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# HALF-YEARLY FINANCIAL REPORT

AS OF  
JUNE 30, 2014

# 2014

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**1 HALF-YEAR REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2014**

# 1.1. INTRODUCTION

The following review of Legrand's financial position and the results of operations should be read in conjunction with the consolidated financial statements and the related notes for the six-month period ended June 30, 2014 as set out in chapter 2 of this half-yearly financial report and other information included in the Registration Document (*Document de référence*) filed with the French *Autorité des marchés financiers* (AMF) on April 2, 2014, under number D.14-0274. The Company's financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. This review also includes forward-looking statements based on assumptions about the company's future business. Actual results could differ materially from those contained in these forward-looking statements.

All percentages may be calculated on non-rounded figures and may therefore differ from percentages calculated on rounded figures.

# 1.2. OVERVIEW

Legrand is the global specialist in electrical and digital building infrastructure. Its full range of control-and-command, cable management, energy distribution and "Voice-Data-Image" products and systems suitable for the international commercial, industrial, and residential segments of the low-voltage market, makes Legrand a benchmark for customers worldwide. The Group markets its products under internationally recognized general brand names, including Legrand and Bticino, as well as under well-known local and specialist brands. Legrand, which is close to its markets and focuses on its customers, has commercial and industrial operations in over 80 countries, and markets a wide range of products, including more than 215,000 catalog items, in approximately 180 countries.

Legrand generated sales of €4,460 million in 2013, of which 79% was generated outside France, and recorded an adjusted operating margin of 19.8%. In particular, with 57% of its sales generated in new economies and in the USA/Canada region, and 26% of its revenues in new business segments, the Group has sound growth drivers for the long term.

Legrand's financial position and results of operations are reported on the basis of five geographic zones that correspond to the regions of origin of invoicing. Information concerning the results of operations and financial positions for each of these five geographic zones is presented for the first six months of 2014 and 2013 in Note 24 to the consolidated financial statements set out in chapter 2 of this half-yearly financial report. Each zone represents either a single country or the consolidated results of a number of countries and distinct markets.

These five geographic zones are:

- France;
- Italy;
- Rest of Europe (principally Russia, Turkey, Spain, Belgium, the United Kingdom, the Netherlands, Poland, Germany, Austria and Switzerland);
- The United States and Canada; and
- Rest of the World (principally Brazil, India, China, Australia, Mexico, Chile, Colombia, Egypt, Saudi Arabia, Peru and Malaysia).

Since local market conditions are the determining factor in business performance and net sales by zone, consolidated financial information for multi-country zones does not accurately reflect financial performance in each national market. In fact, operations within geographic zones vary significantly from one country to the other. Furthermore, products may be manufactured and sold locally or imported from or exported to another Group entity. These factors may make it difficult to compare results for different geographic zones. Consequently, with the exception of information relating to net sales, the discussion of results below focuses primarily on consolidated results, with reference to national markets where these have a material impact on consolidated accounts.

# 1.3. RECENT EVENTS

Legrand pursued its self-financed acquisition strategy throughout the first half of 2014 and announced:

- the acquisition of Lastar, a frontrunner in pre-terminated solutions for Voice-Data-Image and audio-video networks in the United States,
- the signature of a joint venture agreement with Neat, the Spanish leader in assisted living systems and a major player in this market in Europe, and
- the acquisition of SJ Manufacturing, a Singaporean frontrunner in racks, Voice-Data-Image cabinets and related products for data centers.

Based on acquisitions already announced and their likely consolidation dates, changes in the scope of consolidation should add around +2.7% to growth in consolidated sales in 2014.

Legrand pursued its innovation effort and dedicated 4.5% of its sales to R&D in the first half of 2014.

Since January, the group has successfully rolled out many new products, including new UPS (Uninterruptible Power Supply) ranges Archimod HE and Keor HP on international markets, DRX molded case circuit breakers in China, and wiring device ranges Solida in Egypt, E-Refresh in China and E-Fren in South Korea.

Legrand is also constantly expanding its existing offer and, for example, added new functions and finishes to the Forix and Axolute wiring device ranges in the first six months of 2014.

## 1.4. COMPARAISON OF FIRST-HALF RESULTS FOR 2013 AND 2014

	Legrand	
	Six months ended June 30	
<i>(in € millions)</i>	2014	2013
<b>Net sales</b>	<b>2 224.6</b>	<b>2 254.0</b>
<b>Operating expense</b>		
Cost of goods sold	(1 070.5)	(1 078.5)
Administrative and selling expense	(602.2)	(601.0)
Research and development expense	(95.6)	(100.5)
Other operating income (expense)	(19.9)	(31.9)
<b>Operating income</b>	<b>436.4</b>	<b>442.1</b>
Finance costs	(42.3)	(42.9)
Financial income	4.2	3.3
Foreign exchange gains (losses)	(0.1)	(6.1)
<b>Finance costs and other financial income and expense, net</b>	<b>(38.2)</b>	<b>(45.7)</b>
<b>Income before taxes</b>	<b>398.2</b>	<b>396.4</b>
Income taxes	(125.6)	(125.2)
<b>Net income for the period</b>	<b>272.6</b>	<b>271.2</b>
<b>Net income attributable to:</b>		
– Legrand	271.5	269.8
– Minority interests	1.1	1.4

The table below presents the calculation of adjusted operating income (defined as operating income adjusted for amortization of the revaluation of intangible assets and for expense/income, relating both to acquisitions and, if applicable, to impairment of goodwill), and maintainable adjusted operating income (i.e., excluding restructuring charges) for the periods under review:

	<b>Legrand</b> <b>Six months ended June 30</b>	
<i>(in € millions)</i>	<b>2014</b>	<b>2013</b>
<b>Net income for the period</b>	<b>272.6</b>	<b>271.2</b>
Income taxes	125.6	125.2
Foreign exchange (gains) losses	0.1	6.1
Financial income	(4.2)	(3.3)
Finance costs	42.3	42.9
<b>Operating income</b>	<b>436.4</b>	<b>442.1</b>
Amortization and costs related to acquisitions	16.9	15.4
Impairment of goodwill	0.0	0.0
<b>Adjusted operating income</b>	<b>453.3</b>	<b>457.5</b>
Restructuring charges	10.9	8.9
<b>Maintainable adjusted operating income</b>	<b>464.2</b>	<b>466.4</b>

### 1.4.1. Net sales

Consolidated net sales declined 1.3% to €2,224.6 million in the first six months of 2014, compared with €2,254.0 million in the first six months of 2013, reflecting the combined impact of:

- a 2.6% rise due to the broader scope of consolidation that resulted from acquisitions, reflecting Legrand's policy of targeted, self-financed acquisitions;
- organic growth<sup>1</sup> equal to 1.3% of sales; and
- a 5.0% decline due to trends in exchange rates over the period.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, changes in net sales by destination (local market of the end customer) from the first six months of 2013 to the first six months of 2014 were as follows:

France	-2.0%
Italy	-5.6%
Rest of Europe	+6.1%
United States and Canada	+0.9%
Rest of the world	+3.6%
<b>TOTAL</b>	<b>+1.3%</b>

<sup>1</sup> Organic: at constant scope of consolidation and exchange rates.

*France.* Sales in France were steady in the first half of 2014 at €481.6 million compared with €481.7 million in the first half of 2013. This stability came primarily from a 2.1% increase in scope of consolidation following the acquisition of S2S Onduleurs, and a 2.0% decline in organic growth. Renovation activities continued to show resilience. The Group turned in good performances in energy distribution, Voice-Data-Image and assisted living solutions.

*Italy.* Net sales in Italy showed a -5.6% organic decline and stood at €255.2 million in the first half of 2014, compared with a -10.6% organic decline in the first half of 2013. This improvement in trends comes from a slower decline in the downstream sell-out of Legrand products by distributors as well as a reduced impact of distributor destocking.

*Rest of Europe.* Net sales in the Rest of Europe zone rose +1.8% to €401.5 million in the first half of 2014, compared with €394.3 million in the first half of 2013. This reflects a 6.1% rise in organic sales with good performances in many countries including Germany, the Netherlands, Portugal, Spain, Turkey, Hungary and Romania, and a positive change in scope of 2.3%, coming primarily from the acquisition of Tynetec in the United Kingdom and partially offset by a negative exchange-rate effect of 6.1%.

*United States and Canada.* Net sales in the United States/Canada zone rose +3.3% to €398.4 million in the first half of 2014, compared with €385.5 million in the first half of 2013. This increase was generated as follows: facing a high basis for comparison (H1 2013 +8.0%), organic growth in sales stood at +0.9% driven in particular by good showings in wiring devices, Voice-Data-Image solutions and highly energy-efficient lighting control, and a change in scope of consolidation that added 6.9%, corresponding primarily to the consolidation of Lastar over 3 months, partially offset by a 4.2% negative exchange-rate effect.

*Rest of the World.* Net sales in the Rest of the World zone slid 4.7% to €687.9 million in the first half of 2014, compared with €722.1 million in the first half of 2013. This reflected the combined impact of 3.6% organic growth fueled by strong growth in many new economies most notably in Asia, Africa/Middle East and Latin America; a +1.7% contribution from a change in scope of consolidation, corresponding primarily to the acquisition of Seico (Saudi Arabia) and Adlec (India); and a negative exchange-rate effect of 9.6%.

The table below shows a breakdown of changes in net sales by **destination** (local market of the end customer)

Net sales € millions, except %	1st half 2013	1st half 2014	Total change	Change in scope of consolidation	Organic growth <sup>(1)</sup>	Exchange- rate effect
France	481.7	481.6	0.0%	2.1%	-2.0%	0.0%
Italy	270.4	255.2	- 5.6%	0.0%	-5.6%	0.0%
Rest of Europe	394.3	401.5	1.8%	2.3%	6.1%	-6.1%
USA/Canada	385.5	398.4	3.3%	6.9%	0.9%	-4.2%
Rest of the World	722.1	687.9	- 4.7%	1.7%	3.6%	-9.6%
<b>CONSOLIDATED TOTAL</b>	<b>2 254.0</b>	<b>2 224.6</b>	<b>- 1.3%</b>	<b>2.6%</b>	<b>1.3%</b>	<b>-5.0%</b>
<sup>(1)</sup> At constant scope of consolidation and exchange rates						

The table below presents the components of changes in net sales by **origin** of invoicing.

Net sales € million, except %	1st half 2012	1st half 2013	Total change	Change in scope of consolidation	Organic growth <sup>(1)</sup>	Exchange- rate effect
France	539.9	539.4	-0.1%	2.0%	-2.0%	0.0%
Italy	289.1	276.5	-4.4%	0.0%	-4.4%	0.0%
Rest of Europe	384.8	393.0	2.1%	2.2%	6.8%	-6.4%
USA/Canada	392.5	407.6	3.8%	6.9%	1.4%	-4.2%
Rest of the World	647.7	608.1	-6.1%	1.7%	3.2%	-10.6%
<b>CONSOLIDATED TOTAL</b>	<b>2 254.0</b>	<b>2 224.6</b>	<b>-1.3%</b>	<b>2.6%</b>	<b>1.3%</b>	<b>-5.0%</b>
<sup>(1)</sup> At constant scope of consolidation and exchange rates						

## 1.4.2. Operating expense

### ➤ COST OF GOODS SOLD

The consolidated cost of goods sold declined 0.7% to €1,070.5 million in the first half of 2014, compared with €1,078.5 million in the first half of 2013. This was primarily due to:

- the slight fall in price for raw materials and components;
- the exchange-rate effect, as the euro rose against several currencies; and
- ongoing productivity and adaptation efforts;

partially offset by

- the consolidation of new acquisitions.

As a percentage of net sales, the cost of goods sold stood at 48.1% in the first half of 2014 compared with 47.8% in the first half of 2013.

### ➤ ADMINISTRATIVE AND SELLING EXPENSE

Administrative and selling expense edged up to €602.2 million in the first half of 2014, compared with €601.0 million in the first half of 2013. This was essentially attributable to:

- ongoing investment to fuel growth in expanding activities; and
- consolidation of new acquisitions;

partially offset by:

- the impact of exchange rates, with the euro gaining ground against several currencies; and
- continued adaptation and productivity initiatives.

Expressed as a percentage of sales, administrative and selling expense stood at 27.1% in the first half of 2014 compared with 26.7% in the first half of 2013.

### ➤ RESEARCH AND DEVELOPMENT EXPENSE

In accordance with IAS 38 "Intangible Assets", Legrand has implemented an internal measurement and accounting system for development expense to be recognized as intangible assets. On this basis, €14.2 million in development expense was capitalized in the first half of 2014 compared with €14.1 million in the first half of 2013.

Research and development expense totaled €95.6 million in the first half of 2014 compared with €100.5 million in the first half of 2013.

Excluding the impact of the capitalization of development costs and purchase accounting charges relating to acquisitions, as well as the tax credit for research & development activities, R&D expense stood at €100.8 million in the first half of 2014 (4.5% of net sales), compared with €105.8 million in the first half of 2013 (4.7% of net sales).

During the first half of 2014, Legrand thus actively pursued its commitment to innovation as a driver of organic growth. For a description of major new-product launches, see section 1.3 above.

	<b>Calculation of research and development expenditure in the six months ended June 30</b>	
<i>(€ millions)</i>	<b>2014</b>	<b>2013</b>
Research and development expense	(95.6)	(100.5)
Amortization related to acquisitions and R&D tax credit	(3.6)	(2.7)
Amortization of capitalized development expense	12.6	11.5
<b>R&amp;D expense before capitalized development expense</b>	<b>(86.6)</b>	<b>(91.7)</b>
Capitalized development expense	(14.2)	(14.1)
<b>Research and development expenditure for the period</b>	<b>(100.8)</b>	<b>(105.8)</b>



## ➤ OTHER OPERATING INCOME AND EXPENSE

In the first six months of 2014, other operating expense totaled €19.9 million, marking a decline from the same period of 2013.

### 1.4.3. Operating income

Consolidated operating income stood at €436.4 million in the first half of 2014 compared with €442.1 million in the first half of 2013. This decline resulted from

- a 1.3% fall in sales triggered by the adverse impact of exchange rates;

partially offset by:

- an 0.7% decline in cost of goods sold;
- an 0.5% decline in administrative, selling and research & development expense; and
- a decline in other income and operating expense.

Consolidated operating income came to 19.6% of net sales in the first half of 2014, unchanged from the first half of 2013.

### 1.4.4. Adjusted operating income

Adjusted operating income is defined as operating income adjusted for amortization of the revaluation of intangible assets and for expense/income, relating both to acquisitions, and if applicable, for impairment of goodwill.

Adjusted operating income stood at €453.3 million in the first half of 2014 compared with €457.5 million in the first half of 2013, and broke down as follows by geographical zone:

- France: €138.7 million in the first half of 2014 compared with €133.2 million in the first half of 2013 (+4.1%), representing 25.7% of net sales in the first six months of 2014 compared to 24.7% in the first six months of 2013;
- Italy: €93.2 million in the first half of 2014 compared with €99.2 million in the first half of 2013, representing 33.7% of net sales in the first six months of 2014, compared to 34.3% of net sales in the first six months of 2013;
- Rest of Europe: €66.5 million in the first half of 2014 compared with €59.5 million in the first half of 2013 (+11.8%), representing 16.9% of sales in the first half of 2014 compared with 15.5% in the same period of 2013;
- USA/Canada: €66.2 million in the first half of 2014, compared with €61.1 million in the first half of 2013 (+8.3%), representing 16.2% of sales in the first half of 2014 compared with 15.6% in the first half of 2013; and
- Rest of the World: €88.7 million in the first half of 2014, compared with €104.5 million in the first half of 2013, representing 14.6% of sales in the first half of 2014 compared with 16.1% in the first half of 2013.

In the first half of 2014, Legrand's adjusted operating margin stood at 20.4% or 20.6% excluding acquisitions (at 2013 scope of consolidation), compared with 20.3% in the first half of 2013. This robust operating performance reflects Legrand's focus on pursuing profitable, value-creative development underpinned by a large number of growth and productivity initiatives.

### 1.4.5. Finance costs and financial income

Consolidated finance costs stood at €42.3 million in the first half of 2014 compared with €42.9 million in the first half of 2013. Consolidated financial income came to €4.2 million in the first half of 2014 compared with €3.3 million in the first half of 2013. Net finance costs thus declined 3.8% in the first six months of 2014 from the same period of 2013, accounting for 1.7% of sales compared with 1.8% in the first half of 2013.

### 1.4.6. Foreign exchange gains and losses

Exchange losses amounted to €0.1 million in the first six months of 2014, compared with €6.1 million in the same period of 2013.

### 1.4.7. Income tax expense

Consolidated income tax expense amounted to €125.6 million in the first half of 2014. Effective tax rate remains stable at 31.5% in the first six months of 2014 compared with 31.6% in the same period of 2013.

## 1.4.8. Net income

Consolidated net income rose 0.5% to €272.6 million in the first half of 2014 compared with €271.2 million in the first half of 2013. This good overall performance resulted from:

- a €1.5 million decrease in net finance costs; and
- a €6.0 million reduction in foreign exchange losses;

partly offset by:

- a €5.7 million decline in operating income; and
- an €0.4 million rise in income tax.

## 1.4.9. Cash flows

The table below summarizes cash flows for the six-month periods ended June 30, 2014 and June 30, 2013:

	Legrand Six months ended June 30	
	2014	2013
(€ millions)		
Net cash from operating activities	233.4	215.4
Net cash from investing activities*	(157.3)	(158.8)
Net cash from financing activities	(142.7)	(272.7)
Increase (reduction) in cash and cash equivalents	(65.6)	(218.2)
* of which capital expenditure and capitalized development costs	(50.3)	(53.7)

For a full presentation of Legrand's cash flows, see the consolidated statement of cash flow in the Group's consolidated financial statements presented in section 2 of this half-yearly financial report.

### ➤ NET CASH FROM OPERATING ACTIVITIES

Net cash provided by operating activities stood at €233.4 million at June 30, 2014 compared with €215.4 million at June 30, 2013, a rise of €18.0 million. This increase was due primarily to changes in current operating assets and liabilities, which set cash used at €132.9 million in the first half of 2014 compared with €151.3 million in the same period of 2013, or €18.4 million less. Cash flow from operations (defined as net cash generated by operating activities, plus or minus changes in current operating assets and liabilities) was stable overall, reaching €366.3 million at June 30, 2014 compared with €366.7 million on June 30, 2013.

### ➤ NET CASH FROM INVESTING ACTIVITIES

Net cash used in investing activities for the six months ended June 30, 2014 amounted to €157.3 million compared with €158.8 million for the period ended June 30, 2013. This slight decline mainly reflects the combined impact of a reduction in proceeds from the sale of fixed assets and a rise in acquisition of subsidiaries, partially offset by a decline in capital expenditure.

Capital expenditure and capitalized development costs amounted to €50.3 million in the first half of 2014 (including €14.2 million in capitalized development costs), showing a 6.3% decline from €53.7 million for the period ended June 30, 2013 (including €14.1 million in capitalized development costs).

### ➤ NET CASH FROM FINANCING ACTIVITIES

Net cash used in financing activities amounted to €142.7 million in the first half of 2014, including primarily the payment of dividends in an amount of €279.3 million and an amount of €90.5 million representing mainly net buybacks of treasury stock, partly offset by €212.0 million linked in particular to issuance of treasury notes. In the first half of 2013, net cash from financing activities generated a net requirement of €272.7 million, consisting primarily of the payment of dividends in an amount of €265.1 million and an amount of €30.4 million representing mainly net buybacks of treasury stock.

## 1.4.10. Debt

Gross debt (defined as the sum of long-term and short-term borrowings, including commercial paper and bank overdrafts) came to €1,803.4 million at June 30, 2014 compared to €1,614.6 million at June 30, 2013. Cash and cash equivalents amounted to €540.3 million at June 30, 2014, compared to €276.1 million at June 30, 2013. Net debt (defined as gross debt less cash and cash equivalents) totaled €1,263.1 million at June 30, 2014 compared to €1,338.5 million at June 30, 2013.

The ratio of consolidated net debt to consolidated shareholders' equity was around 40% at June 30, 2014, compared with 43% at June 30, 2013.

At June 30, 2014 aggregate gross indebtedness consisted of:

- €1,100.0 million in bonds issued in February 2010, March 2011 and April 2012;
- €282.9 million in Yankee bonds;
- 205.0 million in treasury notes; and
- €215.5 million in other debt, mainly bank borrowings, bank overdrafts and financial debt linked to acquisitions, less bond issuance expense.

## 1.5. RELATED PARTY TRANSACTIONS

Readers should refer to Note 23 to the consolidated financial statements for the six-month period ended June 30, 2014, presented in chapter 2 of this half-year financial report, which details information relating to corporate officers.

## 1.6. RISKS AND UNCERTAINTIES

Readers should refer to chapter 4 of the Registration Document (*Document de référence*) filed with the French Autorité des Marchés Financiers (AMF) on April 2, 2014 under number D.14-0274, and to Note 22 to the consolidated financial statements presented in chapter 2 of this half-year financial report for the period to June 30, 2014, which discuss the main risk factors of a nature to adversely affect the group's position and risk management.

## 1.7. TRENDS AND PROSPECTS

Based on the solid achievements in the first half of the year, in an industry with no order book and assuming no major economic worsening, Legrand confirms its targets for 2014:

- organic<sup>1</sup> growth in sales at between 0% and +3%,
- adjusted operating margin before acquisitions<sup>2</sup> of between 19.8% and 20.2% of sales.

Legrand will also pursue its value-creative strategy of acquisitions.

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<sup>1</sup> Organic: at constant scope of consolidation and exchange rates.

<sup>2</sup> At 2013 scope of consolidation

## **2 INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2014**

## Consolidated Statement of Income

<i>(in € millions)</i>	<b>Legrand</b>	
	<b>6 months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenue (Note 2.11)</b>	<b>2,224.6</b>	<b>2,254.0</b>
<b>Operating expenses</b>		
Cost of sales	(1,070.5)	(1,078.5)
Administrative and selling expenses	(602.2)	(601.0)
Research and development costs	(95.6)	(100.5)
Other operating income (expense) (Note 18.2)	(19.9)	(31.9)
<b>Operating profit (Note 18)</b>	<b>436.4</b>	<b>442.1</b>
Financial expense (Note 19.2)	(42.3)	(42.9)
Financial income (Note 19.2)	4.2	3.3
Exchange gains (losses) (Note 19.1)	(0.1)	(6.1)
Total net financial expense	(38.2)	(45.7)
<b>Profit before tax</b>	<b>398.2</b>	<b>396.4</b>
Income tax expense (Note 20)	(125.6)	(125.2)
<b>Profit for the period</b>	<b>272.6</b>	<b>271.2</b>
<b>Attributable to:</b>		
– Legrand	<b>271.5</b>	<b>269.8</b>
– Minority interests	<b>1.1</b>	<b>1.4</b>
Basic earnings per share ( <i>euros</i> ) (Notes 2.17 and 11.2)	1.021	1.020
Diluted earnings per share ( <i>euros</i> ) (Notes 2.17 and 11.2)	1.007	1.004

## Statement of Comprehensive Income

<i>(in € millions)</i>	<b>6 months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Profit for the period	272.6	271.2
<i>Items that may be reclassified subsequently to profit or loss</i>		
Translation reserves (Notes 2.3 and 13.2)	37.6	(56.6)
Income tax relating to components of other comprehensive income	0.4	1.6
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses (Notes 2.15 and 16.1)	(14.2)	6.8
Deferred taxes on actuarial gains and losses	4.0	(2.5)
<b>Comprehensive income for the period</b>	<b>300.4</b>	<b>220.5</b>
<b>Attributable to:</b>		
– Legrand	<b>298.7</b>	<b>219.6</b>
– Minority interests	<b>1.7</b>	<b>0.9</b>

The accompanying Notes are an integral part of these financial statements.

## Consolidated Balance Sheet

<i>(in € millions)</i>	Legrand	
	June 30 2014	December 31, 2013
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (Notes 2.4 and 10)	537.2	602.8
Marketable securities	3.1	3.0
Income tax receivables	19.5	45.9
Trade receivables (Notes 2.5 and 8)	589.6	474.3
Other current assets (Note 9)	146.9	138.5
Inventories (Notes 2.9 and 7)	672.1	620.9
Other current financial assets (Note 22)	0.0	0.0
<b>Total current assets</b>	<b>1,968.4</b>	<b>1,885.4</b>
<b>Non-current assets</b>		
Intangible assets (Notes 2.6 and 4)	1,823.5	1,821.1
Goodwill (Notes 2.7 and 5)	2,528.6	2,411.7
Property, plant and equipment (Notes 2.8 and 6)	550.5	560.6
Other investments	0.8	0.8
Deferred tax assets (Notes 2.10 and 20)	92.6	94.5
Other non-current assets	2.6	2.5
<b>Total non-current assets</b>	<b>4,998.6</b>	<b>4,891.2</b>
<b>Total Assets</b>	<b>6,967.0</b>	<b>6,776.6</b>

The accompanying Notes are an integral part of these financial statements.

<i>(in € millions)</i>	<b>Legrand</b>	
	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term borrowings (Notes 2.18 and 14.2)	327.8	86.9
Income tax payable	24.9	24.5
Trade payables	490.5	468.8
Short-term provisions (Note 15)	93.8	99.9
Other current liabilities (Note 17)	427.2	441.8
Other current financial liabilities (Note 22)	0.2	0.1
<b>Total current liabilities</b>	<b>1,364.4</b>	<b>1,122.0</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities (Notes 2.10 and 20)	645.3	661.8
Long-term provisions (Note 15 and 16.2)	112.7	100.4
Other non-current liabilities	0.9	0.4
Provisions for pensions and other post-employment benefits (Notes 2.15 and 16.1)	171.1	156.7
Long-term borrowings (Notes 2.18 and 14.1)	1,475.6	1,486.6
<b>Total non-current liabilities</b>	<b>2,405.6</b>	<b>2,405.9</b>
<b>Equity</b>		
Share capital (Note 11)	1,064.4	1,062.4
Retained earnings (Note 13.1)	2,483.4	2,575.8
Translation reserves (Note 13.2)	(363.8)	(400.8)
Equity attributable to equity holders of Legrand	3,184.0	3,237.4
Minority interests	13.0	11.3
<b>Total equity</b>	<b>3,197.0</b>	<b>3,248.7</b>
<b>Total Liabilities and Equity</b>	<b>6,967.0</b>	<b>6,776.6</b>

The accompanying Notes are an integral part of these financial statements.

## Consolidated Statement of Cash Flows

<i>(in € millions)</i>	<b>Legrand</b>	
	<b>6 months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Profit for the period</b>	<b>272.6</b>	<b>271.2</b>
Reconciliation of profit for the period to net cash provided by/(used in) operating activities:		
– Depreciation expense (Note 18.1)	46.7	50.1
– Amortization expense (Note 18.1)	18.8	19.5
– Amortization of development costs (Note 18.1)	12.3	13.0
– Amortization of financial expense	1.0	0.9
– Impairment of goodwill (Notes 5 and 18.2)	0.0	0.0
– Changes in deferred taxes	(9.6)	(9.5)
– Changes in other non-current assets and liabilities (Notes 15 and 16)	18.9	18.3
– Exchange (gains)/losses, net	4.7	5.3
– Other adjustments	0.3	0.1
– (Gains)/losses on sales of assets, net	0.6	(2.2)
Changes in operating assets and liabilities:		
– Inventories (Note 7)	(25.9)	(52.3)
– Trade receivables (Note 8)	(97.1)	(151.1)
– Trade payables	12.3	59.2
– Other operating assets and liabilities	(22.2)	(7.1)
<b>Net cash provided by/(used in) operating activities</b>	<b>233.4</b>	<b>215.4</b>
– Net proceeds from sales of fixed and financial assets	0.8	3.0
– Capital expenditure (Notes 4 and 6)	(36.1)	(39.6)
– Capitalized development costs	(14.2)	(14.1)
– Changes in non-current financial assets and liabilities	0.7	(2.4)
– Acquisitions of subsidiaries, net of cash acquired (Note 3)	(108.5)	(105.7)
<b>Net cash provided by/(used in) investing activities</b>	<b>(157.3)</b>	<b>(158.8)</b>
– Proceeds from issues of share capital and premium (Note 11)	28.1	16.5
– Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 11)	(90.5)	(30.4)
– Dividends paid to equity holders of Legrand*	(279.3)	(265.1)
– Dividends paid by Legrand subsidiaries	(0.1)	(0.8)
– Proceeds from new borrowings and drawdowns (Note 14)	0.0	1.5
– Repayment of borrowings (Note 14)	(5.9)	(6.8)
– Debt issuance costs	0.0	0.0
– Increase (reduction) in bank overdrafts	212.0	14.1
– Acquisitions of ownership interests with no gain of control (Note 3)	(7.0)	(1.7)
<b>Net cash provided by/(used in) financing activities</b>	<b>(142.7)</b>	<b>(272.7)</b>
Effect of exchange rate changes on cash and cash equivalents	1.0	(2.1)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(65.6)</b>	<b>(218.2)</b>
Cash and cash equivalents at the beginning of the period	602.8	494.3
<b>Cash and cash equivalents at the end of the period (Note 10)</b>	<b>537.2</b>	<b>276.1</b>
Items included in cash flows:		
– Free cash flow** (Note 24)	183.9	164.7
– Interest paid during the period	56.5	56.4
– Income taxes paid during the period	92.4	81.0

\*see consolidated statement of changes in equity

\*\*normalized free cash flow is presented in Note 24

The accompanying Notes are an integral part of these financial statements.



## Consolidated Statement of Changes in Equity

	Equity attributable to equity holders of Legrand					Minority interests	Total equity
	Share capital	Retained earnings	Translation reserves	Actuarial gains and losses*	Total		
<i>(in € millions)</i>							
<b>As of December 31, 2012</b>	<b>1,057.5</b>	<b>2,378.7</b>	<b>(208.3)</b>	<b>(42.8)</b>	<b>3,185.1</b>	<b>5.5</b>	<b>3,190.6</b>
Profit for the period		269.8			269.8	1.4	271.2
Other comprehensive income		1.6	(56.1)	4.3	(50.2)	(0.5)	(50.7)
<i>Total comprehensive income</i>		<i>271.4</i>	<i>(56.1)</i>	<i>4.3</i>	<i>219.6</i>	<i>0.9</i>	<i>220.5</i>
IAS 19 amendments		(5.3)			(5.3)		(5.3)
Dividends paid		(265.1)			(265.1)	(0.8)	(265.9)
Issues of share capital and premium	3.5	13.0			16.5		16.5
Net sales (buybacks) of treasury shares and transactions under the liquidity contract		(30.4)			(30.4)		(30.4)
Change in scope of consolidation**		(24.5)			(24.5)	5.8	(18.7)
Current taxes on share buybacks		1.8			1.8		1.8
Share-based payments		10.9			10.9		10.9
<b>As of June 30, 2013</b>	<b>1,061.0</b>	<b>2,350.5</b>	<b>(264.4)</b>	<b>(38.5)</b>	<b>3,108.6</b>	<b>11.4</b>	<b>3,120.0</b>
Profit for the period		260.7			260.7	1.4	262.1
Other comprehensive income		(4.7)	(136.4)	5.5	(135.6)	(1.1)	(136.7)
<i>Total comprehensive income</i>		<i>256.0</i>	<i>(136.4)</i>	<i>5.5</i>	<i>125.1</i>	<i>0.3</i>	<i>125.4</i>
Dividends paid		0.0			0.0	(3.0)	(3.0)
Issues of share capital and premium	1.4	5.5			6.9		6.9
Net sales (buybacks) of treasury shares and transactions under the liquidity contract		0.3			0.3		0.3
Change in scope of consolidation**		(10.8)			(10.8)	2.6	(8.2)
Current taxes on share buybacks		(2.2)			(2.2)		(2.2)
Share-based payments		9.5			9.5		9.5
<b>As of December 31, 2013</b>	<b>1,062.4</b>	<b>2,608.8</b>	<b>(400.8)</b>	<b>(33.0)</b>	<b>3,237.4</b>	<b>11.3</b>	<b>3,248.7</b>
Profit for the period		271.5			271.5	1.1	272.6
Other comprehensive income		0.4	37.0	(10.2)	27.2	0.6	27.8
<i>Total comprehensive income</i>		<i>271.9</i>	<i>37.0</i>	<i>(10.2)</i>	<i>298.7</i>	<i>1.7</i>	<i>300.4</i>
Dividends paid		(279.3)			(279.3)	(0.1)	(279.4)
Issues of share capital and premium (Note 11)	5.2	22.9			28.1		28.1
Cancellation of shares acquired under the share buyback program (Note 11)	(3.2)	(34.3)			(37.5)		(37.5)
Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 11)		(53.1)			(53.1)		(53.1)
Change in scope of consolidation**		(16.0)			(16.0)	0.1	(15.9)
Current taxes on share buybacks		(0.1)			(0.1)		(0.1)
Share-based payments (Note 12.1)		5.8			5.8		5.8
<b>As of June 30, 2014</b>	<b>1,064.4</b>	<b>2,526.6</b>	<b>(363.8)</b>	<b>(43.2)</b>	<b>3,184.0</b>	<b>13.0</b>	<b>3,197.0</b>

\*net of deferred taxes

\*\*changes in scope of consolidation correspond mainly to acquisitions of additional shares in companies already consolidated in the Group's financial statements

The accompanying Notes are an integral part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Note 1 - General information

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Legrand (“the Company”) along with its subsidiaries (together “Legrand” or “the Group”) is the global specialist in electrical and digital building infrastructures.

The Group has manufacturing and/or distribution subsidiaries and offices in over 80 countries, and sells its products in about 180 countries. Its key markets are France (21%), Italy (11%), the United States and Canada (17%), the Rest of Europe (18%) and the Rest of the World (33%), with a steadily rising contribution from the new economies close to 40% of the consolidated total (percentages corresponding to 2013 figures).

The Company is a *société anonyme* (public limited company) incorporated and domiciled in France. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges (France).

The 2013 Registration Document was filed with the AMF on April 2, 2014 under no. D. 14-0274.

The consolidated financial statements were approved by the Board of Directors on July 30, 2014.

All amounts are presented in millions of euros unless otherwise specified. Some totals may include rounding differences.

## Note 2 - Accounting policies

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As a company incorporated in France, Legrand is governed by French company laws, including the provisions of the Commercial Code.

The consolidated financial statements cover the 6 months ended June 30, 2014. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the European Union and applicable or authorized for early adoption at June 30, 2014, including IAS 34 – Interim Financial Reporting.

None of the IFRSs issued by the International Accounting Standards Board (IASB) that have not been adopted for use in the European Union are applicable to the Group.

The IFRSs adopted by the European Union as of June 30, 2014 can be downloaded from the “IAS/IFRS Standards and Interpretations” page of the European Commission’s website:

[http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

The areas involving a specific degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.20.

The consolidated financial statements have been prepared using the historical cost convention, except for some classes of assets and liabilities in accordance with IFRS. The classes concerned are mentioned in the notes below.

## 2.1 New standards, amendments and interpretations

### 2.1.1 New standards, amendments and interpretations with mandatory application from January 1, 2014, and applied by the Group in early 2013

Not applicable.

### 2.1.2 New standards, amendments and interpretations applied by the Group after January 1, 2014 that have no impact on its financial statements

#### *Standards and interpretations adopted by the European Union*

##### Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests

In May 2011, the IASB issued new standards – IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities – as well as the resulting amendments to IAS 27, reissued as Separate Financial Statements, and IAS 28, reissued as Investments in Associates and Joint Ventures.

IFRS 10 – Consolidated Financial Statements introduces a single consolidation framework for all types of investee entities, based on the concept of control.

The new IFRS 11 – Joint Arrangements introduces new requirements in recognizing joint arrangements, with in particular the use of the equity method to account for joint ventures.

The new IFRS 12 – Disclosure of Interests in Other Entities integrates into a single standard the disclosures required for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

##### Amendments to IAS 32 Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB published amendments to IAS 32 “Financial Instruments – Disclosures: Offsetting Financial Assets and Financial Liabilities” clarifying the rules for offsetting financial assets and liabilities.

##### Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

In May 2013, the IASB published amendments to IAS 36 that require disclosure of the valuation techniques used, as well as of the key assumptions used in the current measurement and previous measurement of fair value when an impairment loss has been recognized (or reversed in the case of assets other than goodwill).

##### Amendment to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

In June 2013, the IASB published an amendment to IAS 39 that allows hedge accounting to be continued in certain situations where a derivative is novated (i.e., the parties to a contract agree to replace their original contract with a new one).

### 2.1.3 New standards, amendments and interpretations applied by the Group after January 1, 2014 that have an impact on its financial statements

Not applicable.

### 2.1.4 New standards, amendments and interpretations not applicable to the Group until future periods

#### *Standards and interpretations adopted by the European Union*

##### IFRIC 21 – Levies

In May 2013, the IFRS Interpretation Committee issued IFRIC 21 – Levies which aims to clarify the trigger event for the provisioning for all taxes other than income taxes. This interpretation will modify existing practices for annual taxes whose payment is triggered, for an entity, by being in operations on a specified date or by achieving a certain level of activity.

In June 2014, IFRIC 21 was adopted by the European Union, with mandatory application for annual periods beginning on or after June 17, 2014, earlier application being permitted. Its impact should be recognized retrospectively in accordance with IAS 8.

The Group has decided not to apply IFRIC 21 in early 2014, as this interpretation is not expected to impact significantly the Group's financial statements. Such application should only have a timing impact between quarters in the recognition of certain levies but should be neutral on a full year basis.

#### *Standards and interpretations not yet adopted by the European Union*

##### IFRS 9 – Financial Instruments

In November 2009, the IASB published IFRS 9 – Financial Instruments to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. This approach is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial asset. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

In October 2010, the IASB issued additions to IFRS 9 – Financial Instruments for financial liability accounting. Under the new requirements, which concern the classification and measurement of financial liabilities, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within profit and loss.

IFRS 9 and its amendments have not yet been adopted for use in the European Union.

## IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which replaces IAS 18 – Revenue and IAS 11 – Construction Contracts.

IFRS 15 sets out the requirements for recognizing revenue arising from all contracts with customers (except for contracts that fall within the scope of other standards). In addition, the standard requires the reporting entity to disclose certain contract information, particularly in the case of contracts that are expected to extend beyond one year, and to describe the assumptions used by the entity to calculate the revenue amounts to be reported.

This standard, which has not yet been adopted by the European Union, is effective for annual periods beginning on or after January 1, 2017.

The Group is reviewing these standards, to determine their possible impacts on the consolidated financial statements and related disclosures.

## 2.2 Basis of consolidation

Subsidiaries controlled by the Group are fully consolidated. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Entities consolidated under the equity method are entities over which the Group has significant influence but not control. Significant influence is generally considered to be exercised when the Group holds 20 to 50% of the voting rights. Investments in such entities are initially recognized at cost and are subsequently accounted for by the equity method.

The Group does not hold interests accounted for under the equity method.

## 2.3 Foreign currency translation

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in euros, which is the Company’s functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rate on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the balance sheet date are recognized in the income statement under the heading “Exchange gains (losses)”.

Assets and liabilities of Group entities whose functional currency is different from the presentation currency are translated using the exchange rate at the balance sheet date. Statements of income are translated using the average exchange rate for the period. Gains or losses arising from the translation of the financial statements of foreign subsidiaries are recognized directly in equity, under “Translation reserves”, until the entities are sold or substantially liquidated.

A receivable from or payable to a foreign Group entity, whose settlement is not planned or likely to occur in the foreseeable future, is treated as part of the net investment in that entity. As a result, in compliance with IAS 21, translation gains and losses on such receivables or payables are recognized directly in equity, under "Translation reserves".

## **2.4 Cash and cash equivalents**

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity of less than three months. The other financial assets maturing in less than three months are readily convertible to known amounts of cash and are not subject to any material risk of change in value. Marketable securities are not considered as cash equivalents.

Cash and cash equivalents that are unavailable in the short term for the Group correspond to the bank accounts of certain subsidiaries facing complex, short-term fund repatriation conditions due mainly to regulatory reasons.

Bank overdrafts are considered to be a form of financing and are therefore included in short-term borrowings.

## **2.5 Trade receivables**

Trade receivables are initially recognized at fair value and are subsequently measured at amortized cost.

A provision is recognized in the income statement when there is objective evidence of impairment such as:

- When a debtor has defaulted;
- When a debtor is observed to be in financial difficulties, as evidenced by late payments, a rating downgrade or a deteriorating business environment.

## **2.6 Intangible assets**

### 2.6.1 Trademarks

Trademarks with finite useful lives are amortized:

- Over 10 years when management plans to gradually replace them by other major trademarks owned by the Group;
- Over 20 years when management plans to replace them by other major trademarks owned by the Group only over the long term or when, in the absence of such an intention, management considers that the trademarks may be threatened by a major competitor in the long term.

Amortization of trademarks is recognized in the income statement under administrative and selling expenses.

Trademarks are classified as having an indefinite useful life when management believes they will contribute indefinitely to future consolidated cash flows because it plans to continue using them indefinitely. Useful lives are reviewed at regular intervals, leading in some cases to trademarks classified as having an indefinite useful life being reclassified as trademarks with a finite useful life.

The Group's trademarks that are classified as having an indefinite useful life are used internationally, and therefore contribute to all of the Group's cash-generating units.

### 2.6.2 Development costs

Costs incurred for the Group's main development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success, considering its technical, commercial and technological feasibility, and when costs can be measured reliably. Capitalized development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not exceeding 10 years.

Other development costs that do not meet the definition of an intangible asset are recorded in research and development costs for the year in which they are incurred.

### 2.6.3 Other intangible assets

Other intangible assets are recognized at cost less accumulated amortization and impairment.

They include in particular:

- Software, which is generally purchased from an external supplier and amortized over 3 years.
- Customer relationships acquired in business combinations. Corresponding to contractual relationships with key customers, they are measured using the discounted cash flow method and are amortized over a period of up to 20 years.

### 2.6.4 Impairment tests on intangible assets except goodwill

When events or changes in market environment indicate that an intangible asset or item of property, plant and equipment may be impaired, the item concerned is tested for impairment to determine whether its carrying amount is greater than its recoverable amount, defined as the higher of fair value less disposal costs and value in use.

Fair value less disposal costs is the best estimate of the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less disposal costs.

Value in use is the present value of the future cash flows expected to be derived from the use and subsequent sale of the asset. For further information, see Note 2.7.2.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on intangible assets may be reversed in subsequent periods if the impairment has decreased, provided that the increased carrying amount of the asset does not exceed the amount that would have been determined had no impairment loss been recognized.

Each trademark with an indefinite useful life is tested for impairment separately, in the fourth quarter of each year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment tests are performed using the relief from royalty method. This method consists of measuring the royalties that the company would have to pay to license in the trademark from a third party. The theoretical value of these royalties is then measured by estimating future revenue generated by the trademark over its useful life, as if the trademark were to be owned by a third party.



## 2.7 Goodwill

### 2.7.1 Business combinations

For each combination, the Group decides to use:

- i. Either the full goodwill method, which consists of allocating goodwill to minority interests. Under this method, goodwill is the difference between a) the consideration paid to acquire the business combination plus the fair value of the non-controlling interests in the combination and b) the fair value at date of acquisition of the identifiable net assets acquired and liabilities assumed.
- ii. Or the partial goodwill method, whereby no goodwill is allocated to minority interests. Under this method, goodwill is the difference between a) the consideration paid to acquire the business combination and b) the portion of the acquisition date fair value of the identifiable net assets acquired and liabilities assumed that is attributable to the Group.

The cost of business combinations, as determined on the date when control is acquired, corresponds to the fair value of the acquired entities. As such, it does not include acquisition-related costs and expenses but does include contingent consideration at fair value.

Changes in the percentage of interest held in a controlled entity are recorded directly in equity without recognizing any additional goodwill.

### 2.7.2 Impairment tests on goodwill

Goodwill is tested for impairment annually, in the fourth quarter of each year, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For impairment testing purposes, goodwill is allocated to a cash-generating unit (CGU) or a group of CGUs, corresponding to the lowest level at which goodwill is monitored. Within the Legrand Group, CGUs are defined as corresponding to individual countries or to a group of countries, when they either have similar market characteristics or are managed as a single unit.

The need to record an impairment loss is assessed by comparing the carrying amount of the CGU's assets and liabilities, including goodwill, and their recoverable amount, defined as the higher of fair value less disposal costs and value in use.

Value in use is estimated based on discounted cash flows for the next five years and a terminal value calculated from the final year of the projection period. The cash flow data used for the calculation is taken from the most recent medium-term business plans approved by Group management. Business plan projections are based on the latest available external forecasts of trends in the Group's markets. Cash flows beyond the projection period of five years are estimated by applying a stable growth rate.

The discount rates applied derive from the capital asset pricing model. They are calculated for each individual country, based on financial market and/or valuation services firm data (average data over the last three years). The cost of debt used in the calculations is the same for all individual countries (being equal to the Group's cost of debt).

Fair value less disposal costs is the best estimate of the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognized when the carrying amount is less than the recoverable amount. Impairment losses recognized on goodwill are irreversible.

**2.8 Property, plant and equipment**

Land, buildings, machinery and equipment, and other fixed assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Impairment tests are performed annually and whenever events or changes in circumstances indicate that the assets' carrying amount may not be recoverable.

Assets acquired under lease agreements that transfer substantially most of the risks and rewards of ownership to the Group are capitalized on the basis of the present value of future minimum lease payments and are depreciated over the shorter of the lease contract period and the asset's useful life determined in accordance with Group policies (see below).

Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets; the most commonly adopted useful lives are the following:

Light buildings .....	25 years
Standard buildings .....	40 years
Machinery and equipment .....	8 to 10 years
Tooling.....	5 years
Office furniture and equipment .....	5 to 10 years

The depreciable amount of assets is determined after deducting their residual value when the amounts involved are material.

Each part of an item of property, plant and equipment with a useful life that is significantly different to the useful lives of other parts is recorded separately.

Assets held for sale are measured at the lower of their carrying amount and fair value less disposal costs.

**2.9 Inventories**

Inventories are measured at the lower of cost (of acquisition or production) or net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. The production cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2.10 Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and deferred tax liabilities are offset when the entity has a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

## 2.11 Revenue recognition

Revenues from the sale of goods are recognized when all of the following conditions have been satisfied: (i) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (ii) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the seller; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably. For the Group, this policy results in the recognition of revenue when ownership title and the risk of loss are transferred to the buyer, which is generally upon shipment.

The Group offers some sales incentives to customers, consisting primarily of volume rebates and cash discounts. Volume rebates are typically based on three, six, and twelve-month arrangements with customers, and rarely extend beyond one year. Based on the trade of the current period, such rebates are recognized on a monthly basis as a reduction in revenue from the underlying transactions that reflect progress by the customer towards earning the rebate, with a corresponding deduction from the customer's trade receivables balance.

## 2.12 Valuation of financial instruments

### 2.12.1 Hierarchical classification of financial instruments

Under the amended IFRS 7, financial instruments are classified in a three-level hierarchy based on the inputs used to measure their fair value, as follows:

- Level 1: quoted prices for similar instruments;
- Level 2: directly observable market inputs other than level 1 inputs;
- Level 3: inputs not based on observable market data.

### 2.12.2 Measurement of financial instruments

The carrying amounts of cash, short-term deposits, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximate their fair value because of these instruments' short maturities. For short-term investments, comprised of marketable securities, fair value corresponds to the securities' market price. The fair value

of long-term borrowings is estimated on the basis of interest rates currently available for issuance of debt with similar terms and remaining maturities. The fair value of interest rate swap agreements is the estimated amount that the counterparty would receive or pay to terminate the agreements, and is calculated as the present value of the estimated future cash flows.

#### 2.12.3 Non-derivative financial instruments designated as hedges

Under IAS 39, non-derivative financial instruments may be designated as hedges only when they are used to hedge foreign currency risk and provided that they qualify for hedge accounting.

Accordingly, in the case of hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized in equity, as required under paragraph 102 of IAS 39.

#### 2.12.4 Derivatives

Group policy consists of not entering into any transaction of a speculative nature involving financial instruments. All transactions in these instruments are entered into exclusively for the purpose of managing or hedging currency or interest rate risks, and changes in the prices of raw materials. For this purpose, the Group periodically enters into contracts such as swaps, caps, options, futures and forward contracts, according to the nature of its exposure.

##### *Accounting treatment of derivative instruments*

Derivatives are initially recognized at fair value at the contract inception date and are subsequently remeasured at fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged.

##### *Put on non-controlling interests*

In the particular case of puts written on non-controlling interests without any transfer of risks and benefits, the contractual obligation to purchase these equity instruments is recognized as a liability by adjusting equity in application of IAS 32. Any subsequent changes in the liability are recorded in equity.

##### *Other derivative instruments*

In the case of other derivative instruments, the Group analyzes the substance of each transaction and recognizes any changes in fair value in accordance with IAS 39.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 22.

## **2.13 Share-based payment transactions**

Share-based payment plans have been implemented, which are settled in either equity or cash.

### 2.13.1 Equity-settled share-based payment transactions

The cost of stock options or performance shares is measured at the fair value of the award on the grant date, using the Black & Scholes option pricing model or the binomial model, and is recognized in the income statement under "Employee benefits expense" on a straight-line basis over the vesting period with a corresponding adjustment to equity. Changes in the fair value of stock options after the grant date are not taken into account.

The expense recognized by crediting equity is adjusted at each period-end during the vesting period to take into account changes in the number of shares that are expected to be delivered to employees when the performance shares vest or the stock options are exercised.

### 2.13.2 Cash-settled share-based payment transactions

When granting long-term employee benefits plans indexed to the share price, the value of the awarded instruments is estimated according to the conditions defined at the plan's inception. This value is remeasured at each period-end and the resulting increase or decrease in expense is recognized as an adjustment to provisions.

## **2.14 Transfers and use of financial assets**

In accordance with IAS 39, financial assets are derecognized when the associated cash flows and substantially all the related risks and rewards have been transferred.

## **2.15 Pension and other post employment benefit obligations**

### 2.15.1 Pension obligations

Group companies operate various pension plans. The plans are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

#### *Defined contribution plans*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Contributions are recognized as an expense for the period of payment.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in current and prior periods.

#### *Defined benefit plans*

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and end-of-career salary.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The past service cost arising from changes to pension benefit plans is expensed in full as incurred.

The Group recognizes all actuarial gains and losses outside profit or loss, in the Statement Of Recognized Income and Expense (Statement of comprehensive income), as allowed under IAS 19, paragraph 120C (revised).

Defined benefit obligations are calculated using the projected unit credit method. This method takes into account estimated years of service at retirement, final salaries, life expectancy and staff turnover, based on actuarial assumptions. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of investment grade corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the period to payment of the related pension liability.

#### 2.15.2 Other post-employment benefit obligations

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining with the company up to retirement age and completion of a minimum service period.

The benefits are treated as post-employment benefits under the defined benefit scheme.

#### 2.15.3 Other long-term employee benefits

The Group has implemented plans providing long-term employee benefits to employees, which are recognized in provisions in accordance with IAS 19.

### **2.16 Segment information**

The Group is organized for management purposes by countries grouped into geographical segments. Hence, allocation of resources to the various segments and assessment of each segment's performance are performed by the Group management on a country basis.

### **2.17 Basic and diluted earnings per share**

Basic earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the weighted number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated according to the treasury stock method, by dividing profit attributable to equity holders of Legrand by the weighted average number of ordinary shares outstanding during the period, plus the number of dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding used in these calculations is adjusted for the share buybacks and sales carried out during the period and does not take into account shares held in treasury.

## **2.18 Short- and long-term borrowings**

Short- and long-term borrowings mainly comprise bonds and bank loans. They are initially recognized at fair value, taking into account any transaction costs directly attributable to the issue, and are subsequently measured at amortized cost, using the effective interest method.

## **2.19 Borrowing costs**

In accordance with the revised version of IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are recognized as an expense for the period in which they were incurred.

## **2.20 Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that are reflected in the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events, and are believed to be reasonable under the circumstances.

### 2.20.1 Impairment of goodwill and intangible assets

Trademarks with indefinite useful lives and goodwill are tested for impairment at least once a year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with the accounting policies presented in Notes 2.6.4 and 2.7.2.

Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Future events could cause the Group to conclude that evidence exists that certain intangible assets acquired in a business combination are impaired. Any resulting impairment loss could have a material adverse effect on the Group's consolidated financial statements, and in particular on Group's operating profit. The discounted cash flow estimates used for impairment tests on goodwill and trademarks with indefinite useful lives are based to a significant extent on management's judgment.

### 2.20.2 Accounting for income taxes

As part of the process of preparing the consolidated financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which it operates. This involves estimating the actual current tax exposure and assessing temporary differences resulting from differing treatment of items such as deferred revenue or prepaid expenses for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are reported in the consolidated balance sheet.

The Group must then assess the probability that deferred tax assets will be recovered from future taxable profit.

Deferred tax assets are recognized only when it is probable that sufficient taxable profit will be available, based on management-approved taxable profit forecasts.

The Group has not recognized all of its deferred tax assets because it is not probable that some of them will be recovered before they expire. The amounts involved mainly concern operating losses carried forward and foreign income tax credits. The assessment is based on estimates of future taxable profit by jurisdiction in which the Group operates and the period over which the deferred tax assets are recoverable.

### 2.20.3 Other assets and liabilities based on estimates

Other assets and liabilities based on estimates include provisions for pensions and other post-employment benefits, impairment of trade receivables, inventories and financial assets, share-based payments, provisions for contingencies and charges, capitalized development costs, and any annual volume rebates offered to customers.

## **Note 3 - Changes in the scope of consolidation**

The contributions to the Group's consolidated financial statements of companies acquired since January 1, 2013 were as follows:

<b>2013</b>	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
Daneva	Balance sheet only	6 months' profit	9 months' profit	12 months' profit
Seico	Balance sheet only	5 months' profit	8 months' profit	11 months' profit
S2S		Balance sheet only	Balance sheet only	8 months' profit
Adlec Power			Balance sheet only	5 months' profit
Tynetec			Balance sheet only	5 months' profit

<b>2014</b>	<b>March 31</b>	<b>June 30</b>
Daneva	3 months' profit	6 months' profit
Seico	3 months' profit	6 months' profit
S2S	3 months' profit	6 months' profit
Adlec Power	3 months' profit	6 months' profit
Tynetec	3 months' profit	6 months' profit
Lastar inc.	Balance sheet only	3 months' profit
Neat	Balance sheet only	Balance sheet only
SJ Manufacturing		Balance sheet only

In first-half 2014, companies consolidated in 2013 and in first-half of 2014 on the basis presented in the above tables contributed €73.5 million to consolidated revenue and €4.6 million to consolidated profit for the period. All of these companies are fully consolidated.

The main acquisitions carried out in first-half 2014 were as follows:



- The Group acquired Lastar Inc., a frontrunner in pre-terminated solutions for Voice-Data-Image (VDI) and audio-video (A/V) networks in the United States. With facilities based primarily in the United States and in China, Lastar Inc. has annual sales of around \$130 million.
- The Group acquired a majority stake in Neat, Spain's leader in assisted living and a major player in this market Europe-wide. It acquired 51% of the shares with an option to take full control from 2018. Based in Madrid, Neat has annual revenues of over €15 million.
- The Group acquired SJ Manufacturing, a Singaporean frontrunner in racks, Voice-Data-Image cabinets and related products for data centers. SJ Manufacturing annual sales total nearly €10 million.

In all, acquisitions of subsidiaries (net of cash acquired) and acquisitions of ownership interests with no gain of control came to a total of €115.5 million in first-half 2014, versus €107.4 million in first-half 2013. Of this, acquisitions of subsidiaries (net of cash acquired) accounted for €108.5 million in first-half 2014, compared with €105.7 million in first-half 2013.

#### **Note 4 - Intangible assets (Note 2.6)**

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Intangible assets are as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Trademarks with indefinite useful lives	1,408.0	1,408.0
Trademarks with finite useful lives	237.1	237.0
Developed technology	3.9	3.9
Other intangible assets	174.5	172.2
	<b>1,823.5</b>	<b>1,821.1</b>

The Legrand and Bticino brands represent close to 98% of the total value of trademarks with indefinite useful lives.

Trademarks can be analyzed as follows:

	June 30,	December 31,
<i>(in € millions)</i>	2014	2013
Gross value at the beginning of the period	1,765.5	1,749.3
- Acquisitions	6.5	41.4
- Adjustments	0.0	0.0
- Disposals	0.0	0.0
- Translation adjustments	6.4	(25.2)
<b>Gross value at the end of the period</b>	<b>1,778.4</b>	<b>1,765.5</b>
Accumulated amortization and impairment at the beginning of the period	(120.5)	(105.0)
- Depreciation expense	(11.2)	(21.0)
- Reversals	0.0	0.0
- Translation adjustments	(1.6)	5.5
<b>Less accumulated amortization and impairment at the end of the period</b>	<b>(133.3)</b>	<b>(120.5)</b>
<b>Net value at the end of the period</b>	<b>1,645.1</b>	<b>1,645.0</b>

To date, no impairment has been recognized for these trademarks.

Trademarks with indefinite useful lives are tested for impairment annually and whenever events or changes in circumstances indicate that their carrying amount may exceed their recoverable amount.

There was no evidence of any such events or changes in circumstances in first-half 2014.

The following impairment testing parameters were used in the period ended December 31, 2013:

	Carrying amount of trademarks with indefinite useful lives	Value in use	
		Discount rate (before tax)	Growth rate to perpetuity
Value in use	1,408.0	9.4% to 9.9%	2.8% to 3.2%

No impairment was recognized in the period ended December 31, 2013.

Developed technology can be analyzed as follows:

	June 30,	December 31,
<i>(in € millions)</i>	2014	2013
Gross value at the beginning of the period	578.7	582.0
- Acquisitions	0.0	0.0
- Disposals	0.0	0.0
- Translation adjustments	1.0	(3.3)
<b>Gross value at the end of the period</b>	<b>579.7</b>	<b>578.7</b>
Accumulated amortization and impairment at the beginning of the period	(574.8)	(576.5)
- Depreciation expense	(0.3)	(0.7)
- Reversals	0.0	0.0
- Translation adjustments	(0.7)	2.4
<b>Less accumulated amortization and impairment at the end of the period</b>	<b>(575.8)</b>	<b>(574.8)</b>
<b>Net value at the end of the period</b>	<b>3.9</b>	<b>3.9</b>

To date, no impairment has been recognized for developed technology.

Other **intangible assets** can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Capitalized development costs	274.8	260.0
Software	90.5	95.0
Other	77.5	76.1
<b>Gross value at the end of the period</b>	<b>442.8</b>	<b>431.1</b>
Less accumulated amortization and impairment at the end of the period	(268.3)	(258.9)
<b>Net value at the end of the period</b>	<b>174.5</b>	<b>172.2</b>

To date, no significant impairment has been recognized for these items.

Amortization expense for trademarks and developed technology for each of the next five years is expected to be as follows:

<i>(in € millions)</i>	<b>Developed technology</b>	<b>Trademarks</b>	<b>Total</b>
2 <sup>nd</sup> half 2014	0.4	10.6	11.0
2015	0.7	21.2	21.9
2016	0.7	21.2	21.9
2017	0.7	21.2	21.9
2018	0.7	20.5	21.2

## Note 5 - Goodwill (Note 2.7)

Goodwill can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
France	676.0	675.8
Italy	366.8	366.8
Rest of Europe	283.4	271.8
USA/Canada	477.6	404.1
Rest of the World	724.8	693.2
	<b>2,528.6</b>	<b>2,411.7</b>

The geographic allocation of goodwill is based on the acquired company's value, determined as of the date of the business combination, taking into account synergies with other Group companies.

In the "Rest of Europe" and "Rest of the World" regions, no final amount of goodwill allocated to a cash-generating unit (CGU) represents more than 10% of total goodwill.

Changes in goodwill can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Gross value at the beginning of the period	2,447.5	2,493.3
- Acquisitions	97.7	108.8
- Adjustments	(6.4)	(42.4)
- Translation adjustments	26.8	(112.2)
<b>Gross value at the end of the period</b>	<b>2,565.6</b>	<b>2,447.5</b>
Impairment value at the beginning of the period	(35.8)	(38.1)
- Impairment losses	0.0	0.0
- Translation adjustments	(1.2)	2.3
<b>Impairment value at the end of the period</b>	<b>(37.0)</b>	<b>(35.8)</b>
<b>Net value at the end of the period</b>	<b>2,528.6</b>	<b>2,411.7</b>

Adjustments correspond to the difference between provisional and final goodwill.

For impairment testing purposes, goodwill has been allocated to various countries, grouping CGUs which represent the lowest level at which goodwill is monitored. France, Italy and USA/Canada are each considered to be a single CGU, whereas the Rest of Europe and Rest of the World segments are made up of several CGUs.

These CGUs are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing their carrying amount, including goodwill, to their value in use.

Value in use corresponds to the present value of the future cash flows expected to be derived from the subsidiaries included in the CGU.

There was no evidence of any such events or changes in circumstances in first-half 2014.

The following impairment testing parameters were used in the period ended December 31, 2013:

	Recoverable amount	Carrying amount of goodwill	Value in use	
			Discount rate (before tax)	Growth rate to perpetuity
France		675.8	10.5%	2%
Italy		366.8	15.4%	2%
Rest of Europe	Value in use	271.8	8.7 to 20.4%	2 to 5%
USA/Canada		404.1	10.5%	3%
Rest of the World		693.2	10.3 to 18.6%	2 to 5%
		<b>2,411.7</b>		

No goodwill impairment losses were identified in the period ended December 31, 2013.

Goodwill arising on partial acquisitions has been measured using the partial goodwill method (Note 2.7.1).

For business combinations, the fair values of the identifiable assets acquired and of liabilities and contingent liabilities assumed are determined on a provisional basis. As a result, the related goodwill is subject to adjustment during the year following the provisional allocation.

Acquisition prices for the 6 months ended June 30, 2014 and the 12 months ended December 31, 2013 have been allocated as follows:

<i>(in € millions)</i>	6 months ended	12 months ended
	June 30, 2014	December 31, 2013
- Trademarks	5.1	41.4
- Deferred taxes on trademarks	(0.6)	(3.4)
- Developed technology	0.0	0.0
- Deferred taxes on developed technology	0.0	0.0
- Other intangible assets	4.7	7.2
- Deferred taxes on other intangible assets	0.0	0.0
- Goodwill	97.7	108.8

## Note 6 - Property, plant and equipment (Note 2.8)

### 6.1 Analysis of changes in property, plant and equipment

Changes in property, plant and equipment in first-half 2014 can be analyzed as follows:

<i>(in € millions)</i>	June 30 , 2014				
	Land	Buildings	Machinery and equipment	Assets under construction and other	Total
<i>Gross value</i>					
At the beginning of the period	54.2	580.0	1,621.2	266.8	2,522.2
- Acquisitions	0.0	1.3	10.8	21.1	33.2
- Disposals	0.0	(3.0)	(37.8)	(2.6)	(43.4)
- Transfers and changes in scope of consolidation	0.0	2.9	13.1	(11.0)	5.0
- Translation adjustments	0.4	1.9	7.4	2.2	11.9
<b>At the end of the period</b>	<b>54.6</b>	<b>583.1</b>	<b>1,614.7</b>	<b>276.5</b>	<b>2,528.9</b>
<i>Depreciation and impairment</i>					
At the beginning of the period	(8.1)	(362.7)	(1,402.8)	(188.0)	(1,961.6)
- Depreciation expense	(0.2)	(8.6)	(32.1)	(5.7)	(46.6)
- Reversals	0.0	2.8	37.0	2.3	42.1
- Transfers and changes in scope of consolidation	0.0	(0.6)	(1.9)	(2.3)	(4.8)
- Translation adjustments	0.0	(0.9)	(5.3)	(1.3)	(7.5)
<b>At the end of the period</b>	<b>(8.3)</b>	<b>(370.0)</b>	<b>(1,405.1)</b>	<b>(195.0)</b>	<b>(1,978.4)</b>
<i>Net value</i>					
At the beginning of the period	46.1	217.3	218.4	78.8	560.6
- Acquisitions / Depreciation	(0.2)	(7.3)	(21.3)	15.4	(13.4)
- Disposals / Reversals	0.0	(0.2)	(0.8)	(0.3)	(1.3)
- Transfers and changes in scope of consolidation	0.0	2.3	11.2	(13.3)	0.2
- Translation adjustments	0.4	1.0	2.1	0.9	4.4
<b>At the end of the period</b>	<b>46.3</b>	<b>213.1</b>	<b>209.6</b>	<b>81.5</b>	<b>550.5</b>

Total property, plant and equipment includes €10.0 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less disposal costs.

Changes in property, plant and equipment in 2013 can be analyzed as follows:

<b>December 31 , 2013</b>					
<i>(in € millions)</i>					
	Land	Buildings	Machinery and equipment	Assets under construction and other	Total
<i>Gross value</i>					
At the beginning of the period	56.2	579.3	1,602.4	291.4	2,529.3
-Acquisitions	0.0	9.7	41.3	44.4	95.4
-Disposals	(0.7)	(10.4)	(40.6)	(16.2)	(67.9)
-Transfers and changes in scope of consolidation	0.2	11.6	55.2	(41.1)	25.9
-Translation adjustments	(1.5)	(10.2)	(37.1)	(11.7)	(60.5)
<b>At the end of the period</b>	<b>54.2</b>	<b>580.0</b>	<b>1,621.2</b>	<b>266.8</b>	<b>2,522.2</b>
<i>Depreciation and impairment</i>					
At the beginning of the period	(8.2)	(354.5)	(1,375.9)	(214.1)	(1,952.7)
-Depreciation expense	(0.6)	(19.0)	(68.7)	(13.2)	(101.5)
-Reversals	0.7	9.6	39.5	14.9	64.7
-Transfers and changes in scope of consolidation	0.0	(3.7)	(24.2)	16.6	(11.3)
-Translation adjustments	0.0	4.9	26.5	7.8	39.2
<b>At the end of the period</b>	<b>(8.1)</b>	<b>(362.7)</b>	<b>(1,402.8)</b>	<b>(188.0)</b>	<b>(1,961.6)</b>
<i>Net value</i>					
At the beginning of the period	48.0	224.8	226.5	77.3	576.6
-Acquisitions / Depreciation	(0.6)	(9.3)	(27.4)	31.2	(6.1)
-Disposals / Reversals	0.0	(0.8)	(1.1)	(1.3)	(3.2)
-Transfers and changes in scope of consolidation	0.2	7.9	31.0	(24.5)	14.6
-Translation adjustments	(1.5)	(5.3)	(10.6)	(3.9)	(21.3)
<b>At the end of the period</b>	<b>46.1</b>	<b>217.3</b>	<b>218.4</b>	<b>78.8</b>	<b>560.6</b>

## 6.2 Property, plant and equipment include the following assets held under finance leases:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Land	2.3	2.3
Buildings	30.9	36.1
Machinery and equipment	30.9	31.4
	64.1	69.8
Less accumulated depreciation	(38.1)	(39.7)
	<b>26.0</b>	<b>30.1</b>

**6.3 Finance lease liabilities are presented in the balance sheets as follows:**

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Long-term borrowings	11.7	12.4
Short-term borrowings	1.3	1.3
	<b>13.0</b>	<b>13.7</b>

**6.4 Future minimum lease payments under finance leases are as follows:**

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Due in less than one year	1.5	1.5
Due in one to two years	1.5	1.5
Due in two to three years	1.4	1.4
Due in three to four years	1.3	1.3
Due in four to five years	1.3	1.3
Due beyond five years	6.7	7.4
	13.7	14.4
Of which accrued interest	(0.7)	(0.7)
<b>Net present value of future minimum lease payments</b>	<b>13.0</b>	<b>13.7</b>

**Note 7 - Inventories (Note 2.9)**

Inventories are as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Purchased raw materials and components	242.9	231.7
Sub-assemblies, work in progress	91.6	90.8
Finished products	441.1	403.4
	775.6	725.9
Less impairment	(103.5)	(105.0)
	<b>672.1</b>	<b>620.9</b>

## Note 8 - Trade receivables (Note 2.5)

In 2013, the Group derived over 95% of its revenue from sales to distributors of electrical equipment. The two largest distributors accounted for approximately 23% of consolidated net revenue. Group estimates that no other distributor accounted for more than 5% of consolidated net revenue.

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Trade accounts and notes receivable	655.9	538.7
Less impairment	(66.3)	(64.4)
	<b>589.6</b>	<b>474.3</b>

The factoring contract terms qualify the receivables for derecognition under IAS 39. The amount derecognized as of June 30, 2014 was €29.5 million (€25.8million as of December 31, 2013).

Past-due trade receivables can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Less than 3 months past due	76.1	82.3
From 3 to 12 months past due	26.5	21.4
More than 12 months past due	24.2	22.6
	<b>126.8</b>	<b>126.3</b>

Provisions for impairment of past-due trade receivables amounted to €57.5 million as of June 30, 2014 (€56.2 million as of December 31, 2013). These provisions break down as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Provisions for receivables less than 3 months past due	9.9	13.3
Provisions for receivables 3 to 12 months past due	23.4	20.3
Provisions for receivables more than 12 months past due	24.2	22.6
	<b>57.5</b>	<b>56.2</b>

## Note 9 - Other current assets

Other current assets are as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Employee advances	3.9	3.2
Other receivables	29.2	28.7
Prepayments	27.4	23.7
Prepaid and recoverable taxes other than income tax	86.4	82.9
	<b>146.9</b>	<b>138.5</b>

These assets are valued at historical cost and there are no events or special circumstances indicating that they may be impaired.



## Note 10 - Cash and cash equivalents (Note 2.4)

Cash and cash equivalents totaled €537.2 million as of June 30, 2014 and corresponded primarily to deposits with an original maturity of less than three months (Note 22.2.1). Out of this amount, about €13.0 million were not available in the short term for the Group.

## Note 11 - Share capital and earnings per share (Note 2.17)

Share capital as of June 30, 2014 amounted to €1,064,396,000 represented by 266,099,000 ordinary shares with a par value of €4 each, for 279,095,023 voting rights.

Share capital consists exclusively of ordinary shares, each with a par value of €4. Fully paid-up shares held in registered form in the name of the same shareholder for at least two years carry double voting rights.

Changes in share capital in first-half 2014 were as follows:

	Number of shares	Par value	Share capital (euros)	Premiums (euros)
As of December 31, 2013	265,590,517	4	1,062,362,068	1,108,075,425
Exercise of options under the 2007 plan	100,635	4	402,540	2,133,462
Exercise of options under the 2008 plan	112,700	4	450,800	1,868,566
Exercise of options under the 2009 plan	70,752	4	283,008	645,258
Exercise of options under the 2010 plan	1,024,396	4	4,097,584	18,254,737
Cancellation of shares	(800,000)	4	(3,200,000)	(34,262,266)
As of June 30, 2014	266,099,000	4	1,064,396,000	1,096,715,182

On May 27, 2014, the Board of Directors decided the cancellation of 800,000 shares acquired under the share buyback program (shares bought back in May 2014). The €34,262,266 difference between the buy-back price of the cancelled shares and their par value was deducted from the premium account.

In first-half 2014, 1,308,483 shares were issued under the 2007 to 2010 stock option plans, resulting in a €5.2 million capital increase with a €22.9 million premium.

### 11.1 Share buyback program and transactions under the liquidity contract

In first-half 2014, the Group held 553,245 shares in treasury (176,027 as of June 30, 2013, out of which 63,027 under the share buyback program and 113,000 under the liquidity contract) which can be detailed as follows:

#### 11.1.1 Share buyback program

As of December 31, 2013, the Group held 63,027 shares in treasury. During first-half 2014, it acquired a further 2,020,000 shares, at a cost of €91,394,476 and allocated 814,221 shares to employees under performance share plans.

As of June 30, 2014, the Group held 468,806 shares under the program, acquired at a total cost of €20,233,807. These shares are being held for the following purposes:

- For allocation upon exercise of performance share plans (63,885 shares purchased at a cost of €1,700,523),
- For allocation upon sale to employees who choose to re-invest their profit-shares in the Company stock through a corporate mutual fund (4,921 shares purchased at a cost of €122,631), and
- For cancellation of 400,000 shares acquired under the share buyback program purchased at a cost of €18,410,653.

#### 11.1.2 Liquidity contract

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the NYSE Euronext™ Paris market under a liquidity contract complying with the Code of Conduct issued by the AMAFI (French Financial Markets Association) approved by the AMF on March 22, 2005.

Cash used to purchase shares under the liquidity contract is capped at €15.0 million.

As of June 30, 2014, the Group held 84,439 shares under this contract, purchased at a total cost of €3,776,680.

During first-half 2014, transactions under the liquidity contract led to a cash inflow of €998,655 corresponding to net purchases of 23,061 shares.

## 11.2 Earnings per share

Basic and diluted earnings per share, calculated on the basis of the average number of ordinary shares outstanding during the period, are as follows:

		June 30, 2014	June 30, 2013
Profit attributable to equity holders of Legrand ( <i>in € millions</i> )	A	271.5	269.8
Average number of shares (excluding shares held in treasury)	B	265,826,478	264,523,917
<i>Average dilution from:</i>			
<i>Performance shares</i>		1,359,194	1,667,327
<i>Stock options</i>		2,452,473	2,412,529
Average number of shares after dilution (excluding shares held in treasury)	C	269,638,145	268,603,773
Number of stock options and performance share grants outstanding at the period end		5,277,486	7,783,225
Sales (buybacks) of shares and transactions under the liquidity contract (net during the period)		(1,996,939)	(873,000)
Shares allocated during the period under performance share plans		814,221	848,557
Basic earnings per share ( <i>euros</i> ) (Note 2.18)	A/B	1.021	1.020
Diluted earnings per share ( <i>euros</i> ) (Note 2.18)	A/C	1.007	1.004
Dividend per share ( <i>euros</i> )		1.050	1.000

During first-half 2014, the Group:

- Issued 1,308,483 shares under the stock option plans.
- Transferred 814,221 shares under performance share plans, out of the 2,020,000 shares bought back for this purpose in first-half 2014.
- Bought back a net 23,061 shares under the liquidity contract.

These movements were taken into account on an accrual basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2014, earnings per share and diluted earnings per share would have amounted to €1.022 and €1.002 respectively for the six months ended June 30, 2014.

During first-half 2013, the Group:

- Issued 887,970 shares under the stock option plans,
- Transferred 848,557 shares under performance share plans, out of the 860,000 shares bought back for this purpose in first-half 2013.
- Bought back a net 13,000 shares under the liquidity contract.

These movements were taken into account on an accruals basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2013, basic earnings per share and diluted earnings per share would have amounted to €1.018 and €1.000 respectively for the six months ended June 30, 2013.

## Note 12 - Stock option plans, performance share plans and employee profit-sharing (Note 2.13)

### 12.1 2007 to 2012 Legrand performance share plans and stock option plans

#### 12.1.1 Performance share plans

No performance share plans have been implemented since the 2012 Plan. As explained in Note 16.2, long term employee benefits plans were implemented from 2013.

The following performance share plans were approved by the Company's Board of Directors in previous years:

	2010 Plan <sup>(1)</sup>	2011 Plan <sup>(2)</sup>	2012 Plan <sup>(3)</sup>
Date approved by shareholders	May 15, 2007	May 27, 2010	May 26, 2011
Grant date	March 4, 2010	March 3, 2011	March 7, 2012
Total number of share rights granted	896,556	1,592,712	985,656
<i>o/w to Executive Directors</i>	62,163	127,888	30,710
• Gilles Schneppe	38,373	65,737	30,710
• Olivier Bazil	23,790	62,151	
	French tax residents: March 5, 2012	French tax residents: March 4, 2013	French tax residents: March 8, 2014
End of vesting period	Non-residents: March 5, 2014	Non-residents: March 4, 2015	Non-residents: March 8, 2016
	French tax residents: March 6, 2014	French tax residents: March 5, 2015	French tax residents: March 9, 2016
End of lock-up period	Non-residents: March 5, 2014	Non-residents: March 4, 2015	Non-residents: March 8, 2016
Number of shares acquired as of June 30, 2014	(834,310)	(710,271)	(386,295)
Number of share rights cancelled or forfeited	(62,246)	(75,934)	(25,665)
<b>Share rights outstanding as of June 30, 2014</b>	<b>0</b>	<b>806,507</b>	<b>573,696</b>

- (1) **2010 Plan:** This plan concerns performance share rights granted in 2010 in respect of 2009 performance. The Board of Directors set the 2009 economic earnings\* target for the 2010 Plan at the start of 2009. Based on the Group's actual economic earnings compared with the target, Gilles Schneppe and Olivier Bazil were awarded a certain number of performance share rights determined by the Board of Directors at its March 4, 2010 meeting. The number of rights was deliberately limited, on beneficiaries' suggestion.
- (2) **2011 Plan:** This plan concerns performance share rights granted in 2011 in respect of 2010 performance. The Board of Directors set the 2010 economic earnings\* target for the 2011 Plan at the start of 2010. Based on the Group's actual economic earnings compared with the target, Gilles Schneppe and Olivier Bazil were awarded a certain number of performance share rights determined by the Board of Directors at its March 3, 2011 meeting. In addition, starting with the 2011 Plan, a second set of performance conditions decided by the Board of Directors applies to substantially all of the performance share rights granted to executive directors. They include an external performance condition (consolidated net margin compared with the margins reported by Legrand's peer group over a four-year period) and two internal performance conditions (economic earnings\* and economic margin performance over successive four-year periods). In summary, shares granted to executive directors under the 2011 Plan in respect of 2010 are subject to two sets of performance conditions, one applicable at the date of grant and the other at the end of the vesting period.
- (3) **2012 Plan:** For this plan, which concerns 2011 performance, the Board of Directors set the 2011 economic earnings\* target at the start of 2011. At its March 7, 2012 meeting, the Board of Directors granted 30,710 performance share rights to Gilles Schneppe based on actual 2011 economic earnings\* compared with the target. In addition, on the recommendation of the Nominations and Compensation

Committee, the Board decided to adjust the vesting conditions by setting more challenging performance objectives. If these objectives are not met, some or all of the performance shares may not vest. Based on the new objectives, the shares in the initial grant will not vest in their entirety unless the Company demonstrates an ability to create value over the long term by achieving growth in economic earnings\* over the four-year period immediately preceding the vesting date. However, if this first condition is not met, Mr. Schnepf may still retain the right to some of the shares based on a second condition, i.e. whether the Group's economic margin performance exceeded that of the companies in its peer group over the same period.

\* Adjusted operating profit minus cost of capital employed.

If all these shares were to vest (i.e. 1,380,203 shares), the Company's capital would be diluted by 0.5% as of June 30, 2014.

A total of 27,911 of performance share rights were granted under the 2012 Plan (based on 2011 performance) to the ten grantees other than executive directors who received the greatest number of rights.

### 12.1.2 Stock option plans

No stock option plans have been implemented since the 2010 Plan.

The following stock option plans were approved by the Company's Board of Directors in previous years:

	2007 Plan	2008 Plan	2009 Plan	2010 Plan
Date approved by shareholders	May 15, 2007	May 15, 2007	May 15, 2007	May 15, 2007
Grant date	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010
Total number of options granted	1,638,137	2,015,239	1,185,812	3,254,726
<i>o/w to Executive Directors</i>	<i>79,281</i>	<i>141,231</i>	<i>93,964</i>	<i>217,646</i>
• Gilles Schnepf	40,745	72,583	48,300	134,351
• Olivier Bazil	38,536	68,648	45,664	83,295
Start of exercise period	May 16, 2011	March 6, 2012	March 5, 2013	March 5, 2014
Expiry of exercise period	May 15, 2017	March 5, 2018	March 4, 2019	March 4, 2020
	€25.20	€20.58	€13.12	€21.82
Exercise price	Average closing price over the 20 trading days preceding the grant date	Average closing price over the 20 trading days preceding the grant date	Average closing price over the 20 trading days preceding the grant date	Average closing price over the 20 trading days preceding the grant date
Exercise terms (plans comprising several tranches)	(1) (2)	(1) (3)	(1) (4)	(1) (5)
Number of options exercised as of June 30, 2014	(967,367)	(1,077,950)	(548,548)	(1,029,905)
Number of options cancelled or forfeited	(107,421)	(121,239)	(107,612)	(236,589)
<b>Stock options outstanding at of June 30, 2014</b>	<b>563,349</b>	<b>816,050</b>	<b>529,652</b>	<b>1,988,232</b>

(1) Options vest after a maximum of four years, except in the event of resignation or termination for willful misconduct.

(2) The 2007 stock options were granted based on the Company's 2006 economic earnings\* compared with the target set for that year.

(3) The 2008 stock options were granted based on the Company's 2007 economic earnings\* compared with the target set for that year.

(4) The 2009 stock options were granted based on the Company's 2008 economic earnings\* compared with the target set for that year.

The Board of Directors set the 2008 economic earnings\* target for the 2009 Plan at the start of 2008. Based on actual performance

compared with the target, Gilles Schnepf and Olivier Bazil were awarded a certain number of stock options determined by the Board of Directors at its March 4, 2009 meeting.

- (5) The 2010 stock options were granted based on the Company's 2009 economic earnings\* compared with the target set for that year. The Board of Directors set the 2009 economic earnings\* target for the 2010 Plan at the start of 2009. Based on actual performance compared with the target, Gilles Schnepf and Olivier Bazil were awarded a certain number of stock options that was determined by the Board of Directors at its March 4, 2010 meeting. The number of options was deliberately limited, on beneficiaries' suggestion.

\* *Adjusted operating profit minus cost of capital employed.*

The weighted average market price of the Company stock upon exercises of stock options in first-half 2014 was €44.68.

If all these options were to be exercised (i.e. 3,897,283 options), the Company's capital would be diluted by a maximum of 1.5% (this is a maximum dilution as it does not take into account the exercise price of these options) as of June 30, 2014.

### 12.1.3 Valuation model applied to stock option plans

The fair value of share-based payment instruments is measured at the grant date, using the Black & Scholes option-pricing model or the binomial model, based on the following assumptions:

<b>Assumptions</b>	<b>2007 Plan</b>	<b>2008 Plan</b>	<b>2009 Plan</b>	<b>2010 Plan</b>
Risk-free rate	4.35%	3.40%	2.25%	2.91%
Expected volatility	28.70%	30.00%	38.40%	28.00%
Expected return	1.98%	3.47%	5.00%	3.20%

Options granted under all of these plans are considered as having a 5-year life.

### 12.1.4 Share-based payments: IFRS 2 charges

In accordance with IFRS 2, a charge of €5.8 million was recorded for first-half 2014 (first-half 2013: €10.9 million) for all of these plans combined. See also Note 16.2 for long term employee benefits plans implemented from 2013 (note 2.13).

## **12.2 Employee profit-sharing**

Under French law, the French entities in the Group are required to pay profit shares to employees when their after-tax profit exceeds a certain level. Amounts accrued are generally payable to employees after a period of five years.

In addition to this obligation, a number of the Group's French entities and foreign subsidiaries have set up discretionary profit-sharing plans. Under these plans, employees receive a portion of the entity's profit calculated on the basis of predetermined formulas negotiated by each entity.

An accrual of €17.1 million was recorded in first-half 2014 for statutory and discretionary profit-sharing plans.

## Note 13 - Retained earnings and translation reserves

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### 13.1 Retained earnings

Consolidated retained earnings of Legrand and its subsidiaries as of June 30, 2014 amounted to €2,483.4 million.

As of the same date, the parent company – Legrand – had retained earnings including profit of the period of €1,287.4 million available for distribution.

### 13.2 Translation reserves

As explained in Note 2.3, the translation reserve reflects the effects of currency fluctuations on the financial statements of subsidiaries when they are translated into euros.

The translation reserve records the impact of fluctuations in the following currencies:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
US dollar	(146.3)	(156.3)
Other currencies	(217.5)	(244.5)
	<b>(363.8)</b>	<b>(400.8)</b>

The Group operates in more than 80 countries. It is mainly exposed to a dozen of currencies other than euro and US dollar, out of which Brazilian real, Indian roupee, Turkish lira, Chilean peso, Australian dollar, and Russian rouble have had the largest impact on translation reserve during first-half 2014.

As explained in Note 2.12, unrealized foreign exchange gains and losses on US dollar-denominated 8½% Debentures (Yankee bonds) are recognized in the translation reserve. Losses on these bonds recognized in the translation reserve in first-half 2014 amounted to €3.1 million, resulting in a net negative balance of €5.9 million as of June 30, 2014.

In addition, as indicated in Note 2.3, translation gains and losses on receivables or payables treated as part of a net investment in the related foreign Group entity. Gains recognized in the translation reserve in first-half 2014 amounted to €1.4 million, resulting in a net negative balance of €3.4 million as of June 30, 2014.

## Note 14 - Long-term and short-term borrowings (Note 2.18)

### 14.1 Long-term borrowings

The Group actively manages its debt. Through diversified sources of financing, it increases the resources available to support medium-term business growth while guaranteeing a robust financial position over the long term.

Long-term borrowings can be analyzed as follows:

<i>(in € millions)</i>	June 30, 2014	December 31, 2013
8 ½% debentures	282.9	279.5
Bonds	1,100.0	1,100.8
Other borrowings*	100.2	114.8
	<b>1,483.1</b>	<b>1,495.1</b>
Debt issuance costs	(7.5)	(8.5)
	<b>1,475.6</b>	<b>1,486.6</b>

\*Including €49.7 million corresponding to private placement notes held by employees through the "Legrand Obligations Privées" corporate mutual fund (€55.2 million as of December 31, 2013).

Long-term borrowings (excluding debt issuance costs) are denominated in the following currencies:

<i>(in € millions)</i>	June 30, 2014	December 31, 2013
Euro	1,157.6	1,155.3
US dollar	282.9	279.5
Other currencies	42.6	60.3
	<b>1,483.1</b>	<b>1,495.1</b>

Long-term borrowings (excluding debt issuance costs) as of June 30, 2014 can be analyzed by maturity as follows:

<i>(in € millions)</i>	8 ½% debentures	Bonds	Other borrowings
Due in one to two years		0.0	35.9
Due in two to three years		300.0	18.4
Due in three to four years		400.0	29.0
Due in four to five years		0.0	9.0
Due beyond five years	282.9	400.0	7.9
	<b>282.9</b>	<b>1,100.0</b>	<b>100.2</b>

Long-term borrowings (excluding debt issuance costs) as of December 31, 2013 can be analyzed by maturity as follows:

<i>(in € millions)</i>	8 ½% debentures	Bonds	Other borrowings
Due in one to two years		0.8	6.4
Due in two to three years		0.0	45.2
Due in three to four years		300.0	36.3
Due in four to five years		400.0	19.6
Due beyond five years	279.5	400.0	7.3
	<b>279.5</b>	<b>1,100.8</b>	<b>114.8</b>

Average interest rates on borrowings are as follows:



(in € millions)	June 30, 2014	December 31, 2013
8½% debentures	8.50%	8.50%
Bonds	3.72%	3.73%
Other borrowings	1.92%	2.17%

#### 14.1.1 2011 Credit Facility

In October 2011, the Group signed an agreement with six banks to set up a €900.0 million revolving multicurrency facility (2011 Credit Facility) utilizable through drawdowns. The five-year facility may be extended for two successive one-year periods.

As the banks have agreed to the two one-year extensions, the 2011 Credit Facility will expire in October 2018.

Funds drawn down are subject to an interest rate equivalent to Euribor/Libor plus a margin determined on the basis of the Group's credit rating. As of June 30, 2014, this spread was 55 bps. In addition, the 2011 Credit Facility does not contain any covenants.

#### 14.1.2 8½% Debentures (Yankee bonds)

On February 14, 1995, Legrand France issued \$400.0 million worth of 8½% debentures due February 15, 2025, through a public placement in the United States. Interest on the debentures is payable semi-annually on February 15 and August 15 of each year, beginning August 15, 1995.

The debentures are not subject to any sinking fund and are not redeemable prior to maturity, except upon the occurrence of certain changes in the law requiring the payment of amounts in addition to the principal and interest. Should Legrand France be prevented by law from paying any such additional amounts, early redemption would generally be mandatory or, if such amounts could be paid, Legrand France may, at its option, redeem all – but not part – of the debentures in advance.

In December 2013, a number of debenture holders offered the Group to buy back their securities, also known as Yankee bonds. Acting on this offer, the Group decided to acquire Yankee bonds with an aggregate face value of \$6.5 million. The acquired debentures were subsequently cancelled.

#### 14.1.3 Bonds

In February 2010, the Group carried out a €300.0 million 4.25% seven-year bond issue. The bonds will be redeemable at maturity on February 24, 2017.

In March 2011, the Group carried out a €400.0 million 4.375% seven-year bond issue. The bonds will be redeemable at maturity on March 21, 2018.

In April 2012, the Group carried out a €400.0 million 3.375% ten-year bond issue. The bonds will be redeemable at maturity on April 19, 2022.

#### 14.1.4 Unused credit lines

As of June 30, 2014, the Group had access to drawdown capacity of €900.0 million on the 2011 revolving Credit Facility.

### **14.2 Short-term borrowings**

Short-term borrowings can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Commercial paper	205.0	0.0
Other borrowings	122.8	86.9
	<b>327.8</b>	<b>86.9</b>

## Note 15 - Provisions

Changes in provisions in first-half 2014 are as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>					
	Products guarantee	Claims and litigation	Fiscal and employee risks	Restructuring	Other	Total
At beginning of period	15.8	72.9	15.8	20.6	75.2	200.3
Changes in scope of consolidation	0.2	0.0	0.5	4.9	0.0	5.6
Increases	2.9	8.3	5.2	3.3	17.8	37.5
Utilizations	(1.2)	(4.6)	(0.4)	(4.3)	(4.5)	(15.0)
Reversals of surplus provisions	(2.1)	(10.8)	0.0	(0.1)	(2.6)	(15.6)
Reclassifications	0.0	1.8	(3.8)	(0.3)	(7.0)	(9.3)
Translation adjustments	0.2	0.7	0.4	0.6	1.1	3.0
<b>At end of period</b>	<b>15.8</b>	<b>68.3</b>	<b>17.7</b>	<b>24.7</b>	<b>80.0</b>	<b>206.5</b>
<i>Of which non-current portion</i>	<i>5.0</i>	<i>46.3</i>	<i>16.0</i>	<i>1.2</i>	<i>44.2</i>	<i>112.7</i>

Other provisions include long term provisions for employee benefits, including mainly a €24.7 million provision for the long-term employee benefits described in Note 16.2 (see also consolidated statement of equity for stocks options plans and performance shares plans previously granted and described in Note 12).

Other provisions also include a €13.0 million provision for environmental risks corresponding mainly to the depollution costs for property assets held for sale.

Changes in provisions in 2013 were as follows:

<i>(in € millions)</i>	<b>December 31, 2013</b>					
	Products guarantee	Claims and litigation	Fiscal and employee risks	Restructuring	Other	Total
At beginning of period	24.1	57.9	45.9	22.6	62.4	212.9
Changes in scope of consolidation	0.3	0.2	0.4	0.0	0.1	1.0
Increases	3.9	23.8	0.4	14.3	28.0	70.4
Utilizations	(4.2)	(3.3)	(5.7)	(11.8)	(9.5)	(34.5)
Reversals of surplus provisions	(2.7)	(13.9)	(4.1)	(0.6)	(8.2)	(29.5)
Reclassifications	(4.8)	10.1	(20.5)	(1.6)	9.0	(7.8)
Translation adjustments	(0.8)	(1.9)	(0.6)	(2.3)	(6.6)	(12.2)
<b>At end of period</b>	<b>15.8</b>	<b>72.9</b>	<b>15.8</b>	<b>20.6</b>	<b>75.2</b>	<b>200.3</b>
<i>Of which non-current portion</i>	<i>5.0</i>	<i>45.2</i>	<i>13.5</i>	<i>1.2</i>	<i>35.5</i>	<i>100.4</i>

## Note 16 - Pensions and other post-employment defined benefit obligations (Note 2.15)

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### 16.1 Pension and other post-employment defined benefit obligations

Pension and other post-employment defined benefit obligations can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
France (Note 16.1.2)	98.7	89.9
Italy (Note 16.1.3)	40.4	37.3
United Kingdom (Note 16.1.4)	10.1	8.3
United States (Note 16.1.5)	9.7	8.7
Other countries	17.1	16.4
<b>Total pension and other post-employment defined benefit obligations</b>	<b>176.0</b>	<b>160.6</b>
<i>Of which current portion</i>	<i>4.9</i>	<i>3.9</i>

The total amount of those liabilities is €176.0 million as of June 30, 2014 (€160.6 million as of December 31, 2013) and is analyzed in Note 16.1.1, which shows total liabilities of €328.1 million as of June 30, 2014 (€302.9 million as of December 31, 2013) less total assets of €152.1 million as of June 30, 2014 (€142.3 million as of December 31, 2013).

The provisions recorded in the balance sheet correspond to the portion of the total liability remaining payable by the Group; this amount is equal to the difference between the total obligation recalculated at each balance sheet date, based on actuarial assumptions, and the net residual value of the plan assets at that date.

### 16.1.1 Analysis of pension and other post-employment defined benefit obligations

The total (current and non-current) obligation under the Group's pension and other post-employment benefit plans, consisting primarily of plans in France, Italy, the United States and United Kingdom, is as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Defined benefit obligation</b>		
Projected benefit obligation at beginning of period	302.9	316.3
Service cost	4.4	8.7
Interest cost	5.7	9.7
Benefits paid	(6.7)	(17.8)
Employee contributions	0.3	0.3
Plan amendments	0.0	0.7
Actuarial loss/(gain)	17.0	(7.1)
Curtailments, settlements, special termination benefits	(0.2)	(0.1)
Translation adjustments	4.6	(7.0)
Other	0.1	(0.8)
<b>Projected benefit obligation at end of period (I)</b>	<b>328.1</b>	<b>302.9</b>
<b>Fair value of plan assets</b>		
Fair value of plan assets at beginning of period	142.3	135.0
Expected return on plan assets	3.1	5.0
Employer contributions	3.5	11.6
Employee contributions	0.3	0.6
Benefits paid	(3.7)	(13.2)
Actuarial (loss)/gain	2.8	7.6
Translation adjustments	3.8	(4.3)
<b>Fair value of plan assets at end of period (II)</b>	<b>152.1</b>	<b>142.3</b>
<b>Liability recognized in the balance sheet (I) - (II)</b>		
	<b>176.0</b>	<b>160.6</b>
Current liability	4.9	3.9
Non-current liability	171.1	156.7

Actuarial losses recognized in equity (comprehensive income for the period) as of June 30, 2014 amounted to €14.2 million (€10.2 million after tax), out of which €15.0 million from changes in financial assumptions.

The discount rates used are determined by reference to the yield on high quality bonds based on the following benchmark indices:

- Euro zone: iBoxx € Corporates AA 10+;
- United Kingdom: iBoxx £ Corporates AA 15+;
- United States: Citibank Pension Liability Index.

Sensitivity tests were performed on:

- The discount rate. According to the results of these tests, a 50-basis point reduction in the rate would lead to the recognition of additional actuarial losses of around €22.1 million and would increase the liability as of June 30, 2014 by the same amount.
- The rate of future salary increases. According to the results of these tests, a 50-basis point increase in the rate would lead to the recognition of additional actuarial losses of around €3.9 million and would increase the liability as of June 30, 2014 by the same amount.

Discounted future payments for the Group's pension and other post-employment benefit plans are as follows:

<i>(in € millions)</i>	
2 <sup>nd</sup> half 2014	5.2
2015	11.9
2016	12.2
2017	14.0
2018 and beyond	284.8
	<b>328.1</b>

The impact on profit is as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Service cost	(4.4)	(4.3)
Net interest cost	(2.6)	(2.1)
Other	0.2	0.3
	<b>(6.8)</b>	<b>(6.1)</b>

The weighted-average allocation of pension plan assets is as follows as of June 30, 2014:

<i>(as a percentage)</i>	France	United Kingdom	United States	Weighted total
Equity instruments		45.4	62.5	51.9
Debt instruments		47.7	35.3	41.8
Insurance funds	100.0	6.9	2.2	6.3
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

#### 16.1.2 Provisions for retirement benefits and supplementary pension benefits in France

The provisions recorded in the consolidated balance sheet concern the unvested entitlements of active employees. The Group has no obligation with respect to the vested entitlements of former employees, as the benefits were settled at the time of their retirement, either directly or through payments to insurance companies in full discharge of the liability.

The main defined benefit plan applicable in France concerns statutory length-of-service awards, under which all retiring employees are eligible for a lump-sum payment calculated according to their length of service. This payment is defined either in the collective bargaining agreement to which their company is a party or in a separate company-

level agreement, whichever is more advantageous to the employee. The amount generally varies depending on the employee category (manager/non-manager).

In France, provisions recorded in the consolidated balance sheet amount to €98.7 million as of June 30, 2014 (€89.9 million as of December 31, 2013), corresponding to the difference between the projected benefit obligation of €100.8 million as of June 30, 2014 (€92.1 million as of December 31, 2013) and the fair value of the related plan assets of €2.1 million as of June 30, 2014 (€2.2 million as of December 31, 2013).

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation was based on a salary increase rate of 3.0%, a discount rate and an expected return on plan assets of 2.4% (3.0% and 3.0% in 2013).

#### 16.1.3 Provisions for termination benefits in Italy

In Italy, a termination benefit is awarded to employees regardless of the reason for their departure.

Since January 1, 2007, these benefits have been paid either into an independently managed pension fund or to the Italian social security service (INPS). As from that date, the Italian termination benefit plans have been qualified as defined contribution plans under IFRS. Termination benefit obligations arising prior to January 1, 2007 continue to be accounted for under IFRS as defined benefit plans, based on revised actuarial estimates that exclude the effect of future salary increases.

The resulting provisions for termination benefits, which correspond to the obligation as of December 31, 2006 plus the ensuing actuarial revisions, amounted to €40.4 million as of June 30, 2014 (€37.3 million as of December 31, 2013).

The calculation was based on a discount rate of 2.3% (3.0% in 2013).

#### 16.1.4 Provisions for retirement benefits and other post-employment benefits in United Kingdom

The UK plan is a trustee-administered plan governed by article 153 of the 2004 Finance Act, and is managed in a legal entity outside of Group.

Benefits are paid directly out of funds consisting of contributions paid by the company and by plan participants.

Contributions are calculated as a percentage of each participant's salary while he or she is employed by the UK subsidiary. Upon retirement, participants may choose to receive a lump sum representing up to 25% of their total benefit entitlement, and a regular pension whose amount depends on the amount of the lump-sum payment, if any.

The plan's trustees include three people employed by the subsidiary and two former employees who have retired. They are advised by an independent actuary.

The plan has been closed to new entrants since May 2004.

Active plan participants account for 2.4% of the projected benefit obligation, participants who are no longer accumulating benefit entitlements for 46.2% and retired participants for 51.4%.

Plan assets include equities for 45.4%, debt securities for 47.7% and insurance funds for 6.9%. All of these assets are marked to market.

The provisions recorded in the consolidated balance sheet amounted to €10.1 million as of June 30, 2014 (€8.3 million as of December 31, 2013), corresponding to the difference between the projected benefit obligation of €88.9 million (€80.9 million as of December 31, 2013) and the fair value of the related plan assets of €78.8 million (€72.6 million as of December 31, 2013).

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. The calculation was based on a salary increase rate of 4.3%, a discount rate and an expected return on plan assets of 4.1% (4.4% and 4.4% in 2013).

#### 16.1.5 Provisions for retirement benefits and other post-employment benefits in the United States

In the United States, the Group provides pension benefits for employees and health care and life insurance for certain retired employees.

The Legrand North America Retirement Plan is covered by a plan document in force since January 2002 that was last amended in January 2008. The minimum funding requirement is determined based on Section 430 of the Internal Revenue Code.

The trustee-administered plan is funded by employer contributions. Benefits for certain salaried plan participants at a percentage of their salary, which varies based on the participant's seniority. Benefits for certain hourly plan participants are a flat dollar amount based on the participant's seniority.

Salaried participants may choose to receive benefits either in a single lump sum payment or as a regular pension. Hourly participants receive benefits as a regular pension.

To meet its obligations under the plan, the Group has set up a Trust with Prudential Financial, Inc. The trust assets include several different investment funds.

The current trustee is Legrand North America. The Wiremold Company is the Plan Administrator and the Custodian is Prudential Financial, Inc.

The plan has been closed to new entrants since August 2006 for salaried employees and since April 2009 for hourly employees.

Active plan participants account for 27.0% of the projected benefit obligation, participants who are no longer accumulating benefit entitlements for 14.1% and retired participants for 58.9%.

Plan assets include equities (mainly US companies) for 62.5%, debt securities (mainly US bonds) for 35.3% and insurance funds for 2.2%. All of these assets are marked to market.

The funding policy consists of ensuring that the legal minimum funding requirement is met at all times.

The provisions recorded in the consolidated balance sheet amounted to €9.7 million as of June 30, 2014 (€8.7 million as of December 31, 2013), corresponding to the difference between the projected benefit obligation of



€68.6 million (€65.1 million as of December 31, 2013) and the fair value of the related plan assets of €58.9 million (€56.4 million as of December 31, 2013).

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. The calculation was based on a salary increase rate of 3.5%, a discount rate and an expected return on plan assets of 4.0% (3.5% and 4.5% in 2013).

## 16.2 Other long-term employee benefits

The Group implemented long-term employee benefits plans for members of the Group Executive Committee, including the Chairman and Chief Executive Officer and for other employees deemed to be key for the Group, assuming the grantee is still present within the Group after a vesting period of three years.

In addition to the grantee being still present within the Group, the plans can, as the case maybe, depend on the Group's future achievement of economic performance with or without indexation on the share price.

The plan based on the share price will be cash-settled and, in accordance with IFRS 2, the corresponding liability has thus been recorded in the balance sheet and will be remeasured at each period-end until the transaction is settled.

The other plans qualify as long-term employee benefit plans, with corresponding provision recognized in compliance with IAS 19.

For the 6 months ended June 30, 2014, an expense of €11.6 million was recognized in operating profit in respect to these plans. See also Note 12.1 for stocks options plans and performance shares plans previously granted, and Note 12.1.4 for IFRS 2 charges accounted for in previous and actual periods.

## Note 17 - Other current liabilities

Other current liabilities can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Tax liabilities	79.7	66.2
Accrued employee benefits expense	184.1	186.1
Statutory and discretionary profit-sharing reserve	17.9	26.6
Payables related to fixed asset purchases	9.8	15.3
Accrued expenses	64.6	50.6
Accrued interest	22.7	46.2
Deferred revenue	13.2	15.0
Pension and other post-employment benefit obligations	4.9	3.9
Other current liabilities	30.3	31.9
	<b>427.2</b>	<b>441.8</b>

## Note 18 - Analysis of certain expenses

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### 18.1 Analysis of operating expenses

Operating expenses include the following main categories of costs:

<i>(in € millions)</i>	June 30, 2014	June 30, 2013
Raw materials and component costs	(715.2)	(717.6)
Personnel costs	(585.8)	(588.4)
Depreciation expense	(46.7)	(50.1)
Amortization expense	(31.1)	(32.5)

As of June 30, 2014 the Group had 34,000 employees on the payroll (June 30, 2013: 33,389).

### 18.2 Analysis of other operating income and expense

<i>(in € millions)</i>	June 30, 2014	June 30, 2013
Restructuring costs	(10.9)	(8.9)
Goodwill impairment	0.0	0.0
Other	(9.0)	(23.0)
	<b>(19.9)</b>	<b>(31.9)</b>

## Note 19 - Total net financial expense

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### 19.1 Exchange gains (losses)

<i>(in € millions)</i>	June 30, 2014	June 30, 2013
Exchange gains (losses)	(0.1)	(6.1)

### 19.2 Net financial expense

<i>(in € millions)</i>	June 30, 2014	June 30, 2013
Financial income	4.2	3.2
Change in fair value of financial instruments	0.0	0.1
Total financial income	4.2	3.3
Financial expense	(42.3)	(42.9)
Change in fair value of financial instruments	0.0	0.0
Total financial expense	(42.3)	(42.9)
<b>Net financial expense</b>	<b>(38.1)</b>	<b>(39.6)</b>

Financial expense corresponds essentially to interest costs on borrowings (Note 14).

## Note 20 - Income tax expense (Note 2.10)

Income tax expense consists of the following:

<i>(in € millions)</i>	June 30, 2014	June 30, 2013
Current taxes:		
France	(42.4)	(43.3)
Outside France	(94.1)	(94.8)
	(136.5)	(138.1)
Deferred taxes:		
France	3.5	0.9
Outside France	7.4	12.0
	10.9	12.9
Total income tax expense:		
France	(38.9)	(42.4)
Outside France	(86.7)	(82.8)
	<b>(125.6)</b>	<b>(125.2)</b>

The reconciliation of total income tax expense for the period to income tax calculated at the standard tax rate in France is as follows, based on profit before tax of €398.2 million in first-half 2014 versus €396.4 million in first-half 2013:

<i>(Tax rate)</i>	June 30, 2014	June 30, 2013
<b>Standard French income tax rate</b>	<b>34.43%</b>	<b>34.43%</b>
Increases (reductions):		
- Additional contributions in France	0.71%	0.33%
- Effect of foreign income tax rates	(4.78%)	(5.02%)
- Non-taxable items	(1.24%)	1.01%
- Income taxable at specific rates	0.41%	0.51%
- Other	2.63%	0.99%
	32.16%	32.25%
Impact on deferred taxes of:		
- Changes in tax rates	(0.07%)	0.00%
- Recognition or non-recognition of deferred tax assets	(0.55%)	(0.65%)
<b>Effective tax rate</b>	<b>31.54%</b>	<b>31.60%</b>

Deferred taxes recorded in the balance sheet result from temporary differences between the carrying amount of assets and liabilities and their tax base and can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Deferred taxes recorded by French companies	(303.4)	(309.2)
Deferred taxes recorded by foreign companies	(249.3)	(258.1)
	<b>(552.7)</b>	<b>(567.3)</b>
Origin of deferred taxes:		
- Impairment losses on inventories and receivables	45.6	44.0
- Margin on inventories	21.7	22.4
- Recognized operating losses carried forward	12.0	11.5
- Finance leases	(12.5)	(13.5)
- Fixed assets	(143.3)	(131.5)
- Trademarks	(532.4)	(532.7)
- Developed technology	(1.3)	(1.3)
- Other provisions	33.5	24.0
- Statutory profit-sharing	2.5	3.8
- Pensions and other post-employment benefits	43.0	39.9
- Fair value adjustments to derivative instruments	(1.9)	(2.0)
- Other	(19.6)	(31.9)
	<b>(552.7)</b>	<b>(567.3)</b>
- Of which deferred tax assets	92.6	94.5
- Of which deferred tax liabilities	(645.3)	(661.8)

Short and long-term deferred taxes can be analyzed as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Deferred taxes – short term	75.1	73.9
Deferred taxes – long term	(627.8)	(641.2)
	<b>(552.7)</b>	<b>(567.3)</b>

Tax losses carried forward break down as follows:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Recognized operating losses carried forward	43.8	40.3
Recognized deferred tax assets	12.0	11.5
Unrecognized operating losses carried forward	133.3	128.3
Unrecognized deferred tax assets	34.3	32.8
Total net operating losses carried forward	177.1	168.6

The recognized deferred tax assets are expected to be utilized no later than five years from the period-end.

## Note 21 - Off-balance sheet commitments and contingent liabilities

### 21.1 Specific transactions

Specific commitments and their expiry dates are discussed in the following notes:

- Note 6: Property, plant and equipment,
- Note 16: Pension and other post-employment benefit obligations.

### 21.2 Routine transactions

#### 21.2.1 Financial guarantees

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Assets mortgaged or pledged as collateral	13.8	18.5
Guarantees given to banks	169.2	168.3
Guarantees given to other organizations	20.4	28.6
	<b>203.4</b>	<b>215.4</b>

Most of these guarantees are given by the Company to banks for Group subsidiaries located outside of France.

#### 21.2.2 Operating leases

The Group uses certain facilities under lease agreements and leases certain equipment. There are no special restrictions related to these operating leases. Future minimum rental commitments under leases are detailed below:

<i>(in € millions)</i>	<b>June 30, 2014</b>	<b>December 31, 2013</b>
Due within one year	44.0	45.7
Due in one to two years	38.5	38.5
Due in two to three years	30.0	30.3
Due in three to four years	23.5	22.4
Due in four to five years	17.6	18.2
Due beyond five years	47.1	48.9
	<b>200.7</b>	<b>204.0</b>

#### 21.2.3 Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €7.6 million as of June 30, 2014.

### 21.3. Contingent liabilities

The Group is involved in a number of claims and legal proceedings arising in the normal course of business. In the opinion of management, all such matters have been adequately provided for or are without merit, and are of such nature that, should the outcome nevertheless be unfavorable to the Group, they should not have a material adverse effect on the Group's consolidated financial position or results of operations.

## Note 22 - Financial instruments and management of financial risks

### 22.1. Financial instruments

#### 22.1.1 Derivatives

	Juner 30, 2014			
<i>(in € millions)</i>	Financial income and expense, net	Equity	Book value	IFRS designation
<b>Exchange rate derivatives</b>				
Forwards and options designated as fair value hedges	(1.2)		(0.2)	FVH*
Forward contracts designated as net investment hedges				NIH**
<b>Commodity derivatives</b>				
Futures and options				FVH*
<b>Interest rate derivatives</b>				
Interest rate caps				FVH*
	<b>(1.2)</b>		<b>(0.2)</b>	

\*Fair Value Hedge

\*\* Net Investment Hedge

All financial instruments are classified in Level 2 of the fair value hierarchy described in Note 2.12.

#### 22.1.2 Impact of financial instruments

	6 months ended June 30, 2014			
<i>(in € millions)</i>	Impact on financial income and expense, net	Fair value	Impact on equity	
			Translation adjustment	Other
Trade receivables				
Trade payables				
Borrowings	(35.3)		(3.1)	
Derivatives	(1.2)			
	<b>(36.5)</b>		<b>(3.1)</b>	

Debentures denominated in US dollars ("Yankee bonds") are designated as hedges of the foreign currency risk associated with the net investment in the United States (see discussion of net investment hedges in Note 2.12).

### 22.1.3 Breakdown of balance sheet items by type of financial instrument

	June 30, 2014					December 31, 2013
	Type of financial instrument					
<i>(in € millions)</i>	Carrying amount	Fair value	Instruments designated at fair value through profit or loss	Receivables, payables and borrowings at amortized cost	Derivatives	Carrying amount
<b>ASSETS</b>						
<b>Current assets</b>						
Trade receivables	589.6	589.6		589.6		474.3
Other current financial assets	0.0	0.0			0.0	0.0
<b>Total current assets</b>	<b>589.6</b>	<b>589.6</b>		<b>589.6</b>	<b>0.0</b>	<b>474.3</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Current liabilities</b>						
Short-term borrowings	327.8	327.8		327.8		86.9
Trade payables	490.5	490.5		490.5		468.8
Other current financial liabilities	0.2	0.2			0.2	0.1
<b>Total current liabilities</b>	<b>818.5</b>	<b>818.5</b>		<b>818.3</b>	<b>0.2</b>	<b>555.8</b>
<b>Non-current liabilities</b>						
Long-term borrowings	1,475.6	1,605.8		1,475.6		1,486.6
<b>Total non-current liabilities</b>	<b>1,475.6</b>	<b>1,605.8</b>		<b>1,475.6</b>		<b>1,486.6</b>

Only items classified as “Other current financial assets and liabilities” are measured at fair value. In accordance with IFRS 13, fair value measurement of other current financial assets takes counterparty default risk into account.

In light of the Group’s credit rating, the measurement of other current financial liabilities is subject to insignificant credit risk.

## 22.2 Management of financial risks

The Group’s cash management strategy is based on overall financial risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving derivative financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks and as such are limited in duration and value.

This strategy is centralized at Group level. Its implementation is deployed by the Financing and Treasury Department who recommends appropriate measures and implements them after they have been validated by the Corporate Finance Department and Group management. A detailed reporting system has been set up to enable permanent close tracking of the Group’s positions and effective oversight of the management of the financial risks described in this note.

Current financial assets and liabilities are measured based on observable market data and are as follows:

<i>(in € millions)</i>	June 30, 2014	December 31, 2013
<b>Other current financial assets</b>	<b>0.0</b>	<b>0.0</b>
Swaps	0.0	0.0
Financial derivatives with a positive fair value	0.0	0.0
<b>Other current financial liabilities</b>	<b>0.2</b>	<b>0.1</b>
Swaps	0.0	0.0
Financial derivatives with a negative fair value	0.2	0.1

### 22.2.1 Interest rate risk

As part of an interest rate risk management policy aimed mainly at managing the risk of a rate increase, the Group has structured its debt into a combination of fixed and variable rate financing.

Net debt (excluding debt issuance costs) breaks down as follows between fixed and variable interest rates before the effect of hedging instruments:

<i>(in € millions)</i>	June 30, 2014							December 31, 2013
	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due beyond 5 years	Total	Total
<b>Financial assets*</b>								
Fixed rate								
Variable rate	537.9	2.4					540.3	605.8
<b>Financial liabilities**</b>								
Fixed rate	(6.6)	(14.4)	(317.0)	(410.6)	(7.7)	(682.9)	(1,439.2)	(1,439.0)
Variable rate	(321.2)	(21.5)	(1.4)	(18.4)	(1.3)	(7.9)	(371.7)	(143.0)
<b>Net exposure</b>								
Fixed rate	(6.6)	(14.4)	(317.0)	(410.6)	(7.7)	(682.9)	(1,439.2)	(1,439.0)
Variable rate	216.7	(19.1)	(1.4)	(18.4)	(1.3)	(7.9)	168.6	462.8

\*Financial assets: cash and marketable securities

\*\*Financial liabilities: borrowings (excluding debt issuance costs)

In April 2011, the Group purchased interest rate swaps on a notional amount of €275.0 million expiring on March 21, 2015.

In 2011, the Group cancelled the interest rate swaps and accordingly adjusted the hedged debt by €12.3 million. In accordance with IAS 39, this adjustment will be amortized to profit or loss as a deduction to financial expense in the period through March 2015, i.e. over the initial life of the swaps. The gain recognized in first-half 2014 was €1.7 million (€1.7 million in first-half 2013).

As part of Group's interest rate risk management policy, further interest rate swaps may be set up in the future, based on changes in market conditions.



The following table shows the sensitivity of net debt to changes in interest rates, before hedging instruments:

<i>(in € millions)</i>	June 30, 2014		June 30, 2013	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
Impact of a 100-bps increase in interest rates	1.9	1.9	1.5	1.5
Impact of a 100-bps decrease in interest rates	(2.4)	(2.4)	(2.0)	(2.0)

The impact of a 100 basis point increase in interest rates would result in a gain of €1.9 million due to a net positive exposure to variable rate. Conversely, the impact of a 100 basis points decrease in interest rates would result in a loss of €2.4 million.

### 22.2.2 Currency risk

The Group operates in international markets and is therefore exposed to risks through its use of several different currencies.

The following table shows the breakdown of net debt (excluding debt issuance costs) by currency:

<i>(in € millions)</i>	June 30, 2014					December 31, 2013
	Financial assets*	Financial liabilities**	Net exposure before hedging	Hedging	Net exposure after hedging	Net exposure after hedging
Euro	192.8	1,372.3	(1,179.5)	(37.5)	(1,217.0)	(853.1)
US dollar	109.8	303.6	(193.8)	51.3	(142.5)	(240.6)
Other currencies	237.7	135.0	102.7	(13.8)	88.9	117.5
	<b>540.3</b>	<b>1,810.9</b>	<b>(1,270.6)</b>	<b>0.0</b>	<b>(1,270.6)</b>	<b>(976.2)</b>

\*Financial assets: cash and marketable securities

\*\*Financial liabilities: borrowings (excluding debt issuance costs)

The following table shows the sensitivity of gross debt to changes in the exchange rate of the euro against other currencies, before hedging instruments:

<i>(in € millions)</i>	June 30, 2014		June 30, 2013	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
	10% increase		10% increase	
US dollar	1.4	29.7	3.6	33.7
Other currencies	1.5	13.5	8.0	8.0

	June 30, 2014		June 30, 2013	
<i>(in € millions)</i>	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
	10% decrease		10% decrease	
US dollar	(1.2)	(27.0)	(3.3)	(30.6)
Other currencies	(1.3)	(12.3)	(7.3)	(7.3)

“Natural” hedges are preferred, in particular by balancing the breakdown by currency of net debt with the breakdown by currency of operating profit.

If required, when acquisition of an asset is financed using a currency other than the functional currency of the country, the Group may enter into forward-contracts to hedge its exchange rate risk. As of June 30, 2014 the Group has set up forward contracts in Australian dollars and in US dollars which are accounted for in the balance sheet at their fair value.

The table below presents the breakdown of net sales and operating expenses by currency as June 30, 2014:

<i>(in € millions)</i>	Net sales		Operating expenses	
Euro	986.0	44.3%	740.7	41.4%
US dollar	443.7	20.0%	379.6	21.2%
Other currencies	794.9	35.7%	668.3	37.4%
	<b>2,224.6</b>	<b>100.0%</b>	<b>1,788.2</b>	<b>100.0%</b>

As shown in the above table, natural hedges are also set up by matching costs and revenues in each of the Group's operating currencies.

Residual amounts are hedged by options to limit the Group's exposure to fluctuations in the main currencies concerned. These hedges are for periods of less than 18 months.

As of June 30, 2014 the Group has set up forward contracts in US dollars which are accounted for in the balance sheet at their fair value.

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies applied to first-half 2014 figures would have resulted in a decrease in net revenue of approximately €112.6 million and a decrease in operating profit of approximately €17.3 million, while a 10% decrease would have resulted in an increase in net revenue of approximately €123.9 million and an increase in operating profit of approximately €19.1 million.

In the same way, a 10% increase applied to first-half 2013 figures would have resulted in a decrease in net revenue of approximately €115.2 million and a decrease in operating profit of approximately €18.4 million, while a 10% decrease would have resulted in an increase in net revenue of approximately €126.7 million and an increase in operating profit of approximately €20.2 million.

### 22.2.3 Commodity risk

The Group is exposed to commodity risk arising from changes in the price of raw materials.

Raw materials consumption (except components) amounted to around €430.0 million in 2013.

A 10% increase in the price of above mentioned consumption would theoretically feed through to around a €43.0 million increase in annual purchasing costs. The Group believes that it could, circumstances permitting; raise the prices of its products in the short term to offset the overall adverse impact of any such increases.

Additionally, the Group can set up specific derivative financial instruments (options) for limited amounts and periods to hedge part of the risk of an unfavorable change in copper and certain other raw material prices.

The Group did not set up any such hedging contracts in first-half 2014.

### 22.2.4 Credit risk

Credit risk covers both:

- Risks related to outstanding customer receivables.
- Counterparty risks with financial institutions.

As explained in note 8, a substantial portion of Group revenue is generated with two major distributors. Other revenue is essentially derived from distributors of electrical products but sales are diversified due to the large number of customers and their geographic dispersion. The Group actively manages its credit risk by establishing regularly reviewed individual credit limits for each customer, constantly monitoring collection of its outstanding receivables and systematically chasing up past due receivables. In addition, the situation is reviewed regularly with the Corporate Finance Department. When the Group is in a position to do so, it can resort to either credit insurance or factoring.

Financial instruments that may potentially expose the Group to counterparty risk are principally cash equivalents, short-term investments and hedging instruments. These assets are placed with well-rated financial institutions or Corporates with the aim of fragmenting the exposure to these counterparties. Those strategies are decided and monitored by the Corporate Finance Department, which ensures a daily follow up of notations and Credit Default Swap rates of any one of these counterparties.

### 22.2.5 Liquidity risk

The Group considers that managing liquidity risk depends primarily on having access to diversified sources of financing as to their origin and maturity. This approach represents the basis of the Group's financing policy.

The total amount of net debt (€1,263.1 million as of June 30, 2014) is fully financed by financing facilities expiring at the earliest in 2017 and at the latest in 2025. The average maturity of gross debt is six years.

Legrand is rated A- Stable Outlook by Standard & Poor's, attesting to the strength of the Group's business model and balance sheet.

<b>Rating agency</b>	<b>Long term debt</b>	<b>Outlook</b>
S&P	A-	Stable

## Note 23 - Information relating to corporate officers

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The Group identified corporate officers as being its related parties.

It considers that, as per IAS 24 corporate officers are the members of the board of directors.

Compensation and benefits provided to the members of the board of directors for their services are detailed in the following table:

	<b>June 30, 2014</b>	<b>June 30, 2013</b>
	<i>(in € millions)</i>	
<b>Compensation (amounts paid during the period)</b>		
Fixed compensation	1.7	1.7
Variable compensation	2.0	1.3
Other short-term benefits <sup>(1)</sup>	0.0	0.0
<b>Pension benefits and other post-employment benefits</b> <sup>(2)</sup>	<b>1.5</b>	<b>0.7</b>
<b>Other long-term benefits (charge for the period)</b> <sup>(3)</sup>	<b>1.1</b>	<b>0.5</b>
<b>Termination benefits (charge for the period)</b>	<b>0.0</b>	<b>0.0</b>
<b>Share-based payments (charge for the period)</b> <sup>(4)</sup>	<b>0.5</b>	<b>1.3</b>

<sup>(1)</sup> Other short-term benefits include directors' fees and benefits in kind.

<sup>(2)</sup> Change in the obligation's present value (in accordance with IAS 19).

<sup>(3)</sup> As per the long-term employee benefits plans described in Note 16.2.

<sup>(4)</sup> As per the performance share plans and the stock option plans described in Note 12.

## Note 24 - Information by geographical segment (Note 2.16)

The information by geographical segment presented below corresponds to the information used by the Group management to allocate resources to the various segments and to assess each segment's performance. It is extracted from the Group's consolidated reporting system.

6 months ended June 30, 2014 (in € millions)	Geographical segments					Items not allocated to segments	Total
	France	Europe Italy	Others	USA/ Canada	Rest of the world		
<b>Revenue to third parties</b>	<b>539.4</b>	<b>276.5</b>	<b>393.0</b>	<b>407.6</b>	<b>608.1</b>		<b>2,224.6</b>
Cost of sales	(194.1)	(99.9)	(223.2)	(202.8)	(350.5)		(1,070.5)
Administrative and selling expenses, R&D costs	(207.8)	(83.1)	(99.7)	(140.0)	(167.2)		(697.8)
Other operating income (expense)	(2.0)	(0.3)	(4.9)	(4.0)	(8.7)		(19.9)
<b>Operating profit</b>	<b>135.5</b>	<b>93.2</b>	<b>65.2</b>	<b>60.8</b>	<b>81.7</b>		<b>436.4</b>
- of which acquisition-related amortization, expense and income*							
• accounted for in administrative and selling expenses, R&D costs	(3.2)	0.0	(1.3)	(5.4)	(7.0)		(16.9)
• accounted for in other operating income (expense)							0.0
- of which goodwill impairment							0.0
<b>Adjusted operating profit</b>	<b>138.7</b>	<b>93.2</b>	<b>66.5</b>	<b>66.2</b>	<b>88.7</b>		<b>453.3</b>
- of which depreciation expense	(13.6)	(10.3)	(7.2)	(4.4)	(11.0)		(46.5)
- of which amortization expense	(1.0)	(1.8)	(0.5)	(1.1)	(0.5)		(4.9)
- of which amortization of development costs	(8.6)	(3.3)	0.1	(0.3)	(0.2)		(12.3)
- of which restructuring costs	(4.0)	(2.5)	(1.5)	(0.4)	(2.5)		(10.9)
Net cash provided by operating activities						233.4	233.4
Net proceeds from sales of fixed and financial assets						0.8	0.8
Capital expenditure	(9.3)	(6.4)	(7.5)	(3.1)	(9.8)		(36.1)
Capitalized development costs	(10.4)	(3.3)	(0.2)	(0.1)	(0.2)		(14.2)
<b>Free cash flow**</b>						<b>183.9</b>	<b>183.9</b>
<b>Normalized free cash flow***</b>						<b>314.0</b>	<b>314.0</b>
<b>Normalized free cash flow as % of sales</b>							<b>14.1%</b>
Current operating assets excluding taxes	235.5	170.5	273.3	206.0	523.3		1,408.6
Net tangible assets	176.7	119.8	86.8	43.5	123.7		550.5
Current operating liabilities excluding taxes	339.3	183.5	110.2	111.0	267.5		1,011.5

\* Amortization of intangible assets remeasured as part of the purchase price allocation process, plus any acquisition-related expense and income.

\*\* Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds from sales of fixed and financial assets minus capital expenditure and capitalized development costs.

\*\*\* Normalized free cash flow is defined as the sum of (i) net cash provided by operating activities, based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for the semester and (ii) the net proceeds from sales of non-current assets minus (iii) capital expenditure and capitalized development costs.

6 months ended June 30, 2013 (in € millions)	Geographical segments					Items not allocated to segments	Total
	France	Europe Italy	Others	USA/ Canada	Rest of the world		
<b>Revenue to third parties</b>	<b>539.9</b>	<b>289.1</b>	<b>384.8</b>	<b>392.5</b>	<b>647.7</b>		<b>2,254.0</b>
Cost of sales	(195.2)	(100.5)	(222.9)	(195.0)	(364.9)		(1,078.5)
Administrative and selling expenses, R&D costs	(205.5)	(86.6)	(100.5)	(134.7)	(174.2)		(701.5)
Other operating income (expense)	(8.3)	(2.8)	(3.3)	(6.7)	(10.8)		(31.9)
<b>Operating profit</b>	<b>130.9</b>	<b>99.2</b>	<b>58.1</b>	<b>56.1</b>	<b>97.8</b>		<b>442.1</b>
- of which acquisition-related amortization, expense and income*							
• accounted for in administrative and selling expenses, R&D costs	(2.3)	0.0	(1.4)	(5.0)	(6.7)		(15.4)
• accounted for in other operating income (expense)							0.0
- of which goodwill impairment							0.0
<b>Adjusted operating profit</b>	<b>133.2</b>	<b>99.2</b>	<b>59.5</b>	<b>61.1</b>	<b>104.5</b>		<b>457.5</b>
- of which depreciation expense	(15.4)	(11.2)	(6.7)	(4.5)	(11.9)		(49.7)
- of which amortization expense	(1.9)	(1.9)	(0.6)	(0.9)	(0.5)		(5.8)
- of which amortization of development costs	(9.2)	(3.2)	0.0	(0.4)	(0.2)		(13.0)
- of which restructuring costs	(3.5)	(0.4)	(1.4)	(0.5)	(3.1)		(8.9)
Net cash provided by operating activities						215.4	215.4
Net proceeds from sales of fixed and financial assets						3.0	3.0
Capital expenditure	(9.6)	(7.6)	(6.4)	(5.1)	(10.9)		(39.6)
Capitalized development costs	(10.6)	(3.1)	0.0	(0.2)	(0.2)		(14.1)
<b>Free cash flow**</b>						<b>164.7</b>	<b>164.7</b>
<b>Normalized free cash flow***</b>						<b>316.5</b>	<b>316.5</b>
<b>Normalized free cash flow as % of sales</b>							<b>14.0%</b>
Current operating assets excluding taxes	292.8	189.5	266.5	172.0	484.9		1,405.7
Net tangible assets	186.4	130.0	75.0	47.7	125.9		565.0
Current operating liabilities excluding taxes	330.9	193.9	115.2	106.5	276.6		1,023.1

\*Amortization of intangible assets remeasured as part of the purchase price allocation process, plus any acquisition-related expense and income.

\*\* Free cash flow is defined as the sum of net cash provided by operating activities and net proceeds from sales of fixed and financial assets minus capital expenditure and capitalized development costs.

\*\*\* Normalized free cash flow is defined as the sum of (i) net cash provided by operating activities, based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for the semester and (ii) the net proceeds from sales of non-current assets minus (iii) capital expenditure and capitalized development costs (H1 2013 reported figures unadjusted for the semester: €316.9 million and 14.1%).

## Note 25 - Quarterly data – unaudited

### 25.1 Quarterly revenue by geographical segment (billing region)

<i>(in € millions)</i>	1 <sup>st</sup> quarter 2014	1 <sup>st</sup> quarter 2013
France	270.7	268.7
Italy	143.4	151.7
Rest of Europe	199.1	187.5
USA/Canada	181.9	185.0
Rest of the world	289.2	300.0
<b>Total</b>	<b>1,084.3</b>	<b>1,092.9</b>

<i>(in € millions)</i>	2 <sup>nd</sup> quarter 2014	2 <sup>nd</sup> quarter 2013
France	268.7	271.2
Italy	133.1	137.4
Rest of Europe	193.9	197.3
USA/Canada	225.7	207.5
Rest of the world	318.9	347.7
<b>Total</b>	<b>1,140.3</b>	<b>1,161.1</b>

### 25.2 Quarterly income statements

<i>(in € millions)</i>	1 <sup>st</sup> quarter 2014	1 <sup>st</sup> quarter 2013
<b>Revenue</b>	<b>1,084.3</b>	<b>1,092.9</b>
<b>Operating expenses</b>		
Cost of sales	(517.6)	(525.5)
Administrative and selling expenses	(294.1)	(297.9)
Research and development costs	(48.8)	(50.6)
Other operating income (expense)	(12.9)	(10.3)
<b>Operating profit</b>	<b>210.9</b>	<b>208.6</b>
Financial expense	(20.9)	(22.9)
Financial income	2.2	3.1
Exchange gains (losses)	(0.5)	(3.9)
Total net financial expense	(19.2)	(23.7)
<b>Profit before tax</b>	<b>191.7</b>	<b>184.9</b>
Income tax expense	(61.5)	(60.1)
<b>Profit for the period</b>	<b>130.2</b>	<b>124.8</b>
<b>Attributable to:</b>		
- Equity holders of Legrand	129.5	124.5
- Minority interests	0.7	0.3

<i>(in € millions)</i>	<b>2<sup>nd</sup> quarter 2014</b>	<b>2<sup>nd</sup> quarter 2013</b>
<b>Revenue</b>	<b>1,140.3</b>	<b>1,161.1</b>
<b>Operating expenses</b>		
Cost of sales	(552.9)	(553.0)
Administrative and selling expenses	(308.1)	(303.1)
Research and development costs	(46.8)	(49.9)
Other operating income (expense)	(7.0)	(21.6)
<b>Operating profit</b>	<b>225.5</b>	<b>233.5</b>
Financial expense	(21.4)	(20.0)
Financial income	2.0	0.2
Exchange gains (losses)	0.4	(2.2)
Total net financial expense	(19.0)	(22.0)
<b>Profit before tax</b>	<b>206.5</b>	<b>211.5</b>
Income tax expense	(64.1)	(65.1)
<b>Profit for the period</b>	<b>142.4</b>	<b>146.4</b>
<b>Attributable to:</b>		
- Equity holders of Legrand	<b>142.0</b>	<b>145.3</b>
- Minority interests	<b>0.4</b>	<b>1.1</b>



## Note 26 - List of consolidated companies

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The consolidated financial statements comprise the financial statements of Legrand and its 163 subsidiaries.

All Legrand Group subsidiaries are fully consolidated.

The main fully consolidated operating subsidiaries as of June 30, 2014 are as follows:

### French subsidiaries

Groupe Arnould

Legrand France

Legrand SNC

### Foreign subsidiaries

Bticino Spa

Bticino Chile Ltda

Bticino de Mexico SA de CV

Daneva

DongGuan Rocom Electric

EMB Electrical Industries

GL Eletro-Eletronicos Ltda

HDL Da Amazonia Industria Eletronica Ltda

Inform Elektronik

Kontaktör

Lastar Inc.

Legrand

Legrand Colombia

Legrand Electric

Legrand Electrical

Legrand Elektrik

Legrand Group Belgium

Legrand Group España

Legrand Group Pty Ltd

Legrand Home Systems

Legrand Polska

Legrand SNC FZE

Legrand Zrt

Middle Atlantic Products Inc

Minkels BV

Novateur Electrical and Digital Systems (NEDS)

Ortronics Inc.

Pass & Seymour Inc.

Shidean

TCL International Electrical

TCL Wuxi

WattStopper

Wiremold Company

Italy

Chile

Mexico

Brazil

China

Egypt

Brazil

Brazil

Turkey

Russia

United States

Russia

Colombia

United Kingdom

China

Turkey

Belgium

Spain

Australia

United States

Poland

United Arab Emirates

Hungary

United States

Netherlands

India

United States

United States

China

China

China

United States

United States

At June 30, 2014 all subsidiaries were wholly owned except for Alborz Electrical Industries Ltd, Kontaktor, Legrand Polska and Shidean, which were all over 96%-owned, Megapower, which is 80%-owned, Adlec Power, which is 70%-owned, Daneva and Neat which are 51%-owned.

## **Note 27 - Subsequent events**

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The Group has signed an agreement that amends and extends the syndicated loan finalized in October 2011 with all banks party to this contract.

This agreement extends the maximum maturity of the €900 million revolving credit line by three years, i.e., up to July 2021, at improved financing terms compared with October 2011.

### **3 STATUTORY AUDITORS' REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

## **STATUTORY AUDITORS' REVIEW REPORT ON THE 2014 HALF-YEARLY FINANCIAL INFORMATION**

For the six-month period ended June 30, 2014

*This is a free translation into English of the Statutory Auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information presented in the Group's interim management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

### **LEGRAND**

128, avenue du Maréchal de Lattre de Tassigny  
87000 Limoges

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying half-yearly consolidated financial statements of LEGRAND, for the period from January 1, 2014 to June 30, 2014;
- the verification of the information contained in the half-year management report.

These half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

### **1. Conclusion on the financial statements**

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2014, and of the results of its operations for the six-month period then ended, in accordance with IFRSs as adopted by the European Union.

## **2. Specific verification**

We have also verified the information given in the half-year management report commenting the half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-yearly consolidated financial statements.

Neuilly-sur-Seine, July 30, 2014

The Statutory Auditors

**PricewaterhouseCoopers Audit**

**Deloitte et Associés**

Edouard Sattler

Jean-Marc Lumet

## 4. RESPONSIBILITY FOR THE HALF-YEARLY FINANCIAL REPORT

### 4.1 PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT

#### 4.1.1 Name and position of the person responsible for the half-yearly financial report

Mr. Gilles Schnepf, Chairman and Chief Executive Officer of Legrand, a French *société anonyme* whose registered office is located at 128 avenue du Maréchal de Lattre de Tassigny, 87000 Limoges, France, registered at the Limoges trade and companies register under the number 421 259 615, hereinafter referred to as “the Company”.

#### 4.1.2 Declaration of the person responsible for the half-yearly financial report

*“I hereby certify that, to the best of my knowledge, the full consolidated financial statements for the first half 2014 have been drawn up in accordance with the applicable set of accounting standards and fairly present the assets, the financial position and results of the Company and the businesses within the scope of consolidation and that management report appearing on pages 3 et seq. of the half-yearly financial report fairly presents the material events that occurred in the first six months of the financial year and their impact of the interim accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the financial year.”*

Gilles Schnepf  
Chairman and Chief Executive Officer

## 4.2 STATUTORY AUDITORS

### 4.2.1 Principal Statutory Auditors

**PricewaterhouseCoopers Audit**

Member of the Versailles Regional Body of Deputy Statutory Auditors  
(*Compagnie régionale des commissaires aux comptes de Versailles*)

Represented by Edouard Sattler  
Crystal Park, 63, rue de Villiers  
92200 Neuilly-sur-Seine, France

Appointed Deputy Statutory Auditors at the Ordinary General Meeting of Shareholders of June 6, 2003, became Principal Statutory Auditors following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and renewed as Principal Statutory Auditors at the Ordinary General Meeting of Shareholders of May 27, 2010 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2015.

**Deloitte & Associés**

Member of the Versailles Regional Body of Deputy Statutory Auditors  
(*Compagnie régionale des commissaires aux comptes de Versailles*)  
Represented by Jean-Marc Lumet  
185, avenue Charles-de-Gaulle  
92524 Neuilly-sur-Seine Cedex, France

Appointed as Principal Statutory Auditors at the Ordinary General Meeting of Shareholders of December 21, 2005 and renewed as Principal Statutory Auditor at the Ordinary General Meeting of Shareholders of May 26, 2011, for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2016.

## 4.2.2 Deputy Statutory Auditors

**Mr. Yves Nicolas**

Member of the Versailles Regional Body of Deputy Statutory Auditors  
(*Compagnie régionale des commissaires aux comptes de Versailles*)  
Crystal Park, 63, rue de Villiers  
92200 Neuilly-sur-Seine, France

Appointed Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of March 2, 2004 and renewed as Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of May 27, 2010 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2015.

**BEAS**

Member of the Versailles Regional Body of Deputy Statutory Auditors  
(*Compagnie régionale des commissaires aux comptes de Versailles*)  
7-9 Villa Houssay  
92524 Neuilly-sur-Seine Cedex, France

Appointed Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of December 21, 2005 and renewed as Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of May 26, 2011 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2016.

## 4.3 FINANCIAL INFORMATION

### 4.3.1 Person responsible for financial information

**Mr. Antoine Burel**

Chief Financial Officer  
Address: 82, rue Robespierre, 93170 Bagnolet, France  
Tel: + 33 (0) 1 49 72 52 00  
Fax: + 33 (0) 1 43 60 54 92

### 4.3.2 Indicative financial information schedule

The financial information to be disclosed to the public by the Company will be available from the Company's website ([www.legrand.com](http://www.legrand.com)).

As an indication only, the Company's timetable for the publication of financial information should be as follows:

- 2014 nine-month results: November 6, 2014
- 2014 annual results: February 12, 2015
- General Meeting of Shareholders: May 29, 2015

[www.legrand.com](http://www.legrand.com)

**COMPANY HEADQUARTERS**

128, avenue de Lattre de Tassigny  
87045 Limoges Cedex, France  
+33 (0) 5 55 06 87 87

