After taking into account assumptions concerning the turnover of beneficiaries and achievement of performance conditions, the expense relating to these equity settled plans, amounts to €74.4 million (without tax effect) based on the offering price of €16.50 per share, and is spread over the vesting period.

As of December 31, 2007, a charge of €53.6 million is accounted for on the line "other charges" (see note 8.2) in counterpart under shareholder's equity.

16.3 Follow-up on previous plans

Plans issued by Rexel

On October 28, 2005, Rexel established a share option programme that entitles key management personnel to purchase shares of Rexel. These options are vested upon a change of control of the group or an IPO. The number of options that may be exercised is subject to the achievement of a determined internal rate of return on investment when Rexel shareholders dispose of their investment. On May 31, 2006 and October 4, 2006, further options were granted to new entrants.

On November 30, 2005, a share option arrangement was set up for a broader circle of senior employees of the Group with vesting conditions based on a four-year service period. Vesting may also result from a change of group control or an IPO. The number of options granted to senior employees is determined at the grant date. On May 31, 2006, further grants were made to new entrants.

In accordance with these programmes, options are exercisable at the fair value of the shares at the date of grant. These plans qualified as equity-settled transactions.

The rights under plans issued on October 28 and November 30, 2005 were vested upon the initial public offering of Rexel on April 11, 2007. The relative change for fiscal year 2007 totals €1.0 million (see note 7).

Plans issued in 2003 and 2004 by Rexel Distribution prior to its acquisition

Prior to its acquisition by Rexel Développement, S.A.S. (formerly Ray Acquisition S.C.A.), share options arrangements were granted annually by Rexel Distribution (formerly Rexel S.A.) to management personnel. On January 31, 2005, the board of directors enacted the vesting of the options issued under plans with service and performance conditions and outstanding at this date, so that holders of these options may exercise their rights during the squeeze-out procedure of the minority interest which took place in April 2005. Part of these options issued under 2003 and 2004 plans were then exercised.

In addition, Rexel Développement, S.A.S. set up a liquidity mechanism for the beneficiaries of stock options granted under the 2003 and 2004 plans. Rexel Développement, S.A.S. entered into an agreement with certain beneficiaries under the terms of which such beneficiaries undertook to sell to Rexel Développement, S.A.S., if Rexel Développement, S.A.S. wished to purchase them (the "Call") and Rexel

Développement, S.A.S. undertook to purchase from the relevant beneficiaries, if they wished to sell them (the "Put") all Rexel Distribution S.A. shares held by beneficiaries of options under the 2003 and 2004 plan and obtained by exercising their 2003 and 2004 options at the end of a four-year lock-up period. In consideration for this liquidity undertaking, the beneficiaries of 2003 and 2004 options to subscribe for shares waived their right to exercise their options in advance under the tender offer followed by the squeeze-out and also irrevocably waived their right to any options that may have been granted to them under the 1998, 1999, 2001 and 2002 plans.

In connection with the 2003 plan, Rexel Développement, S.A.S. has exercised its call option in July 2007 and acquired 361,658 Rexel Distribution shares at €31.12 per share, issued from the exercise of options granted at €21.61 per option.

The liquidity period for the 2004 plan applies from July 6, 2008 until July 21, 2008. This plan is qualified as a cash settlement transaction in relation with the liquidity agreement and is accounted for in financial indebtedness for an amount of 0.9 million euros based on the exercise price of €28.49 per option and on the Rexel Distribution share value of €31.12.

The aggregate expense relating to these two plans were fully booked on previous exercises.

Terms and conditions

The terms and conditions of the options, which are settled exclusively by physical delivery of shares, are as follows:

Date of delivery/beneficiaries	Number of instruments originally delivered	Number of options active as of December 31, 2007	Options term
Options granted to management prior to November 7, 2002	933,943	208,154	10 years
Options granted to management in 2003	623,413	1,134	10 years
Options granted to management in 2004	782,790	491,014	10 years
Total options granted by Rexel Distribution	**2,340,146**	**700,302**	
Options granted to key management			
– on October 28, 2005	2,711,000	1,231,002	10 years
– on May 31, 2006	169,236	140,944	
– on October 4, 2006	164,460	267,452	
Options granted to senior employees			
– on November 30, 2005	259,050	474,456	10 years
– on May 31, 2006	34,550	67,976	
Total options granted by Rexel	**3,338,296**	**2,181,830**	

Number of stock options

The number of stock options is detailed below:

	Rexel S.A.		Rexel Distribution S.A.S.		
	2005 Plans				
	Executives	Key employees	2004 Plans	2003 Plans	Plans prior to November 7, 2002
Options existing January 1, 2006	**2,711,000**	**259,050**	**507,302**	**389,072**	**555,815**
Cancellations during this period	(162,696)	(17,111)	(10,743)	(12,624)	(121,152)
Exercises during this period	–	–		(9,071)	–
Granted during this period	333,696	34,550	–	–	–
Options existing December 31, 2006	**2,882,000**	**276,489**	**496,559**	**367,377**	**434,663**
Options existing January 1, 2007	**2,882,000**	**276,489**	**496,559**	**367,377**	**434,663**
Cancellations during this period	–	–	(5,545)	(4,585)	(71,922)
Exercises during this period	–	–		(361,658)	(154,587)
Granted during this period	(2,062,301)	(5,273)			
Splitting the share par value and doubling the number of shares	819,699	271,216	–	–	–
Options existing December 31, 2007	**1,639,398**	**542,432**	**491,014**	**1,134**	**208,154**
Exercisable options at the end of exercise	–	–	145,553	1,134	208,154

Fair value of options and assumptions

The fair value of services received in return for options granted is measured by reference to the fair value of options granted. The estimate of the fair value of the services received is measured using an option pricing model. The estimated life of the option is used as an input into the valuation model.

A binomial model has been used for the 2005 plans in order to reflect the characteristics of these plans. Expectations of early exercise are incorporated into the binomial model.

	Rexel		Rexel Distribution	
	2005 Plans		2004 Plans	2003 Plans
	Key managers [1]	Senior employees [2]		
Pricing model	Binomial	Binomial	Black & Scholes	Black & Scholes
Fair value at measurement date (in euros per option)	€1.42 / €1.94 / €3.81	€7.43 / €5.72	€8.27	€6.18
Share price	€10 / €13 / €19	€10 / €13	€35.24	€26.89
Initial exercise price	€10 / €13 / €19	€10 / €13	€35.26	€26.75
Adjusted exercise price [3]	–	–	€28.49	€21.61
Expected volatility [4]	45% / 20%	45% / 20%	28%	28%
Option life [5]	4 to 10 years	4 to 10 years	5 years	5 years
Dividend yield			2.5%	2.5%
Risk-free interest rate (based on national government bonds)	3.15%	3.15%	3.56%	3.17%

(1) Options granted respectively on October 28, 2005, on May 31, 2006 and on October 4, 2006.
(2) Options granted respectively on November 30, 2005, and on May 31, 2006.
(3) Adjusted price following the exceptional dividend distribution of €499.7 million on March 4, 2005.
(4) Expected volatility for plans of Rexel until divestiture by shareholders (45%) is based on the historical volatility of Rexel shares on the market, adjusted to take into account the current financing structure of Rexel. Upon divestiture by shareholders, the expected volatility is 20%.
(5) Option life is the contractual life under the binomial model and the economic life under the Black and Scholes model.

17. EARNINGS PER SHARE

Information on the earnings and number of ordinary shares included in the calculation is presented below:

	For the year ending December 31,	
	2007	2006
Net income attributed to ordinary shareholders *(in millions of euros)*	143.5	188.9
Net income restated from IPO costs	312.2	188.9
Weighted average number of ordinary shares *(in thousands)*	220,976	126,092
Basic earning per share *(in euros)*	**0.65**	**1.50**
Earnings per share excluding IPO-related transactions *(in euros)*	**1.41**	**1.50**
Net income attributed to ordinary shareholders *(in millions of euros)*	143.5	188.9
Net income restated from IPO costs	312.2	188.9
Average number of balanced shares in circulation *(in thousands)*	220,976	126,092
Potential dilutive ordinary shares *(in thousands)*	3,707	1,660
– out of which are share subscription rights (in thousands) [1]	–	*1,080*
– out of which are share options (in thousands) [1]	*1,399*	*202*
– out of which are free shares (in thousands) [2]	*2,308*	*378*
Weighted average number of ordinary shares used for the calculation of fully diluted earnings per share *(in thousands)*	224,683	127,752
Fully diluted earnings per share *(in euros)*	**0.64**	**1.48**
Fully diluted earnings per share excluding IPO-related transactions *(in euros)*	**1.39**	**1.48**

(1) The number of potential diluted shares has been calculated assuming that all conditions to exercise these dilutive instruments were met as of December 31, 2006.
(2) The number of potential diluted shares does not take into account the free shares whose allocation is subject to future performance.

18. PROVISIONS AND OTHER NON-CURRENT LIABILITIES

	As of December 31,	
(in millions of euros)	2007	2006
Provisions	41.4	47.9
Other non-current liabilities	11.4	10.1
Total	**52.8**	**58.0**

Other non-current liabilities are comprised essentially of debts related to the profit sharing schemes for French employees in the amount of €8.3 million (€7.8 million as of December 31, 2006).

The variation in provisions is detailed below:

(in millions of euros)	Provision for restructuring	Provision for litigation	Other provision	Provision for vacant properties	Total provisions
At January 1, 2006	**12.5**	**42.6**	**9.7**	**3.0**	**67.8**
Change in consolidation scope	–	–	0.7	–	0.7
Increase	7.2	3.1	0.5	1.8	12.6
Use	(7.1)	(0.4)	(3.1)	(1.2)	(11.8)
Release	(0.2)	(16.6)	(0.8)	–	(17.6)
Translation differencies	(0.8)	(1.7)	(0.7)	(0.2)	(3.4)
Other changes	(0.9)	0.7	(0.1)	(0.1)	(0.4)
At December 31, 2006	**10.7**	**27.7**	**6.2**	**3.3**	**47.9**
Change in consolidation scope	–	–	0.2	–	0.2
Increase	2.5	12.2	2.3	1.9	18.9
Use	(5.6)	(3.3)	(3.4)	(1.1)	(13.4)
Release	(0.7)	(8.3)	(1.6)	(2.1)	(12.7)
Translation differencies	0.1	(1.2)	1.6	(0.2)	0.3
Other changes	0.6	(3.7)	3.3	–	0.2
At December 31, 2007	**7.6**	**23.4**	**8.6**	**1.8**	**41.4**

As of December 31, 2007, provisions consist mainly of:

- provisions of €4.3 million for restructuring in Canada (reorganization and separation of non-strategic activities) and of €1.5 million in the United States;
- litigation provisions generally concerning fiscal matters of €16.4 million in France and of €4.6 million in Canada;
- other provisions for personnel-related litigation of €2.1 million and provisions for warranties and recalls by clients and third-parties.

19. EMPLOYEE BENEFITS

The Group provides employee benefits under various arrangements, including defined benefit and defined contribution plans. The specific conditions of these plans vary according to the rules applying in each country concerned. These plans include pensions, lump-sum payments on retirement, jubilees, early retirement benefits, and health care and life insurance benefits in favour of former employees, including retired employees. The most significant funded retirement plans are in Canada, the United Kingdom, the United States, The Netherlands and Switzerland, and are managed through vehicles independent of the Group. In France and Italy, the obligations principally concern lump-sum payments on retirement and long service awards (jubilees), and are generally unfunded.

The change in the present value of the obligation in respect of defined benefit plans is as follows:

	Defined benefit obligations	
(in millions of euros)	2007	2006
At the beginning of the period	**482.0**	**390.4**
Service cost	12.1	12.5
Interest cost	21.8	20.6
Benefit payments	(22.5)	(21.1)
Employee contributions	3.9	2.9
Actuarial (gain) loss	(29.0)	(16.4)
Change in consolidation scope	0.4	121.1
Translation differencies	(1.9)	(25.0)
Other changes	(5.2)	(3.0)
At the end of the period	**461.6**	**482.0**

The change in the fair value of the defined benefit plan assets breaks down as follows:

(in millions of euros)	Plan assets	
	2007	2006
At the beginning of the period	**343.6**	**253.0**
Employer contributions	17.1	16.1
Employee contributions	3.9	2.9
Return on plan assets	15.1	20.3
Benefit payments	(22.2)	(21.0)
Change in consolidation scope	0.2	93.0
Translation differencies	(1.6)	(17.6)
Other changes	(3.0)	(3.1)
At the end of the period	**353.1**	**343.6**

The reconciliation of the liability recognized on the balance sheet with the present value of the obligation in respect of defined benefit plans is as follows:

(in millions of euros)	As of December 31,	
	2007	2006
Defined benefit obligations	461.6	482.0
Fair value of plan assets	(353.1)	(343.6)
Funded status	**108.5**	**138.4**
Unrecognized actuarial gains and losses	14.4	(4.7)
Effect of the asset cap	2.7	–
Recognized liability for defined benefit obligations	**125.6**	**133.7**

The expense recognized in the income statement breaks down as follows:

(in millions of euros)	As of December 31,	
	2007	2006
Service costs [1]	12.2	12.5
Interest costs [2]	21.8	20.6
Expected return on plan assets [2]	(21.3)	(20.6)
Curtailment and settlement [3]	(1.3)	(2.3)
Amortization of unrecognized actuarial gains/losses [1]	(2.7)	1.5
Other [1]	2.6	0.3
Expense recognized	**11.3**	**12.0**

(1) Personnel costs (see note 7).
(2) Net financial expenses (see note 9).
(3) Other profits and costs (see note 8).

The main actuarial assumptions at the date of the most recent actuarial valuation are as follows:

(in %)	Canada		United States		United Kingdom		Euro zone	
	2007	2006	2007	2006	2007	2006	2007	2006
Discount rate	5.25	5.00	6.25	5.75	5.80	5.10	5.50	4.60
Expected return on plan assets	7.75	7.75	8.00	7.75	6.70	6.40	5.25	5.00
Future salary increases	3.00	3.00	N/A	N/A	2.70	2.70	3.00	3.00
Future pension increases	2.00	2.00	N/A	N/A	2.25	2.25	2.00	2.00

As of December 31, 2007, a 1% increase in medical costs would translate to a €6.0 million increase in the present value of this commitment. A 1% decrease would translate to a decrease of €5.7 million from the present value of this commitment.

As of December 31, 2007, the average allocation of Group funds invested for retirement plans by type of investment is as follows: 47% in stocks, 40% in bonds, 5% in money markets and 8% in other investment categories.

20. FINANCIAL LIABILITIES

This note provides information about financial liabilities as of December 31, 2007. Financial liabilities include interest-bearing loans, borrowings and accrued interest less transaction costs.

20.1 Net financial debt

(in millions of euros)	As of December 31, 2007			As of December 31, 2006		
	Current	Non-current	Total	Current	Non-current	Total
Shareholders' loan [1]	**–**	**–**	**–**	**496.9**	**543.0**	**1,039.9**
Senior Subordinated Notes and indexed bonds [2]	54.8	–	54.8	17.5	652.8	670.3
Senior credit facility	–	960.6	960.6	45.3	1,559.1	1,604.4
Securitization	–	1,012.1	1,012.1	–	1,007.5	1,007.5
Bank loans	5.9	5.0	10.9	5.3	5.3	10.6
Bank overdrafts and other credit facilities [3]	45.1	–	45.1	34.0	–	34.0
Finance lease obligations	16.9	37.5	54.4	27.7	62.3	90.0
Less transaction costs	–	(16.1)	(16.1)	–	(82.6)	(82.6)
Carrying amount of liability	***122.7***	***1,999.1***	***2,121.8***	***129.8***	***3,204.4***	***3,334.2***
Total financial debt and accrued interest			**2,121.8**			**4,374.1**
Cash and cash equivalents			(515.2)			(473.1)
Net financial debt			**1,606.6**			**3,901.0**

(1) Including accrued interests of €35.8 million and capitalized interests of €42.9 million as of December 31, 2006.
(2) No accrued interest as of December 31, 2007 (€17.5 million as of December 31, 2006).
(3) Including accrued interest of €4.5 million as of December 31, 2007 (€2.7 million as of December 31, 2006).

With the exception of an indexed bonds subject to a fair value hedge (€54.8 million on December 31, 2006), all of the Group's financial debt is stated at amortized cost.

In addition, as the Group's financial liabilities essentially consist of variable-rate loans, the value of the financial liabilities, apart from transaction costs, may be considered representative of its fair value. Only one part of the Group's finance lease obligations is financed at a fixed rate.

20.1.1 Changes in net financial debt

On December 31, 2007 and 2006, changes in net financial debt are as follows:

(in millions of euros)	2007	2006
At January 1	**3,901.0**	**3,188.1**
Interest expenses (accrued interests and/or capitalized interests)	13.0	44.6
Reimbursement of shareholders' loan	–	(1.9)
Capitalization of shareholders' loan	(1,052.9)	–
Net change in shareholders' loan	**(1,039.9)**	**42.7**
Reimbursement of Senior Subordinated Notes	(600.0)	–
Reimbursement of Senior Credit Agreement 2005	(1,596.2)	415.6
Subscription of Credit Agreement 2007	999.4	–
Other changes	(16.1)	(1.9)
Net change in credit facilities	**(1,212.9)**	**413.7**
Net change in securitization	42.2	315.0
Payment of finance lease liabilities	(26.9)	(27.0)
Net change in financial liabilities	**(1,197.6)**	**701.7**
Change in cash and cash equivalents	(46.4)	(44.4)
Foreign currency exchange discrepancies	(101.6)	(100.2)
Change in consolidation scope	15.0	86.1
Amortization of transaction costs	82.4	12.3
Other changes	(6.3)	14.7
At December 31	**1,606.6**	**3,901.0**

In the year ended December 31, 2007, changes in net financial debt include the following transactions:

Capitalization of shareholders' loan

On April 4, 2007, prior to the initial public offering of Rexel, a shareholders' loan granted in 2005 by Ray Investment S.à.r.l. to Rexel were incorporated into the capital and share premium for respectively €319.1 million and €733.8 million based on the introduction price.

Reimbursement of the Senior Subordinated Notes of €600 million

On March 16, 2005, Ray Acquisition S.C.A. issued €600.0 million in Senior Subordinated Notes due 2015 (the "Senior Subordinated Notes"), bearing interest annually at 9.375%.

The outstanding Senior Subordinated Notes have been redeemed in advance on April 16 and April 18, 2007 with funds received through the initial public offering of Rexel and the 2007 Credit Agreement. In accordance with the contractual clause, the Group paid at the redemption date to the holders of the Senior Subordinated Notes a redemption premium for €89.6 million (see note 9 "Refinancing charges").

Refinancing of the 2005 Senior Credit Agreement

In connection with the acquisition of Rexel Distribution, Rexel Développement (formerly Ray Acquisition S.C.A.) entered into a Senior Credit Agreement as of March 16, 2005 for an initial aggregate amount of €2,427 million. It was comprised of five term loan facilities, a revolving credit facility, and a borrowing base facility ("BBF") designed to finance trade receivables.

On April 17, 2007, the six remaining due credit facilities of the 2005 Senior Credit Agreement were entirely reimbursed for an amount of €1.6 billion and refinanced by the drawdown of a facility under the 2007 Credit Agreement for an amount of €1.3 billion.

On August 20, 2007, two drawings under Facility A of the 2007 Credit Agreement have been redeemed in advance, for an amount of €285.0 million. Thereby, as of December 31, 2007, amounts drawn under 2007 Credit Agreement were €960.6 million.

Transaction costs

The amortization of transaction costs includes mainly the write-down of the transaction costs corresponding to the Senior Subordinated Notes and the 2005 Senior Credit Agreement for €76.3 million.

Transaction costs relating to the 2007 Credit Agreement are presented in the line "other changes" for an amount of €10.4 million.

For the year ended December 31, 2006, net change in credit facility included repayment under the 2005 SCA of (i) the Borrowing Base facility for €57.2 million, cancelled following the implementation of securitization, (ii) the Revolving Credit Facility for €32.5 million, (iii) and a contractual semi-annual installments on the Term loan A for €33.2 million and a drawing of (i) €464.5 million under the facility B3A of the 2005 Senior Credit Agreement to finance the acquisition of Gexpro (ii) €169.5 million under facility D to finance the acquisition of Capital Light and Supply Company, DH Supply Company and Elettro Bergamo.

20.1.2 Description of net financial liabilities

2007 Credit Agreement

On February 15, 2007, Rexel, as borrower and guarantor, entered into a five-year and one day €2.1 billion credit agreement (the "2007 Credit Agreement") with BNP Paribas, Calyon, the Royal Bank of Scotland Plc and HSBC France, as Mandated Lead Arrangers and Original Lenders, and Calyon as Agent. The new Credit Agreement serves to refinance the 2005 Senior Credit Agreement. The Group executed this Credit Agreement concurrently with the initial public offering. The 2007 Credit Agreement includes a multi-currency term credit facility in an initial amount of €1.6 billion ("Facility A"), which was reduced to €1.3 billion at the Credit Agreement implementation date and a multi-currency revolving credit facility in an initial amount of €500.0 million ("Facility B").

Facility A may be used to refinance existing loans (principal, interest and premiums) under the 2005 Senior Credit Agreement. It matures five years and one day from the first drawdown and is available for draw-downs until May 31, 2007. On August 20, 2007, two drawings under Facility A have been redeemed for an amount of €285.0 million. Concurrently to this repayment, the authorized amount under Facility B increased from €500.0 million to €785.0 million.

Facility B may be used to finance the general operating requirements of Group companies, in particular working capital requirements, as well as to finance certain acquisitions that meet the criteria set out in the 2007 Credit Agreement. Drawdowns may be made under Facility B up to one month prior to the maturity date of the 2007 Credit Agreement and are repayable at the end of the term of each drawing made by the borrowing companies (one, two, three, or six months).

Under this agreement, Rexel and certain of its subsidiaries (Rexel Distribution, Rexel Inc, Rexel North America Inc, Rexel Electrical Supply & Services Holding and General Supply & Services Inc) are considered as obligors.

Amounts drawn bear interest at a rate determined in reference to (i) the LIBOR rate when funds are made available in currencies other than the euro or the EURIBOR rate when funds are made available in euros; (ii) the cost relating to lending banks' reserve requirements and fee payments; (iii) the applicable margin, which can vary from 0.30% to 1.35%, depending on the adjusted consolidated debt relative to the adjusted consolidated EBITDA (the "Indebtedness Ratio"). At the drawing date, on April 17, 2007, the applicable margin was 0.65%.

The facilities under the 2007 Credit Agreement as of December 31, 2007 are as follows:

Credit Facility (Term Loan)	Borrower	Amount authorized	Balance due as of December 31, 2007	Currency	Balance due as of December 31, 2007
		(in millions of local currency)			(in millions of euros)
A	Rexel Distribution	1,000.0	1,000.0	SEK	105.9
	Rexel Distribution	180.0	180.0	CHF	108.8
	Rexel Inc.	455.0	455.0	USD	309.1
	Rexel North America Inc.	320.0	320.0	CAD	221.5
	General Supply & Services Inc.	317.0	317.0	USD	215.3
B	Rexel and other obligors	785.0	–	EUR	
TOTAL					**960.6**

Covenants

Under the terms of the 2007 Credit Agreement, Rexel must, at each of the dates indicated below, maintain an Indebtedness Ratio below the following levels:

Date	Debt ratio
December 31, 2007	4.75:1
June 30, 2008	4.50:1
December 31, 2008	4.50:1
June 30, 2009	4.50:1
December 31, 2009	4.50:1
June 30, 2010	4.00:1
December 31, 2010	3.75:1
June 30, 2011 and after	3.50:1

As of December 31, 2007, Rexel satisfied this covenant.

Pursuant to the 2007 Credit Agreement, Adjusted Consolidated EBITDA means operating income before other income and other expenses, plus depreciation and amortization as set forth in the Group's financial statements and:

– includes adjusted EBITDA over the last twelve months of all the companies acquired during the relevant period, pro rata to the group's participation;

– includes proceeds relating to commodity price derivatives to hedge exposure to the price fluctuations of certain commodities which do not qualify for cash flow hedge accounting under applicable IAS standards;

– excludes non-cash expenses relating to employee profit sharing and any share based payments.

Pursuant to the 2007 Credit Agreement, adjusted consolidated net debt means:

– all financial debt (whether the interest with respect to such debt is payable in cash or in kind) converted on the basis of the relevant average exchange rate against euro over the last twelve months when financial debt is denominated in currencies other than euro:
  • excluding transaction costs,
  • excluding intra-group loans,
  • including all indebtedness relating to the issuance of securities that are not mandatorily redeemable into shares,
  • including any other amount raised and accounted for as borrowing under international accounting standards; plus

– accrued interest, including capitalized interest but excluding interest accrued on intra-group loans; minus

– cash and cash equivalents.

Following the 2005 Senior Credit Agreement refinancing, the Group cancelled all securities and guarantees provided to secure its obligations under this agreement.

The 2007 Credit Agreement does not include any security and guarantee provision but contains standard clauses for this type of agreement. These include clauses restricting the ability of Group companies which are parties to the 2007 Credit Agreement, as well as certain subsidiaries, to pledge their assets, carry out mergers or restructuring programmes, borrow or lend money, provide guarantees or make certain investments, as well as provisions concerning acquisitions by Group companies. The 2007 Credit Agreement allows partial or total acceleration upon the occurrence of certain events, including the case of a payment default under the 2007 Credit Agreement, failure to comply with the Indebtedness Ratio set forth above, payment defaults or acceleration of other financial debt of certain Group entities (above specified amounts) or other events that are likely to have a material adverse effect of the payment obligations of the borrowers and the guarantors or on their ability to comply with the Indebtedness Ratio as set forth above.

Securitization programmes

Securitization programme features are summarised in the table below:

Programme	Currency	(in millions of)		(in millions of euros)			Maturity date	Rate
		Commitment	Amount drawn on December 31, 2007	Amount of receivables pledged on December 31, 2007	Outstanding amount on December 31, 2007	Outstanding amount on December 31, 2006		
Europe-Australia	EUR	600.0	596.0	866.4	596.0	599.0	20/11/2012	BT & Euro commercial paper + 0.48%
United States	USD	470.0	470.0	528.8	319.2	327.1	11/03/2012	US commercial paper + 0.33%
Canada	CAD	140.0	140.0	165.0	96.9	81.4	13/12/2012	Canadian commercial paper + 0.45%
TOTAL				**1,560.2**	**1,012.1**	**1,007.5**		

Considering their characteristics, notably the fact that the Group retains a significant part of the late payment and credit risks, these receivables selling programmes cannot be qualified for derecognition under IAS 39 requirements. Assigned receivables therefore remain registered as assets on the Group's balance sheet whereas the amount due is considered a debt.

These programmes are subject to certain covenants concerning the quality of the receivables portfolio including dilution (ratio of credit notes to eligible receivables), delinquency, and default criteria (aging ratios measured respectively as overdue and doubtful receivables to eligible receivables).

As of December 31, 2007 Rexel had satisfied all of these covenants.

21. MARKET RISKS AND FINANCIAL INSTRUMENTS

21.1 Interest rate hedging

Following the refinancing transactions concurrently with the completion of the initial public offering, the Group's net debt now consists mostly of floating interest rate loans. In order to hedge its exposure to floating rates, the Group has adopted an interest rate hedging strategy aimed at maintaining around two-thirds of the net financial debt at fixed or capped interest rates and one-third at variable interest rates.

Every month the Group monitors the interest rate risk during the treasury committees, with the involvement of the top management. This process enables the Group to assess the efficiency of the hedges and to adapt them to the underlying indebtedness where necessary.

The breakdown of financial debt between fixed and variable rates, before and after hedging, is as follows:

(in millions of euros)	December 31, 2007	December 31, 2006
High Yield Bond (Fixed rate)	–	600.0
Fixed rate finance lease and other fixed rate debt	40.2	49.7
Fixed rate debt before hedging	*40.2*	*649.7*
Variable to fixed rate swaps	999.1	1,411.3
Interest rate options – Caps	315.9	353.1
Sub-total fixed or capped rate debt after hedging	**1,355.2**	**2,414.1**
Variable rate debt before hedging	2,081.7	3,724.4
Variable to fixed rate swaps	(999.1)	(1,411.3)
Interest rate options – Caps	(315.9)	(353.1)
Cash and cash equivalents	(515.2)	(473.1)
Sub-total variable rate debt after hedging	**251.5**	**1,486.9**
Total financial debt and accrued interests	**1,606.6**	**3,901.0**

In accordance with the policy laid down above, the Group has entered into euro-, U.S. dollar-, Canadian dollar-, Australian dollar- and Swedish Krona- denominated interest -rate swap contracts, exchanging floating rates for fixed rates. It has also entered into U.S. dollar- denominated cap contracts. These swaps mature between March 2008 and March 2010. It is the Group's intention to renew any of these swaps in order to hedge the variability of future interest expense related to its floating interest debt according to the policy described above. The allocation of hedging instruments among currencies hinges upon the Group's expectations concerning the evolution of the interest rates linked to those currencies. Those instruments are classified as cash flow hedges and are measured at fair value.

In addition, the Group entered into a swap paying fixed rates to hedge risks incurred by the evolution of a specified debt.

Fair value hedge derivatives

Fair value of interest rate derivatives as of December 31, 2007

	Total notional amount	Weighted average fixed rate received	Variable rate paid	Fair value (in millions of euros)
Swaps paying variable rate				
Euro	45.7	(1)	3M Euribor – 0.08%	9.1
Total	**45.7**			**9.1**

(1) In connection with the issuance in 1998 of a €45.7 million bonds indexed on the Rexel Distribution share price, Rexel Distribution entered into an equity swap to neutralize the risk incurred by the change in the Rexel Distribution share price. This equity swap is paying three-month EURIBOR minus 0.08% and is receiving, at maturity, the final redemption price of the indexed bonds and qualifies as a fair value hedge.

Changes in fair value of the derivatives designated as hedges to the variability of the fair value of liabilities are recognized in profit or loss. The changes in fair value of the fair value hedge derivatives and of the underlying liabilities are recognized as interest expense on borrowings. The change in fair value of these swaps for the period ended December 31, 2007 was a gain of €2 million, matched against a loss resulting from the change in fair value of the related indebtedness.

Cash flow hedge derivatives

Concurrently to the refinancing transactions and in accordance with its interest rate hedging strategy, the Group has unwinded its swaps paying fixed rates and maturing in March 2010, for a notional amount of €200.0 million, AU$82.5 million dollars, CN$152.0 million dollars (due in March 2008) and £23.5 million. These swaps were initially qualified as cash flow hedging instruments. When the contracts were terminated, in April 2007, Rexel received a settlement of €7.4 million equal to the fair value of those instruments. This settlement is recognized immediately in financial income when the hedge item is derecognized and is amortized fully by maturity of the financial instrument, i.e. three years for the major part. For the period ended December 31, 2007, a €2.7 million gain has been recognized on the income statement mainly corresponding to variable rate debt repaid.

As of December 31, 2007, derivative instruments classified as cash flow hedges are as follows:

	Total notional amount currency (in millions of currency)	Maturity	Floating rate received	Weighted average fixed rate paid	Fair value (in millions of euros)
Swaps paying fixed rate					
Euro	50.0	March 2008	1M Euribor	2.77%	0.2
	303.0	March 2010	1M Euribor	3.15%	7.8
U.S.$	68.0	March 2008	3M Libor	4.26%	0.1
	130.0	December 2008	3M Libor	4.95%	(0.7)
	185.0	September 2009	3M Libor	5.25%	(3.1)
	269.0	March 2010	3M Libor	4.64%	(3.3)
Canadian $	112.0	March 2009	3M Libor	3.83%	0.3
	80.0	March 2010	3M Libor	4.02%	0.2
Swedish Krona	430.0	March 2010	3M Stibor	3.36%	1.2
Australian $	41.5	March 2010	3M Libor	6.10%	0.7
Total					**3.3**

	Total notional amount currency (in millions of currency)	Maturity	Premium share paid (in millions of euros)	Floating rate received	Weighted average fixed rate paid	Fair value (in millions of euros)
Options – Pain vanilla caps						
U.S.$	100.0	March 2009	0.8	3M Libor	5.00%	–
U.S.$	365.0	September 2009	1.7	3M Libor	5.50%	–
Total						**–**

On December 31, 2007, the total notional amount of cash flow hedge swaps and cash flow hedge options were €999 million and €316 million, respectively.

The change in the fair value of the cash flow hedge instruments for the year ended December 31, 2007 was recognized in shareholders' equity for an amount of €16.2 million (before tax).

The following table indicates the periods in which the Group expects the cash flow associated with derivative instruments qualified as cash flow hedges. They will be recognized in profit and loss account following the same schedule:

(in millions of euros)	Valeur comptable	One year	Two years	Three years	Thereafter
Derivative assets	10.4	5.4	4.1	0.9	–
Derivative liabilities	(7.1)	(3.2)	(3.6)	(0.3)	–
Derivatives	3.3	2.2	0.5	0.6	
Cash flow hedges	(109.7)	(53.5)	(42.5)	(13.8)	

Sensitivity to interest rate variation

As of December 31, 2007 an instantaneous rise of 1% in short-term interest rates would lead to an increase in annual interest expense of approximately €7.3 million. This same rise would have a complementary positive impact of €16.0 million on the Group's own equity before taxation related to the appreciation of the fair value of their corresponding hedges.

21.2 Hedging of fluctuations in foreign currency

Due to the local nature of the Group's operating activities and the local financing of each entity, Group subsidiaries are rarely exposed to currency risk. Except for limited transactions and with an amount lower than €200,000 each, foreign exchange risks are managed centrally by the Group Treasury Department. Exchange exposure arises from external financing in currency other than the euro and in financing of/by Group entities of/by the Parent company in their local currency. In order to neutralize the exposure to the exchange rate risk, the positions in currencies other than the euro are systematically hedged with term contracts with duration generally between one and three months. The hedge contracts are renewed as necessary while exposure remains.

Fair value

The notional amount and the fair value of financial instruments hedging foreign exchange risk as of December 31, 2007 were respectively €32.2 million (€155.8 million forward sales and €123.6 million forward purchases) and €1.3 million.

Sensitivity to variation in the exchange rate

In 2007, nearly two-thirds of the Group's sales on a proforma basis were in currencies other than euro, including nearly 40% in U.S. dollars and 10% in Canadian dollars. Also, more than two-thirds of financial debts were demonstrated in currencies other than euro, of which nearly 54% were in U.S. dollars and 17% in Canadian dollars. The presentation currency of the financial statements being the euro, the Group is required to translate into euros those assets, liabilities, revenues and expenses denominated in other currencies in preparing its financial statements.

The results of these operations are included in the Group's consolidated income statement after conversion at the average rate applicable to the period. A 5% increase (or decrease) of euro against the U.S. dollar and the Canadian dollar would have led to a decrease (increase) in sales of respectively €244.0 million and a decrease (increase) in

operating income before other income and other expenses of respectively €12 million.

The Group's financial liabilities and shareholder equity are likewise included on its consolidated balance sheet after conversion at the exchange rate at the close of the fiscal year. Thus, a 5% variation in the exchange rate of the U.S. or Canadian dollar considered at the close of the fiscal year on December 31, 2007, would result in a corresponding decrease or increase in financial debt and shareholders' equity of, respectively, €56.9 million and €3.9 million for an appreciation of the euro.

The amount of the financial debt per currency of repayment is analysed as follows:

(in millions of euros)	Euros	U.S. dollars	Canadian dollars	Australian dollars	Pounds sterling	Swedish kronor	Other currencies	Total
Financial liabilities	538.5	910.3	270.9	126.7	(6.0)	115.0	166.3	2,121.7
Cash and cash equivalents	(414.0)	(38.5)	–	(14.3)	(4.0)	(16.2)	(28.1)	(515.1)
Net financial position before hedging	**124.5**	**871.8**	**270.9**	**112.4**	**(10.0)**	**98.8**	**138.2**	**1,606.6**
Impact of hedges	32.2	(53.3)	49.8	(46.0)	71.5	(8.5)	(45.7)	–
Net financial position after hedging	**156.7**	**818.5**	**320.7**	**66.4**	**61.5**	**90.3**	**92.5**	**1,606.6**
Impact of 5% rise in interest rates	**–**	***40.9***	***16.0***	***3.3***	***3.1***	***4.5***	***4.6***	***72.5***

21.3 Liquidity risk

In connection with its indebtedness, the Group will not be subject to any reimbursement obligation in the near to medium term.

The 2007 Senior Credit Agreement, which has a five year and one day term (beginning on the date of the first draw-down) includes a revolving multicurrency facility. The revolving facility has been put in place to cover monthly and seasonal variations in its financing in connection with the Group's securitization programmes and is also available to finance acquisitions. The Group may be required to repay amounts due under the 2007 Senior Credit Agreement early in the case of the occurrence of certain events or as a result of non-compliance with covenants set out therein.

Lastly, securitization programmes mature in 2012. The financing arising from these programmes directly depends on the amounts and quality of transferred receivables. In the event that the relevant companies do not comply with certain obligations, these securitization programmes may need to be repaid early, which could have an adverse effect on the Group's liquidity and financial situation. In addition, if the special purpose entities to which the receivables have been transferred were unable to issue short term debt (commercial paper, *billets de trésorerie*) under conditions that are equal to those available up to now, the Group's liquidity and financial situation could be affected.

The contractual repayment schedule of financial debt is as follows:

(in millions of euros)	December 31, 2007	December 31, 2006
Due within		
One year	119.2	626.7
Two years	4.8	43.7
Three years	6.7	102.4
Four years	0.3	130.0
Five years	1,983.1	145.9
Thereafter	7.7	3,325.4
Total financial debt	**2,121.8**	**4,374.1**
Interest to be paid	397.7	
Total net repayable	**2,519.5**	

As of December 31, 2007, the remaining contractual due dates, including interest owed, are as follows:

(in millions of euros)	Financial debt	Derivatives	Total
One year	212.5	(2.4)	210.1
Two years	96.2	(0.5)	95.7
Three years	97.8	(0.6)	97.2
Four years	91.0	–	91.0
Five years	2,010.7	–	2,010.7
Thereafter	7.9	–	7.9
Total financial debt	**2,516.1**	**(3.5)**	**2,512.6**

21.4 Credit risk

The financial instruments that could expose the Group to a concentration of credit risk are principally trade accounts receivable, cash and cash equivalents and derivative instruments. Credit risk in respect of trade accounts receivable is limited due to the large number of customers, the diversity of their activities (contractors, industry, public administration), and their geographical spread in France and abroad. Credit risk in respect of financial instrument hedges is also limited, as the Group enters into interest rate swaps and forward contracts with banks of international reputation. In addition, credit assurance programmes have been erected in most of the Group's significant countries of operation. The maximum risk, that which corresponds to the total outstanding debt after taking into account bonds and recorded depreciation, was €2,018.5 million and is detailed in this document (see 12.2).

The credit risk concerning cash, cash equivalents and hedging instruments is likewise limited by the quality of the counter-parties in question, who are exclusively from reputed international financial establishments. Outstanding debt was €537.8 million as of December 31, 2007, corresponding to the net accounting value of the aforementioned elements.

The maximum credit risk on the Group's other financial assets was €382.1 million and essentially corresponds to supplier discounts receivable.

22. SUMMARY OF FINANCIAL LIABILITIES

(in millions of euros)	Category IAS 39	As of December 31,			
		2007		2006	
		Carrying amount	Fair value	Carrying amount	Fair value
Bonds	FV	54.8	54.8	52.8	52.8
Other bonds	AC			600.0	685.9
Other financial debts, including accrued interests	AC	2,067.0	2,067.0	3,721.3	3,721.3
Total financial liabilities		**2,121.8**		**4,374.1**	
Trade accounts payable	AC	1,659.3	1,659.3	1,616.1	1,616.1
Vendor rebates receivable	AC	66.9	66.9	58.9	58.9
Personnel and social obligations (2)	N/A	229.3	N/A	236.4	N/A
VAT receivables and other sales taxes (2)	N/A	48.6	N/A	43.4	N/A
Hedging derivatives (1)	N/A	7.1	7.1	0.8	0.8
Other derivatives	HTM	1.9	1.9	0.5	0.5
Other receivables	AC	143.0	143.0	129.5	129.5
Prepaid expenses (2)	N/A	2.4	N/A	12.1	N/A
Total other debts		**499.2**		**481.6**	

(1) Specific accounting measurement for hedging.

(2) Not classified as financial liability under IAS 39.

Financial liabilities – stated at amortized cost	AC
Held to maturity	HTM
Fair value through profit or loss	FV
Not applicable	N/A

23. LITIGATION AND CONTINGENCIES

23.1 Litigation

Asbestos litigation

In 2000, Rexel North America Inc., the Group's Canadian subsidiary, acquired Westburne Inc., a company operating primarily in Canada and the United States. In 2001, Rexel North America Inc. sold the non-core portion of the Westburne Inc. group's business to a third party. The electrical product distribution activities of Westburne Inc. and its subsidiaries were transferred to Rexel, Inc.

The Group is party to several proceedings which are described below. The principal proceedings are set out below. Although the Group believes that its exposure to having to pay significant amounts in connection with these proceedings is limited and that these lawsuits will not have, individually or in the aggregate, a material adverse affect on its financial condition or results of operations, the Group cannot give any assurances to this effect, nor can it predict with certainty what the outcome of these lawsuits will be. The amounts Rexel North America Inc. and Rexel, Inc. may pay, as the case may be, are difficult to quantify.

Rexel North America Inc. (Canada)

In the context of the disposal of Westburne Inc.'s non-core activities, Rexel North America Inc. (Canada) provided the purchaser with an indemnity relating to product liability. This indemnity may be triggered for claims and proceedings notified by the purchaser to Rexel North America Inc. prior to July 1, 2005, as far as these claims and proceedings would have been commended prior to this date and would have been related to products sold prior to the date of the disposal of the non-core activities dated July 1, 2001.

The Westburne Inc. group companies that were disposed of by Rexel North America Inc., as well as their predecessors (principally, the PE O'Hair company) and third-party companies that are not related to the Group, were named as co-defendants in approximately 935 lawsuits filed mainly in California since 1992 on behalf of several thousand plaintiffs. The plaintiffs are claiming damages as a result of alleged exposure to asbestos contained in products purportedly distributed, including the disposed businesses, from 1950 to 1980. The other co-defendants in these cases include manufacturers, contractors and other distributors.

Rexel North America Inc.'s involvement in these lawsuits arises from the indemnity provided by it to the purchaser of Westburne's businesses. Rexel North America Inc. has denied the allegations in these lawsuits, since it believes that the liability relating the presence of asbestos in the products it sells is principally incumbent on the manufacturers of those products. A number of these claims have been dismissed or settled, and all such settlement amounts payable by Rexel have been for small sums that were covered in their entirety by its insurance policies.

At December 31, 2007, 18 claims that could potentially trigger Rexel North America Inc.'s indemnification obligations to the purchaser of the non-core Westburne Inc. business remained pending. The Group believes that it is likely that the majority of these 18 claims will be rejected or will be settled for amounts that will be covered by Rexel's insurance policies, although it cannot make any assurances to this effect.

Rexel, Inc. (United States)

Rexel, Inc., as the purchaser of the electrical product distribution activities of Westburne Inc. in the United States, along with more than 100 other companies, is or had once been named as a defendant in a number of proceedings in Louisiana, New York, New Jersey and Texas relating to exposure to asbestos containing materials.

At December 31, 2007, Rexel, Inc. had been cleared of all responsibility for the claims filed in New Jersey and Texas. In 2007, Rexel, Inc. obtained a stipulated dismissal (rejection without appeal) of all asbestos-related demands pending in the State of New Jersey and will not pay indemnities to that end. At the date hereof, 39 claims initiated by 161 plaintiffs remain outstanding in Louisiana and two claims initiated by four plaintiffs remain pending in New York.

In the two cases currently pending in New York, the plaintiffs (which are not related to Rexel) claim liability for injuries relating to products sold by a number of companies prior to 1985, including Rexel, Inc. The proceedings have been suspended since October 2003 until the claimants can prove an asbestos-related illness, in accordance with the practice of New York State courts. Given the high number of co-defendants and the state of the proceedings, the Group cannot predict the outcome of these proceedings.

Of the 39 cases pending in Louisiana, 33 claims by 153 third-party plaintiffs allege that they were exposed to asbestos containing materials as a result of general contracting work carried out on the premises of third-party companies by employees of the purchased Westburne Inc. businesses at the same time such claimants were present, between 1950 and 1970. The other defendants in these cases are companies that are not affiliated with the Group and include the owners and lessees of the concerned premises, the manufacturers of the structures and products that allegedly contained asbestos and other distributors and contractors. Legal fees and potential damages that could be awarded with respect to these proceedings and that are assessed against a co-defendant are covered by four insurance companies pursuant to a cost sharing agreement entered into between these companies. To date, settlements arising from these cases have been totally covered pursuant to this cost sharing agreement.

Rexel, Inc. has denied the allegations in these lawsuits based on the argument that its liability has not been proved and that the liability relating to the claims in question is mainly incumbent upon defendants other than Rexel, Inc., such as the owners and lessees of the relevant premises, as well as the manufactures of the structures installed in these premises.

The other six pending cases in Louisiana at December 31, 2007 were initiated by eight plaintiffs who were or claim to have been employees of businesses acquired by Rexel, Inc. These claimants allege that that were exposed to asbestos containing materials while they were carrying out general contracting work on the premises of third parties, including petrochemical installations. These procedures are in the initial stages of discovery. The Group believes that Rexel, Inc. could be held liable in these cases only to the extent that the claimants can prove that they were previously employed by the company and that there is a causal link between their employment and the alleged harm. Legal fees and potential damages relating to at least seven of these nine proceedings are partially covered by insurance.

Considering the wide range of these claims, their various states of advancement, the number of defendants and the absence of specific individual demands, the Group cannot give a formulaic estimate of the potential risk encountered: as such, the Group cannot predict the outcome or financial impact that it could be led to bear as a result of these proceedings.

In 2007, Rexel also requested and obtained a rejection of two asbestos-related lawsuits in Louisiana, refusing the demand of 48 plaintiffs for a symbolic indemnity.

Other asbestos-related litigation

In 2007, Rexel obtained a rejection and termination of two pending lawsuits against it in the State of California. In both cases, the plaintiffs alleged exposure (throughout the 1960's) to products or materials containing asbestos sold by a company acquired in 1993 by Rexel, Inc. Rexel, Inc. contested these allegations and has not paid any indemnities to the plaintiffs to obtain a rejection of this claim and termination of the lawsuit. Nevertheless, in one of the proceedings, the Group's legal insurer financed the payment of a symbolic indemnity consisting of attorney's fees upon the finalization of the ruling and the obtainment of a rejection of the claim. The insurance company took charge of the legal fees and eventual damages and interests linked to these proceedings as per the terms and conditions of our policy.

Other litigation

In December 2005, Rexel Senate – a U.K.-based Group subsidiary – finalized a draft agreement with Wates Construction Group, pursuant to which Rexel Senate was to become the reference distributor of Wates Construction Group. In 2006, disagreement occurred with the carrying out of this agreement and Wates Construction Group instituted a pre-action protocol claiming £8.3 million (approximately €12.3 million). On May 24, 2007, Wates Construction Group and Rexel Senate signed a transaction to settle this litigation without recognising responsibility on either party in which Rexel Senate agreed to pay £1.5 million (approximately €2.2 million). This amount was paid throughout the third trimester of 2007.

23.2 Contingencies

In connection with the sale of certain assets, the Group has granted the following warranties to the acquirers. These warranties have not been exercised at the date the balance sheets are authorized for issuance.

Environmental matters

Pursuant to the agreement entered into on February 28, 2003 with the Ashtenne Group, a property management company, to sell and lease back 45 European properties, the Group has undertaken to indemnify Ashtenne for costs relating to environmental matters arising as a result of litigation or governmental injunctions. This indemnity is limited to an aggregate maximum amount of €4.0 million (excluding taxes) for the whole of the portfolio, with Group's payments being subject to a minimum threshold of €30,000. The expiry date will occur within 5 years after the termination date of the lease agreement.

Warranty relating to the sale of Gardiner

In connection with its sale of Gardiner to Electra Partners, an investment fund, the Group granted a warranty to the acquirer expiring June 30, 2010, in respect of tax exposure. The warranty is limited to a maximum amount of €60.0 million, with Group's payments being subject to a minimum threshold of €1.0 million.

Warranty relating to the sale of Schrack and its subsidiaries

Pursuant to a share sale agreement of Schrack and its subsidiaries entered into with Hannover Finance, the Group has provided warranties relating to the assets and liabilities transferred to the acquirer. In the event of a breach of these warranties, Hannover Finance will be entitled to a price reduction to cover potential claim damages. Warranty claims for indemnification expire twenty-four months after the closing date occurred on August 31, 2005 and forty-eight months for tax claims. Warranty claims are limited to €7.0 million with a minimum amount of €0.1 million.

Warranty relating to the sale of Kontakt System

Pursuant to the sale of the shares of the telematics branch of Kontakt System between June 4, 2007 and August 24, 2007, the Group has agreed to provide the purchaser with a warranty with claims limited to 2.3 million Swiss francs expiring eighteen months after the date of the sale extended to the period of limitation for legal fiscal and corporate matters.

Distribution agreement

Rexel has entered into a distribution agreement with a key supplier that requires minimum product purchases of $1.2 billion over the next three years. The supplier, who is also a key customer, also entered into an agreement to purchase products from the Company totalling $1.0 billion. At December 31, 2007, open commitments for the Company and the supplier were $0.6 billion and $0.3 billion, respectively. The agreement contains cure periods for volume shortfalls and provisions that protect the Company against conditions outside its control. Committed volumes are in line with historic annual levels.

24. RELATED PARTIES

Shareholder loan

Rexel benefited from a shareholders' loan from Ray Investment S.à.r.l., its parent company, and Ray Finance LLP, a subsidiary of the latter, for €9.0 million and €952.2 million respectively, carried at an interest rate of 4.88% for the period ended December 31, 2007 (equal to the annual average of the actual average rate applied by credit institutions on floating rate loans granted to French companies with initial duration of more than two years). The interest charges on this loan amounted to €13.0 million. Concurrently with the issue of Rexel shares

to the stock market, the loan granted by Ray Finance LLP was transferred to Ray Investment S.à.r.l. and was compensated with the newly issued capital on April 4, 2007 for an amount of €1,052.9 million, interests included, resulting in the creation of 63,813,323 shares with an introduction price of €16.5 per share (see note 15).

Management share subscription agreement

On June 30, 2005, Rexdir, a special purpose entity designed to gather the investment of several managers of the Group in the acquisition of Rexel Distribution S.A. by Ray Acquisition S.C.A., was authorized to subscribe shares with warrants (ABSA) of Rexel. 304,404 ABSA, at the rate of 20 warrants a share, were issued by Rexel and subscribed by Rexdir for €4.7 million, corresponding to the fair value of these instruments. The exercise of the warrants attached to the shares is subject to the achievement of a determined internal rate of return on its investment, at the time of Rexel's IPO.

During the Board meeting on April 4, 2007, the Chairman of the Board certified the exercise of the BSA and the release of 1,518,854 new shares with a nominal price of €10 (note 15).

Executive compensation

Payments made to the Executive Committee members of the Group are as follows:

	Fiscal year ended December 31,	
(in millions of euros)	2007	2006
Salaries and other short-term benefits	9.2	8.6
Post-employment benefits (service costs)	1.2	0.7
Indemnities at termination of contract	1.1	–
Free shares and stocks options (1)	31.5	0.3

(1) Share-based payment expense is detailed in note 16.

Salaries and other short-term benefits comprise the social security contributions and salary-based taxes paid by the Group and well-established as such. Further, funds registered under the title of long-term employment benefits have climbed to €5.2 million as of December 31, 2007 (from €3.3 million on December 31, 2006).

As of December 31, 2007, the Executive Committee members may receive, subject to presence and performance conditions, 2,747,522 million shares of Rexel under the Free Share Scheme and 541,535 shares under the stock options programme (see 16.2).

Finally, in case of a breach of employment contract, the Group could have to compensate the Executive Committee members a total amount of €11.3 million.

25. CONTRACTUAL OBLIGATIONS

25.1 Contractual obligations

The following table details the due dates of the Group's financial debts, lease contracts and service agreements:

	Payments due as of December 31,					
(in millions of euros)	Total	2008	2009	2010	2011	> 2011
Financial debt	2,121.8	119.2	4.8	6.7	0.3	1,990.8
Operating leases	515.3	133.7	102.9	78.1	57.9	142.7
Service agreements	127.9	22.3	22.5	22.5	22.5	38.1

Commitments to lease contracts

The above table presents the minimum lease for uncancellable contracts for buildings and installations for which the due date is more than one year from December 31, 2007.

The total expense for lease contracts was €210.0 million for the year ended December 31, 2007.

Non-cancellable service agreements

As part of its policy of outsourcing IT resources, the Group has concluded service contracts in the United States, France and Canada. The French service contract will expire in 2012. In Canada and the United States, Rexel renegotiated the contracts which were set to expire in 2012 and 2008. The new contracts will expire in 2014. They include commitments to pay and penalties for early termination. Fees remaining due in respect to these IT service agreements come to €127.9 million as of December 31, 2007.

25.2 Other obligations

Issuance of a public offer on Hagemeyer

On December 21, 2007, Rexel and Hagemeyer issued a joint announcement of a recommended public offer for the purchase of all shares and bonds of Hagemeyer N.V. (hereafter referred to as, "the Offer") by Kelium S.A.S. (hereafter referred to as, "the Offeror"), an indirect subsidiary of Rexel.

A prospectus was thereupon released pursuant to the provisions of the Dutch Securities Trade Supervision (AFM) and the Offeror has made its offer for the following: (i) all the issued and outstanding shares with a nominal value of €1.20 each in the share capital of Hagemeyer (the Shares) at a price of EUR 4.85 per Share (cum dividend) (the Share Offer) and (ii) all issued and outstanding 3.50 percent subordinated convertible bonds due 2012 (the Bond Offer). The Offer sets the value of Hagemeyer at approximately €3.1 billion.

This Offer was recommended unanimously by the Management and Supervisory Board of Hagemeyer. The period of the Offer extends from December 24, 2007 until March 4, 2008.

In addition, Rexel has agreed with Sonepar S.A. (Sonepar) that, subject to the Offer being declared unconditional and completion of any necessary information and/or consultation procedures with employee representative bodies, the assets, entities and businesses of Hagemeyer (other than those of its ACE division) located in the United States of America, Canada, Mexico, Australia, Switzerland, Austria, Sweden, China and Southeast Asia (Malaysia, Thailand and Singapore) as well as six identified branches in Germany (the Sonepar Entities) will be sold on to Sonepar. The agreement concluded between Rexel and Sonepar in this respect sets out a formula to determine the price for such sales, based on the same multiples of revenues and EBITDA (applied to 2007 fiscal year financials) as those on which the price paid in the Share offer is based.

Rexel and Sonepar further announced that they have agreed that, subject to the successful completion of the Offer and completion of any necessary information and/or consultation procedures with employee representative bodies, (i) Rexel will sell all of its current assets and activities in Germany to Sonepar and (ii) Sonepar will sell all of its current assets and activities in Sweden to Rexel. The price of such sales would be calculated in the same manner and based on the same formula as that for the sales of the Sonepar Entities to Sonepar.

Following completion of the Offer, the sale of the Sonepar Entities to Sonepar and the swap between Rexel and Sonepar of their existing operations in Germany and Sweden (the Asset Swap), the overall transaction would have the following net impacts:

- 2006 net sales of perimeter acquired by Rexel: €3.2 billion.
- 2006 net sales of perimeter disposed of to Sonepar: €3.0 billion, including €1.2 billion in Europe.
- Net proceeds to Rexel from the sale of the Sonepar Entities to Sonepar and from the Asset Swap estimated at circa €1.7 billion on an enterprise value basis.

The Offer will be subject to the satisfaction or waiver, as the case may be, of the Offer Conditions, including but not limited to (i) the Offer Condition that at least 66.7 percent of the fully diluted share capital of Hagemeyer as of the Tender Offer Closing Date or the Postponed Tender Offer Closing Date, as the case may be, has been tendered under the offer; (ii) the absence of any material adverse changes affecting Hagemeyer; (iii) the absence of any measure taken that could reasonably be expected to impede the sale and transfer of property to Sonepar of a substantial part of the Sonepar entities; (iv) the absence of any concurrent offer recommended by the Supervisory or Management Boards of Hagemeyer or declared unconditional; (v) the absence of any administrative, regulatory or judicial decision restraining or prohibiting the envisaged operations; and (vi) the obtainment by Rexel and Sonepar of certain requisite authorizations from competition regulatory authorities in the United States and in Europe. In addition, Rexel has agreed with the European community to lease Hagemeyer operations in Ireland, which generated total sales of €30 million in 2007. No later than the fifth day of negotiation following the closing date of the Offer period; the Offeror will announce whether the offer will be declared unconditional.

Offer financing

On December 19, 2007, Rexel and Kelium entered into a five-year and one day €5.4 billion multicurrency credit agreement (the "Credit Agreement") with Calyon, the Royal Bank of Scotland Plc and HSBC France, CIC, Ing Bank and Natixis, as mandated Lead Arrangers, and Calyon as Agent. The new Credit Agreement serves to finance the Offer on Hagemeyer shares and refinance the 2007 Senior Credit Agreement and Hagemeyer's existing credit facilities.

The agreement provides for the availability of four credit facilities (Facility A, B, C, D) with the following purposes concurrently with the completion of the Offer:

– Facilities A, C and D are available for respectively €3.1 billion, €1.2 billion and €500 million and may be used to refinance Rexel and Hagemeyer loans existing at the date of the Offer, to finance the Offer including the transaction costs and market purchases of Hagemeyer shares. Facility A matures five years from the execution date; Facility C matures 6 months from the closing date of the Offer with an option to extend to an additional 6-month period the repayment date; Facility D matures 24 months as from the closing date.

– Facility B in an amount of €600 million is repayable five years as from the execution date and may be used to finance the general operating requirements of Group companies, in particular working capital requirements, as well as to finance certain acquisitions that meet the criteria set out in the 2007 Credit Agreement. Drawdowns may be made under Facility B up to one month prior to the maturity date of the Credit Agreement and are repayable at the end of the term of each drawing made by the borrowing companies (one, two, three, or six months).

– Under this agreement, Rexel and certain of its subsidiaries (Rexel Distribution, Rexel Inc., Rexel North America Inc., International Electrical Supply Corp. and General Supply & Services Inc.) as well as Hagemeyer, N.V. are considered as obligors.

Amounts drawn bear interest at a rate determined in reference to (i) the LIBOR rate when funds are made available in currencies other than the euro or the EURIBOR rate when funds are made available in euros; (ii) the cost relating to lending banks' reserve requirements and fee payments; (iii) the applicable margin.

Covenants

Under the terms of the Credit Agreement, Rexel must, at each of the dates indicated below, maintain a Leverage Ratio (Net debt to EBITDA) below the following levels:

Accounting date	Maximum leverage ratio
December 31, 2007	4.90
June 30, 2008	4.90
December 31, 2008	4.75
June 30, 2009	4.75
December 31, 2009	4.50
June 30, 2010	4.25
December 31, 2010	3.90
June 30, 2011 and thereafter	3.50

EBITDA means operating income before other income and other expenses, plus depreciation and amortization as set forth in the Group's financial statements and:

– includes adjusted EBITDA over the last twelve months of all the companies acquired during the relevant period, pro rata to the Group's participation;

– includes proceeds relating to commodity price derivatives to hedge exposure to the price fluctuations of certain commodities which do not qualify for cash flow hedge accounting under applicable IAS standards;

– excludes non-cash expenses relating to employee profit sharing and any share based payments;

– excludes restructuring costs related to the integration of Hagemeyer; and

– adjusted from the non-recurring impact of the evaluation of copper prices included in cables.

Net debt means any indebtedness for debt-bearing interest (whether in cash or in kind) converted on the basis of the relevant average exchange rate against euro over the last twelve months. When financial debt is denominated in currencies other than the euro, it:

– excludes transaction costs, intercompany loans and financial indebtedness under Facility C;

– includes any indebtedness with respect to securities which are not mandatorily redeemable in shares;

– includes accrued interest other than that with respect to intercompany loans;

– excludes cash and cash equivalents.

The Credit Agreement provides for a pledge of Hagemeyer shares and Kelium shares in favor of the Security Agent on behalf of the financing parties. This Security interest will be released if at any time the leverage ratio is less than 2.25.

The Credit Agreement contains standard clauses for this type of agreement. These include clauses restricting the ability of Group companies which are parties to the Credit Agreement, as well as certain subsidiaries, to pledge their assets, carry out mergers or restructuring programmes, borrow or lend money, provide guarantees or make certain investments, as well as provisions concerning acquisitions by Group companies. The Credit Agreement allows partial or total acceleration upon the occurrence of certain events, including the case of a payment default under the Credit Agreement, failure to comply with the Leverage Ratio set forth above, payment defaults or acceleration of other financial debt of certain Group entities (above specified amounts) or other events that are likely to have a material adverse effect of the payment obligations of the borrowers and the guarantors or on their ability to comply with the Indebtedness Ratio as set forth above.

26. SUBSEQUENT EVENTS AS OF DECEMBER 31, 2007

– On January 31, 2008, General Supply & Services, Inc., a subsidiary of Rexel, acquired Beacon Electric Supply, a distributor of electrical supplies based in San Diego. This company realized net sales of U.S.$49.5 million in 2006 (€33.6 million). The acquisition price, before adjustment, amounts to U.S.$20.7 million plus a maximum earn-out payment of U.S.$3 million (€2.1 million), due in 2009 if achieved.

– On January 31, 2008, Rexel Group Australia Pty Ltd acquired the business of ABK Electrical Wholesale Pty Ltd, a distributor of electrical supplies with annual sales of approximately AU$11 million (€6.5 million). The acquisition price before adjustment is AU$2 million (€1.2 million) with a maximum earn-out of AU$2.8 million (€1.7 million), due in 2008 and 2009 if achieved.

27. CONSOLIDATED COMPANIES

	Registered office	%	
		Interest	Control
FRANCE			
Holding and Group service companies			
Rexel S.A.	Paris	Parent company	
Ray Acquisition S.C.A.	Paris	100.00	100.00
Kelium	Paris	100.00	100.00
Rexel Distribution S.A.	Paris	100.00	100.00
Rexel Services S.A.S.	Paris	100.00	100.00
Rexel Développement S.A.R.L.	Paris	100.00	100.00
Société Immobilière d'Investissement Parisienne S.N.C.	Paris	100.00	100.00
Société Logistique Appliquée S.N.C.	Paris	100.00	100.00
Rexel Financement S.N.C.	Paris	100.00	100.00
Rexel Amérique Latine S.A.S.	Paris	100.00	100.00
Asfordis Association	Paris	100.00	100.00
Operating companies			
Rexel France S.A.S	Paris	100.00	100.00
Dismo France S.A.S.	St-Ouen l'Aumône	100.00	100.00
APPRO 5 S.A.S.	St-Apollinaire	100.00	100.00
APPRO 5 Sud S.A.R.L.	St-Apollinaire	100.00	100.00
Bizline S.A.S.	Paris	100.00	100.00
Citadel S.A.S.	Paris	100.00	100.00
Comrex Ouest S.A.S.	Paris	100.00	100.00
Conectis S.A.S.	Paris	100.00	100.00

	Registered office	%	
		Interest	Control
EUROPE			
Germany			
Rexel GmbH	Hanover	100.00	100.00
Rexel Deutschland Elektrofachgrosshandel GmbH	Munich	100.00	100.00
United Kingdom			
CDME UK Ltd	Potters Bar	100.00	100.00
Rexel Senate Ltd	Potters Bar	100.00	100.00
Denmans Electrical Wholesalers Ltd	Potters Bar	100.00	100.00
Martines Ltd	Potters Bar	100.00	100.00
Power Industries Ltd	Erdington	100.00	100.00
Clearlight Electrical Ltd	Erdington	100.00	100.00
Sweden			
Selga	Alvsjô	100.00	100.00
Svenska Elecktroengros AB	Alvsjô	100.00	100.00
El Materiel AG	Alvsjô	100.00	100.00
Electriska Standardkatalogen AB	Alvsjô	100.00	100.00
John Martensson Elmaterial AB	Alvsjô	100.00	100.00
Mellansvenka Electriska AB	Alvsjô	100.00	100.00
Austria			
Rexel Central Europe Holding GmbH	Vienna	100.00	100.00
Rexel Austria GmbH	Vienna	100.00	100.00
Schäcke GmbH	Vienna	100.00	100.00
Regro Elektro-Grosshandel GmbH	Vienna	100.00	100.00
Beli Vermogensverwaltungs GmbH	Vienna	100.00	100.00
The Netherlands			
CDME BV	Amsterdam	100.00	100.00
Rexel Nederland BV	Gouda	100.00	100.00
Italy			
Rexel Italia SpA	Agrate Brianza	100.00	100.00
Spain			
Rexel Material Electrico SA	Barcelona	100.00	100.00
Belgium			
Rexel Belgium SA	Brussels	100.00	100.00
Portugal			
Rexel Distribuição de Material Electrico SA	Alfragide	100.00	100.00
Ireland			
Rexel Electrical Supply & Services Holding Ltd	Dublin	100.00	100.00
M Kelliher 1998 Ltd	Dublin	100.00	100.00
Switzerland			
Finelec Development SA	Sion	100.00	100.00
Elektro Material AG	Zurich	100.00	100.00
Luxemburg			
Mexel SA	Luxemburg	100.00	100.00
HTF GmbH	Luxemburg	100.00	100.00

	Registered office	%	
		Interest	Control
Czech Republic			
Rexel CZ	Prostejov	100.00	100.00
Elvo AS	Brno	100.00	100.00
Slovakia			
Hagard Hal AS	Nitra	100.00	100.00
Hungary			
Mile Kft	Budapest	100.00	100.00
Rexel Hungary General Supply & Services LLC	Budapest	100.00	100.00
Slovenia			
Elektronabava d.o.o.	Ljubljana	100.00	100.00
Poland			
V-Center Ltd	Katowice	100.00	100.00
Russia			
Est-Elec Ltd	Moscow	100.00	100.00
SOUTH AMERICA			
Chile			
Rexel Chile SA	Santiago	100.00	100.00
Rexel Electra SA	Santiago	100.00	100.00
Flores y Kersting SA	Santiago	100.00	100.00
NORTH AMERICA			
United States			
International Electrical Supply Corp.	Wilmington	100.00	100.00
Rexel Inc.	Dallas	100.00	100.00
Rexel USA Inc.	Dallas	100.00	100.00
SKRLA LLC	Dallas	100.00	100.00
SPT Holdings Inc.	Dallas	100.00	100.00
Summers Group Inc.	Dallas	100.00	100.00
Rexel of America LLC	Dallas	100.00	100.00
Branch Group Inc.	Dallas	100.00	100.00
Southern Electric Supply Company Inc.	Dallas	100.00	100.00
CES Bahamas Limited	Dallas	99.80	99.80
General Supply & Services Inc.	Shelton	100.00	100.00
Unilec Corporation	Arizona	100.00	100.00
Supply Operations Inc.	Denver	100.00	100.00
GE Supply Logistics LLC	Irving	100.00	100.00
Gesco General Supply & Services Puerto Rico LLC	Porto Rico	100.00	100.00
General Supply & Services Malaysia LLC	Shelton	100.00	100.00
General Supply & Services Macau LLC	Shelton	100.00	100.00
General Supply & Services Indonesia LLC	Shelton	100.00	100.00
General Supply & Services Malaysia SA Holding LLC	Shelton	100.00	100.00
Canada			
Rexel North America Inc.	St-Laurent	100.00	100.00
Rexel Canada Electrical Inc.	St-Laurent	100.00	100.00
Kesco Electric Supply Limited	Petersborough	100.00	100.00

	Registered office	%	
		Interest	Control
ASIA-PACIFIC			
China			
Rexel Hailongxing Electrical Equipment Co Ltd	Beijing	65,00	65,00
Comrex International Trading Shanghai Co Ltd	Shanghai	100.00	100.00
Rexel Hualian Electric Equipment Commercial Co Ltd	Shanghai	65,00	65,00
Comrex Hong Kong Ltd	Hong Kong	100.00	100.00
Huazhang Electric Automation Holding Co Ltd	Hong Kong	51,00	51,00
Zhejiang Huazhang Electric Trading Co Ltd	Huanzhou	51,00	100.00
GE Supply Co Ltd	Shanghai	100.00	100.00
Singapore			
Gexpro Supply Asia Pty Ltd	Singapore	100.00	100.00
Thailand			
Rexel General Supply and Services Co Ltd	Bangkok	100.00	100.00
Australia			
Rexel Pacific Pty Ltd	Sydney	100.00	100.00
Rexel Group Australia Pty Ltd	Sydney	100.00	100.00
Australian Regional Wholesalers Pty Ltd	Milton	100.00	100.00
Page Data Pty Ltd	Sydney	100.00	100.00
ACS Automated Control Systems Pty Ltd	Perth	100.00	100.00
EIW Holding Pty Ltd	Perth	100.00	100.00
Lear & Smith Group Pty Ltd	Perth	100.00	100.00
Lear & Smith Holding Pty Ltd	Perth	100.00	100.00
Lear & Smith Investment Pty Ltd	Perth	100.00	100.00
Lear & Smith Electrical Wholesalers Pty Ltd	Perth	100.00	100.00
EIW Wangara Pty Ltd	Perth	100.00	100.00
EIW Kewdale Pty Ltd	Perth	100.00	100.00
EIW Malaga Pty Ltd	Perth	100.00	100.00
EIW Metro Pty Ltd	Perth	100.00	100.00
EIW O'Connor Pty Ltd	Perth	100.00	100.00
EIW Osborne Park Pty Ltd	Perth	100.00	100.00
EIW Bunbary Pty Ltd	Perth	100.00	100.00
EIW Geraldton Pty Ltd	Perth	100.00	100.00
Kalgoorlie Pty Ltd	Perth	100.00	100.00
New Zealand			
Redeal Ltd	Auckland	100.00	100.00

20.1.1.2 Statutory auditors' general report on the consolidated financial statements of Rexel for the financial year ended December 31, 2007

This is a free translation into English of the statutory auditors' report issued in French language and is provided solely for the convenience of English-speaking users. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this information is presented below the opinion on the financial statement. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the consolidated financial statements. The report also includes information relating to the specific verification of information in the group management's report.

This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit
1, cours Valmy
92923 Paris-La Défense Cedex

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG Audit
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense Cedex
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Rexel, SA

Year ended December 31, 2007

Statutory auditors' report on the consolidated financial statements

To the Shareholders,

Following our appointment as statutory auditors by your annual general meetings, we have audited the accompanying consolidated financial statements of Rexel for the year ended December 31, 2007.

These consolidated financial statements have been approved by your executive committee. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, and financial position of the group at December 31, 2007 and of the results of its operations for the year then ended in accordance with IFRS as adopted by the EU.

II. Justification of our assessment

In accordance with the requirements of article L.823-9 of the French company law *(Code de commerce)* relating to the justification of our assessments; we bring to your attention the following matters:

As disclosed in note 3.2, the group makes estimates and assumptions, particularly in respect of the measurement of financial instruments (note 3.9.4), intangible assets (note 3.5), employee benefits (note 3.13), share-based

payments (note 3.14), provisions (note 3.15) and deferred taxation (note 3.19). We have examined the related available documentation supporting these estimates, and assessed their reasonableness.

Note 4 "Business combinations", discloses the accounting principles and methods, applied in respect of acquisitions carried out in the form of a purchase of assets or of a business. We have verified that the acquisitions have been treated in accordance with IFRS using the purchase method of accounting. The acquisition price has been allocated by the company to identifiable assets, liabilities and contingent liabilities on the basis of the estimated fair value of the acquired assets and assumed liabilities. We have examined the related available documentation, and have assessed the reasonableness of the estimates used.

The assessments were thus made in the context of the performance of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. Specific verifications

In accordance with professional standards applicable in France, we have also verified the information given in the group's management report. We have no matters to report regarding its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, February 13, 2008

The statutory auditors

KPMG Audit

French original signed by

Hervé Chopin

ERNST & YOUNG Audit

French original signed by

Pierre Bourgeois Jean Bouquot

20.1.2 Annual financial statements of Rexel

Rexel is a holding company that has no operating activities of its own. For this reason, investors are invited to read the following annual financial statements of Rexel in conjunction with Rexel's consolidated financial statements set forth in paragraph 20.1.1 of this *Document de Référence.*

20.1.2.1 Annual financial statements of Rexel for the financial year ended December 31, 2007

Income statement

(in millions of euros)	Note	For the year ended December 31,	
		2007	2006
Operating revenues			
Other purchase and outside services		(12.4)	(1.4)
Taxes other than income taxes		(0.3)	
Other expenses		(2.3)	
Depreciation, amortization and increases in provisions			
Loss from operations	(3.1)	**(15.0)**	**(1.4)**
Dividend income		0.5	
Other financial revenues (from short-term investments, loans and exchange gains)		98.0	82.3
Decrease in financial provisions, transfer of expenses			
Total financial revenues		**98.5**	**82.3**
Interest and related expenses and exchange losses		(13.0)	(44.6)
Increase in financial provisions		(1.1)	
Total financial expenses	(3.2)	**(14.1)**	**(44.6)**
Net financial income		**84.4**	**37.7**
Income from ordinary activities		**69.4**	**36.3**
Non-recurring income (expense), net	(3.3)	**0.2**	
Profit before tax		**69.6**	**36.3**
Income taxes	(3.5)	**70.6**	**55.3**
Net income		**140.2**	**91.6**

Balance sheet

(in millions of euros)	Note	For the year ended December 31, 2007	2006
ASSETS			
Intangible fixed assets		**–**	**–**
Tangible fixed assets		**–**	**–**
Land		–	–
Buildings		–	–
Long-term financial assets		**2,759.1**	**1,733.6**
Investments in related companies		1,183.1	624.9
Other securities		–	–
Loans and other investments, cash and bank		1,576.0	1,108.7
Fixed assets	(4.1)	**2,759.1**	**1,733.6**
Trade accounts receivable	(4.2)	1.5	–
Other accounts receivable	(4.2)	239.0	55.9
Short-term investments, cash and bank	(4.2)	10.0	5.0
Adjustment accounts			
Prepayments		–	–
Deferred charges		–	–
Unrealized exchange rate losses		–	–
Current assets		**250.5**	**60.9**
TOTAL ASSETS		**3,009.6**	**1,794.5**

(in millions of euros)	Note	For the year ended December 31, 2007	2006
LIABILITIES AND STOCKHOLDERS' EQUITY			
Share capital		1,280.0	630.5
Share premiums		1,409.9	1.6
Legal reserve		6.0	1.5
Regulated reserves			–
Statutory and contractual reserves			–
Other reserves			–
Retained earnings		115.0	27.9
Net income for the period		140.2	91.6
Stockholders' equity	(4.3)	**2,951.1**	**753.1**
Provisions			
Bonds		–	–
Borrowings from financial institutions		–	–
Other financial debt			1,039.9
Trade accounts payable		0.6	1.4
Other operating liabilities		57.9	0.1
Deferred income		–	–
Unrealized exchange rate gains		–	–
Liabilities	**(4.4)**	**58.5**	**1,041.4**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**3,009.6**	**1,794.5**

Five year record (Articles 133, 135 and 148 of the French commercial decree)

in euros	2003	2004	2005	2006	2007
YEAR END FINANCIAL SITUATION					
Subscribed capital		85,000	630,457,740	630,457,740	1,279,969,135
Number of issued shares		8,500	63,045,774	63,045,774	255,993,827
Number of convertible bonds		0	0	0	0
INCOME STATEMENT INFORMATION					
Sales, excluding sales taxes		0	0	0	0
Net income before taxation, depreciation and provisions		0	29,412,684	36,297,780	70,685,207
Income taxes		0	–	(55,346,349)	(70,633,285)
Net income		0	29,412,684	91,644,129	140,202,897
Earnings distributed [1]		0	0	0	94,717,716
EARNINGS PER SHARE					
Earnings per share after taxation but before depreciation and provisions		0.00	0.47	1.45	0.55
Earnings per share after taxation, depreciation and provisions		0.00	0.47	1.45	0.55
Dividend paid per share		0.00	0.00	0.00	0.37
PERSONNEL					
Dividend paid per share	NA	NA	NA	NA	NA
Total remuneration					
Total social charges and other personnel related expenses					

(1) Suggested to Ordinary Shareholders' Meeting of May 20, 2008.

Principal subsidiaries and other investments

December 31, 2007 (in millions of euros)											
Corporate name	Registered office	Capital	Reserve and retained earnings (excluding current year results)	Percentage holding	Carrying of value shareholding		Outstanding loans	Guarantees given by Rexel SA	Current year result	Dividends received	Sales
					Cost	NBV					
A/ FRENCH SUBSIDIARIES											
Ray Acquisition SAS	Paris	841.9	0	100.00%	1,174.9	1,174.9	1,352.4	0	37.1	0.0	29.1
Rexel Distribution	Paris	69.1	570.30	0.0023%	8.2	8.2	392.2		80.4	0.5	0.0
		911.0	**570.30**		**1,183.1**	**1,183.1**	**1,744.6**	**0**	**117.5**	**0.5**	**29.1**
B/ FOREIGN SUBSIDIARIES											
TOTAL		**911.0**	**570.30**		**1,183.1**	**1,183.1**	**1,744.6**	**0**	**117.5**	**0.5**	**29.1**

Realizable assets and current liabilities

(in millions of euros)	December 31, 2007
Realizable assets	
Loans and other long-term financial assets	1,576.0
Trade accounts receivable	1.5
Other accounts receivable	239.0
	1,816.5
Short-term investments, cash and bank	10.0
Total	**1,826.5**
Included short-term	250.5
Current liabilities	
Other financial debt	–
Trade accounts payable	0.6
Tax, personnel and social security	56.9
Other operating liabilities	1.0
Total	**58.5**
Included short-term	58.5

Notes to the Company's financial statements

1. DESCRIPTION OF BUSINESS

Rexel (ex-Ray Holding SAS) was incorporated in December 2004. Its business is the management of its investments which are principally comprised of the shares of Ray Acquisition SAS (ex-Ray Acquisition SCA) and the financing of its subsidiaries.

2. ACCOUNTING PRINCIPLES

The financial statements for the year ended December 31, 2007 are presented with comparative amounts for the year ended December 31, 2006 and have been prepared in conformity with French law and with generally accepted accounting standards in France.

The accounting principles set out below have been applied in a prudent manner, and in conformity with the following basic concepts:

– going concern;

– consistency;

– cut-off.

Significant accounting principles used are as follows.

2.1 Long-term financial assets

Long-term investments are initially measured at acquisition cost. A valuation allowance is recorded when cost exceeds their value, defined as value in use. Rexel determines the value in use of long-term investments in subsidiaries on the basis of cash flows less net debt. When the carrying amount exceeds value in use, an impairment write-down is made in an amount equal to the difference.

2.2 Receivables and payables

Receivables and payables are recorded at historical cost. When considered necessary, receivables are subject to an allowance to cover the risk of non-recovery.

2.3 Short-term investments

Short-term investments are recorded at purchase cost, with a provision to cover any unrealized losses.

2.4 Bonds

Bond issue expenses are written off immediately on issue.

2.5 Essential events of the period

1/ On April 4, 2007, the admission of the shares of Rexel to trading on the Eurolist of Euronext Paris brought about an increase in capital with withdrawal preferential subscription right. The initial offering share price was fixed at €16.5 per share, which resulted in gross proceeds for the newly issued capital of €1 billion. Concurrently, an employee offering resulted in additional proceeds of €32.6 million.

2/ Rexel obtained loans of €963 million from its parent companies in 2005. On April 4, 2007, principal and accrued interests amount to €1,052.9 million. This receivable owned by Ray investment whas been incorporated into the capital with withdrawal preferential subscription rights, brings about a capital increase of €319.1 million and a share premium of €733.8 million.

3. NOTES TO THE INCOME STATEMENT

3.1 Operating revenues and expenses

Operating expenses amount to €15 million and relate principally to fees and shareholders' royalties for €5.3 million, bank charges for €6.3 million and personnel costs for €2 million.

3.2 Net financial income

Net financial income amounts to €84.4 million, comprising the following:

– Financial income representing interest on loans to its subsidiary Ray Acquisition SAS, for an amount of €85.71 million and Rexel Distribution, for an amount of €11.8 million.

– Financial expenses representing interests on shareholders' loans, of €13 million until April 4, 2007, date of their incorporation to the capital and the write-down of Rexel shares for €1.1 million, these shares are held in accordance with the share repurchase programme.

3.3 Non-recurring income and expenses

The non-recurring income amounts to €0.2 million, representing principally the tax consolidation profit for the year 2006.

3.4 Remuneration of company officers

No board attendance fees were paid to company officers during 2007.

The compensation of officers paid in 2007, amounts to €661,360.

3.5 Income taxes

Under the Group tax consolidation agreement, Rexel is responsible for paying over tax due by the Group companies. Each subsidiary records its individual tax charge calculated on its own taxable income, and any tax benefits arising are recognized by Rexel as the head of the tax Group. Rexel has recognized an income of €70.3 million in 2007.

4. NOTES TO THE BALANCE SHEET

4.1 Changes in fixed assets

(in millions of euros)	Cost or valuation, January 1, 2007	Increase	Decrease	Cost or valuation, December 31, 2007
Intangible fixed assets	–	–	–	–
Tangible fixed assets	–	–	–	–
Long-term financial assets:				
– Investment in related companies	624.9	558.2	–	1,183.1
– Loans and other long-term financial assets	1,108.7	1,576.0	1,108.7	1,576.0
Subtotal	1,733.6	2,134.2	1,108.7	2,759.1
TOTAL	**1,733.6**	**2,134.2**	**1,108.7**	**2,759.1**

Long-term financial assets

Investments in related companies

The increase concerns investments in the following related companies:

– Ray Acquisition SAS for €550 million (see § "loans");

– Rexel Distribution for €8.2 million. Within the framework of Rexel Distribution's 2002 and 2003 liquidity plan, Rexel bought 155,578 Rexel Distribution's shares for an amount of €8,254,968.

Loans

Rexel granted on April 11, 2007, a loan to its subsidiary Ray Acquisition SAS (held at 100%) for €746.0 million, in order to reimburse this indebtedness. This loan bears interests of Euribor +75 BPS and is repayable on or before April 16, 2012.

Rexel has entered into two "shareholder" loans totalling €963 million with its subsidiary Ray Acquisition SAS representing part of the financing for the acquisition of the Rexel Group. The loans bear interests of 8% per annum, capitalized annually at the end of each period of 12 months. Principal and interests are repayable on or before March 16, 2015.

On June 28, 2007, principal amounted to €1,125.6 million and accrued interests to €25.9 million. The total eceivable amount comes to €1,151.5 million. At this date, these receivables have been incorporated into the capital for €550 million and €600 million have increased the existing loan. After this operation, the loan amounting to €1,346 million. The balance of €1,482 million has been refunded.

Rexel granted on April 11, 2007, to Rexel Distribution a loan to the amount of €194 million, increased on May 14, 2007 by €36 million. This loan of €230 million is repayable on or before April 16, 2012 and bears interests of Euribor +75 BPS.

4.2 Other information relating to assets

Currents assets

(in millions of euros)	Total December 31, 2007	Due within one year	Due between 1 and 5 years	Due after more than 5 years
Trade accounts receivable	1.5	1.5	–	–
Currents accounts receivable	168.7	168.7	–	–
Income tax receivable	70.3	70.3		
TOTAL	**240.5**	**240.5**	**–**	**–**

Short-term investments, cash and bank

This heading comprises cash and bank to €2.7 million and short-term investments amounting to €7.3 million, maturing within one year.

In the frame of share repurchase programme, in April 26, 2007 Rexel entered into a contract with the Rothschild Bank to promote the liquidity of Rexel shares for a total amount of €11 million. On December 31, 2007, Rexel held 585,000 shares acquired for €8.4 million, an allowance for depreciation of €1.1 million has been recorded.

4.3 Stockholders' equity

(in millions of euros)	January 1, 2007	Dividends	Other changes	Increase in share capital	2007 net income	December 31, 2007
Share capital	630.5	–	–	649.5	–	1,280.0
Share premiums	1.6	–	–	1,408.3	–	1,409.9
Legal reserve	1.5	–	4.5	–	–	6.0
Retained earnings	27.9	–	87.1	–	–	115.0
Net income for the year	91.6	–	(91.6)	–	140.2	140.2
TOTAL	**753.1**	**–**	**0.0**	**2,057.8**	**140.2**	**2,951.1**

Changes in the year 2007 concern:

1/ the appropriation of the 2006 net income in accordance with the third resolution of the ordinary general meeting held on March 20, 2007;

2/ the capital increases relating to the following operations:

– On April 4, 2007:
  - Record exercise of share subscription rights reserved by the company Rexdir resulting by a capital increase of €15.2 million and the issuance of 1,518,854 new shares at a par value of €10.
  - Merger of the companies Rexdir and Rexop. The net value of the assets contributed by the two companies was €60.2 million for Rexdir and €8.6 million for Rexop. The net assets were composed solely by Rexel shares, which were cancelled, resulting in a capital decrease offsetting the capital increase. At the end of this operation the share capital and share premium were not subjected to any modification.
  - Splitting of the share par value. The face value of the share was divided by two, from €10 to €5 and the number of shares was consequently doubled.
  - The company's Management Board executed an issuance of 63,813,323 shares by capitalization of loan to Ray investments S.a.r.l. that results in a capital increase to €319 million and share premium to €733.9 million.

– On April 11, 2007, the company's Management Board executed an issuance of 60,606,060 shares. The value of the share was fixed at €16.5 reflecting a share premium to €11.5. The capital increase resulted in €303 million and share premium to €697 million. The fees stemming from this capital increase are deducted from the share premium to the amount of €42.9 million.

– On April 18, 2007, record capital increase as result of the employees offering for €12.2 million and share premium of €20.4 million.

Following these operations and the change of par value per share, from €10 to €5, the company's share capital amounting to €1,279,969,135 at December 31, 2007 represented by 255,993,827 shares with a par value of €5 each.

At the end of 2007, the share premium amounting to €1,409,880,952.44, after recording public offer costs to €42,948,162.

4.4 Other information relating to liabilities

(in millions of euros)	Total December 31, 2007	Due within one year	Due between 1 and 5 years	Due after more than 5 years
Borrowings from financial institutions	–	–	–	–
Other financial debt	–	–	–	–
Trade accounts payable	0.6	0.6	–	–
Other operating liabilities	57.9	57.9	–	–
TOTAL	**58.6**	**58.6**	**–**	**–**

2007 Credit Agreement

On February 15, 2007, Rexel, as borrower and guarantor, entered into a five-year and one day €2.1 billion credit agreement (the "2007 Credit Agreement") with BNP Paribas, Calyon, the Royal Bank of Scotland Plc and HSBC France, as Mandated Lead Arrangers and Original Lenders, and Calyon as Agent. The new Credit Agreement serves to refinance the 2005 Senior Credit Agreement.

The 2007 Credit Agreement includes a multi-currency term credit facility in an initial amount of €1.6 billion ("Facility A"), which was reduced to €1.3 billion and a multi-currency revolving credit facility in an initial amount of €500.0 million ("Facility B") and amendment agreement of €285 million.

Under this Agreement, Rexel and certain of its subsidiaries (Rexel Distribution, Rexel Inc., Rexel North America Inc., Rexel Electrical Supply & Services Holding and General Supply & Services Inc.) are considered as obligors.

During this year, Rexel didn't use these facilities.

4.5 Amounts due to and from related parties

At December 31, 2007, balances with related parties were as follows:

(in millions of euros)	
Assets	
Investments in related companies	1,183.1
Loans and other long-term financial assets	1,576.0
Trade accounts receivable	1.5
Other accounts receivable	168.6
Liabilities	
Other financial debt	–
Trade accounts payable	–
Other liabilities	1.7

5. ADDITIONAL INFORMATION

5.1 Commitments

The 2007 Credit Agreement does not include any security and guarantee provision but contains standard clauses for this type of agreement. These include clauses restricting the ability of Group companies which are parties to the 2007 Credit Agreement, as well as certain subsidiaries, to pledge their assets, carry out mergers or restructuring programmes, borrow or lend money, provide guarantees or make certain investments, as well as provisions concerning acquisitions by Group companies.

5.2 Employees

One chairman *(mandataire social)*.

5.3 Information on stock-options and free share plans

The extraordinary general meeting held on October 28, 2005 approved the implementation of a stock option plan, by authorizing the president to grant options to certain company officers and employees of Rexel Group companies in France or abroad, to a maximum of 2,882,000 "Cercle 2" options and 289,300 "Cercle 3" options, exercise terms of the options are governed by the provisions of articles L.225-177 and following of the French Commercial Code.

Plan N° 1 – cercle 2:

Date of shareholders decision:	October 28, 2005		
Maximum number of options granted from the start:	2,882,000		
	1st attribution	**2nd attribution**	**3rd attribution**
Date of granting:	October 28, 2005	May 31, 2006	October 4, 2006
Number of options granted:	2,775,120	169,236	164,460
Number of beneficiaries from the start:	47	5	7
Type of plan:	Subscription	Subscription	Subscription
Exercise price:	€10 / option	€13 / option	€19 / option
Unavailability period:	From Oct. 28, 2005 to Oct. 28, 2009 included	From May 31, 2006 to May 31, 2010 included	From Oct. 04, 2006 to Oct. 4, 2010 included
Expiration date:	October 28, 2016	October 28, 2016	October 28, 2016
Follow up of the plan:			
Number of options to be exercised as of December 31, 2005:	2,711,000		
Options cancelled or reallocated:	162,696		
Number of options to be exercised as of December 31, 2006:	2,548,304	169,236	164,460
Number of beneficiaries as of December 31, 2006:	44	5	7
Number of options to be exercised as of December 31, 2007:	615,501	70,472	133,726

Plan N° 2 – cercle 3:

Date of shareholders decision:	October 28, 2005	
Maximum number of options to be granted:	289,300	
	1st attribution	**2nd attribution**
Date of granting:	November 30, 2005	May 31, 2006
Number of options granted:	265,700	35,550
Number of beneficiaries from the start:	205	35
Type of plan:	Subscription	Subscription
Exercise price:	€10 / option	€13 / option
Unavailability period:	From Nov. 30, 2005 to Nov. 30, 2009 included	From May 31, 2006 to May 31, 2010 included
Expiration date of options:	November 30, 2016	November 30, 2016
Follow up of the plan:		
Number of options to be exercised as of December 31, 2005:	259,050	
Options cancelled or reallocated:	17,111	
Number of options to be exercised as of December 31, 2006:	241,939	34,550
Number of beneficiaries as of December 31, 2006:	197	34
Number of options cancelled at January 1, 2007:	4,711	562
Number of options to be exercised as of December 31, 2007:	237,228	33,988

Concurrently with the IPO, Rexel entered into several free share plans for its top executives, and key employees amounting to a total of 5,022,190 shares on April 11, 2007. According to local regulations, these employees and executives will either be eligible to receive Rexel shares two years after the granting date (April 12, 2009), these being restricted during an additional two years period (April 12, 2011), or four years after granting date with no restrictions.

The issuance of these free shares is subject to service and performance conditions.

The vesting conditions are presented in the following table:

Beneficiaries	Vesting conditions	Number of shares on December 31, 2007
Top executives and managers	One-year service condition from the installation of the plan	2,556,576
Top executives and managers	Performance conditions based on the consolidated 2007 EBITDA and one-year service condition from the installation of the plan	1,193,055
Employés clés	Half of the shares will be attributed based on 2007 EBITDA and a one-year service condition from the installation of the plan, and the other half based on 2008 EBITDA and a two-year service condition from the installation	1,197,833
TOTAL December 31, 2007		**4,947,464**

5.4 Other information

Rexel is consolidated in the scope of Ray Investment SARL's financial statements.

On October 25, 2007, Rexel announces that it proposes to make an offer to acquire all of outstanding ordinary shares of Hagemeyer, a Dutch distributor of electrical products.

Kelium, an indirect subsidiary of Rexel launched on December 21, 2007, recommended cash offer for all shares and bonds of Hagemeyer.

In December 19, 2007, a Facility Agreement took place to a maximum amount of €5.4 billion, between Rexel, as borrower and guarantor, Kelium, as borrower and Calyon, the Crédit Industriel et Commercial, HSBC France, ING Bank N.V., London Branch, Natixis and the Royal Bank of Scotland Plc, as Mandated Lead Arrangers and Calyon, as Facilities Agent and Security Agent. This agreement may be used to finance the public offer for the acquisition of Hagemeyer shares and the new scope of the Group.

5.5 Subsequent events as of December 31, 2007

There are no significant post balance sheet events as of this date.

20.1.2.2 Statutory auditors' general report on the annual financial statements of Rexel for the financial year ended December 31, 2007

This is a free translation into English of the statutory auditors' report issued in French language and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside the annual financial statements. This report also includes information relating to the specific verification of information in the management report.
This report should be read in conjunction with and is construed in accordance with French law and professional auditing standards applicable in France.

KPMG Audit
1, cours Valmy
92923 Paris-La Défense Cedex

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG Audit
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92037 Paris-La Défense Cedex
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Rexel, SA

Year ended December 31, 2007

Statutory Auditors' Report on the annual financial statements

(Free translation of a French language original)

To the Shareholders,

In compliance with the assignment entrusted to us by your general meetings, we hereby report to you, for the year ended December 31, 2007, on:

- the audit of the accompanying annual financial statements of Rexel,
- the justification of our assessments,
- the specific verifications and information required by law.

These annual financial statements have been approved by the executive committee. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the annual financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the company at December 31, 2007 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. Justification of assessments

In accordance with the requirements of article L.823-9 of French company law *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

As disclosed in note 2.1, the utility value valuation of financial investments is based on net cash-flows of subsidiaries' indebtedness.

Within the framework of the justification of our assessments, we reviewed the assumptions of budgeted cash-flows on which these assumptions were based, and their computation. We made sure of the reasonableness of these estimates.

The assessments were thus made in the context of the performance of our audit of the annual financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. Specific verifications and information

We have also performed the specific verifications required by law in accordance with professional standards applicable in France. We have no matters to report regarding:

- the fairness and consistency with the annual financial statements of the information given in the executive committee's report and in the documents addressed to the shareholders with respect to the financial position and the annual financial statements;
- the fair presentation of the information given in the executive committee's report in respect of remunerations and benefits granted to the relevant directors and any other commitments made in their favor in connection with, or subsequent to, their appointment, termination or change in current function.

Paris-La Défense, February 13, 2008

The statutory auditors

KPMG Audit

French original signed by
Hervé Chopin

ERNST & YOUNG AUDIT

French original signed by
Pierre Bourgeois Jean Bouquot

20.2 PRO FORMA FINANCIAL INFORMATION

20.2.1 Pro forma financial information for the financial year ended December 31, 2007

The pro forma financial information for the year ended December 31, 2007 has been prepared in order to reflect the impact of:

- the acquisitions of companies carried out by the Group during 2007 (the **"2007 Acquisitions"**);
- the completion of the tender offer for all shares and convertible bonds of Hagemeyer, as well as of the completion of the transfer of certain Hagemeyer activities to Sonepar and the assets swap with Sonepar (the **"Hagemeyer Offer"**);

as if they had occurred as of January 1, 2007 (together, the **"Operations"**). The impact of the initial public offering of Rexel, which occurred in April 2007, has not been restated as if this initial public offering had occurred on January 1, 2007.

The pro forma financial information includes pro forma consolidated income statements and a simplified pro forma cash flow statement for the year ended December 31, 2007, as well as a simplified pro forma consolidated balance sheet for the year ended December 31, 2007.

The pro forma financial information is provided only for purposes of illustration and was prepared using the methodologies and restatements described below. Because of its nature, the pro forma financial information deals with a hypothetical situation and therefore does not represent the actual financial condition or results of the Group as they would have been if the Operations had effectively occurred on January 1, 2007. The pro forma financial information does not constitute a forecast of trends in the financial condition or results of Rexel in future years.

The pro forma financial information should be read in conjunction with the information contained in this *Document de Référence*, and in particular, Chapter 9 "Operating and Financial Review and Prospects" and Chapter 10 "Liquidity and Capital Resources of the Group", and with the audited financial statements of Rexel, which appear in Chapter 20 of this *Document de Référence*.

20.2.1.1 Description of the Operations

20.2.1.1.1 The 2007 acquisitions

During 2007, Rexel acquired EIW Holdings and Network Connect Australia in Australia, APPRO 5 in France, Huazhang Electrical Automation Holding in China, Clearlight Electrical Company in the United Kingdom and Boutet in Belgium representing a share acquisition price of €118.7 million. These operations are described in note 4.2 "Acquisitions for the period ended December 31, 2007" of the consolidated financial statements of Rexel for the period ended on December 31, 2007, which are presented in Chapter 20.1 of this *Document de Référence*.

20.2.1.1.2 The Hagemeyer Offer

Rexel, through its subsidiary, Kelium, initiated a tender offer, which is the subject of a prospectus filed on December 21, 2007 with The Netherlands financial markets authority (AFM), for (i) all of the issued and outstanding shares of Hagemeyer, with a par value of 1.20 euro each, at a price of 4.85 euros per share (with coupon) and (ii) all of the subordinated convertible bonds issued and outstanding bearing interest at a fixed rate of 3.50% and maturing in 2012. The offering values Hagemeyer's capital at approximately 3.1 billion euros. In addition, on February 22, 2008, the European Commission authorized the purchase of Hagemeyer by Rexel subject to the disposal, after the closing of the offering, by Rexel of Hagemeyer's electrical equipment distribution businesses in Ireland. The offer period ended on March 4, 2008 and the offer was declared unconditional on March 7, 2008. Following the end of a period subsequent to the offer that ended March 25, 2008, during which the shareholders had the option to contribute their securities under the terms and conditions of the offer, Rexel held 98.67% of the outstanding shares and 100.00% of the subordinated convertible bonds issued by Hagemeyer. Rexel has made a request to Euronext that the shares be delisted on April 21, 2008 and initiated, with the competent Dutch legal authorities, the applicable procedure to acquire the residual minority interests.

In addition, on November 22, 2007, Rexel concluded an agreement with Sonepar relating to the transfer to Sonepar of Hagemeyer's activities, other than those of its ACE division, located in the United States, Canada, Mexico, Australia, Switzerland, Austria, Sweden, China and Southeast Asia, as well as six branches located in Germany (the Sonepar Entities). Rexel also committed to transfer to Sonepar its assets now located in Germany, and Sonepar committed to transfer to Rexel its assets now located in Sweden (the Assets Swaps).

The Hagemeyer's entities that will be included in Rexel's consolidated financial statements as from April 1, 2008 correspond to the entities located in the United Kingdom, Ireland (Maintenance, Repair and Operation – MRO), Germany, Belgium, The Netherlands, the Czech Republic, Norway, Finland, Lithuania, Latvia, Estonia, Russia, Poland and Spain as well as the entities pertaining to the Hagemeyer's Agencies Consumer Electronics (ACE) division located in The Netherlands, Australia and Asia.

20.2.1.2 Assumptions and methods used to prepare the pro forma consolidated financial information

The pro forma consolidated financial information for the year ended December 31, 2007 was prepared on the basis of the Group's audited consolidated financial statements,

which appear in this document in paragraph 20.1 "Historical Financial Information", with the following adjustments:

– inclusion of the results of the businesses acquired by Rexel during 2007, as if such operations had been carried out as of January 1, 2007. This restatement has an effect on the entirely of the income statement and the cash flow statement of the Group;

– inclusion of the results of businesses acquired within the context of the Hagemeyer Offer, net of the transfers of assets to Sonepar and of the transfer of certain Hagemeyer activities in Ireland; taking into account the assets swaps with Sonepar (repurchase from Sonepar of its activities in Sweden and transfer to Sonepar of Rexel's activities in Germany). All of these operations have been considered as having been carried out as of January 1, 2007, based on the entirety of the shares and convertible bonds outstanding for the Hagemeyer Offer. This restatement has an impact on the results and the financial situation of the Group;

– inclusion of additional depreciation and amortization of identifiable tangible and intangible assets measured at fair value within the context of the contemplated allocation of the acquisition price of the assets;

– inclusion of the theoretical interest charge applicable to the financing of the acquisitions, as if such interest had been paid at January 1, 2007, using the applicable interest rates over the relevant periods and based on the terms and conditions of the New Senior Credit Agreement described in paragraph 10.2.2 of this *Document de Référence*;

– inclusion of the impact of these adjustments on the tax charge based on the applicable tax rate in each country.

As a consequence, the scope of the pro forma financial information corresponds to the scope of consolidation of the Group as at December 31, 2007, plus the Hagemeyer businesses retained by Rexel as well as the businesses acquired in the context of the assets swaps agreed with Sonepar, less the businesses sold in the context of such assets swaps. The scope of the pro forma financial information does not include the Hagemeyer entities which are to be sold to Sonepar. These entities will not be included in the Group's scope of consolidation to the extent that, pursuant to the agreement entered into between Rexel and Sonepar, such entities are subject to an undertaking to sell, and their operational management, control and risk exposure do not depend on Rexel (see paragraphe 7.2.2 of this *Document de Référence*). The entities of the Hagemeyer group which are to be transferred to Sonepar account for approximately €2.7 billion sales, plus the net impact of the asset exchanges with Sonepar of approximately €0.2 million.

20.2.1.3 Pro forma consolidated income statement

Reconciliation of the published consolidated income statement of Rexel with the pro forma consolidated income statement for the year ended December 31, 2007

2007 (in millions of euros)	Rexel (Audited) (A)	2007 Acquisitions (B)	Hagemeyer (Audited) (C)	Other adjustments relating to the Operations (D)	Pro forma (E)
Sales	**10,704.4**	**105.1**	**6,443.7**	**(2,970.9)**	**14,282.3**
Cost of sales	(8,088.8)	(80.8)	(4,959.0)	2,303.3	(10,825.3)
Gross profit	**2,615.6**	**24.3**	**1,484.7**	**(667.6)**	**3,457.0**
Distribution and administrative expenses	(1,967.2)	(17.9)	(1,289.4)	563.6	(2,710.9)
Operating income before other income and expenses (EBITA)	**648.4**	**6.4**	**195.3**	**(104.0)**	**746.1**
Other income and expenses	(77.9)	–	3.2	(9.4)	(84.1)
Operating income	**570.5**	**6.4**	**198.5**	**(113.4)**	**662.0**
Share in results of associated companies	–	–	1.6	(0.1)	1.5
Financial expenses net [1]	(319.2)	(1.6)	(49.6)	(38.9)	(409.3)
Net income before income tax	**251.3**	**4.8**	**150.5**	**(152.4)**	**254.2**
Income tax	(107.8)	(1.4)	5.6	5.8	(97.8)
Net income	**143.5**	**3.4**	**156.1**	**(146.6)**	**156.4**
Net income, excluding items relating to the initial public offering of Rexel	**312.2**	**3.4**	**156.1**	**(146.6)**	**325.1**
Amortization	(77.0)	(2.4)	(50.5)	6.1	(123.8)

(1) Including a €89,6 million premium due in connection with the early redemption of the Senior Subordinated Notes and €76,3 million of accelerated amortization of the transaction costs at the time of the initial public offering.

In the table above:

– the (A) column reflects the audited consolidated financial statements of Rexel for the financial year ended December 31, 2007 (see paragraph 20.1.1 of this *Document de Référence*);

– the (B) column reflects the acquisitions carried out by the Group during the 2007 financial year (see paragraph 20.2.1.1.1 of this *Document de Référence*);

– the (C) column reflects the consolidated financial statements of the Hagemeyer group for the financial year ended December 31, 2007, audited by Deloitte and available on Hagemeyer's web site (www.hagemeyer.com);

– the (D) column reflects the impact of (i) the exclusion of the entities to be sold to Sonepar, (ii) the assets swaps agreed with Sonepar, (iii) the sale of Hagemeyer's distribution of electrical materials businesses in Ireland and (iv) restatements described below in subsections c), d) and e); and

– the (E) column reflects the sum of colums (A) to (D).

The table below sets forth the breakdown by geographical zone of the sales, operating income before other income and expenses (EBITA) and pro forma Adjusted EBITA. Adjusted EBITA means EBITA before amortization of intangible assets resulting from the contemplated allocation of the acquisition price of Hagemeyer, excluding the estimated non-recurring net impact from changes in copper-based cable prices.

2007 (in millions of euros)	Europe	North America	Asia-Pacific	Other operations	Total pro forma
Sales	**8,099.7**	**4,806.1**	**883.8**	**492.7**	**14,282.3**
Operating income before other income and expenses (EBITA)	455.3	235.6	56.2	(1.0)	746.1
Adjusted EBITA	**468.8**	**241.1**	**56.2**	**5.0**	**771.1**

Main pro forma restatements

a) Inclusion of consolidated income statement of acquisitions carried out during 2007 for the period from January 1, 2007 until their respective acquisition dates ((B) column of the pro forma consolidated income statement)

The results of EIW Holding, Network Connect Australia (NCA), APPRO 5, Huazhang Electrical Automation Holding, Clearlight Electrical Company and Boutet and their subsidiaries for the period from January 1, 2007 until their respective acquisition dates have been prepared in accordance with IFRS and the accounting principles applied by the Group.

b) Inclusion of consolidated income statement of Hagemeyer, the Assets Swaps with Sonepar and the deconsolidation of the Sonepar Entities ((C) and (D) columns of the pro forma consolidated income statement)

The audited financial statements of Hagemeyer have been restated in order to exclude the Sonepar Entities as well as the Hagemeyer activities in Ireland that are to be divested. In addition, the Assets Swaps with Sonepar have been taken into account in the pro forma financial information and concern the transfer of Rexel's assets in Germany and the acquisition of Sonepar's assets in Sweden. These elements of the income statement have been prepared in accordance with IFRS and the accounting principles applied by the Group. Adjustments have been made in order to homogenize the presentation with that applied by the Group, notably to present the interest paid and the expected yield from the hedging assets relating to the personnel advantages in the net financing costs.

c) Inclusion of additional amortization relating to the allocation of the acquisition price of the assets acquired within the context of the Operations ((D) column of the pro forma consolidated income statement)

The revaluations of the assets acquired in the Operations as well as the intangible assets recognized at this time resulted in an additional amortization amount of €15 million, based on the contemplated allocation of the acquisition price of these assets.

d) Inclusion of the net interest expense related to the Operations ((D) column of the pro forma consolidated income statement)

The 2007 interest expense, taking into account the additional indebtedness relating to the Operations and based on the financing conditions of the Group following the completion of these Operations, amounted to €409.3 million. The effects of the initial public offering, included in this amount, are described below.

e) Inclusion of the impact of these adjustments on the income tax ((D) column of the pro forma consolidated income statement)

The impact of these adjustments on the income tax has been determined based on the applicable tax rate in each country.

Effect of the initial public offering of Rexel on other expenses and the financial income

The initial public offering of Rexel having occurred on April 4, 2007, the other expenses include, in an amount of €61.4 million, the expenses relating to the employee offering and the plan for allocation of free share, for €7.8 million and €53.6 million respectively.

In addition, net financial expenses include slightly more than one quarter of interest on the Senior Subordinated Notes and the shareholders loan, a premium of €89.6 million due to the early redemption of the Senior Subordinated Notes and accelerated amortization of the transaction costs relating to, in particular, the Senior Subordinated Notes and the 2005 Senior Credit Agreement in an amount of €76.3 million. If the initial public offering of Rexel had been carried out as of January 1, 2007, the interest expense for the financial period would have been reduced by approximately €25 million additionally because of these new financing conditions.

20.2.1.4 Pro forma consolidated balance sheet

Reconciliation of the published consolidated balance sheet of Rexel with the pro forma consolidated balance sheet for the year ended December 31, 2007

December 31, 2007 (in millions of euros)	Rexel (Audited) (A)	Hagemeyer (Audited) (B)	Other adjustments relating to the Operations (C)	Pro forma (D)
ASSET				
Goodwill	2,608.3	505.2	672.2	3,785.7
Intangible assets	686.0	25.0	266.8	977.8
Tangible assets	272.1	217.6	(82.6)	407.1
Investments in associates	–	4.5	1.7	6.2
Non-current financial assets	76.8	48.2	(53.2)	71.8
Deferred tax assets	127.4	78.4	(30.3)	175.5
Total non-current assets	**3,770.6**	**878.9**	**774.6**	**5,424.1**
Inventories	1,143.2	652.1	(305.5)	1,489.8
Trade accounts receivable	2,018.5	1,007.1	(399.6)	2,626.0
Other accounts receivable	422.6	37.4	(25.4)	434.6
Income tax receivable	1.4	3.3	(1.4)	3.3
Assets classified as held for sale	–	10.9	–	10.9
Cash and cash equivalent	515.2	141.7	(53.2)	603.7
Total current assets	**4,100.9**	**1,852.5**	**(785.1)**	**5,168.3**
Total assets	**7,871.5**	**2,731.4**	**(10.5)**	**10,592.4**
LIABILITIES AND EQUITY				
Total equity attributable to equity holders of the parent	3,221.3	1,008.0	(908.9)	3,320.4
Minority interests	6.0	0.1	–	6.1
Total equity	**3,227.3**	**1,008.1**	**(908.9)**	**3,326.5**
Convertible bonds (long-term portion)	–	110.2	(110.2)	–
Other financial liabilities (long-term portion)	1,999.1	360.0	1,448.4	3,807.5
Employee benefits	125.6	115.8	(72.6)	168.8
Provision and other non-current liabilities	52.8	56.2	(31.6)	77.4
Deferred tax liabilities	161.5	9.6	81.0	252.1
Total non-current liabilities	**2,339.0**	**651.8**	**1,315.0**	**4,305.8**
Convertible bonds (current portion)	54.8	–	–	54.8
Other financial liabilities (current portion)	67.9	47.3	(5.8)	109.4
Trade accounts payable	1,659.3	766.4	(328.5)	2,097.2
Income tax payable	24.0	20.7	(7.0)	37.7
Other current liabilities	499.2	237.1	(75.3)	661.0
Total current liabilities	**2,305.2**	**1,071.5**	**(416.6)**	**2,960.1**
Total liabilities	**4,644.2**	**1,723.3**	**898.4**	**7,265.9**
Total equity and liabilities	**7,871.5**	**2,731.4**	**(10.5)**	**10,592.4**

In the table above:

– the (A) column reflects the audited consolidated financial statements of Rexel for the financial year ended December 31, 2007 (see paragraph 20.1.1 of this Document de Référence);

– the (B) column reflects the consolidated financial statements of the Hagemeyer group for the financial year ended December 31, 2007, audited by Deloitte and available on Hagemeyer's web site (www.hagemeyer.com);

– the (C) column reflects the impact of (i) the exclusion of the entities to be sold to Sonepar, (ii) the asset swaps agreed with Sonepar, (iii) the sale of Hagemeyer's distribution of electrical materials businesses in Ireland and (iv) the restatements described below in subsections b) and c); and

– the (D) column reflects the sum of colums (A) to (C).

Main pro forma restatements

a) Inclusion of the consolidated balance sheet of Hagemeyer, of the Assets Swaps with Sonepar and deconsolidation of the Sonepar Entities ((B) and (C) columns of the pro forma consolidated balance sheet)

The audited financial statements of Hagemeyer have been restated in order to exclude the Sonepar Entities as well as the Hagemeyer activities in Ireland that are to be divested. In addition, the Assets Swaps with Sonepar have been taken into account in the pro forma financial information and concern the transfer of Rexel's assets in Germany and the acquisition of Sonepar's assets in Sweden. The assets and liabilities items have been prepared in accordance with IFRS and the accounting principles applied by the Group.

b) Allocation of the acquisition prices with the assets acquired pursuant to the Operations ((C) column of the pro forma consolidated balance sheet)

The contemplated reevaluation of the assets acquired within the context of the Operations, as well as of the intangible assets recognized at that point, amounts to €285.0 million, or €196.6 million net of deferred taxes. The cancellation of unrecognized actuarial gains in the financial statements of Hagemeyer resulted in a €40.1 million reduction of the provisions for personnel advantages and a €12.4 million reduction of deferred tax assets. Based on the contemplated allocation of the acquisition price of the assets, the residual goodwill amounts to €1,177.4 million. This provisional evaluation may be revised within a one-year period beginning at the time of completion of the acquisition of the assets.

c) Inclusion of the additional debt related to the Offer ((C) column of the pro forma consolidated balance sheet)

The additional debt resulting from the completion of the Offer amounts to €1,7661.4 million, net of the transfers to Sonepar based on an estimated price of €1.6 billion.

20.2.1.5 Simplified pro forma consolidated cash flow statement

Reconciliation of the published consolidated cash flow statement of Rexel with the pro forma consolidated free cash flow statement for the year ended December 31, 2007

2007 (in millions of euros)		Rexel (Audited) (A)		2007 Acquisitions (B)	Hagemeyer (Audited) (C)	Other adjustments relating to the Operations (D)	Pro forma (E)
Operating cash flow		704.0		8.8	213.5	(105.8)	820.5
Interest	(a)	(217.7)	(1)	(1.6)	(49.7)	(36.4)	(305.4)
Taxes	(a)	(41.8)	(2)	(1.4)	(25.7)	9.2	(59.7)
Changes in working capital requirements		(13.0)		(4.3)	28.5	(29.9)	(18.7)
Cash flow from operating activities	**(b)**	**431.5**		**1.5**	**166.6**	**(162.9)**	**436.7**
Including operating capital expenditures	*(c)*	*(20.6)*	(3)	–	*(16.9)*	*(17.5)*	*(55.0)*
Free cash flow							
– before interest and taxes (b) – (a) + (c)		**670.4**		**4.5**	**225.1**	**(153.2)**	**746.8**
– after interest and taxes (b) + (c)		**410.9**		**1.5**	**149.7**	**(180.4)**	**381.7**

(1) Including a premium of €89,6 million due as a result of the early redemption of the Senior Subordinated Notes.
(2) Including €53,4 million relating to the repayment in 2007 of tax installments paid by the French companies of the Group in 2006.
(3) Including €45,8 million relating to a sale and leaseback transaction on commercial premises in Switzerland.

In the table above:

– the (A) column reflects the audited consolidated financial statements of Rexel for the financial year ended December 31, 2007 (see paragraph 20.1.1 of this *Document de Référence*);

– the (B) column reflects the acquisitions carried out by the Group during the 2007 financial year (see paragraph 20.2.1.1.1 of this *Document de Référence*);

– the (C) column reflects the consolidated financial statements of the Hagemeyer group for the financial year ended December 31, 2007, audited by Deloitte and available on Hagemeyer's web site (www.hagemeyer.com);

– the (D) column reflects the impact of (i) the exclusion of the entities to be sold to Sonepar, (ii) the asset swaps agreed with Sonepar, (iii) the sale of Hagemeyer's distribution of electrical materials businesses in Ireland; and

– the (E) column reflects the sum of colums (A) to (D).

To draw up the cash flow statement, taking into account the reduced period between their recording as expenses and their disbursement, accrued interests relating to the refinancing have been considered disbursed in 2007. The Operations had no impact on taxes paid other than the expenses actually disbursed by the relevant entities during the period.

The financial statements of Hagemeyer include €27 million corresponding to the proceeds resulting from the transfers of vehicles in the United Kingdom pursuant to recurring financial leasing operations for periods of under 12 months. The cost resulting from the exercise of the corresponding options was reclassified under the Operating capital expenditures section in an amount of €32 million.

20.2.2 Auditors' report on the pro forma financial information for the year ended December 31, 2007

This is a free translation into English of the Statutory Auditors' report on the pro forma financial information issued in the French language and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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Rexel S.A.

Statutory Auditor's report on regulated party agreements and commitments

To the President of the Management Board,

In our capacity as statutory auditors and in application of regulation (CE) n° 809/2004, we have prepared this report on the pro forma financial information of Rexel S.A. relating to the year ended December 31, 2007, as included in section 20.2 of its reference document for the year ended December 31, 2007, the registration of which is scheduled on April 30, 2008.

This pro forma financial information was prepared with the sole objective of presenting the effect that the acquisition and disposal transactions of the year ended December 31, 2007 – as defined and described in section 20.2 of the reference document – could have had on the balance sheet, the income statement and the statement of cash flows of Rexel had these transactions had taken place on January 1st, 2007. By its very nature, pro forma financial information presents a hypothetical situation which is not necessarily representative of what the financial position or performance would have been had the transactions taken place at a date prior to those at which they actually occurred.

This pro forma financial information was prepared under your responsibility, in application of the provisions of regulation (CE) n° 809/2004 and the recommendations of the CESR concerning pro forma financial information.

It is our responsibility to express our opinion, on the basis of our procedures, and in the terms required under point 7 of appendix II of regulation (CE) n° 809/2004 as to the satisfactory preparation of the pro forma financial information.

We performed our work in accordance with relevant professional guidelines of the French Institute of Statutory Auditors. Our work did not include an examination of the financial information underlying the preparation of the pro forma financial information; our principal procedures were (i) the verification that the bases on which the pro forma financial information was prepared agreed with the source documents, as disclosed in the footnotes to the pro forma financial information, Assumptions made and methods applied; (ii) an examination of evidence supporting the pro forma restatements; and (iii) enquiries of the management of Rexel S.A., in order to obtain information and explanations that we considered necessary.

In our opinion:

– The pro forma financial information has been satisfactorily prepared on the basis disclosed;

– This basis is consistent with the accounting policies adopted by the company.

This report is issued only for the purposes of the registration of the reference document with the AMF, and if required, of a public offering in France and other European Union countries in which a prospectus (comprising the reference document) registered with the AMF would be published, and may not be used for any other purpose.

Paris La Défense and Paris, April 29, 2008

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.

French original signed by

Hervé Chopin
Partner

ERNST & YOUNG Audit

French original signed by

Pierre Bourgeois
Partner

Jean Bouquot
Partner

20.3 FEES PAID TO STATUTORY AUDITORS

The table below sets forth the fees paid to Ernst & Young Audit and KPMG Audit for services performed during 2007, 2006 and 2005:

	KPMG Audit						Ernst & Young Audit					
	Amount			%			Amount			%		
(in millions of euros)	2007	2006	2005	2007	2006	2005	2007	2006	2005	2007	2006	2005
Audit												
Independent audit, certification (1)												
Issuer	0.5	0.1	–	13.0	1.5	0.8	0.5	0.1	–	11.6	1.8	0.6
Fully consolidated subsidiaries	1.9	2.7	2.0	50.0	70.2	74.5	2.1	2.1	0.4	48.9	43.4	6.7
Sub-total (1)	**2.4**	**2.8**	**2.0**	**62.9**	**71.7**	**75.3**	**2.5**	**2.2**	**0.4**	**60.5**	**45.2**	**7.3**
Service directly related to the engagement (2)												
Issuer	0.9	–	–	23.2	–	–	0.8	–	–	20.0	–	–
Fully consolidated subsidiaries	0.5	1.0	0.5	13.2	25.7	18.7	0.6	2.1	5.9	15.3	43.2	91.1
Sub-total (2)	**1.4**	**1.0**	**0.5**	**36.3**	**25.7**	**18.7**	**1.5**	**2.1**	**5.9**	**35.3**	**43.2**	**91.1**
Sub-total	**3.8**	**3.8**	**2.5**	**99.3**	**97.4**	**94.0**	**4.0**	**4.3**	**6.3**	**95.8**	**88.3**	**98.4**
Other services (3)												
Tax	0.0	0.1	0.2	0.7	2.6	6.0	0.2	0.5	0.1	4.2	10.6	1.1
Legal	–	–	–	–	–	–	–	–	–	–	–	–
Personnel related	–	–	–	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	0.1	–	–	1.0	0.5
Sub-total (3)	**0.0**	**0.1**	**0.2**	**0.7**	**2.6**	**6.0**	**0.2**	**0.6**	**0.1**	**4.2**	**11.7**	**1.6**
TOTAL	**3.8**	**3.9**	**2.7**	**100**	**100**	**100**	**4.2**	**4.9**	**6.4**	**100**	**100**	**100**

20.4 AUDIT OF THE HISTORICAL FINANCIAL INFORMATION

Financial information for the years ended December 31, 2007, December 31, 2006 and December 31, 2005 were audited by Rexel's statutory auditors.

Statutory auditors' reports on Rexel's consolidated and annual financial statements for the year ended December 31, 2007 are included in paragraphs 20.1.1.2 and 20.1.2.2 of this *Document de Référence*.

Statutory auditors' reports on Rexel's consolidated financial statements for the year ended December 31, 2006 and December 31, 2005 are included in the prospectus filed by Rexel with the *Autorité des marchés financiers* in connection with the initial public offering of its shares that received visa number 07-093 on March 20, 2007 and are incorporated by reference in this *Document de Référence*.

20.5 DATE OF LATEST FINANCIAL INFORMATION

The latest financial information of Rexel that appears in this *Document de Référence* is for the year ended December 31, 2007.

20.6 INTERIM AND OTHER FINANCIAL INFORMATION

Not applicable.

20.7 DIVIDEND POLICY

Rexel has not distributed any dividends during the last three years.

After the prior authorization of the Supervisory Board, the Management Board may propose a dividend distribution to the general shareholders' meeting.

Taking into account the Group's results for the year ended December 31, 2007, the Managing Board suggested that the Shareholder's Meeting to be held on May 20, 2008 authorizes the payment of a dividend in the amount of €94,717,715.99, or €0.37 per share.

Dividends that have not been claimed within five years after they have been declared are transferred to the French State.

20.8 LEGAL PROCEEDINGS AND ARBITRATION

The Group is subject to legal, administrative and regulatory proceedings in the normal course of its business. When there is a sufficient probability that litigation will result in costs to Rexel or to one of its subsidiaries, the Group establishes a provision for it in its accounts.

20.8.1 Tax litigation

At the date of this *Document de Référence*, to the knowledge of the Group, the principal tax proceedings involving Group companies are described below.

20.8.1.1 SRP Sud-Est

SRP Sud-Est, a company that was absorbed by Rexel France S.A.S. in April 2006, was subject to a proposed tax reassessment following an accounting audit relating to the 2002 through 2004 fiscal years. This reassessment principally relates to provisions established for restructuring and charges relating to prior fiscal years. The company has commenced legal proceedings to contest this tax €0.8 tax reassessment.

20.8.1.2 Rexel Distribution

Rexel Distribution was subject to a tax reassessment in the amount of €3.5 million relating to the 2002 to 2004 financial years, of which €0.2 million has been accepted by the company.

The balance of this proposed reassessment relates to a provision that was established in 2002 with respect to 524,000 treasury shares in order to take into account the drop in the share price at that time. Rexel Distribution cancelled theses shares without eliminating the related provision. The tax authorities have objected to the tax treatment of this provision and have proposed an income tax reassessment of up to €3.3 million. Rexel Distribution has commenced legal proceedings to contest this reassessment.

20.8.1.3 Rexel Développement SARL (merged with Rexel Développement on January 1, 2008)

Rexel Développement SARL was the subject of a tax reassessment following an accounting audit relating to the 2002 through 2004 fiscal years. This reassessment mainly

relates to services provided to Rexel Distribution and certain other Group subsidiaries for insufficient remuneration. Rexel Développement SARL entered into a settlement with the tax authorities for approximately €3.3 million on December 4, 2006. This amount was reduced to €3.2 million on February 13, 2007. Despite this settlement, Rexel Développement SARL was subject to an additional €1.8 tax reassessment, which has been contested by Rexel Développement SARL.

20.8.1.4 Germany

The Group's German subsidiaries were the subject of a tax reassessment relating to €1.6 million in taxes with respect to the 1997 through 2001 fiscal years. This proceeding relates to the impact of the forgiveness of an intragroup receivable relating to income taxes (€0.6 million) at the local level *(Land)*, which have been essentially accepted by the Group. In addition, the treatment of an IT systems sale and leaseback transaction with respect to value added tax (€0.8 million) is, as of the date of this *Document de Référence*, currently under discussion with the tax authorities.

Rexel Développement manages the tax proceedings mentioned above in the context of an indemnity provided for in the Acquisition Agreement. This indemnity is capped at €50 million. In accordance with this indemnity, tax audit notices and proposed responses to the tax authorities are transmitted to PPR and Saprodis for their information and, where applicable, their prior approval. In 2007, the PPR Group paid a total amount of €3.7 million pursuant to the indemnity.

Rexel Développement, on the one hand, and PPR and Saprodis, on the other hand, signed an agreement on October 12, 2006, pursuant to which PPR and Saprodis have accepted to cover the tax proceedings relating to Rexel Développement and Rexel Distribution described above.

20.8.1.5 Group Rexel Inc. (United States)

In 2007, the Group was subject to a $17 million tax reassessment concerning sales taxes and relating to a $85 million internal restructuring carried out in 2001. Rexel Inc. contested this tax reassessment and considers that the actual financial risk for the Company amounts to $0.6 million. Furthermore, the Group was subject to a $6 million sales tax reassessment relating to the current transactions carried out between 2001 and 2005. The Group carries out diligences to reduce this amount substantially.

20.8.1.6 Selga (Sweden)

The tax administration challenges the tax deductibility of work services (€1.1 million) provided by Rexel Développement in 2005. The company contests this tax reassessment.

20.8.1.7 Pending tax audits

At the date of this *Document de Référence*, Rexel Développement is the subject of a tax audit for the years 2005 and 2006.

In addition, the Group is the subject of a tax audit concerning Rexel France S.A.S. as well as its activities in Germany and Poland.

Given the current state of these audits, the Group is not in a position to determine their outcome or to evaluate the potential tax assessments that may be imposed.

20.8.2 Asbestos litigation

The Group is party to several asbestos-related proceedings. The principal proceedings are set out below. Although the Group believes that its exposure to having to pay significant amounts in connection with these proceedings is limited and that these lawsuits will not have, individually or in the aggregate, a material adverse effect on its financial condition or results of operations, the Group cannot give any assurances to this effect, nor can it predict with certainty what the outcome of these lawsuits will be. The amounts Rexel North America Inc. and Rexel, Inc. may pay, as the case may be, are difficult to quantify.

20.8.2.1 Rexel North America Inc. (Canada)

In September 2000, Rexel Canada Inc. which subsequently changed its name to Rexel North America Inc., the Group's Canadian subsidiary, acquired Westburne Inc., a company operating primarily in Canada and the United States. In 2001, Rexel North America Inc. sold the non-core portion of the Westburne Inc. group's business to a third-party. The assets of the electrical products distribution activities in the United States, which were owned by Westburne Inc. and its subsidiaries at that time, were transferred to Rexel, Inc. In the context of this disposal, Rexel North America Inc. (Canada) provided the purchaser with an indemnity relating to product liability. This indemnity may be triggered with respect to claims and proceedings relating to products sold prior to the date of the disposal of the non-core activities of Westburne Inc. (July 1, 2001) commenced and notified to Rexel North America Inc. prior to July 1, 2005.

The Westburne Inc. Group companies that were disposed of by Rexel North America Inc., as well as their predecessors (principally, the PE O'Hair company) and third-party companies that are not related to the Group, were named as co-defendants in approximately 935 lawsuits filed mainly in California since 1992 on behalf of several thousand plaintiffs. The plaintiffs are claiming damages as a result of alleged exposure to asbestos contained in products purportedly distributed by the defendants, including the

disposed Westburne businesses, from 1950 to 1980. The other co-defendants in these cases include manufacturers, contractors and other distributors.

A number of these proceedings have been dismissed or settled, and all such settlement amounts payable by Rexel have been for small sums that were covered in their entirety by its insurance policies. Thus, as at December 31, 2007, 18 claims (compared to 49 as of December 31, 2006) that could potentially trigger Rexel North America Inc.'s indemnification obligations to the purchaser of the non-core Westburne Inc. business remained pending.

The Group believes that it is likely that the majority of these 18 claims will be rejected or will be settled for amounts that will be covered by Rexel's insurance policies, although it cannot provide any assurances to this effect.

20.8.2.2 Rexel, Inc. (United States)

In the context of the acquisition of Westburne Inc. by Rexel North America Inc., assets relating to the electrical product distribution activities in the United States of Westburne Supply Inc., a U.S. subsidiary of Westburne Inc., were transferred to Rexel Inc. Rexel Inc., as transferee, along with more than 100 other companies, is or has once been named as a defendant in a number of proceedings in Louisiana, New York, New Jersey and Texas relating to exposure to asbestos containing materials.

As at December 31, 2007, Rexel, Inc. had been cleared of all responsibility for the claims filed in New Jersey and Texas and obtained a stipulated dismissal without prejudice of all claims pending in New Jersey relating to exposure to asbestos containing materials.

As at December 31, 2007, 39 claims initiated by 161 claimants remained pending before Louisiana jurisdictions, compared to 40 claims initiated by 208 claimants as at December 31, 2006. In 2007, Rexel Inc. settled 2 of these claims initiated by 48 claimants and all such settlement amounts payable by Rexel Inc. have been for small sums.

As at December 31, 2007, 33 proceedings before Louisiana courts involving 153 plaintiffs were related to the alleged exposure to asbestos containing materials as a result of general contracting work carried out on the premises of third-party companies by employees of the purchased Westburne Inc. businesses at the same time such claimants were present, at various times, notably between 1950 and 1970. The other defendants in these cases are companies that are not affiliated with the Group and include the owners and lessees of the concerned premises, the manufacturers of the structures and products that allegedly contained asbestos and other distributors and contractors. Legal fees with respect to these product-liability proceedings that are assessed to Rexel, Inc. are covered by general liability insurance policies issued by four insurance companies and are assumed by these insurance companies pursuant to a cost sharing agreement entered into between these companies, subject to the terms and conditions of the relevant policies. To date, settlements arising from cases similar to these pending cases have been completely covered pursuant to this cost sharing agreement. Rexel, Inc. has denied the allegations in these lawsuits based on the argument that its liability has not been proved and that the liability relating to the claims in question is mainly incumbent upon defendants other than Rexel, Inc., such as the owners and lessees of the relevant premises, as well as the manufactures of the structures installed in these premises.

The other six pending cases in Louisiana at December 31, 2007 were initiated by eight plaintiffs who were or claim to have been employees of businesses acquired by Rexel Inc. These claimants allege that they were exposed to asbestos containing materials while they were carrying out general contracting work on the premises of third-parties, including petrochemical installations. Most of these procedures are in the initial stages of discovery. The Group believes that Rexel, Inc. could be held liable in these cases only to the extent that the claimants can prove that they were previously employed by the company and that there is a causal link between their employment and the alleged harm. Rexel, Inc. anticipates partial indemnity and contribution from the relevant insurance company for legal fees and potential damages arising from these proceedings.

As at December 31, 2007, two cases currently pending in New York involve plaintiffs (which are not related to Rexel) claim liability for injuries relating to products sold by a number of companies prior to 1985, including Rexel, Inc. The proceedings have been suspended since October 2003 until the claimants can prove an asbestos-related illness, in accordance with the practice of New York State courts. There was no particular development in the proceedings pending in New York in 2007. Given the high number of co-defendants and the state of the proceedings, the Group cannot predict the outcome of these proceedings.

Considering the wide range of these claims, their various states of advancement, the number of defendants and the absence of specific individual demands, the Group cannot give a quantitative estimate with respect to the claims made and the potential risk encountered. As such, the Group cannot predict the outcome or financial impact that it could be led to bear as a result of these proceedings.

20.8.2.3 Summers Group, Inc. (United States)

Rexel, Inc. is, through its subsidiary Summers group, Inc., implicated in proceedings related to the death of a person following a case of mesothelioma (cancer). The plaintiff filed a complaint on January 11, 2007 with the Los Angeles court (California). On February 25, 2008, the initial complaint was modified and Summers Group, Inc. received a summons.

The plaintiff claims that the deceased was exposed to materials containing asbestos that were supplied by U.S. Industries Supply Co. Inc., a subsidiary of U.S. Supply Group. The plaintiff named The Goodyear Tire & Rubber Company as legally responsible for U.S. Industries Supply Co. Inc. The plaintiff also named U.S. Supply Group, Inc. and Summers Group, Inc. as third-party contractors.

The plaintiff claimed punitive damages, compensation for loss of consortium, compensation for loss of income and potential income, as well as reimbursement for medical, funeral and procedural expenses.

Rexel, Inc. is currently seeking to determine the existing links between Summers Group, Inc. and U.S. Industries Supply Co. in order to determine the exact implication of Summers group, Inc. in this litigation.

Consequently, taking into account the progression of the proceedings and the impossibility of determining, at this stage of the litigation, the exact implication of Summers Group, Inc., the Group is not able to provide an indication in numbers concerning the claims made and the risk potentially incurred.

20.8.2.4 Other asbestos-related litigation

In 2007, Rexel obtained a rejection and termination of two pending lawsuits against it in the state of California. In both cases, the plaintiffs alleged exposure (throughout the 1960's) to products or materials containing asbestos sold by a company acquired in 1993 by Rexel, Inc. Rexel, Inc. contested these allegations and has not paid any indemnities to the plaintiffs to obtain a rejection of this claim and termination of the lawsuit. Nevertheless, in one of the proceedings, the Group's legal insurer financed the payment of a symbolic indemnity consisting of attorney's fees upon the finalization of the ruling and the obtainment of a rejection of the claim. The insurance company took charge of the legal fees and eventual damages and interests linked to these proceedings as per the terms and conditions of our policy.

20.8.3 Other litigation

20.8.3.1 United Kingdom

In December 2005, Rexel Senate – a U.K.-based Group subsidiary – finalized a draft agreement with Wates Construction Group, pursuant to which Rexel Senate was to become the reference distributor of Wates Construction Group. In 2006, disagreement occurred with the carrying out of this agreement and Wates Construction Group instituted a pre-action protocol claiming £8.3 million (approximately €12.3 million). On May 24, 2007, Wates Construction Group and Rexel Senate signed a transaction to settle this litigation without recognizing responsibility on either party in which Rexel Senate agreed to pay £1.5 million (approximately €2.2 million). This amount was paid throughout the third trimester of 2007.

20.8.3.2 Unites States

Rexel, Inc. is a party to two proceedings in the United States that respectively relate to a product liability claim, the death of two persons in a fire whose cause has not yet been established and the contamination of a dump by non-authorized products. These procedures have been in the preliminary stages (i.e., discovery) since 1999 and 2004, respectively, and some of them concern a number of defendants. Legal fees and potential damages relating to the first proceeding are covered by insurance after payment of a deductible. Insurance coverage is not available for the contamination of a dump by non-authorized products.

Although the Group believes that the risk of having to cover the material amounts involved in this litigation is limited and that this litigation, on an individual or collective basis, would have no material impact on the financial situation or profitability of the Group, it cannot predict the outcome of these proceedings or provide guarantees with respect thereto. The amounts that the Group may, as the case may be, be forced to cover are difficult to quantify.

20.8.4 Litigation related to Hagemeyer

The following information is taken from notes 19 "Provisions" and 26 "Commitments and contingencies" to Hagemeyer's consolidated financial statements for the year ended December 31, 2007 included in Hagemeyer's annual report for the financial year ended December 31, 2007 (page 46). An English version of Hagemeyer's annual report for the year ended December 31, 2007 is available on Hagemeyer's website (www.hagemeyer.com). Rexel cannot assume responsibility for the accuracy and exhaustive nature of this information as disclosed in Hagemeyer' Annual Report.

20.8.4.1 Product liability claims – silicosis and asbestos

Two of Hagemeyer subsidiaries in the USA are defendants in approximately 5,222 (2006: 9,409) silicosis-related claims in various States, the large majority of which are filed in Mississippi and Texas. The plaintiffs in these cases mostly have been or are working in the energy (notably petrochemical), construction, foundry, and manufacturing industries, where sand is either used or is a by-product of sandblasting, drilling, and grinding and for the making of moulds and cores in foundry operations. These plaintiffs allege that they developed silica-related diseases or suffer from diseases such as silicosis, and that a subsidiary of

Hagemeyer distributed respiratory protective products (such as dust masks, respirators and air-fed hoods) that were not adequate to prevent plaintiffs from developing such silica-related diseases or silicosis, and/or that Hagemeyer's subsidiary failed to give adequate warnings with respect to these products. Some claims also allege that another of Hagemeyer's subsidiaries manufactured a government-approved sandblasting hood that has been alleged to be defective, and that Hagemeyer's subsidiary failed to give adequate warnings.

The defendants in these lawsuits are often numerous and include manufacturers and distributors of sand, sandblasting equipment and products, as well as manufacturers and distributors of respiratory protective products.

These subsidiaries are also defendants in approximately 167 asbestos claims filed in Texas, down from approximately 174 in 2006. Plaintiffs in these cases are, for the most part workers in the automotive, construction, and manufacturing industries that allegedly developed an asbestos-related disease, which they claim is due, in part, to exposure to products containing asbestos allegedly manufactured or sold by one of our subsidiaries.

Hagemeyer's costs in connection with these claims are difficult to estimate because the outcome of, or trends in this type of litigation (and therefore Hagemeyer's range of potential liabilities) is subject to a number of assumptions and uncertainties, such as the number or size of claims or settlements, the number of financially viable responsible parties, and the potential impact of any pending or future silicosis/asbestos-related litigation or the impact of any toxic tort reform legislation regarding asbestos claims and/or silicosis claims.

A number of claims has been dismissed in both 2006 and 2007. The average cost of these silicosis and asbestos claims for claims resolved, including litigation and settlement costs decreased substantially in 2006 and 2007.

Following the execution of an agreement between Rexel and Sonepar on October 23, 2007, Rexel and Sonepar have agreed that Hagemeyer's corresponding activities will be transferred to Sonepar.

20.8.4.2 Litigation regarding bankruptcy of Ceteco

Since 1995, Hagemeyer has held, directly and indirectly, approximately 65% of the shares in Ceteco N.V., which was declared bankrupt in May 2000. In October 2003, Ceteco's bankruptcy receivers filed a lawsuit against Hagemeyer and the managing and supervisory board members of Ceteco in a Dutch court for the entire deficit in bankruptcy, currently estimated by the bankruptcy receivers at €190 million, which includes a subordinated claim of Hagemeyer on Ceteco of €42 million.

This claim is based on the allegation that the non-executive directors improperly supervised the executive directors while they mismanaged Ceteco, leading to its demise. The basis of the alleged liability is that three of these non-executive directors were members of Hagemeyer's Board of Management during the period of the alleged mismanagement.

In addition, and alternatively, the bankruptcy receivers allege that Hagemeyer, as a majority shareholder of Ceteco, breached a duty of care it owed to Ceteco and its creditors by, among other things, failing to intervene in time to prevent mismanagement at Ceteco. The bankruptcy receivers also claim that Hagemeyer has unjustly discharged Ceteco's Supervisory Board and Board of Management.

The damages in this tort claim are based on the loss suffered by Ceteco in certain countries. Any damages so recoverable in the tort claim will reduce the deficit in bankruptcy and therefore will reduce the amount of the first claim. It is currently expected that the aggregate claim of the bankruptcy receivers will not exceed €148 million.

One of Ceteco's creditors, Dresdner Bank Lateinamerika AG, claims damages from Hagemeyer in the amount of €14.5 million based on tort and alleging that Hagemeyer breached a duty of care to Dresdner Bank by failing to intervene in time to prevent mismanagement at Ceteco. The amount claimed forms part of the deficit in Ceteco's bankruptcy. Dresdner Bank has not commenced any formal court proceedings.

On December 12, 2007 the Utrecht district court rendered its judgment in the Ceteco litigation. The court allowed the claim of the bankruptcy receivers of Ceteco and ordered Hagemeyer as well as the former members of the Board of Management and the Supervisory Board of Ceteco to pay a still to be determined amount of damages and referred the parties to a separate proceeding to determine the amount of the damages. In addition Hagemeyer and the former members of Ceteco's Board of Management and Supervisory Board were jointly and severally ordered to make an advance payment of damages of €50 million. In the meantime Hagemeyer and the former members of Ceteco's Board of Management and Supervisory Board have appealed this judgment. The appeal suspends the enforceability of the judgment, including the advance payment and the commencement of the separate damage proceedings. On February 8, 2008, the bankruptcy receivers provisionally attached for an amount of €190 million the shares of certain of Hagemeyer N.V.'s directly held Dutch subsidiaries and intra-group receivables that were due on February 8, 2008 by these Dutch subsidiaries to Hagemeyer N.V.. Hagemeyer appealed this decision.

Hagemeyer continues to believe that it has sound legal grounds to defeat all of these claims, but cannot give assurances that its defense will ultimately prevail.

20.8.4.3 CEF vs. Elektrotechnische Groothandel Bernard and others

One of Hagemeyer's competitors, CEF Holdings Ltd, started a new wholesale business in electrical materials in 1989 in The Netherlands. Subsequently, CEF Holdings claimed it suffered injury from a cartel maintained by, among others, the Dutch trade association of wholesale traders in electrical materials (the FEG) and all members of the FEG including (at that time) Elektrotechnische Groothandel Bernard B.V., one of Hagemeyer's Dutch subsidiaries. In March 1991, CEF Holdings lodged a complaint with the European Commission against, among others, FEG and all of its members. Subsequently, CEF City Electrical Factors B.V. instituted legal proceedings in February 1999 before the district court in Rotterdam against FEG, Technische Unie (the largest FEG member) and Bernard (the second largest FEG member) for damages in the amount of approximately €98 million exclusive of interest and costs, on the same factual basis.

In October 1999, the European Commission imposed a fine against FEG and Technische Unie because of cartel activities, which decision was confirmed by the European Court of Justice in September 2006. The European Commission did not fine Bernard and later explicitly closed the file on Bernard. The proceedings before the Rotterdam district court initiated by CEF against FEG, Technische Unie and Bernard that were suspended pending the procedure before the European Court of Justice have been resumed. In 2006, CEF filed also claims against Hagemeyer N.V., Hagemeyer Nederland B.V., HTG Nederland B.V. and their directors, claiming that these parties have restricted CEF's possibilities for recovery of its alleged damages and holding them liable for the resulting loss, if any.

In part based on the fact that the Commission did not rule against Bernard, Hagemeyer believes it has sound legal grounds to defeat this claim but cannot give assurances that its defense will ultimately prevail.

In the context of the proceedings involving CEF and FEG, Technische Unie and Bernard, Hagemeyer N.V., Hagemeyer Nederland B.V., HTG Nederland B.V. and their directors, CEF filed a provisional attachment claim with the Rotterdam district court at the end of 2005. In July 2006, the district court dismissed this claim based on the fact that one of the defendants (Technische Unie) had given a security covering the amount of damages claimed by CEF. CEF appealed this decision. On April 8, 2008, the Court of Appeal of the Hague dismissed CEF's claims to obtain the provisional attachment of certain assets of Hagemeyer N.V., Hagemeyer Nederland B.V., HTG Nederland B.V. and their directors, based on the plaintiff's alleged failure to state a claim. The court only allowed CEF to provisionally attach Hagemeyer Nederland B.V.'s shares owned by Bernard for a total amount of €7 million and explicitly decided that any provisional attachment could not exceed this amount.

Furthermore, in March 2008, CEF initiated interim injunction proceedings before an Amsterdam court to prevent Hagemeyer N.V., ABN AMRO Bank N.V., Rexel, Kelium and Sonepar to be named in Hagemeyer's bankruptcy proceedings and to compel them to transfer €95 million to an escrow account to ensure the payment of CEF's claims. On April 17, 2008, the Amsterdam district court rejected all of CEF's claims and argued that the plaintiff failed to state a claim. CEF has announced its intention to appeal this decision.

20.8.4.4 Belgian Tax Authorities vs. Manudax Belgium

Manudax Belgium N.V., one of Hagemeyer's Belgian subsidiaries, entered into voluntary liquidation on November 27, 2000. During 1999 and 2000, Manudax Belgium received assessments for VAT in connection with fraudulent transactions allegedly entered into by former employees during the period beginning late 1996 until early 1998. The amount of these assessments, including penalties and excluding interest, is €78.2 million. The interest accrued until December 31, 2007 amounts to €52.1 million. All assessments are being contested by Manudax Belgium.

20.8.4.5 Arbitration regarding ABM

In 2001, Hagemeyer acquired ABM, a subsidiary in Spain. In connection with the transaction, it was agreed to make certain earn-out payments to the seller of ABM, contingent upon Hagemeyer's achievement of certain agreed adjusted and audited 2002 EBITDA levels. Hagemeyer determined that such agreed EBITDA levels were not achieved, and consequently no earn-out payment was made to the seller of ABM. Hagemeyer's auditor at the time gave an unqualified opinion on the 2002 Spanish statutory accounts, which contractually formed the basis of the adjusted and audited 2002 EBITDA. The seller is however of the opinion that certain agreed EBITDA levels were achieved and accordingly claims an earn-out payment of €18 million, excluding contractual interest and expenses, currently estimated at €7.6 million, which claim was upheld in an "expert determination" proceeding. The expert's decision has been submitted to arbitration. An arbitration award is expected in 2008.

Hagemeyer believes it has sound legal grounds to defeat this claim but cannot give assurance that its defense will ultimately prevail.

20.8.4.6 Other

As at December 31, 2007, the Group had letters of credit outstanding, representing a value of €80.8 million (2006: €84.6 million).

Over the last financial year, to the knowledge of the Group, there was no other legal or arbitration proceedings that might have or recently had a material impact on the financial situation or profitability of Rexel.

20.9 SIGNIFICANT CHANGES IN THE ISSUER'S FINANCIAL OR COMMERCIAL POSITION

To Rexel's knowledge, and with the exception of the items described in this *Document de Référence*, in particular the tender offer on Hagemeyer's securities and the acquisitions carried out since the end of the 2007 financial year (see paragraphe 7.2.2 of this *Document de Référence*), there has been no significant change in the Group's financial or commercial position since the end of the financial year ended December 31, 2007.

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As of the date of this Document de Référence, Rexel is a société anonyme established under French law, governed by the applicable laws and regulations and by its by-laws.

21.1 SHARE CAPITAL

21.1.1 Subscribed share capital and authorized but unissued share capital

As at December 31, 2007, Rexel's share capital amounted to €1,279,969,135 divided into 255,993,827 shares with a par value of €5 per share, all of the same class, and all of them fully paid-up and subscribed.

The Shareholders' Meetings held on February 13, 2007 and March 20, 2007 granted various authorizations to the Management Board, which used such powers and authorizations in the context of the initial public offering of Rexel as described below:

Authorization	Duration of authorization and expiration date	Maximum nominal amount (in millions of euros)	Date of use	Amount used
Issuance with upholding of preferential subscription rights	26 months April 13, 2009	800 (this maximum nominal amount is to be deducted from the total maximum amount of 800)	–	–
Issuance by way of public offering and cancellation of preferential subscription rights	26 months April 13, 2009	400 (this maximum nominal amount is to be deducted from the total maximum amount of 800)	April 4, 2007	€303,030,300, by issuance of 60,606,060 new shares each with a par value of €5, with a total issue premium of €696,969,690
Authorization to increase the amount of the initial issuance, in the event of a share issue for which shareholders' preferential subscription rights are maintained or cancelled (the **"Over allotment Option"**)	26 months April 13, 2009	15% of initial issuance (this maximum nominal amount is to be deducted from the total maximum amount of 800)	–	–

Authorization	Duration of authorization and expiration date	Maximum nominal amount (in millions of euros)	Date of use	Amount used
Issuance with cancellation of preferential subscription rights to the benefit of the members of a share savings plan	26 months April 13, 2009	3.5% of Rexel share capital after completion of (i) public offering with cancellation of preferential subscription rights and (ii) share issuance reserved for Ray Investment (this maximum nominal amount is to be deducted from the total maximum amount of 800)	April 18, 2007	€7,184,370, by issuance of 1,436,874 new shares each with a par value of €5, with a total issue premium of €12,082,078
Issuance reserved for BNP Paribas Arbitrage SNC	18 months August 13, 2008			€5,041,570, by issuance of 1,008,314 new shares each with a par value of €5, with a total issue premium of €8,268,174.8
Capital increase by capitalization of share premiums, reserves, profits or other items that may be capitalized	26 months April 13, 2009	200 (this maximum nominal amount is to be deducted from the total maximum amount of 800)	–	–
Determination of price of issuances carried out by way of public offering, with cancellation of preferential subscription rights of shareholders, up to a maximum of 10% of the share capital per year	26 months April 13, 2009	10% of Rexel share capital at the date of the decision of the Management Board determining the offering price per 12-month period (this maximum nominal amount is to be deducted from the total maximum amount of 800)	–	–
Issuance of up to 10% of the share capital in consideration for contributions in kind granted to Rexel	26 months April 13, 2009	10% of Rexel's share capital at the date of the decision of the Management Board deciding the issuance (this maximum nominal amount is to be deducted from the total maximum amount of 800)	–	–
Issuance in consideration for shares contributed under a public exchange offering initiated by Rexel	26 months April 13, 2009	150 (this maximum nominal amount is to be deducted from the total maximum amount of 800)	–	–
Issuance reserved for Ray Investment	18 months August 13, 2008	400 (this maximum nominal amount is the total maximum amount of 800)	April 4, 2007	€319,066,615, by issuance of 68,813,323 new shares each with a par value of €5, with a total issue premium of €733,853,214.5
Issue of warrants *(bons de souscription d'actions)* reserved for financial institutions	18 months August 13, 2008	15% of the number of shares issued in the initial public offering, minus the number of shares issued pursuant to the Over allotment Option (this maximum nominal amount is to be deducted from the total maximum amount of 800)	–	–
Allotment of free shares	38 months May 20, 2010	3% as valued on the date of the Management Board's authorization decision	April 11, 2007	5,022,190 shares
			October 29, 2007	33,991 shares

At its meeting of February 11, 2008, the Management Board submitted for the approval of the Rexel Shareholders' Meeting convened for May 20, 2008, the following draft authorizations:

Authorization	Duration of authorization	Maximum proposed nominal amount (in millions of euros)
Issuance with upholding of preferential subscription rights	26 months	800 (this maximum nominal amount is to be deducted from the total maximum amount of 800)
Issuance by way of public offering with cancellation of the preferential subscription right	26 months	400 (this maximum nominal amount is to be deducted from the total maximum amount of 800)
Authorization to increase the amount of the initial issue, in the event of an issuance for which shareholders' preferential subscription rights are maintained or cancelled (the **"Over-allotment Option"**)	26 months	15% of initial issuance (this maximum nominal amount is to be deducted from the total maximum amount of 800)
Determination of price of issues carried out by way of public offering, with cancellation of preferential subscription rights of shareholders, up to a maximum of 10% of the share capital per year	26 months	10% of Rexel share capital at the date of the decision of the Management Board determining the offering price per 12-month period (this maximum nominal amount is to be deducted from the total maximum amount of 800)
Issuance with cancellation of preferential subscription rights to the benefit of the members of a share savings plan	18 months	1.5% of Rexel share capital on the date of the decision of the Management Board (this maximum nominal amount is to be deducted from the total maximum amount of 800 and is common to the maximum nominal amount mentioned in the authorizations allowing reserved issues of shares to the benefit of financial institutions)
Issuance reserved for financial institutions exclusively in order to implement an employee shareholding plan at the benefit of the employees of certain foreign Group subsidiaries	18 months	1.5% of Rexel share capital at the date of the decision of the Management Board (this maximum nominal amount is to be deducted from the joint maximum amount of 1.5% of the share capital of Rexel in relation to the issuance reserved for members of a share savings plan and from the total maximum nominal amount of 800)
Issuance of up to 10% of the share capital in consideration for contributions in kind granted to Rexel	26 months	10% of Rexel's share capital at the date of the decision of the Management Board approving the offering (this maximum nominal amount is to be deducted from the total maximum amount of 800)
Issuance in consideration for shares contributed under a public exchange offering	26 months	250 (this maximum nominal amount is to be deducted from the total maximum amount of 800)
Capital increase by capitalization of share premiums, reserves, profits or other items that may be capitalized	26 months	200 (this maximum nominal amount is not to be deducted from the total maximum amount of 800)
Issuance of share subscription or share purchase options	24 months	1.2% (this amount would be separate from the maximum nominal amount of 800 and would make up a maximum common amount along with that specified by the draft resolution relating to the free shares)
Allotment of free shares	38 months	1.2% (this maximum nominal amount would not be to be deducted from the total maximum nominal amount of 800 but would be deducted from the maximum nominal amount applicable to the issuance of stock options)

21.1.2 Securities not representative of share capital

As at the date of this *Document de Référence*, Rexel has not issued any securities not representing share capital.

21.1.3 Treasury shares and purchase by Rexel of its own shares

The Ordinary and Extraordinary Shareholders' Meeting of February 13, 2007 authorized the Management Board, in accordance with the provisions of articles L.225-209 *et seq.* of the French commercial code and in accordance with articles 241-1 to 241-6 of the AMF general rules, and Regulation n° 2273/2003, dated December 22, 2003, of the European Commission, to purchase or have purchased a maximum number of shares of Rexel representing up to 10% of Rexel's share capital.

The Ordinary and Extraordinary Shareholders' Meeting of February 13, 2007 decided that the acquisition of the shares may be carried out for the following purposes (in descending order of priority):

- ensuring liquidity and activity in the market for the shares through an investment services provider, acting independently under a liquidity agreement in accordance with a market ethics charter acknowledged by the AMF;
- setting up any stock option plan for Rexel in accordance with articles L.225-117 *et seq.* of the French commercial code, any allocations of free shares in connection with Group or company employee saving plans *(plans d'épargne d'entreprise)* made in accordance with articles L.443-1 *et seq.* of the French labor code, any allocations of free shares in connection with the provisions of articles L.225-197-1 *et seq.* of the French commercial code and any allocations of shares in connection with profit sharing plans, as well as establishing hedging operations relating to such transactions, in each case, being made in accordance with the conditions set forth by the market authorities and at such times that the Management Board or person acting upon the authority of the Management Board implements such actions;
- retaining shares and delivering shares further to an exchange or as a consideration in the context of external growth transactions and within the limit of 5% of the share capital of Rexel;
- granting shares in connection with the exercise of rights attached to securities conferring access by any means, immediately or in the future, to Rexel shares;
- cancelling all or part of the shares so repurchased, subject to the approval of the nineteenth resolution of the Shareholders' Meeting dated February 13, 2007; and
- any other action that is or will become permitted by French law or the AMF or any purpose that may comply with the regulations in force.

The Ordinary and Extraordinary Shareholders' Meeting specified that the acquisition, sale or transfer of the shares may be carried out by any means, on the market or over the counter, including transactions involving blocks of securities or public offering, option mechanisms, derivatives, purchase of options or of securities in accordance with the applicable regulatory conditions. The maximum purchase price per Rexel share is set at 200% of the price of Rexel's first listing on the Euronext Paris market.

The maximum amount allocated for implementation of the share repurchase plan is €350,000,000.

The Ordinary and Extraordinary Shareholders' Meeting also decided that the maximum purchase price per share may not exceed 200% of the price of Rexel's first listing price per share, it being specified that in the event of transactions on the share capital, in particular by way of incorporation of reserves and allotment of free shares and/or division or regrouping of shares, this price will be adjusted accordingly.

Finally, the Ordinary and Extraordinary Shareholders' Meeting decided that the number of shares acquired by Rexel in view of holding them for subsequent payment or exchange in a merger, spin-off or contribution cannot exceed 5% of Rexel's share capital, and that in the event of a public takeover bid on Rexel's shares paid for in full in cash, Rexel may continue to implement its share repurchase plan.

The delegation was granted for a duration of 18 months as from the Ordinary and Extraordinary Shareholders' Meeting held on February 13, 2007, i.e., until August 13, 2008.

On April 4, 2007, the Management Board decided to implement the share repurchase plan authorized by the Shareholders' Meeting held on February 13, 2007 through a liquidity agreement entered into with Rothschild. The liquidity agreement was implemented by Rothschild on May 3, 2007, within the limit of an initial ceiling of €6 million, which was increased to €11 million further to the decision of the Supervisory Board of November 9, 2007. On February 12, 2008, the Supervisory Board of Rexel authorized that the amount allocated to the liquidity agreement be increased by €4 million, from €11 million to €15 million.

As at December 31, 2007, Rexel held, under the liquidity agreement, 585,000 treasury shares acquired at an average price of €15.23.

Transactions carried out by Rexel on its own shares for the year ended December 31, 2007 mainly consisted of:

Percentage of capital directly or indirectly held by Rexel as at December 31, 2007	0.23%
Number of shares cancelled during the last 24 months	0
Number of shares held by Rexel as treasury shares as at December 31, 2007	585,000
Book value of the treasury shares	8,428,095 euros
Market value of the treasury shares as of December 31, 2007	7,312,500 euros

	Total gross flows		Open positions as at December 31, 2007					
			Open positions at purchase			Open positions at sale		
	Purchases	Sales and transfers	*Call options purchased*	*Put options sold*	*Forward purchases*	*Call options sold*	*Put options purchased*	*Forward sales*
Number of shares	1,214,485	629,485						
Average maximum maturity date			0	0	0	0	0	0
Average transaction rate (in euros)	15.46	16.62						
Average transaction price (in euros)			0	0	0	0	0	0
Amounts (in millions of euros)	18,773,751	10,464,827						

The description of the share repurchase plan appears in the prospectus having received visa number 07-093, dated May 20, 2007, from the AMF.

The Management Board submitted a draft proposal to the Rexel Shareholders' Meeting concerning a new share repurchase plan with the following terms:

Authorization	Duration of authorization	Number of securities that may be repurchased	Maximum proposed nominal amount (€ millions)	Maximum purchase price
Share buyback	18 months	10% of Rexel's share capital	350	€30

21.1.4 Other securities conferring access to the share capital

21.1.4.1 Options to purchase or to subscribe for shares

Rexel has issued options to subscribe for shares under the terms and conditions described in paragraph 17.2.3 of this *Document de Référence*.

21.1.4.2 Allocation of free shares

Rexel has granted free shares to certain employees and officers of Rexel in accordance with the terms set forth in paragraph 17.2.4 of this *Document de Référence*.

21.1.4.3 Warrants *(bons de souscription d'actions)*

Rexel has issued warrants *(bons de souscription d'actions)* in accordance with the terms set forth in paragraph 17.2.5 of this *Document de Référence*.

21.1.5 Terms governing any right of acquisition and/or any obligation attached to the capital subscribed but not paid-up

Not applicable.

21.1.6 Share capital of Group companies subject to an option or in respect of which an agreement has been made that provides for placing such share capital subject to an option

Not applicable.

21.1.7 Changes in share capital

The table below shows changes in the share capital of Rexel from December 16, 2004, the date on which Rexel was created, until the date of this *Document de Référence*.

Transaction settlement date	Transaction	Number of shares issued	Nominal amount of capital increase (euros)	Share/merger premium (euros)	Cumulative share/merger premiums (euros)	Cumulative nominal amount of share capital (euros)	Cumulative number of shares	Nominal value per share (euros)
December 16, 2004	Incorporation	8,500	-	N/A	N/A	85,000	8,500	10
March 9, 2005	Share capital increase in cash	5,490,000	54,900,000	N/A	N/A	54,985,000	5,498,500	10
March 21, 2005	Share capital increase in cash	56,980,869	569,808,690	N/A	N/A	624,793,690	62,479,369	10
June 30, 2005	Share capital increase in cash to the benefit of Rexdir S.A.S. by the issue of shares with share subscription warrants (ABSA)	304,404	3,044,040	N/A	N/A	627,837,730	62,783,773	10
October 28, 2005	Share capital increase to the benefit of Rexop S.A.S.	262,001	2,620,010	N/A	N/A	630,457,740	63,045,774	10
April 4, 2007	Exercise by Rexdir S.A.S. and Rexop S.A.S. of share subscription warrants (BSA) issued by Rexel	1,518,854	15,188,540	N/A	N/A	645,646,280	64,564,628	10
April 4, 2007	Absorption of Rexdir S.A.S. and Rexop S.A.S. by Rexel	2,085,259	20,852,590	0	N/A	666,498,870	66,649,887	10
April 4, 2007	Cancellation of treasury shares in the context of the merger	2,085,259 shares cancelled	20,852,590 (amount of share capital increase cancelled)	N/A	N/A	Share capital decrease of 645,646,280	Cumulative number of shares reduced to 64,564,628	10
April 4, 2007	Division of the nominal value of shares	64,564,628	N/A	N/A	N/A	645,646,280	129,129,256	5
April 4, 2007	Share capital increase reserved for Ray Investment	63,813,323	319,066,615	733,853,214.5	733,853,214.5	964,712,895	192,942,579	5

Transaction settlement date	Transaction	Number of shares issued	Nominal amount of capital increase (euros)	Share/merger premium (euros)	Cumulative share/merger premiums (euros)	Cumulative nominal amount of share capital (euros)	Cumulative number of shares	Nominal value per share (euros)
April 11, 2007	Share capital increase in cash by public offering	60,606,060	303,030,300	696,969,690	1,430,822,904.5	1,267,743,195	253,548,639	5
April 18, 2007	Share capital increase reserved for employees	1,436,874	7,184,370	12,082,078	1,442,904,982.5	1,274,927,565	254,985,513	5
April 18, 2007	Share capital increase reserved for BNP Paribas Arbitrage SNC	1,008,314	5,041,570	8,268,174,8	1,451,173,157.3	1,279,969,135	255,993,827	5

21.1.8 Pledges, guarantees and security interests

As of the date of this *Document de Référence* and to Rexel's knowledge, no Rexel shares have been pledged or are subject to a guarantee or security interest.

21.2 BY-LAWS *(STATUTS)*

The by-laws *(statuts)* have been drawn up in accordance with the provisions applicable to a French *société anonyme*. The main stipulations described below are drawn from the by-laws of Rexel as adopted by the Ordinary and Extraordinary Shareholders' Meeting of February 13, 2007.

21.2.1 Corporate purpose (article 3 of the by-laws)

Rexel's main purpose is to engage in the following business activities, directly or indirectly, in France and abroad:

- to acquire, hold, manage and, if applicable, sell or assign shares, any other tradable securities and any other equity interests in any French or foreign company or group, whether publicly traded or privately held;
- to provide services to such companies or groups by detaching personnel or otherwise, in particular to provide all advice and assistance in their respective organization, investments and financing, and to coordinate their policies in the areas of development, product range, procurement and distribution;
- to acquire, hold, manage and, if applicable, sell or assign any industrial or intellectual property rights and all processes directly or indirectly related to the aforesaid purposes, and to secure or grant licenses for such rights; and

more generally, to carry out any transactions, in particular industrial, business, financial, stock market, civil, real property and other property transactions that are directly or indirectly related to the purposes of Rexel described above or to purposes that are similar or connected or likely to facilitate such purposes, in particular by way of lending or borrowing or granting guarantees and security interests covering its obligations or those of affiliated companies.

21.2.2 Management, administrative, supervisory and executive bodies (articles 14 to 25 of the by-laws)

21.2.2.1 Management Board (articles 14 to 18 of the by-laws)

Appointment (article 14 of the by-laws)

Rexel is managed by a Management Board made up of a minimum of two members and a maximum of four members who are appointed by the Supervisory Board.

Management Board members are not required to be shareholders. They must be individuals.

No member of the Supervisory Board may sit on the Management Board. If a member of the Supervisory Board is appointed to the Management Board, his/her term of office on the Supervisory Board ends as soon as he/she assumes his/her duties on the Management Board. No person may be appointed as member of the Management Board unless he/she complies with the rules on holding multiple offices, conflicts of interest or disqualification or prohibitions as provided by law.

Management Board members are appointed for a term of four years by the Supervisory Board, which is responsible for filling any vacancies, in accordance with the law.

Management Board members may be re-elected.

No member of the Management Board may be over the age of 65. A Management Board member is deemed to have resigned automatically at the end of the last meeting of the Supervisory Board in the financial year during which he/she reaches this age.

Management Board members are not required to own shares of Rexel.

Any member of the Management Board may be linked to Rexel by an employment agreement, which will remain effective throughout his/her term of office and after the expiration thereof.

Dismissal (article 14 of the by-laws)

Any member of the Management Board may be dismissed by a shareholders' meeting or by the Supervisory Board. If such dismissal is without due cause, it may result in the payment of damages.

Dismissal of a Management Board member shall not result in termination of any employment agreement between such member and Rexel or one of its subsidiaries.

Chairman of the Management Board – General Management (article 15 of the by-laws)

The Supervisory Board appoints a member of the Management Board to serve as Chairman.

The Chairman serves in this capacity throughout his term of office as Management Board member.

The Chairman of the Management Board represents Rexel in its relationships with third-parties.

The Supervisory Board may grant the same powers of representation to one or more Management Board members, who then have the title of managing directors *(directeurs généraux)*.

The Supervisory Board may dismiss the Chairman and cancel any powers of representation granted to any Management Board member.

Powers and responsibilities of the Management Board (article 16 of the by-laws)

The Management Board is vested with the most extensive powers to act in all circumstances on behalf of Rexel, within the scope of the corporate purpose and subject to those powers expressly assigned by law and by the by-laws to shareholders' meetings and to the Supervisory Board.

In its relationships with third-parties, Rexel is responsible for all actions of the Management Board, including those that do not fall within the corporate purpose, unless it can demonstrate that the third party was aware that the action went beyond the scope of such purpose or that it could not be unaware of this under the circumstances, it being specified that publication of the by-laws does not in itself constitute such proof.

Management Board members may, with the Supervisory Board's authorization, divide management responsibilities among themselves. However, such allocation shall not in any event deprive the Management Board its status as a collegiate body that is responsible for the management of Rexel.

The Management Board may assign to one or more of its members, or to any person who is not a member, special missions, on a permanent or temporary basis, to achieve one or more specific goals, with or without the ability to further delegate such powers as it deems appropriate.

The Management Board submits to the Supervisory Board a report summarizing the main actions or events that have occurred concerning the management of Rexel at least once each quarter. The Supervisory Board may at any time request that the Management Board submit a report on its management and on ongoing operations. This report may, at the Supervisory Board's request, be supplemented by an interim financial position of Rexel.

Within three months as from the end of each financial year, the Management Board approves and submits to the Supervisory Board, for purposes of verification and control, the year-end financial statements and, if any, the consolidated financial statements together with the report

submitted to the annual Shareholders' Meeting. It proposes the allocation of income from the previous financial year to the Supervisory Board.

The Management Board reviews the half-yearly financial statements and submits them to the Supervisory Board.

The Management Board convenes shareholders' meetings, sets the agenda of the meetings and carries out the shareholders' decisions.

Management Board members are liable to Rexel or to third-parties, for violations of the provisions of the legal provisions governing *sociétés anonymes,* for violations of the by-laws, or for negligence in their management, under the conditions and subject to the penalties provided by law.

Deliberations of the Management Board (article 17 of the by-laws)

The Management Board's meetings are convened by its Chairman, whenever the best interests of Rexel so require, at the registered office or at any other location specified in the meeting notice. The agenda may be set at the time of the meeting if all members are present. Notices of meeting may be given in any way, including verbally.

The meetings are chaired by the Chairman of the Management Board or, in his absence, by a member selected by the Management Board at the beginning of the meeting. The Management Board appoints a secretary who is not required to be a Board member.

In order for resolutions to be valid, there must be a quorum of at least half of Management Board members in attendance.

Resolutions are adopted by a simple majority of Management Board members present and represented. Each Management Board member may represent one other Management Board member at each Management Board meeting. In the event of a tie, the Chairman of the meeting has a casting vote.

Deliberations are recorded in minutes that are entered in a special register and are signed by the Chairman of the meeting.

The Management Board members may draw up Rules of Procedure to govern all issues in relation to the operations of the Management Board that are not covered by the by-laws. These Management Board Rules of Procedure may, in particular, set out the conditions for participating and voting in Management Board meetings held by videoconferencing or other means of telecommunication. In this case, Management Board members who participate in Management Board meetings by videoconferencing or any other forms of telecommunication shall be considered to be present for purposes of calculating the quorum and majority, in accordance with the Rules of Procedure.

Compensation of Management Board members (article 18 of the by-laws)

The Supervisory Board determines the method and amount of compensation paid to each Management Board member. Such compensation may be fixed or variable, or both fixed and variable.

21.2.2.2 Supervisory Board (articles 19 to 25 of the by-laws)

Members (article 19 of the by-laws)

The Supervisory Board is made up of a minimum of five members and a maximum of fifteen members, subject to the exceptions provided for by law in the event of a merger.

During the company's lifetime, Supervisory Board members are appointed or reappointed by the ordinary shareholders' meeting.

They are appointed for a term of five years.

The term of office of a Supervisory Board member expires at the end of the ordinary shareholders' meeting convened to approve the financial statements for the previous financial year and held during the year in which the term of office of such member expires.

Supervisory Board members may be re-elected.

They may be dismissed at any time by the ordinary shareholders' meeting.

No individual exceeding the age of 65 may be appointed as member of the Supervisory Board if such appointment raises the number of Supervisory Board members who are over this age to more than one-third.

Supervisory Board members may be individuals or legal entities. Any legal entities must, at the time of their appointment, appoint a Permanent Representative who is subject to the same conditions and obligations and who incurs the same liability as if he/she were a Supervisory Board member in his/her own name, without prejudice to the joint and several liability of the legal entity he/she represents. This office of Permanent Representative is concurrent with the term of office of the legal entity that he/she represents. It must be renewed each time the term of office of the legal entity comes up for renewal.

Should the legal entity dismiss its representative, it must notify Rexel thereof without delay by registered mail, as well as the identity of its new Permanent Representative. The same shall also apply in the event of the death, resignation or disability of the Permanent Representative.

Should one or more seats on the Supervisory Board become vacant between two Shareholders' Meetings as a result of the death or resignation of members, the Supervisory Board may co-opt one or more persons to serve as interim members.

Any co-opted Supervisory Board members appointed by the Supervisory Board are subject to ratification by the shareholders at the next Ordinary Shareholders' Meeting.

If the appointment of co-opted members is not ratified, the resolutions adopted and actions previously carried out shall be nonetheless valid.

Should the number of Supervisory Board members fall to less than three, the Management Board shall immediately convene an ordinary shareholders' meeting to increase the number of Supervisory Board members to the required minimum.

A Supervisory Board member who is appointed to replace another Board member shall remain in office only for the remainder of his predecessor's term.

No person may be appointed as member of the Supervisory Board unless he complies with the rules on combining offices, conflicts of interests or disqualification or prohibitions as provided by law.

The number of Supervisory Board members who are linked to Rexel by an employment agreement may not exceed one-third of the Supervisory Board members in office.

Shares held by Supervisory Board members (article 20 of the by-laws)

Supervisory Board members shall each own at least 1 share in Rexel.

If, as of the date of their appointment, the Supervisory Board members do not own one share or if, during their term of office, they cease to own such shares, they shall be deemed to have resigned automatically unless they have remedied this situation within three months.

Officers of the Supervisory Board (article 21 of the by-laws)

The Supervisory Board shall elect from among its members who are individuals a Chairman and a Deputy Chairman who shall serve in this capacity for the duration of their term of office as Supervisory Board member, unless the Supervisory Board decides to appoint a new Chairman or Deputy Chairman.

The Chairman of the Supervisory Board convenes meetings of the Supervisory Board and oversees its deliberations.

In the absence of the Chairman, the Deputy Chairman serves as Chairman and enjoys the same prerogatives.

The Supervisory Board also appoints a secretary who is not required to be a Supervisory Board member and who serves as an officer of the Board, alongside the Chairman and Deputy Chairman.

Failing this, the Supervisory Board appoints one of its members to chair the meeting.

The Chairman, Deputy Chairman and Secretary may be re-elected.

Deliberations of the Supervisory Board (article 22 of the by-laws)

The Supervisory Board meets whenever the best interests of Rexel so require, and at least once every quarter, at meetings convened by its Chairman or Deputy Chairman.

Unless otherwise agreed by all members of the Supervisory Board, meeting notices must be given in writing, including by fax or e-mail, at least three (3) days before the date of the meeting, together with the agenda of the meeting and all documents that have been prepared for submission to the Supervisory Board. However, when all Supervisory Board members are present or represented at a meeting (including if they are participating or represented during a telephone or videoconference), the meeting may be held without prior notice and without observing such three (3) day notice period.

Meetings are held at the registered office or at any other place specified in the notice of meeting.

However, the Chairman of the Supervisory Board is required to convene a meeting of the Supervisory Board to be held no later than fifteen days after the date of receipt of a detailed request from at least one member of the Management Board or at least two Supervisory Board members. If such request is not followed by action, the persons requesting the meeting may convene the meeting on their own and set the agenda of the meeting. Other than in this case, the agenda is determined by the Chairman and must be mentioned in the meeting notice.

The Supervisory Board is duly convened only if a quorum consisting of at least half of its members is in attendance.

Decisions are approved by a majority of votes of the members present or represented; each Supervisory Board member has one vote and may not represent more than one of his colleagues.

In accordance with the applicable regulations, the Supervisory Board will draw up Rules of Procedure defining the methods of participating and voting at Supervisory

Board meetings held by videoconference or any other form of telecommunication.

Provided that the Supervisory Board Rules of Procedure so allow, Supervisory Board members who attend Supervisory Board meetings by videoconference or any other form of telecommunication shall be deemed to be present for purposes of calculating the quorum and majority, in accordance with the Rules of Procedure.

In the event of a tie, the Chairman of the meeting shall have a casting vote, if and only if the Supervisory Board consists of an even number of Supervisory Board members in office and only during meetings chaired by the Chairman of the Supervisory Board.

An attendance register is maintained and signed by the Supervisory Board members who attended the Supervisory Board meeting; it must show the name of any Supervisory Board members who attended the meeting by videoconference or any other form of telecommunication.

The deliberations of the Supervisory Board are recorded in minutes, which are drawn up in accordance with applicable law and signed by the Chairman of the meeting and by at least one Supervisory Board member or, in the event that the Chairman is unavailable, by two Supervisory Board members.

Copies or excerpts of these minutes are certified by the Chairman of the Supervisory Board, the Deputy Chairman, a Board member or an authorized representative.

Powers of the Supervisory Board (article 23 of the by-laws)

The Supervisory Board exercises ongoing control over the Management Board's management of Rexel. It carries out such verifications and controls as it deems appropriate and receives all documents that it deems necessary for the performance of its duties.

Under no circumstances may such supervision lead to the performance of management actions directly or indirectly by the Supervisory Board of Rexel or by its members, or under conditions that make it impossible for Management Board members to carry out their management of Rexel.

In accordance with legal requirements, the Supervisory Board gives the Management Board prior authorization to grant sureties, endorsements and other guarantees, to sell real property, to dispose of equity interests, in whole or in part, and to grant security interests.

The following decisions are subject to prior authorization by the Supervisory Board:

- adoption of the annual budget;
- adoption of the strategic plan;
- appointment and dismissal or redundancy of Executive Committee members and determination of their compensation (including benefits in kind and special pension arrangements);
- proposed resolutions to be submitted to the shareholders' meeting in relation to any distribution of dividends or reserves to the shareholders;
- proposed resolutions to be submitted to the shareholders' meeting in relation to replacement of the statutory auditors;
- approval of significant changes in accounting methods;
- acceptance of and resignation from any duties as a member of a board of directors or equivalent body by Rexel and appointment and dismissal of the appointment of Rexel permanent representatives to such board of directors or equivalent body;
- proposed resolutions to be submitted to the shareholders' meeting and use of authorizations or powers granted by the shareholders' meeting in relation to the issuance of shares or tradable securities granting immediate or future access to the share capital of Rexel, of a company that directly or indirectly owns more than half of its share capital or of a company in which it directly or indirectly owns half of the capital, or tradable securities granting rights to the award of debt securities;
- proposed resolutions to be submitted to the shareholders' meeting in relation to any share repurchase plan;
- the acquisition and disposal of any business segments, equity interests in any company, any assets and undertaking any investment, in each case, with an enterprise value exceeding a threshold determined by the Supervisory Board (by exception, this applies to the disposal of part or all of equity interests, regardless of the amount);
- the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which Rexel does not operate;
- borrowing (including by issuing bonds) or assumption of liabilities in an amount exceeding a threshold determined by the Supervisory Board in each case;
- awarding options to subscribe for or to purchase shares, awarding free shares or other plans involving equity securities of Rexel for the benefit of the employees of Rexel or its subsidiaries;
- entering into merger, spin-off or asset transfer agreements;
- admission to trading of securities issued by Rexel or one of its subsidiaries on a regulated market;
- any transaction entailing a significant change in the scope of the business of Rexel and its subsidiaries;
- any transaction or settlement in connection with any litigation in an amount exceeding a threshold determined by the Supervisory Board.

The Supervisory Board submits to the Ordinary Shareholders' Meeting its comments on the Management Board's report and on the annual financial statements.

The Supervisory Board may appoint, from amongst its members, one or more special committees, for which it determines the members and responsibilities, and which operate under its responsibility; however, such responsibilities shall not result in delegating to a committee any powers vested in the Supervisory Board by law or by the by-laws, nor shall they reduce or limit the powers of the Management Board.

The rules of operation of such committees are determined by the Supervisory Board Rules of Procedure and set out in the Rules of Procedure, if any, drawn up by each committee and approved by the Supervisory Board.

Compensation of the Chairman, the Deputy Chairman, members and officers of the Supervisory Board (article 24 of the by-laws)

The ordinary shareholders' meeting may allocate directors' fees to the Supervisory Board members; the amount of such fees is included in the operating expenses of Rexel and remains in effect until the shareholders' meeting decides otherwise.

The Supervisory Board divides such fees among its members as its sees fit.

The compensation of the Chairman and Deputy Chairman of the Supervisory Board is determined by the Supervisory Board. Such remuneration may be fixed or proportionate, or both fixed and proportionate.

The Supervisory Board may allot exceptional compensation for special missions or duties assigned to Supervisory Board members; any such compensation is recorded as operating expenses and is subject to approval by the Ordinary Shareholders' Meeting.

The Supervisory Board may authorize the reimbursement of travel and other expenses incurred by its members in the best interest of Rexel.

No compensation other than that provided herein, whether permanent or temporary, may be allocated to Supervisory Board members, unless they are linked to Rexel by an employment agreement under the conditions authorized by law.

Liability (article 25 of the by-laws)

Supervisory Board members are liable for any personal negligence in the performance of their duties. They do not incur any liability as a result of management actions and the results thereof.

21.2.3 Rights and obligations attached to shares (articles 8, 9, 11, 12 and 13 of the by-laws)

Shares subscribed for in cash are issued and paid-up under the terms and conditions provided for by law.

The Rexel shares may be in registered or bearer form, at the shareholder's discretion, notwithstanding certain legal or regulatory provisions that may in certain cases require that the shares be in registered form. They are registered on a securities account under the terms and conditions provided for by law.

The shares are freely tradable, notwithstanding any legal or regulatory provisions to the contrary. They are transferred between accounts under the terms and conditions provided for by law.

Each share grants rights to a share of ownership in the corporate assets and in the distribution of profits, which is proportional to the percentage of the share capital that it represents.

Each share also gives its holder the right to vote and to be represented at shareholders' meetings under the terms and conditions provided for by law and by the by-laws.

Shareholders are responsible for the company's liabilities only up to the amount of their contributions.

The rights and obligations attached to the shares remain attached thereto irrespective of the transferee.

Owners of shares are automatically bound by the by-laws and by any decisions of the shareholders' meetings.

Whenever more than one share is required to exercise a particular right, in the event of a share exchange, consolidation or allotment, or as a result of an increase or reduction in share capital, or in the event of a merger or other transaction involving the share capital, shareholders who own only one share or who do not own the minimum number of shares required may at their own initiative consolidate their shares for the purpose of exercising said right, or buy or sell the requisite number of shares.

The shares are indivisible with regard to Rexel.

The co-owners of split shares must be represented *vis-à-vis* Rexel by only one of the co-owners or by a single representative. If no agreement can be reached concerning the appointment of a representative, such representative shall be appointed by order of the President of the commercial court acting at the request of the first owner to take the initiative to refer the matter to such court.

Voting rights attached to shares belong to the beneficial owner *(usufrutier)* at ordinary meetings and to the legal owner *(nu-propriétaire)* at extraordinary meetings.

21.2.4 Changes to shareholders' rights

Insofar as the by-laws contain no specific provisions covering changes to shareholders' rights attached to shares, such changes are subject to the provisions of the law.

21.2.5 Shareholders' meetings (articles 27 to 35 of the by-laws)

Shareholders' decisions are made at shareholders' meetings, which are either ordinary, extraordinary or special meetings depending on the type of decision on which the shareholders are requested to vote.

Any duly convened shareholders' meeting represents all the shareholders.

Decisions made in shareholders' meetings are binding upon all shareholders, including those who are absent, incapacitated or dissenting.

21.2.5.1 Notices of meetings (article 28 of the by-laws)

Shareholders' meetings are convened by the Management Board, within the time periods and under the conditions set forth by law. They may also be convened by the Supervisory Board, or by any person authorized for this purpose by law.

Shareholders' meetings are held at the company's registered office or at any other location indicated in the meeting notice.

21.2.5.2 Agenda (article 29 of the by-laws)

The agenda of shareholders' meetings is set by the party that convened the meeting.

Shareholders, at a shareholders' meeting, may not deliberate on a matter that is not referred to in the agenda, which cannot be amended upon serving a second notice. They may, however, under any circumstances, dismiss one or more Supervisory Board members and appoint their replacements.

21.2.5.3 Access to shareholders' meetings (article 30 of the by-laws)

The right to participate in shareholders' meetings is subject to the following conditions:

- for holders of registered shares, the shares must be registered in the shareholder's name in Rexel's books at least three (3) business days before the date of the shareholders' meeting;
- for holders of bearer shares, a certificate of attendance from an authorized intermediary must be filed under the conditions provided for by law, within three (3) business days before the date of the shareholders' meeting.

A shareholder may be represented by his or her spouse or by any other shareholder; in this case, the representative must demonstrate that he holds a proxy form.

Any shareholder may vote by mail, by sending a ballot to Rexel under the conditions provided for by law.

This form may be on the same document as the proxy form; in this case, the single document must contain the statements and information provided for by the regulations. In order for mail ballots to be counted, Rexel must receive the ballots three (3) days before the date of the meeting. The electronic signature may take the form of a procedure compliant with the first sentence of the second subparagraph of article 1316-4 of the French civil code.

If the Management Board so decides when it convenes the meeting, shareholders may also participate and vote in the meeting by electronic or any other form of telecommunication that enables them to be identified under the conditions provided for by law.

Shareholders who participate in a meeting by video-conference or any other form of telecommunication that enable them to be identified under the conditions provided for by law are deemed to be present for purposes of calculating the quorum and majority.

21.2.5.4 Attendance sheet – minutes of meetings (article 31 of the by-laws)

An attendance sheet containing the information required by law is kept for each meeting.

This attendance sheet, which is duly initialed by shareholders present and by any proxies, and to which any proxy forms and postal ballots are attached, is certified as true and accurate by the officers of the meeting.

Shareholders' meetings are chaired by the Chairman of the Supervisory Board or, in his absence, by the Deputy Chairman of the Board, or by a Supervisory Board member specially authorized for this purpose.

If the shareholders' meeting is convened by the statutory auditor or auditors, by a representative of the court or by the receivers, the meeting is chaired by one of them.

In any event, in the absence of the person who is authorized or appointed to chair the meeting, the shareholders shall elect a chairman of the meeting.

Ballots are counted by the two shareholders in attendance who hold the largest number of shares, either personally or by proxy, and who agree to perform this task (they shall be known as officers of the meeting).

The officers of the meeting appoint a secretary who is not required to be a shareholder.

The duties of the officers of the meeting are to verify, certify and sign the attendance sheet; to ascertain that the deliberations are duly carried out; to settle any incidents arising at the meeting; to count the votes cast and to ascertain that they are valid; and to draw up the minutes of the meeting and to sign them.

Minutes of the meetings are drawn up and copies or excerpts thereof are delivered and certified in accordance with the law.

21.2.5.5 Quorum – Voting – Number of votes (article 32 of the by-laws)

The quorum for ordinary and extraordinary shareholders' meetings is calculated on the basis of the total number of shares comprising the share capital, less any shares disqualified from voting pursuant to the provisions of the law.

In the case of votes submitted by mail, only those ballots received by Rexel prior to the meeting within the time period and under the conditions set forth by law will count towards the quorum.

At ordinary and extraordinary shareholders' meetings, each shareholder shall have as many votes as shares he owns or represents, in his own name or by proxy, with no limitations of any kind.

Voting takes place and the votes are cast, as decided by the officers of the meeting, by a show of hands, by electronic means or by any form of telecommunication that enables the shareholders to be identified in accordance with the applicable regulations.

21.2.5.6 Ordinary shareholders' meetings (article 33 of the by-laws)

Ordinary shareholder's meetings are held to make all decisions that do not amend the by-laws.

Ordinary shareholders' meetings are held at least once each year, within the times specified by the applicable laws and regulations, to resolve on the financial statements and, if applicable, on the consolidated financial statements for the past financial year.

While voting in accordance with the quorum and majority requirements applicable to ordinary meetings, the ordinary shareholders' meeting exercises the powers assigned thereto by law.

21.2.5.7 Extraordinary shareholders' meetings (article 34 of the by-laws)

Only the extraordinary shareholders' meeting is authorized to amend any provision of the by-laws. However, it may not increase the obligations of shareholders, subject to transactions resulting from an exchange or consolidation of shares duly approved and carried out.

While voting in accordance with the applicable quorum and majority requirements, the extraordinary shareholders' meeting exercises the powers assigned thereto by law.

21.2.5.8 Shareholders' right to information (article 35 of the by-laws)

The shareholders have a right to receive the documents they need to take an informed decision on the management and operation of Rexel and to vote accordingly.

The type of such documents and the conditions under which they are sent or made available to shareholders are determined by law.

21.2.6 Provisions of the by-laws likely to have an impact on the control of Rexel

To Rexel's knowledge, there exists no provision in the by-laws that would result in delaying, deferring or preventing a change of control of Rexel.

Agreements entered into by Rexel's shareholders are described in paragraph 18.4 of this *Document de Référence*. Furthermore, provisions of the New Senior Credit likely to have an impact in case of change of control of Rexel are described in paragraph 10.2.2 of this *Document de Référence*.

21.2.7 Ownership threshold disclosures and identification of shareholders (articles 10 and 11 of the by-laws)

21.2.7.1 Ownership threshold disclosures (article 11 of the by-laws)

In addition to the legal obligation to notify Rexel whenever the ownership thresholds provided by law are crossed, any individual or legal entity, acting alone or in concert, coming into possession, directly or indirectly within the meaning of the law (and in particular, of article L.233-9 of the French commercial code), of a number of shares representing 2.5% of the share capital or voting rights, is required to disclose to Rexel the total number of shares and voting rights it owns by sending a notice by registered mail with acknowledgement of receipt to the registered office or, for shareholders who are not French residents, by any equivalent means, within 5 trading days from the date it has crossed one of these thresholds, stating the total number of securities held giving future access to the share capital and the number of voting rights attached thereto. This declaration of crossing of threshold shall also state whether the shares or voting rights attached thereto are held on behalf of or in concert with other individuals or legal entities and shall also indicate the date on which the threshold was crossed. Such disclosure must be made for any additional multiple of 2.5% of the share capital or voting rights without any limitation, including when it exceeds 5%.

Failure to duly make such disclosure under the conditions specified above shall result in the disqualification for voting purposes of the shares that should have been disclosed under the conditions provided for by law, if so requested by one or more shareholders separately or together owning at least 2.5% of the share capital or voting rights and duly recorded in the minutes of the shareholders' meeting.

Any shareholder whose ownership interest and/or voting rights in Rexel falls below one of the aforesaid thresholds, for any reason whatsoever, is also required to disclose this fact to Rexel, under the same conditions and within the same periods of time specified above.

In calculating the aforesaid thresholds, the denominator must take into account the total number of shares making up the share capital and to which voting rights are attached, including shares that are disqualified for voting purposes, as published by Rexel as required by law (Rexel must publish the total number of shares with voting rights and the number of such shares that have been disqualified for voting purposes).

21.2.7.2 Identification of shareholders (article 10 of the by-laws)

Rexel keeps informed of the composition of its shareholder base in accordance with applicable laws. In this respect, Rexel may avail itself of all legal provisions, for identification of the holders of securities conferring immediate or future voting rights at Rexel's shareholders' meetings.

Rexel may, at any time, in accordance with the applicable laws and regulations, request that the central custodian in charge of the administration of its share issue account, in exchange for consideration paid by Rexel, identify the owners of securities giving immediate or future voting rights at shareholders' meetings, as well as the number of securities held by each such owner and any restrictions that may apply to such securities.

After following the procedure described in the previous paragraph and in the light of the list transmitted by the central custodian, Rexel may also request, either through such custodian or directly from the persons registered on this list and whom Rexel believes may be registered on behalf of third parties, information regarding the owners of the securities as provided in the preceding paragraph.

If the shares are in registered form, the intermediary registered as provided by law is required to disclose the identity of the owners of such shares and the number of shares held by each owner at the request of Rexel or its authorized representative, in accordance with the applicable laws and regulations, and such request may be presented at any time.

As long as Rexel believes that certain holders of shares whose identity has been disclosed hold such shares as nominees for third-parties, it has the right to ask the nominees to reveal the identity of the owners of such shares.

Upon completion of the identification procedures, and without prejudice to the disclosure of material holdings as required by law, Rexel may ask any legal entity that owns its shares and holds interests exceeding one-fortieth of the share capital or voting rights to disclose the identity of any persons that directly or indirectly control more than one-third of the share capital or voting rights of such legal entity.

Failure by the holders of shares or by the intermediaries to fulfill their obligation to disclose the aforesaid information may, as provided for by law, lead to suspension or even disqualification from voting and dividend rights attached to the shares.

21.2.8 Special provisions governing changes to share capital (article 7 of the by-laws)

Rexel's share capital may be increased or reduced in all ways and by all manners authorized by law. The extraordinary shareholders' meeting may also decide to carry out stock splits or reverse splits.

22. Material agreements

During the last two years, the Group's companies have been parties to the following material agreements:

- The 2007 Senior Credit Agreement (see paragraph 10.2.1 of this *Document de Référence*);
- the New Senior Credit Agreement (see paragraph 10.2.2 of this *Document de Référence*);
- the facilities management agreement for information systems in France and in the United States between the Group and IBM dated June 30, 2001;
- the financing agreement for certain computer hardware and software between the Group and IBM dated June 30, 2001;
- the various loans obtained by the Group companies (see paragraph 7.3.1 of this *Document de Référence*);
- the agreement entered into between Sonepar and Rexel dated October 23, 2007 (see paragraph 7.2.2.1 of this *Document de Référence*); and
- the agreement entered into between Rexel, Sonepar, Kelium and Hagemeyer dated November 22, 2007 (see paragraph 7.2.2.1 of this *Document de Référence*).

23. Information from third-parties, statements by experts and declarations of interest

Not applicable.

24. Documents available to the public

24.1 LEGAL AND FINANCIAL DOCUMENTS 275

24.2 *DOCUMENT DE REFERENCE* 275

24.3 PROSPECTUS 275

24.4 DOCUMENT ESTABLISHED ACCORDING TO ARTICLE 222-7 OF THE GENERAL RULES OF THE *AUTORITE DES MARCHES FINANCIERS* 275

24.1 LEGAL AND FINANCIAL DOCUMENTS

During the period of validity of this *Document de Référence*, the following documents, or a copy thereof, may be consulted:

– Rexel's by-laws;

– all reports, correspondence and other documents, historical financial information, assessments and statements made by an expert at the request of Rexel, any part of which is included or referred to in this *Document de Référence*; and;

– the historical financial information of Rexel and its subsidiaries for each of the three financial years prior to publication of this *Document de Référence*.

All of the above legal and financial documents in relation to Rexel and that must be made available to the shareholders in accordance with the applicable regulations may be consulted at the registered office of Rexel.

24.2 *DOCUMENT DE REFERENCE*

Copies of this *Document de Référence* are available at no charge from Rexel's registered office. This *Document de Référence* is also available on Rexel's website (www.rexel.com) and on the *Autorité des marchés financiers*' website (www.amf-france.org).

24.3 PROSPECTUS

The prospectus filed by Rexel with the *Autorité des marchés financiers* in connection with the initial public offering of its shares that received visa number 07-093 on March 20, 2007, consisting of the *Document de base* registered by the AMF under number I.07-011 on February 21, 2007 and a *Note d'opération* (including a summary of the prospectus) are available on Rexel's website (www.rexel.com) and on the *Autorité des marchés financiers*' website (www.amf-france.org).

24.4 DOCUMENT ESTABLISHED ACCORDING TO ARTICLE 222-7 OF THE GENERAL RULES OF THE *AUTORITE DES MARCHES FINANCIERS*

The list of information published or made public in the course of the last 12 months established according to article 222-7 of the General rules of the *Autorité des marchés financiers* is provided in Annex 3 of this *Document de Référence*.

25. Information on equity interests

Information regarding companies in which Rexel owns a percentage of the share capital that is likely to have a material impact on the assessment of its assets and liabilities, financial position or results is provided in Chapter 7 of this *Document de Référence*.

ANNEX 1

Report of the Chairman of the Supervisory Board on the operation of the Supervisory Board and on internal controls for the financial year 2007

This report is drawn up pursuant to Article L.225-68 of the French Commercial Code, in order to report on the conditions in which the work of the Supervisory Board is prepared and organized, and on internal control procedures implemented by Rexel (the **"Company"**) within the Rexel group (the **"Group"**).

This report has been drawn up by the Chairman of the Supervisory Board in collaboration with the Group's Internal Audit Department as well as the Group's Legal Department and has been reviewed by the Audit Committee before its submission to the Supervisory Board.

The Company is a public limited company with a Management Board and Supervisory Board, thereby separating managerial powers from supervisory powers.

I. CONDITIONS UNDER WHICH THE WORK OF THE SUPERVISORY BOARD HAS BEEN PREPARED AND ORGANIZED

1. The Supervisory Board

a) The Supervisory Board's missions

The Supervisory Board continuously supervises the way in which the Management Board manages the Company, as per the provisions of the law. It carries out reviews and controls as it deems appropriate and can request documents that it deems to be necessary to carry out its mission. In particular, the Supervisory Board has the following specific duties:

- appointment and dismissal of members of the Management Board and determination of their remuneration (including benefits in kind and special pension provisions);
- appointment and dismissal of the Chairman of the Management Board;
- grant of the power of representation to one or several members of the Management Board, if authorized by the Articles of Association of the Company;
- cooptation of members of the Supervisory Board;
- approval of agreements governed by Article L.225-86 of the French Commercial Code;
- creation of Supervisory Board Committees, determination of their duties, appointment and compensation of their members;
- approval of the disposal of real estate assets, total or partial disposals of shares, and the granting of securities;
- allocation of attendance fees;
- approval of securities, endorsements and guarantees.

Moreover, pursuant to the Company's by-laws, certain decisions of the Management Board require the prior approval of the Supervisory Board:

- adoption of the annual budget;
- adoption of the strategic plan;
- appointment and dismissal or redundancy of Executive Committee members and determination of their compensation (including benefits in kind and special pension arrangements);
- proposed resolutions to be submitted to the shareholders' meeting in relation to any distribution of dividends or reserves to the shareholders;
- proposed resolutions to be submitted to the shareholders' meeting in relation to replacement of the statutory auditors;
- approval of significant changes in accounting methods;
- acceptance of and resignation from any duties as a member of a board of directors or equivalent body by

the Company and appointment and dismissal of the Company's permanent representatives to such board of directors or equivalent body;

– proposed resolutions to be submitted to the shareholders' meeting and use of authorizations or powers granted by the shareholders' meeting in relation to the issuance of shares or tradable securities granting immediate or future access to the share capital of the Company, of a company that directly or indirectly owns more than half of its share capital or of a company in which it directly or indirectly owns half of the capital, or tradable securities granting rights to the award of debt securities;

– proposed resolutions to be submitted to the shareholders' meeting in relation to any share repurchase plan;

– the acquisition and disposal of any business segments, equity interests in any company, any assets and undertaking any investment, in each case, with an enterprise value exceeding a threshold determined by the Supervisory Board (by exception, this applies to the disposal of part or all of equity interests, regardless of the amount);

– the creation of any business division or subsidiary, on investments in any business division or on the acquisition of any equity interest in a country in which the Company does not operate;

– borrowing (including by issuing bonds) or assumption of liabilities in an amount exceeding a threshold determined by the Supervisory Board in each case;

– awarding options to subscribe for or to purchase shares, awarding free shares or other plans involving equity securities of the Company at the benefit of the employees of the Company or its subsidiaries;

– entering into merger, spin-off or asset transfer agreements;

– admission to trading of securities issued by the Company or one of its subsidiaries on a regulated market;

– any transaction entailing a significant change in the scope of the business of the Company and its subsidiaries;

– any transaction or settlement in connection with any litigation in an amount exceeding a threshold determined by the Supervisory Board.

b) Members of the Supervisory Board

During the year ended December 31, 2007, the Supervisory Board was made up of ten members appointed for a period of five years and one observer: Mr. Roberto Quarta (Chairman), Mr. Patrick Sayer (Deputy Chairman), Eurazeo, represented by Mr. Gilbert Saada, Mr. Luis Marini-Portugal, Mr. Djamal Moussaoui, Mr. David Novak, Mr. Guido Padovano, Mr. Joseph L. Rice, Mr. Fritz Fröhlich, Mr. François David and Mr. Joe Adorjan (observer).

The Supervisory Board's Rules of Procedure provide the definition and criteria of independence. Thus, the status of independent member is discussed by the Nominations Committee which prepares a report on this issue. Each year, in the light of this report, the Supervisory Board reviews the situation of each member of the Supervisory Board with regard to independence criteria. Based on this review for the year ended December 31, 2007, two Supervisory Board members are independent: Mr. Fritz Fröhlich and Mr. François David.

The Management Board has decided to propose at the Company's Shareholders' Meeting convened for May 20, 2008, the appointment of a new member of the Supervisory Board: Mr. Joe Adorjan. In accordance with the provisions of the Supervisory Board's Rules of Procedure with respect to the definition and criteria of independence, Mr. Joe Adorjan could be qualified as an independent member of the Supervisory Board.

c) Information for the Supervisory Board

Supervisory Board members receive relevant information and the necessary documents to carry out their duties and to prepare the proceedings. Furthermore, the Supervisory Board carries out reviews and controls as it deems appropriate and can request all documents that it deems necessary to perform its duties.

Moreover, at least once every quarter, the Management Board submits to the Supervisory Board a report on the Company's business activity. The Supervisory Board also reviews and makes observations on the management report prepared by the Management Board.

Finally, the Management Board or the Chairman of the Management Board informs the Supervisory Board members of events or transactions that are significant for the Company and the Group.

d) Meetings of the Supervisory Board

During the financial year 2007, the Supervisory Board met twenty-three times, upon having been convened, in accordance with the Articles of Association and the Rules of Procedure. The average attendance rate was 84%.

During the year ended December 31, 2007, the Board decided *inter alia* on the following issues:

– election of the Supervisory Board's Chairman and Deputy Chairman;

– appointment of Management Board members;

– appointment of members of the Supervisory Board Committees;

– review of quarterly and half-yearly accounts as well as the related financial documents;

– review of the Management Board's quarterly reports on business activity;

– review of the work carried out by the Supervisory Board Committees;
– signature of a Senior Credit Agreement on February 15, 2007;
– setting up of an intra-group cash flow agreement;
– compensation of the observer, of independent members and of the chairmen of the Special Committees of the Supervisory Board;
– approval of the admission of the Company's shares for trading on the Euronext Paris market, as well as related transactions;
– approval of the allotment of free shares to certain employees or members of the management team of the Company or of the Group;
– approval of the public tender offer on Hagemeyer's securities, including the preparation and finalization of the various related documents; and
– approval and signature of a Facility Agreement on December 19, 2007.

Moreover, the Supervisory Board has been informed of progress on the main projects carried out by subsidiaries of the Group.

e) Determination of officers' compensation and benefits in kind

The Company's shareholders meeting may approve the payment of attendance fees to members of the Supervisory Board. The Supervisory Board allocates this remuneration among its members as it deems appropriate. Remuneration for the Supervisory Board's Chairman and Deputy Chairman is set by the Supervisory Board and it can be both fixed and variable. Moreover, the Supervisory Board may approve the payment of exceptional compensation for tasks or assignments entrusted to members of the Supervisory Board. Lastly, the Supervisory Board may approve the refund of traveling costs and expenses incurred by its members for the purposes of the Company.

With regard to the overall amount of 300,000 euros allocated as attendance fees by the Company's Shareholders' Meeting held on April 4, 2007, the Supervisory Board has decided to grant a compensation to the observer and the independent members of the Supervisory Board. This compensation includes a fixed part and a variable part based on the attendance at the Supervisory Board meetings by the observer and the independent members of the Supervisory board.

The Management Board members' remuneration is determined by the Supervisory Board upon advice from the Compensation Committee.

At the meeting held on March 1, 2007, the Supervisory Board determined the remuneration of the Chairman of the Management Board. This remuneration includes a basic gross annual remuneration and a variable share based on the following components: (i) an annual variable performance bonus which may be up to 100% of the basic gross annual remuneration if 100% of the defined targets are achieved, it being noted that if the results achieved exceed 100% of the defined targets, the variable bonus may exceed 100% of the basic gross annual remuneration, without however exceeding the ceiling of 130% of the basic gross annual remuneration, and (ii) a hardship allowance due to traveling in France and abroad. Furthermore, the Chairman of the Management Board is entitled to the following benefits: a health insurance scheme (mutual insurance), a welfare benefits scheme, a basic and complementary retirement scheme, a company car and a petrol card. The Company also covers the cost of an annual medical check-up and the professional fees of a tax and pension advisor.

The other members of the Management Board have not received any compensation for their duties as members of the Management Board for the financial year ended December 31, 2007.

Furthermore, in accordance with the provisions of articles L.225-197-1 et seq. of the French commercial code and with the authorizations conferred by the Ordinary and Extraordinary Shareholders' Meeting of March 20, 2007 and by the Supervisory Board of April 4, 2007, the Management Board allotted, on April 4, 2007, 5,022,190 free shares of the Company. In addition, on October 29, 2007 the Management Board granted 33,991 free shares, as a result of the departure from the Group of certain beneficiaries. Pursuant to these issuances, the members of the Management Board received the following free shares:

Name of Manager	Title and duties within the Company	Number of free shares granted
Mr. Jean-Charles Pauze	Chairman of the Management Board	518,921
Mr. Nicolas Lwoff	Member of the Management Board; Group Financial, Control and Legal Director	264,297
Mr. Pascal Martin	Member of the Management Board; Group Director of Operations and Development	264,297
Mr. Jean-Dominique Perret	Member of the Management Board; Group Director of Human Resources	176,199
Total		**1,223,714**

The acquisition of the granted shares is, notably, subject to (i) a presence-related condition, subject to certain exceptions relating, in particular, to the death of the beneficiary, its invalidity or its retirement, and (ii) a performance-related condition based on the EBITDA (operating result before depreciation and amortization) for the financial year ended December 31, 2007.

f) Assessment of the operation of the Supervisory Board

In accordance with the Rules of Procedure of the Supervisory Board, the methods of operation of the Supervisory Board have been assessed. The findings of this assessment show and highlight the transparency and quality of the information made available to Supervisory Board members enabling them to fully exercise their duties.

2. The Supervisory Board's Rules of Procedure

Pursuant to the Company's by-laws, the Supervisory Board has approved Rules of Procedure, on February 13, 2007. The purpose of the Supervisory Board's Rules of Procedure is to specify the provisions governing the Supervisory Board's organization and operation as well as the rights and duties of its members. It includes provisions relating to the Supervisory Board's powers, the organization of Supervisory Board meetings, the members of the Supervisory Board, the Supervisory Board's code of ethics, the remuneration of Supervisory Board members, of its independent members, of its observer or of its Committees.

The Supervisory Board's Rules of Procedure are available on the Company's Internet site (www.rexel.com).

3. Specialized committees of the Supervisory Board

In order to carry out its duties properly, the Supervisory Board has set up four specialized committees responsible for giving their opinion, proposals or recommendations, each in their respective field: an Audit Committee, a Compensation Committee, a Nominations Committee and a Strategic Committee.

a) The Audit Committee

The Audit Committee was set up on March 1, 2007 and, for the financial year ended December 31, 2007, it was made up of four members: Mr. Fritz Fröhlich (Chairman), Mr. David Novak, Mr. Luis Marini-Portugal and Mr. Djamal Moussaoui.

Its duties are mainly (i) to review and supervise the financial statements, with the final objective of assisting the Management Board in the review and the closing of the annual and half-yearly accounts, (ii) to supervise the Statutory Auditor's duties, (iii) to supervise internal audit work, (iv) to review the method for drawing up the information to be provided to shareholders and to the market, (v) to review the organization and the implementation of internal control procedures within the Group and (vi) to assist the Strategic Committee in the review of the Group's financial structure.

The Audit Committee met three times during the financial year, prior to the Supervisory Board meetings convened to decide on the financial statements prepared by the Management Board, and reported on its works to the Supervisory Board.

The Group's Managing Director for Finance, the Financial Audit Manager, the Internal Audit Manager and the statutory auditors have attended each of these meetings.

Its work mainly focused on the review (i) of the annual financial statements for the year ended December 31, 2007 as well as the half-yearly accounts as at June 30, 2007 and the quarterly accounts as at March 31, 2007 and as at September 30, 2007, (ii) of the proper application of accounting principles, (iii) of the tax situation of the Group's subsidiaries, (iv) the Group's financial liabilities, (v) of main off-balance-sheet items, (vi) of the main financial guidelines, and (vii) of the audit and internal control work.

The statutory auditors have submitted their findings in relation to the audit of the annual financial statements for the year ended December 31, 2007 and the review of the accounts as at March 31, 2007, as at June 30, 2007 and as at September 30, 2007.

All Committee members were present or represented at these meetings.

As a reminder, an audit committee meeting of Rexel Distribution SA, which was then the parent company of the Group, had reviewed the accounts for the fourth quarter as well as the annual accounts for the financial year ended December 31, 2006.

b) The Compensation Committee

The Compensation Committee was set up on March 1, 2007 and, for the year ended December 31, 2007, was made up of four members: Mr. Guido Padovano (Chairman), Mr. Luis Martini-Portugal, Mr. Roberto Quarta and Mr. François David.

Its duties cover mainly the following areas: (i) make recommendations to the Supervisory Board on the remuneration of Management Board members and of Executive Committee members as well as the components of this remuneration (determining the variable components or additional components such as the pension scheme and benefits in kind), (ii) be informed of the penalties considered in the event of the breach in the employment contract by a Management Board member or by a member of the Executive Committee, and provide an opinion in this respect to the Chairman of the Supervisory Board, and (iii) provide an opinion on the policy for the allocation of options to subscribe for shares and/or options to purchase shares and of free shares, relating to all categories of beneficiaries, and make a recommendation on the frequency of such allocations and on the terms and conditions thereof.

During 2007, the Compensation Committee met three times and reported on its works to the Supervisory Board. Its works mainly focused on remunerations for the managers of the Group (Executive Committee).

All Committee members were present or represented at these meetings.

c) The Nominations Committee

The Nominations Committee was set up on March 1, 2007 and, for the year ended December 31, 2007, it was made up of four members: Patrick Sayer (Chairman), Roberto Quarta, Fritz Fröhlich and Guido Padovano.

Its duties cover mainly the following areas: (i) provide an opinion on the advisability of appointments, dismissals, redundancies, and renewals of the terms of office of the members and of the Chairman of the Supervisory Board, of members and of the Chairman of the Audit, Strategic and Remunerations Committees, of members and the Chairman of the Management Board and of members of the Executive Committee, and provide an opinion on the applications under consideration, in terms of skills, availability, adequacy and complementarity with other members of the Supervisory Board, of the Management Board, or of the Executive Committee, (ii) propose the status of independent member for members of the Supervisory Board, (iii) monitor compliance with the independence criteria, provide an opinion in this respect and advise the Chairman of the Supervisory Board on the number of independent members, (iv) be able to propose at any time a successor for the Chairman of the Management Board or of the Supervisory Board, if necessary.

During 2007, the Appointments Committee met once and reported on its works to the Supervisory Board.

All Committee members were present or represented at this meeting.

d) The Strategic Committee

The Strategic Committee was set up on March 1, 2007 and, for the financial year ended December 31, 2007, it was made up of four members: Mr. David Novak (Chairman), Mr. Patrick Sayer, Mr. François David and Mr. Djamal Moussaoui.

The Committee's duties are (i) to review and provide an opinion to the Supervisory Board on the Company's proposed strategic plans and annual budgets prepared by the Management Board; to this effect, the Committee may hear Management Board members regarding the assumptions used in the preparation of the said plans, (ii) to review and provide an opinion to the Supervisory Board on the proposed acquisition or disposal of assets or business lines, as well as on investment expenses, in each case for an enterprise value exceeding the threshold above which these operations are subject to the prior authorization of the Supervisory Board, (iii) to review and provide an opinion to the Supervisory Board on the creation of any business line or subsidiary, investments in any business line or the acquisition of any shareholding, in a country in which the Company does not operate, (iv) to review and provide an opinion to the Supervisory Committee on any of the Company's proposed loan or liabilities take-over, for an amount exceeding the limit above which these transactions are subject to the prior authorization of the

Supervisory Board, (v) to review and to provide an opinion to the Supervisory Board on all proposed mergers, spin-offs or transfer of assets regarding the Company, to review and provide an opinion to the Supervisory Committee on any proposed admission for trading of the Company's (or one of its subsidiaries') shares on a regulated market, (vi) to review and provide an opinion to the Supervisory Committee on any transaction giving rise to a significant change in the scope of business of the Company and of its subsidiaries, and (vii) to review, jointly with the Audit Committee, the Group's financial structure.

During 2007, the Strategic Committee met four times and reported on its works to the Supervisory Board.

All Committee members were present or represented at these meetings.

II. IMPLEMENTED INTERNAL CONTROL PROCEDURES

1. Group Approach

a) Definition and purposes of internal control

The methods adopted by the Group are based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) standard. In addition, the Audit Department ensured that the standards of the AMF's *Groupe de Place* are taken into account by the Group's internal control procedures and guidelines.

The Group considers internal controls as an ongoing process for the Company, which seeks to ensure:

– compliance with laws and regulations;

– implementation of the instructions and orientations set by General Management;

– the proper functioning of internal working processes, in particular those relating to the safeguarding of assets;

– the reliability of financial information.

As such, internal controls contribute to risk management, transactional efficiency and the efficient use of resources. However, as well conceived and applied as they may be, these measures cannot absolutely guarantee the achievement of the Company's objectives.

b) Group structure and control of subsidiaries by the parent company

The Group is organized by geographic zones. Each of these zones is represented on the Group's Executive Committee by the President of the zone.

Each zone consolidates its subsidiaries located in one or more countries. The management within the zones monitors the subsidiaries and relays instructions and policies defined by the operational departments at the Group's headquarters.

The methods described below constitute a common standard, which must be applied by the management of the zones and their respective subsidiaries. Zone management is responsible for supplementing these methods with local procedures, as the case may be. These internal control methods apply to all consolidated subsidiaries. Its implementation in recently acquired subsidiaries is progressively rolled out during the integration of the subsidiary into the Group.

2. Internal control principles and participants

a) Principles

The Group's branch network and subsidiaries form a part of a decentralized structure that rests on the responsibility of local managers.

In order to ensure a high level of process controls in its subsidiaries, the Group issues a common standard, composed of control objectives and procedures against which local managers must conform their internal control methods.

b) Participants

The Management Board, through the Audit Committee, informs the Supervisory Board of the key characteristics of the internal control standard, its implementation within the Group and the steps taken to improve this standard.

The Executive Committee, which is made up of the Management Board, certain executives of the Company and the zone Presidents, meets every six weeks, on average.

The Executive Committee is responsible for the implementation of the objectives set by the Management Board and ensures their application by the subsidiaries. The Committee monitors budget plans and other operational action plans, develops transverse projects and determines objectives in the area of human resources policy.

The Finance Department is organized around poles of responsibility: (i) finance-cash-flow; (ii) consolidation and financial controls; (iii) tax; (iv) legal affairs, real estate and

insurance; (v) financial communications; (vi) audit and internal controls; and (vii) sustainable development.

The Human Resources Department is responsible for defining human resources management policy and procedures and ethical standards, and monitors compliance with labor regulations. The Department assists subsidiaries with the allocation of resources and training (supervision of the Rexel Schools, executive career development).

The Business Development Department is responsible for the Group's strategy, external growth transactions, information systems, purchasing, logistics and marketing. The Department monitors, supervises and gets the principal projects in its domain approved (as the case may be, by the Investment Committee).

These three Departments participate in defining and updating the internal control standard. The implementation of efficient and adequate internal controls is among their objectives. A specific steering tool was deployed in 2006 to structure and render permanent the adoption of the standard by all relevant internal control participants. The implementation of this tool is the responsibility of the Audit Department.

3. Overview of the internal control system

a) Control environment

The control environment is considered as the keystone of the internal control system. At Rexel, this is expressed through the importance given to the principle of "responsibility" in the definition of the roles and responsibilities of each person, and in particular, management. The control environment is augmented by the implication of management in promoting ethical conduct. The Group's ethical guidelines, which were reviewed in 2006 and translated into 16 languages, were distributed to all employees in 2007. In the subsidiaries, sensitivity training sessions were conducted in order to promote the principles adopted by the Group. Moreover, a market ethics charter was implemented in accordance with AMF recommendations.

Finally, the principle of "responsibility" is also expressed by the Group's commitment to its environmental and social responsibilities, which are articulated in a sustainable development charter, the promotion of environmental protection measures and raising awareness among our customers and suppliers.

b) Risk identification and assessment

The Group's Audit Department leads risk mapping and management processes.

Used both as an identification and monitoring tool, this "mapping" has been improved by meetings with General Management and the Executive Committee. The participation of the headquarters' operational management and zone management provides insight into the more technical risks and those relating to changes in the economy. It also allows the vision of risks to be shared among executive management, provides an understanding of the interaction of different factors and improves the risk awareness of the Group.

Following a risk inventory, an assessment of the potential severity of risks allows for the ranking of risks. Risks are then categorized by level of acceptability and measures existing to limit these risks are identified.

In 2007, several risks were subject to a more thorough investigation and the proposed measures to address them were reviewed and supplemented. This process will be pursued in 2008.

This risk analysis covers four strategic areas:

– The economic environment: expansion of markets, price of commodities, Rexel's capacity to adapt to changes in the market, relations with customers and suppliers;
– Operations: diversification and adaptation of Rexel's offering, acquisitions and integrations, efficiency of monitoring processes, operational continuity in case of crisis;
– Support activities: project management, adaptation of information systems to operations, legal protection and defense against litigation;
– Human Resources: attractiveness of Rexel as an employer, staff loyalty, training and adaptation of expertise to the demands of the market, reacting to change.

c) Internal control guidelines: Procedure manual

The Group has compiled an internal control procedure manual which has been distributed to the management of its operating subsidiaries. For each main process, the manual presents the fundamental risk management and internal control standards that must be observed and integrated into the work process.

For example, the guideline contains 800 controls conceived for an operational subsidiary, divided into the following activities:

– Strategic procedures: External growth and development, governance and communication;
– Operating procedures: sales, purchasing and logistics;
– Support activities: Information systems, human resources, financial and accounting information, tax, legal, real estate and insurance.

For certain activities (human resources, consolidation and reporting), this manual refers to additional procedures.

As to management reporting and the preparation of financial statements, the Financial Control division has defined a set of procedures, tools and guidelines that give it the means to ensure the quality and consistency of distributed information. This guideline is discussed in further detail in Paragraph II.4 of this report.

In accordance with the recommendations given by the French market authority (AMF) in January 2007, the Group ensured that its standards and procedures take into account the "Reference Context" *(Cadre de Référence)* and its implementation guide.

d) Information and communications

The internal control process requires the mobilization of expertise (so that it is used to reduce risk through the creation of adequate controls) and communication adapted to ensure improved dissemination of the Group's goals. This communication allows Group senior management to share with local management teams not only the measures and objectives of risk reduction, but also the information necessary to allow the alignment of their decisions and activities with defined objectives.

Communication activities are two-fold. On the one hand, communications with the Group's management are made on a regular basis during the main committee meetings. Thus, in 2007, each quarterly audit committee meeting was used to summarize control and internal audit activities performed during the year. The executive and financial committee meetings also served as occasions to mobilize the headquarters' principal mangers and subsidiaries with respect to the importance of conforming our activities with Group standards. Awareness training with these persons regarding the main internal control challenges were conducted during workshops put on by the Audit Department.

On the other hand, communications with the subsidiaries was conducted on an ongoing and monitored basis during the course of the year, based on the different stages of the action plan campaign.

e) Steering

Internal Control Self Assessment

The Group is engaged in a process to improve its internal control. To carry out this task, it has made available to the management of the subsidiaries a self-assessment tool measuring compliance with the procedure manual and the monitoring of action plans. This self-assessment is then shared with the Executive Committee and the operational and functional departments, thus constituting a tool to create awareness about internal controls as well as an assessment tool.

This self-assessment of the Company's subsidiaries, designed at the end of 2006, was complemented in 2007 by a self-assessment of the recently acquired Gexpro subsidiaries. The year 2007 was also dedicated to action plans, which are created and implemented under the responsibility of local management. The action plans seek to raise each subsidiary to the level of process monitoring adopted by the Group. This effort, which is coordinated by the Audit Department, will be pursued in 2008.

The self-assessment process allowed us to identify the following progresses:

– improvement and convergence of information systems,

– control of purchasing and supply processes,

– control of certain sales and customer support operations,

– capitalizing on good legal practices.

These areas of progress are the subject of internal control action plans.

In addition, certain geographic zones are less mature in their internal control methods, in particular China, certain U.S. divisions and certain Central European countries. Action plans have been put in place, specifically in certain Central European subsidiaries and in certain divisions in the United States and in New Zealand in order to strengthen areas identified locally.

However, because the self-assessment approach cannot, by its nature, guarantee that the internal control system is applied in an effective manner, the Group supplements the self-assessment initiative with the performance of internal audits.

Internal Audit

At the end of 2007, the Internal Audit group includes 21 people, 12 of whom are outside of France (located in the United States, Canada and Australia). Based on an audit plan presented to the Audit Committee, this group performed audits of accounting, financial and operating procedures, as well as audits of the subsidiaries.

Following each audit, action plans are prepared by the relevant subsidiaries to address the weaknesses revealed in the auditing report.

4. Internal control procedures relating to the preparation and treatment of accounting and financial information

a) Planning, steering and reporting activities

For each business year, a strategic plan with a three-year horizon and an annual budget are prepared at the different operational levels. They are then validated by the divisions, subsidiaries and geographic zones, and are then consolidated at the Group level, which in turn presents them to the Company's Supervisory Board.

This procedure charges the entire organization with responsibility for achieving Group objectives. It relates and applies to all subsidiaries consolidated in 2007.

Twice a year, forecasts are prepared and compared with budget objectives in order to implement the necessary corrective action.

A monthly review of activities, which brings together the Group's general management and the management of the geographic zones, allows for the understanding of financial and economic changes with respect to activities, assessment of operational decision-making, analysis of gaps between objectives and performance and the monitoring of implementation of action plans. General management relies on monthly reporting, commentary on observed changes and indicators of operational performance.

At the subsidiary, Group and geographic zone level, teams of financial controllers are responsible for monitoring the achievement of objectives and the analysis of accounting and financial information.

b) Shared guidelines and preparation of financial statements

Group financial statements are prepared based on information provided by the finance departments of the subsidiaries. These departments are responsible for ensuring that this information conforms to Group standards (accounting methods, account structure, reporting and consolidation manuals) and observance of the detailed instructions issued by the Group's Finance Department.

This data is transmitted in a set format using a single consolidation tool that is used in preparing monthly reports and external financial information at each stage of consolidation: planning, budget, forecasting and monthly reporting. This single system guarantees the consistency of the different data used in internal steering and in external communication.

The Group's Financial Control division ensures consistency of the inflow of information from subsidiaries before aggregating the results and consolidation reports. Detailed and documented analyses are performed in order to compare results in accordance with homogeneous parameters (modifications in scope, change, non-recurring operations).

As mentioned in paragraph II.3 of this report, internal controls relating to accounting and financial information are part of the general internal control system.

Paris
February 12, 2008

Roberto Quarta
Chairman of the Supervisory Board

ANNEX 2

Report of the statutory auditors in relation to the report of the Chairman of the Supervisory Board

This is a free translation into English of the Statutory Auditors' report on the pro forma financial information issued in the French language and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

KPMG Audit
1, cours Valmy
92923 Paris-La Défense Cedex
France

ERNST & YOUNG Audit
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense Cedex
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Rexel S.A.

Registered office:
189-193, boulevard Malesherbes – 75017 Paris

Share capital: €1,279,969,135

Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Law *(Code de commerce)* on the Report prepared by the Chairman of the Supervisory Board on the internal control procedures relating to the preparation and processing of financial and accounting information

Year ended December 31, 2007

To the Shareholders,

In our capacity as statutory auditors of Rexel S.A., and in accordance with Article L.225-235 of the French Commercial Law *(Code de commerce)*, we hereby report on the report prepared by the Chairman of your company in accordance with Article L.225-68 of the French Commercial Law for the year ended December 31, 2007, on the internal control procedures relating to the preparation and processing of financial and accounting information.

It is the responsibility of the Chairman to set out in his report the conditions in which the work of the Supervisory Board is prepared and organized, and the internal control procedures in place within the company. It is our responsibility to disclose to you any observations we may have on the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

We performed our procedures in accordance with professional guidelines applicable in France. These require us to perform procedures to assess the fairness of the information set out in the Chairman's report on the internal control procedures relating to the preparation and processing of financial and accounting information. In particular, these procedures included:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information underlying the information set out in the Chairman's report, and of the relevant documentation;
- obtaining an understanding of how the information contained in the report was prepared and documented;
- considering whether any significant deficiencies in internal control procedures for the preparation and processing of financial and accounting information which we may have identified during our audit have been satisfactorily disclosed in the Chairman's report.

On the basis of these procedures, we have no matters to report in connection with the information on the internal control procedures relating to the preparation and processing of financial and accounting information, as contained in the report of the Chairman of the Supervisory Board, prepared in accordance with article L. 225-68 of the French Commercial Law.

Paris La Défense, February 13, 2008

KPMG Audit
Division of KPMG S.A

French original signed by
Hervé Chopin
Partner

Paris, February 13, 2008

ERNST & YOUNG Audit

French original signed by
Jean Bouquot
Partner

Pierre Bourgeois
Partner

ANNEX 3

List of publications within the past twelve months

Date	Title
Press releases	
January 18, 2007	Rexel Distribution 2006 Sales
February 14, 2007	Rexel Distribution & Ray Acquisition SCA 2006 Results
February 22, 2007	Filing of the *Document de Base*
March 19, 2007	Rexel reinforces its positions in China and France
March 21, 2007	Rexel launches its IPO
April 4, 2007	Success of Rexel's IPO
April 19, 2007	Rexel First quarter 2007 revenue
April 19, 2007	Success of the employee shareholding plan
May 3, 2007	Establishment of a new liquidity contract
May 15, 2007	Rexel First quarter 2007 Results
May 31, 2007	Rexel selected for inclusion in 4 NYSE Euronext market indices
June 1, 2007	Details on Rexel Distribution dividend payment
July 3, 2007	Rexel makes three new acquisitions in Belgium, the U.K. and the U.S.
August 2, 2007	Rexel 1st half 2007 results
October 9, 2007	Rexel press release further to Sonepar's intention to launch a tender offer on Hagemeyer
October 17, 2007	Rexel consolidates its position in Australia with the acquisition of EIW
October 25, 2007	Rexel proposes an all cash offer for all outstanding shares of Hagemeyer
November 12, 2007	Rexel & Hagemeyer have agreed to exclusive negotiation regarding a recommended offer for Hagemeyer of €4.85 per share
November 13, 2007	Strong operating performance in the first nine months of 2007
November 15, 2007	Rexel wins the 2007 "Investor Relation during an IPO" award
November 23, 2007	Rexel and Hagemeyer reach agreement on recommended all-cash offer of €4.85 per share for Hagemeyer
November 23, 2007	Amendment to the liquidity agreement
December 3, 2007	Rexel modernizes its visual identity
December 18, 2007	Rexel, in agreement with Sonepar, confirms the intended recommended offer of €4.85 per share for Hagemeyer
December 21, 2007	Commencement of the Offer on Hagemeyer
BALO Publications	
January 12,2007	Convening of shareholders' meeting
February 12, 2007	Convening of shareholders' meeting

Annex 3

Date	Title
March 5, 2007	Convening of shareholders' meeting
March 23, 2007	Issuance and listing
April 4, 2007	Appointment of registered securities account holders
April 11, 2007	Issuance and listing
April 20, 2007	Issuance and listing
May 14, 2007	Sales and quarterly positions
May 21, 2007	Convening of shareholders' meeting
July 20, 2007	Annual accounts
October 10, 2007	Interim accounts
December 5, 2007	Sales and quarterly positions
Documents filed with the clerk of the commercial court	
January 24, 2007	Appointment of an auditor in connection with the merger of the company *(commissaire à la fusion)*
February 5, 2007	Report of the auditor appointed in connection with the conversion of the company *(commissaire à la transformation)*
February 13, 2007	Updated by-laws
February 13, 2007	Extract of minutes – Appointment of a member of the supervisory board, appointment of a member of the Management Board, appointment of the Deputy Chairman of the Supervisory Board
February 13, 2007	Minutes of Ordinary and Extraordinary Shareholders' Meeting – Change of corporate name, change of legal form, appointment of members of the Supervisory Board
February 22, 2007	Merger Agreement – Planned merger between Rexdir and Rexop
March 1, 2007	Report of the auditor appointed in connection with the merger of the company *(commissaire à la fusion)*
April 4, 2007	Updated by-laws
April 4, 2007	Certificate
April 4, 2007	Minutes of Management Board Meeting – Share capital increase
April 4, 2007	Minutes of Ordinary and Extraordinary Shareholders' Meeting – Merger contribution
April 4, 2007	Chairman's decision – Share capital increase
April 6, 2007	Updated by-laws
April 6, 2007	Statement of compliance
April 11, 2007	Updated by-laws
April 11, 2007	Certificate – Bank certificate
April 11, 2007	Minutes of Management Board Meeting – Share capital increase
April 18, 2007	Updated by-laws
April 18, 2007	Certificate – Bank certificate
April 18, 2007	Extract of minutes – Share capital increase
August 1, 2007	Extract of minutes – Change of member of Supervisory Board
September 20, 2007	Letter – Appointment of permanent representative

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