Consolidated financial statements

as of June 30, 2006

legrand®

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Statutory auditors' review report on the first half-year financial information for 2006

This is a free translation into English of the statutory auditor's review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders
LEGRAND
128, Avenue du Maréchal de Lattre de Tassigny
87000 Limoges

In our capacity of statutory auditors and in accordance with the requirements of article L 232-7 of the French Commercial Law (the Code de Commerce), we hereby report to you on:

- the review of the accompanying half-year consolidated financial statements of Legrand, for the period from January 1 to June 30, 2006,
- the verification of information contained in the half-year mangement report.

pointing out the fact we have not performed any work on the quarterly financial information as disclosed in the Note 27.

These half-year 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.

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-year 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, 2006 and of the results of its operations for the period then ended in accordance with IFRSs as adopted by the EU.

In accordance with professional standards applicable in France, we have also verified the information given in the interim half-year financial report commenting the half-year consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and

Neuilly-sur-Seine, July 27, 2006

The Statutory Auditors

Deloitte et Associés

Dominique Descours

PricewaterhouseCoopers Audit

Edouard Sattler

LEGRAND *
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2006

Contents

*Formerly Legrand Holding SA

Consolidated Statement of Income

	Legrand	
	Six months ended	
	June 30, 2006	June 30, 2005
	Euros, in millions	
Revenue (note 1 (k))	**1,893.3**	**1,582.6**
Operating expenses		
Cost of sales	(939.8)	(797.0)
Administrative and selling expenses	(496.2)	(414.0)
Research and development costs	(120.2)	(118.8)
Other operating income (expense) (note 20 (b))	(54.1)	(39.6)
Operating profit (note 20)	**283.0**	**213.2**
Financial expense (note 21(b))	(89.7)	(102.2)
Financial income (note 21(b))	15.8	14.5
Exchange gains and losses (note 21(a))	21.7	(24.0)
Loss on extinguishment of debt (note 15(a))	(109.0)	0.0
Finance costs and other financial income and expense, net	**(161.2)**	**(111.7)**
Share of (loss) / profit of associates	0.5	0.4
Profit before tax	**122.3**	**101.9**
Income tax expense (note 22)	(57.7)	(41.1)
Profit for the period	**64.6**	**60.8**
Attributable to:		
- Equity holders of Legrand	**63.3**	**59.6**
- Minority interests	**1.3**	**1.2**
Basic earnings per share (euros) (notes 10 and 1(s))	0.281	0.078
Diluted earnings per share (euros) (notes 10 and 1(s))	0.277	0.077

The accompanying notes on pages 7 to 44 are an integral part of these financial statements.

Consolidated Balance Sheet

	Legrand	
	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
ASSETS		
Current assets		
Cash and cash equivalents	177.3	133.2
Marketable securities (note 9)	0.4	0.6
Income tax receivable	6.6	6.1
Trade receivables (note 7)	709.2	563.2
Other current assets (note 8)	124.5	127.5
Inventories (notes 1(i) and 6)	520.8	474.5
Other financial assets (note 24)	26.2	33.4
Total current assets	**1,565.0**	**1,338.5**
Non current assets		
Intangible assets (note 2)	1,819.3	1,861.3
Goodwill (note 3)	1,760.2	1,780.0
Property, plant and equipment, net (note 4)	803.0	833.6
Investments in associates (note 5)	10.2	9.5
Other investments (note 5)	2.0	4.1
Deferred tax assets (notes 1(j) and 22)	80.0	61.5
Other non-current assets	4.5	4.6
Total non current assets	**4,479.2**	**4,554.6**
Total Assets	**6,044.2**	**5,893.1**

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	Legrand	
	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
LIABILITIES AND EQUITY		
Current liabilities		
Short-term borrowings (note 18)	538.3	319.3
Income tax payable	37.7	22.3
Trade payables	456.8	377.0
Short-term provisions and other current liabilities (note 19)	407.1	406.9
Current swap liabilities (note 24)	67.4	59.9
Total current liabilities	**1,507.3**	**1,185.4**
Non-current liabilities		
Deferred tax liabilities (notes 1(j) and 22)	728.3	720.3
Long-term provisions and other non-current liabilities (note 16)	112.4	134.0
Provisions for pensions and other post-employment benefits (note 17)	139.2	139.7
Long-term borrowings (note 15)	1,558.0	1,803.3
Subordinated perpetual notes (note 13)	19.0	28.5
Related party borrowings (note 14)	0.0	1,334.8
Total non-current liabilities	**2,556.9**	**4,160.6**
Equity		
Share capital (note 10)	1,078.8	759.4
Retained earnings (note 12(a))	1,024.6	(157.1)
Translation reserves (note 12(b))	(128.7)	(64.3)
Equity attributable to equity holders of Legrand	1,974.7	538.0
Minority interests	5.3	9.1
Total equity	**1,980.0**	**547.1**
Total Liabilities and Equity	**6,044.2**	**5,893.1**

The accompanying notes on pages 7 to 44 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

	Legrand	
	Six months ended June 30, 2006	Six months ended June 30, 2005
	Euros, in millions	
Net profit for the period	64.6	60.8
Reconciliation of profit for the period to net cash provided by operating activities:		
- Depreciation expense	69.6	70.5
- Amortization expense	48.4	55.0
- Amortization of development costs	1.6	0.2
- Amortization of finance costs	1.2	1.5
- Loss on extinguishment of debt	109.0	0.0
- Changes in non-current deferred taxes	2.6	1.2
- Changes in other non-current assets and liabilities	(0.6)	9.3
- Share of loss/(profit) of associates	(0.5)	(0.4)
- Exchange (gain)/loss, net	16.7	17.1
- Other adjustments	26.6	9.2
(Gains) losses on sales of assets	0.6	2.6
(Gains) losses on sales of securities	(0.9)	0.0
Changes in operating assets and liabilities :		
- Inventories	(39.1)	(34.4)
- Trade receivables	(132.2)	(111.8)
- Trade payables	69.5	40.2
- Other operating assets and liabilities	1.5	6.6
Net cash provided by operating activities	**238.6**	**127.6**
Net proceeds from sales of fixed assets	15.5	2.1
Capital expenditure	(62.0)	(49.3)
Development costs capitalized during the period	(12.8)	(10.7)
Proceeds from sales of marketable securities	0.1	24.6
Purchases of marketable securities	(1.5)	(0.7)
Acquisitions of subsidiaries, net of the cash acquired	(60.4)	(31.1)
Investments in non-consolidated entities	0.0	(57.0)
Net cash (used in) provided by investing activities	**(121.1)**	**(122.1)**
- Proceeds from issue of share capital (note 10)	866.7	0.0
- Dividends paid by Legrand	(110.6)	0.0
- Dividends paid by Legrand subsidiaries	(1.7)	(1.0)
- Reduction of subordinated perpetual notes	(9.5)	(20.2)
- Proceeds from new borrowings and drawdowns	2,189.0	120.1
- Repayment of borrowings	(2,992.0)	(100.0)
- Loss on extinguishment of debt	(109.0)	0.0
- Increase (reduction) in bank overdrafts	104.4	11.1
Net cash (used in) provided by financing activities	**(62.7)**	**10.0**
Effect of exchange rate changes on cash and cash equivalents	(10.7)	6.5
Increase (decrease) in cash and cash equivalents	**44.1**	**22.0**
Cash and cash equivalents at the beginning of the period	133.2	68.3
Cash and cash equivalents at the end of the period	**177.3**	**90.3**
Items included in cash flows from operating activities		
- Interest paid during the period	76.5	78.3
- Income taxes paid during the period	37.1	30.5

The accompanying notes on pages 7 to 44 are an integral part of these financial statements.

Consolidated statement of changes in equity

Euros, in millions	Attributable to equity holders of Legrand: Share capital	Retained earnings	Translation reserve	TOTAL	Minority interests	Total equity
As of December 31, 2004	**759.4**	**(259.5)**	**(144.7)**	**355.2**	**7.5**	**362.7**
Profit for the period		59.6		59.6	1.2	60.8
Dividends paid				0.0	(1.0)	(1.0)
Issue of share capital				0.0		0.0
Stock options		0.9		0.9		0.9
Exchange differences on translating foreign operations			57.1	57.1	3.4	60.5
As of June 30, 2005	**759.4**	**(199.0)**	**(87.6)**	**472.8**	**11.1**	**483.9**
Profit for the period		41.8		41.8	1.2	43.0
Dividends paid				0.0	(0.2)	(0.2)
Issue of share capital				0.0		0.0
Stock options		0.1		0.1		0.1
Exchange differences on translating foreign operations			23.3	23.3	(3.0)	20.3
As of December 31, 2005	**759.4**	**(157.1)**	**(64.3)**	**538.0**	**9.1**	**547.1**
Profit for the period		63.3		63.3	1.3	64.6
Dividends paid		(110.6)		(110.6)	(1.7)	(112.3)
Issue of share capital (note 10)	319.4	1,257.7		1,577.1		1,577.1
Expenses from IPO		(32.6)		(32.6)		(32.6)
Purchase of Minority interests				0.0	(3.4)	(3.4)
Stock options		2.4		2.4		2.4
Actuarial gains and losses		1.5		1.5		1.5
Exchange differences on translating foreign operations			(64.4)	(64.4)		(64.4)
As of June 30, 2006	**1,078.8**	**1,024.6**	**(128.7)**	**1,974.7**	**5.3**	**1,980.0**

Consolidated statement of income and expense recognized directly in equity

	June 30, 2006	June 30, 2005
Actuarial gains and losses (note 1 et 1(q))	2.2	-
Deffered tax on actuarial gains and losses	(0.7)	-
	1.5	-
Exchange differences on translating foreign operations	(64.4)	57.1

The accompanying notes on pages 7 to 44 are an integral part of these financial statements.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

General information

Legrand (formerly Legrand Holding SA) ('the Company') and its subsidiaries (together 'Legrand' or 'the Group') represent one of the world's leading international manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings.
The Group has manufacturing and/or distribution subsidiaries and offices in more than 60 countries, and sells its products in more than 160 national markets. Its key markets are France, Italy and the United States, which accounted for approximately 64% of revenue (by customer location) in 2005 (66% in 2004 and 67% in 2003).
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).

Following the registration of an information memorandum (*note d'information)* with the French securities regulator (AMF) on March 22, 2006 under no. 06.082, trading in Legrand shares on the Euronext Paris Eurolist began on April 7, 2006.

Legrand's interim consolidated financial statements were approved by the Board of Directors on July 27, 2006.

List of consolidated companies

The consolidated financial statements comprise the financial statements of Legrand and its 133 subsidiaries. The largest operating subsidiary, Legrand France SA, is wholly owned by Legrand. All of Legrand France SA's operating subsidiaries are also wholly owned. All Legrand Group subsidiaries are fully consolidated, except for Alborz Electrical Industries in Iran which is accounted for by the equity method.
The main fully consolidated subsidiaries as of June 30, 2006, all of which are over 99%-owned, are as follows:

French subsidiaries:
Legrand France SA
Groupe Arnould
Arnould-FAE
Baco
Inovac
Legrand SNC
Planet-Wattohm
Ura
Groupe ICM

Foreign subsidiaries:

Anam Legrand	South Korea
Bticino	Italy
Bticino de Mexico	Mexico
Bticino Quintela	Spain
Bufer Elektrik	Turkey
Cemar	Brazil
Electro Andina	Chile
Legrand Polska	Poland
Legrand	Germany
Legrand	Italy
Legrand	Greece
Legrand Electric	United Kingdom
Legrand Electrica	Portugal
Legrand Electrique	Belgium
Legrand Espanola	Spain
Legrand India	India
Legrand	Russia
Legrand	Australia
Luminex	Colombia

Rocom	Hong Kong
Ortronics	United States
Pass & Seymour	United States
Pial Eletro-Eletronicos Participacoes	Brazil
The Watt Stopper	United States
The Wiremold Company	United States
Van Geel Legrand	Netherlands
Zucchini	Italy
TCL International Electrical	China
TCL Building Technology	China

The subsidiaries excluded from the scope of consolidation are all companies that were acquired or created only recently. These companies' represent combined non-current assets of less than €2 million and combined revenue of less than €5 million.

The main changes in the scope of consolidation in first-half 2006 compared with the year-earlier period were the addition of Van Geel, Zucchini, the ICM group, TCL International Electrical, TCL Building Technology, Cemar and Shidean.

Details of these acquisitions are as follows:

Cemar

In April 2006, Legrand acquired Cemar, Brazil's leading manufacturer of consumer units and industrial enclosures. Based in Caxias, in southern Brazil, Cemar had 2005 revenue of some €28 million with 400 employees. Cemar was consolidated as of June 30, 2006 based on estimated data. It had no impact on the interim consolidated income statement.

Shidean

In January 2006, Legrand acquired 51% of the capital of Shidean, China's leading manufacturer of audio and video door entry systems. Based in Shenzen, Shidean reported 2005 revenue of some €15 million with over 900 employees. Shidean was consolidated as of June 30, 2006 based on estimated data. It had no impact on the interim consolidated income statement.

TCL International Electrical and TCL Building Technology

In December 2005, Legrand acquired TCL International Electrical, China's leading manufacturer of wiring devices, and TCL Building Technology, one of the country's foremost manufacturers of VDI (Voice, Data, Image) installation products and systems. The two companies, which are based in Huizhou, southeast China, had revenue of over €60 million in 2005, with more than 3,000 employees. The two companies were consolidated in the balance sheet as of December 31, 2005 based on estimated figures. They had no impact on the 2005 income statement but contributed to Group earnings for first-half 2006.

ICM Group

In November 2005, Legrand acquired ICM Group, the leading manufacturer of wire cable trays with several well-known brands including Cablofil©. Based in Montbard in France, ICM Group reported 2005 revenue of over €100 million, including 40% in France and 60% in international markets. It has around 500 employees and six plants, located in Europe and the United States. ICM Group was consolidated in the balance sheet as of December 31, 2005 based on estimated figures. It had no impact on the 2005 income statement but contributed to Group earnings for first-half 2006.

Zucchini

In the second quarter of 2005, Legrand acquired a controlling interest in Zucchini, Italy's leading manufacturer of prefabricated busbar systems. Based in Brescia, northern Italy, Zucchini reported 2005 revenue of over €50 million. Zucchini was consolidated as of December 31, 2005 and contributed to consolidated earnings in second-half 2005 and first-half 2006.

Van Geel

In March 2005, Legrand acquired the entire business of the Van Geel group with the exception of its German subsidiary. Van Geel is a manufacturer of metal cable management systems (trunkings, cable trays, floor boxes, etc.). It is the market leader in the Netherlands and Austria and has significant market shares in many other European countries including Belgium, Portugal and Sweden. Based in Boxtel, in the Netherlands, Van Geel has two plants in this country and a total of 300 employees. Its 2005 revenue amounted to some €70 million. Van Geel was consolidated in the balance sheet as of December 31, 2005 and contributed to Group earnings in 2005 and first-half 2006.

1) Accounting policies

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

The interim consolidated financial statements for the six months ended June 30, 2006 have been prepared in accordance with the IFRSs adopted by the Union European and the IFRIC interpretations applicable as of June 30, 2006. Comparative financial information for the six months ended June 30, 2005 has been restated based on the IFRSs applied as of December 31, 2005.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2005 as presented in the Annual Report (*Document de Base*) filed with the French securities regulator (AMF) on February 21, 2006. They have been prepared in accordance with IAS 34 – Interim Financial Reporting.

The preparation of financial statements in conformity 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 higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 1u.

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

Certain items reported in prior periods have been reclassified to comply with the presentation adopted in 2006.

Effective from January 1st, 2006, the Group has changed its accounting policy to adopt the preferred method of recognizing total actuarial gains and losses outside profit or loss, in a statement of changes in equity titled 'statement of recognized income and expense' (IAS 19.93A amended). Application of this approach for first-half 2005, would have increased the operating profit for €2.3 million and the profit for the period for €1.6 million.
The impact of this change in accounting policy being immaterial, the Group did not judge necessary to modify the consolidated statement of income for year 2005.

a) Basis of presentation and acquisition of Legrand France SA

Prior to December 10, 2002, Legrand had no significant operations of its own. On December 10, 2002, the Group acquired 98% of the outstanding share capital of Legrand France SA, followed by the remaining 2% on October 2, 2003.

The aggregate purchase price for the acquisition of Legrand SA, including related fees and expenses, amounted to €3,748 million which were allocated mainly to goodwill, trademarks and patents.

b) 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.

Associates 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 associates are initially recognized at cost and are subsequently accounted for by the equity method.

All subsidiaries that are controlled by the Group directly or indirectly are consolidated. All intragroup transactions are eliminated.

c) Translation of the financial statements of foreign subsidiaries

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 (the '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 at year-end exchange rates

of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement under the heading 'Exchange gains and losses'.

Assets and liabilities 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 reserve', until the entities are sold or substantially liquidated.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquired entity.

d) Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity not in excess of three months. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Marketable securities are not considered as cash equivalents.
Similarly, bank overdrafts are not considered as cash equivalents and are included in short-term borrowings.

e) Trade receivables

Trade receivables are recognized at fair value. A provision for impairment is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

f) Intangible assets

In accordance with IAS 36 – Impairment of Assets, 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 costs to sell and value in use. 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.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on intangible assets and property, plant and equipment with finite useful lives may be reversed in subsequent periods if there is objective evidence that the impairment no longer exists or has decreased, provided that the increased carrying amount of the asset attributable to the reversal of the impairment loss does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

Costs incurred for the Group's principal 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 costs can be measured reliably. 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 to exceed 10 years.

Other development expenditures are recognized as an expense as incurred.

Developed technology is amortized on an accelerated basis, in a manner that reflects the pattern in which the assets' economic benefits are consumed.

Trademarks with finite useful lives are amortized:

- Over 20 years on a straight-line basis when management considers that the trademarks may be threatened by a major competitor in the long term but does not intend to replace them in the near future and is confident that they will contribute to consolidated cash flows for at least 20 years.
- Over 10 years on an accelerated basis when management plans to gradually replace them by other major trademarks owned by the Group.

Trademarks that have an indefinite useful life are not amortized but are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Trademarks are classified as having an indefinite useful life when they have been in use for more than ten years and management believes they will contribute indefinitely to future consolidated cash flows because it plans to continue using them indefinitely.

Assets that are amortized are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

g) Goodwill

Since the IFRS transition date and in accordance with IFRS 3 – Business Combinations, goodwill is no longer amortized, but is tested for impairment annually, in the fourth quarter of each year. The method used consists mainly of comparing the recoverable amount to the carrying amount of the corresponding cash generating unit (defined as the smallest identifiable group of assets – including goodwill – that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets). Recoverable amounts are determined primarily on the basis of discounted cash flow projections covering a period of three years and a terminal value. The discount rate applied corresponds to the Group's weighted average cost of capital. Management considers that revenue and terminal value assumptions are reasonable and consistent with available market information for each cash-generating unit. Additional tests are performed as of June 30 if events or changes in circumstances indicate that the carrying amount of goodwill may not be recoverable.
Impairment losses on goodwill are not reversible.

h) Property, plant and equipment

Land, buildings, machinery and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Additional impairment tests are performed as of June 30 if events or changes in circumstances indicate that their carrying amount may not be recoverable.

Assets acquired under lease agreements that transfer substantially all 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 generally depreciated over the shorter of the lease period or 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 depreciated separately.

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

i) Inventories

Inventories are recorded at the lower of cost or net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. The 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.

j) 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.

k) 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 title and the risk of loss are transferred to the buyer, which is generally upon shipment.

The Group offers certain 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. To the extent that the volume of a customer's future purchases can be reasonably estimated based on historical evidence, the Group recognizes the rebates 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. Cash discounts are also recognized as a reduction in revenue.

l) Fair value 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.

m) Derivative financial and commodity instruments

Group policy consists of not entering into any transactions 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.

The Group periodically enters into foreign currency contracts to hedge commitments and transactions or income denominated in foreign currencies, as well as commodity contracts to hedge raw materials purchases.

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.

Although derivative instruments are used to hedge risks, the Group has opted to measure all of these instruments at fair value through profit. The resulting gains and losses are recognized in 'Financial expense or income' for interest rate hedges, in 'Exchange gains and losses' for hedges of foreign currency transactions and in 'Operating profit' for commodity hedges.
The fair values of derivative instruments used for hedging purposes are disclosed in Note 24.

n) Environmental and product liabilities

In accordance with IAS 37, the Group recognizes losses and accrues liabilities relating to environmental and product liability matters. A loss is recognized if available information indicates that it is probable and reasonably estimable. In the event that a loss is neither probable nor reasonably estimable but remains possible, the contingency is disclosed in the notes to the consolidated financial statements.

Losses arising from environmental liabilities are measured on a best-estimate basis, case by case, based on available information. Losses arising from product liability issues are estimated on the basis of current facts and circumstances, past experience, the number of claims and the expected cost of administering, defending and, in some cases, settling such cases.

Application of interpretation IFRIC 6 – Liabilities arising from Participating in a Specific Market: Waste Electrical and Electronic Equipment. The Group complies with the European Union Directive on waste electrical and electronic equipment either by paying financial contributions to a recycling platform or by making end-users responsible for returning equipment for recycling. The related costs are recognized when the underlying services are rendered.

o) Share-based payment transactions

The Group operates equity-settled, share based compensation plans.
Stock options are valued using the Black & Scholes option-pricing model. The cost of stock options is measured at the fair value of the award on the grant date and is recognized in 'Other operating income and expense' over the vesting period. At each balance sheet date, the number of options that are expected to vest is reviewed and the impact of any adjustments to original estimates is recognized in the income statement, with a corresponding adjustment to equity, over the remaining vesting period.

In accordance with IFRS 2, only the cost of options granted after November 7, 2002 that had not yet vested at January 1, 2005 is measured and recognized in profit.

p) Transfers 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.

q) Employee benefits

(a) 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 benefit and defined contribution 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. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. 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.

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, as adjusted for unrecognized past service costs, less the fair value of plan assets. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, are fully charged or credited to the income statement.

Effective from January 1st, 2006, the Group has changed its accounting policy to adopt the preferred method of recognizing total actuarial gains and losses outside profit or loss, in a statement of changes in equity titled 'statement of recognized income and expense' (IAS 19.93A amended). Application of this approach for first-half 2005, would have increased the operating profit for €2.3 million and the profit for the period for €1.6 million.
The impact of this change in accounting policy being immaterial, the Group did not judge necessary to modify the consolidated statement of income for year 2005.

The defined benefit obligation is calculated annually 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.
Payments to defined contribution plans are recognized as an expense for the period of payment.

(b) 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.

(c) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan from which it cannot withdraw, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

r) Segment information

Segment information is presented in respect of the Group's geographical and business segments.

Business segment:
The primary segment reporting format is based on the worldwide organization of the Group as a single business segment and is analyzed through its consolidated financial statements.

Geographical segment:
The secondary reporting format is based on geographical segments determined according to the region of production and not where the products are sold. The five geographical segments are France, Italy, Rest of Europe, United States and Canada, and Rest of the World.
The Group's internal financial reporting system is organized around geographical segments.

s) Basic and diluted earnings per share

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

Diluted earnings per share are computed by dividing profit attributable to equity holders of Legrand by the average number of ordinary shares during the period plus the number of potential ordinary shares.

t) Borrowings costs

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.

u) 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, that are believed to be reasonable under the circumstances.

(a) Impairment of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually in accordance with the accounting policy described in Note 1.f and 1.g. 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.

Judgments regarding the existence of indications of impairment are based on legal factors, market conditions and operational performance of the acquired businesses. Future events could cause the Group to conclude that an indication of impairment exists and that goodwill or other identifiable intangible assets associated with the acquired businesses are impaired. Any resulting impairment loss could have a material adverse effect on the consolidated financial condition and results of operations of the Group.

Recognition of goodwill and other intangible assets involves a number of critical management judgments, including:

- Determining which intangible assets, if any, have indefinite useful lives and, accordingly, should not be amortized;
- Identifying events or changes in circumstances that may indicate that an impairment has occurred;
- Allocating goodwill to cash-generating units;
- Determining the fair value of cash-generating units in connection with annual impairment tests of goodwill;
- Estimating the future discounted cash flows to be used for the purposes of periodic impairment tests of intangible assets with indefinite useful lives; and
- Determining the fair value of intangible assets with indefinite useful lives for the purposes of annual impairment tests.

The recoverable amount of an asset is based either on the asset's quoted market price in an active market, if available, or, in the absence of an active market, on discounted future cash flows from operations less investments. The determination of recoverable amount requires the use of certain assumptions and estimates. Other estimates using different, but still reasonable, assumptions could produce different results.

As of December 31, 2005, the Group applied the impairment test required under IAS 36 for all non-amortizable intangible assets using the following assumptions and parameters:

- Weighted average cost of capital ranging from 8.0% to 12.0% per year in 2005.
- A growth rate beyond the specific projection period ranging from 2.0% to 5.0% per year in 2005.

No impairment losses were recognized in the period ended June 30, 2006.

(b) 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 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 certain that taxable profit will be available against which the underlying deductible temporary difference can be utilized.

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. If actual results differ from these estimates or the estimates are adjusted in future periods, the Group may need to record a valuation allowance against deferred tax assets carried in the balance sheet.

(c) 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, stock options, provisions for warranty costs and capitalized development costs.

v) New IFRS Pronouncements

As of the date of approval of the consolidated financial statements, the following standards and interpretations published by the IASB were not yet applicable:

IFRS 7 – Financial Instruments: Disclosures

In August 2005, the IASB issued IFRS 7 – Financial Instruments: Disclosures. This standard requires companies to disclose information regarding the impact of financial instruments on their financial position and performance. It also requires them to disclose qualitative and quantitative information on their exposure to the risks arising from those financial instruments. The information must include minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 and the disclosure requirements of IAS 32.

IAS 1 – Capital disclosures

In January 2006, the IASB published amendments to IAS 1 concerning capital disclosures. The amendments require companies to disclose qualitative information about their objectives, policies and capital management, as well as summary quantitative data on what they manage as capital.

IFRIC 7 – Applying the restatement approach under IAS 29

In May 2006, the IASB published IFRIC 7 – *Applying the Restatement Approach under IAS 29:* Financial Reporting in Hyperinflationary Economies. This interpretation is applicable when the economy in which a company operates is affected by hyperinflation over the period, following a period without hyperinflation. The interpretation explains how to apply the restatement approach under IAS 29.

These standards, amendments and interpretations come into effect as from January 1, 2007. The Group is currently reviewing them to assess the changes that may be necessary to its disclosures.

2) Intangible assets

Intangible assets are as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Trademarks with an indefinite useful life	1,492.8	1,502.6
Trademarks with a finite useful life	45.6	48.8
Developed technology	202.3	244.6
Other intangible assets	78.6	65.3
	1,819.3	**1,861.3**

Trademarks can be analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
At the beginning of the period	1,567.1	1,536.6
- Acquisitions	0.1	12.1
- Disposals	0.0	0.0
- Translation adjustment	(11.3)	18.4
	1,555.9	1,567.1
Less accumulated amortization	(17.5)	(15.7)
	1,538.4	**1,551.4**

Developed technology can be analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
At the beginning of the period	582.2	574.4
- Acquisitions	0.0	0.0
- Disposals	0.0	0.0
- Changes in scope of consolidation	0.0	0.0
- Translation adjustment	(4.5)	7.8
	577.7	582.2
Less accumulated amortization	(375.4)	(337.6)
	202.3	**244.6**

Amortization of intangible assets amounted to €50.0 million in first-half 2006 (€55.2 million in first-half 2005), including amortization of trademarks and developed technology for the period which can be analyzed as follows:

	Developed technology	Trademarks	Total
	Euros, in millions		
France	21.6	0.9	22.5
Italy	10.8	0.0	10.8
Rest of Europe	2.9	0.2	3.1
United States	4.1	0.8	4.9
Rest of the World	1.2	0.3	1.5
	40.6	2.2	42.8

Amortization expense for developed technology and trademarks for the second half of 2006 and each of the next four years is expected to be as follows:

	Developed technology	Trademarks	Total
	Euros, in millions		
Second-half 2006	40.6	2.2	42.8
2007	58.0	4.1	62.1
2008	46.4	4.0	50.4
2009	29.0	3.7	32.7
2010	17.4	3.1	20.5

Other intangible assets can be analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Development costs capitalized	49.4	38.2
Software	11.6	11.6
Other	17.6	15.5
	78.6	**65.3**

3) Goodwill (Note 1 (g))

Goodwill is considered as an integral part of the assets of acquired companies.

Goodwill can be analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Total	**1,760.2**	**1,780.0**
of which:		
- France	601.6	613.2
- Italy	378.0	378.9
- Rest of Europe	136.2	137.6
- United States	275.1	308.8
- Rest of the world	369.3	341.5
	1,760.2	**1,780.0**

The geographic allocation of goodwill is based on the acquired company's value, determined as of the date of the business combination.

Changes in goodwill are analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
At the beginning of the period	1,780.0	1,335.1
- Acquisitions	51.4	392.0
- Adjustments	(30.9)	0.0
- Translation adjustment	(40.3)	52.9
At the end of the period	**1,760.2**	**1,780.0**

For the purpose of impairment testing, goodwill has been allocated to various country units (cash-generating units) which represent the lowest level at which goodwill is monitored.

These cash-generating units are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing the unit's carrying amount, including goodwill, to its recoverable amount, defined as the higher of fair value less costs to sell and 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 cash-generating unit.

As of December 31, 2005, goodwill impairment tests were performed using the following assumptions and parameters:

- A weighted average cost of capital ranging from 8.0% to 12.0% per year in 2005.
- A growth rate beyond the specific projection period ranging from 2.0% to 5.0% per year in 2005.

For the period ended June 30, 2006, there is no indication that the goodwill may be impaired.

Acquisitions of subsidiaries, net of cash acquired, amounted to €399.8 million for year ended 2005.

The allocation of the purchase price of acquired subsidiaries within the 12 last months is not final, therefore goodwill on companies acquired during first-half 2006 was determined on a provisional basis as of June 30, 2006.

4) Property, plant and equipment (Note 1 (h))

a) Property, plant and equipment by geographical area

Property, plant and equipment, including finance leases, are as follows as of June 30, 2006:

	June 30, 2006					
	France	Italy	Rest of Europe	USA / Canada	Rest of the world	Total
	Euros, in millions					
Land	24.8	5.5	17.7	2.8	18.6	69.4
Buildings	132.2	87.4	48.4	24.0	23.0	315.0
Machinery and equipment	129.9	82.5	35.2	26.7	36.2	310.5
Assets under construction and other	47.0	5.0	15.6	27.2	13.3	108.1
	333.9	**180.4**	**116.9**	**80.7**	**91.1**	**803.0**

Property, plant and equipment, including finance leases, were as follows as of December 31, 2005:

	December 31, 2005					
	France	Italy	Rest of Europe	USA / Canada	Rest of the world	Total
	Euros, in millions					
Land	24.0	5.5	20.0	3.0	19.4	71.9
Buildings	134.9	89.5	64.0	24.6	25.1	338.1
Machinery and equipment	137.1	84.0	37.7	30.6	36.1	325.5
Assets under construction and other	34.7	6.3	16.6	29.0	11.5	98.1
	330.7	**185.3**	**138.3**	**87.2**	**92.1**	**833.6**

b) Analysis of changes in property, plant and equipment

Changes in property, plant and equipment in first-half 2006 can be analyzed as follows:

	June 30, 2006					
	France	Italy	Rest of Europe	USA Canada	Rest of the world	Total
	Euros, in millions					
Capital expenditure	25.1	9.7	7.4	8.2	6.9	57.3
Disposals (carrying amount)	(1.2)	(0.1)	(18.6)	(0.4)	(0.5)	(20.8)
Depreciation for the period	(29.1)	(14.5)	(10.2)	(8.5)	(7.3)	(69.6)
Transfers and change in scope of consolidation	8.4	0.0	2.6	0.7	6.4	18.1
Translation adjustment	0.0	0.0	(2.6)	(6.5)	(6.5)	(15.6)
	3.2	**(4.9)**	**(21.4)**	**(6.5)**	**(1.0)**	**(30.6)**

	June 30, 2006						
	Capital expen-ditures	Transfers from assets under construction	Disposals (at carrying amount)	Depreciation for the period	Transfers and change in scope of consolidation	Translation adjustment	Total
	en millions d'euros						
Land	0.0	0.0	(2.2)	(0.3)	1.1	(1.1)	(2.5)
Buildings	1.0	3.9	(13.8)	(11.7)	2.2	(4.7)	(23.1)
Machinery and equipment	17.6	15.4	(4.3)	(49.2)	11.6	(6.1)	(15.0)
Assets under construction and other	38.7	(19.3)	(0.5)	(8.4)	3.2	(3.7)	10.0
	57.3	**0.0**	**(20.8)**	**(69.6)**	**18.1**	**(15.6)**	**(30.6)**

Changes in property, plant and equipment in 2005 could be analyzed as follows:

	December 31, 2005					
	France	Italy	Rest of Europe	USA / Canada	Rest of the world	Total
	Euros, in millions					
Capital expenditure	38.2	21.5	15.1	15.4	13.0	103.2
Disposals (carrying amount)	(2.3)	(0.9)	(6.5)	(7.0)	(1.0)	(17.7)
Depreciation for the period	(58.1)	(31.2)	(22.1)	(19.6)	(13.0)	(144.0)
Transfers and change in scope of consolidation	(1.0)	33.1	8.6	0.4	7.3	48.4
Translation adjustment	0.0	0.0	1.2	12.0	14.5	27.7
	(23.2)	**22.5**	**(3.7)**	**1.2**	**20.8**	**17.6**

	December 31, 2005						
	Capital expen-ditures	Transfers from assets under construction	Disposals (at carrying amount)	Depreciation for the period	Transfers and change in scope of consolidation	Translation adjustment	Total
	Euros, in millions						
Land	0.0	0.1	(1.9)	(0.5)	1.3	3.2	2.2
Buildings	4.1	4.4	(6.1)	(23.0)	33.1	8.3	20.8
Machinery and equipment	43.2	24.9	(7.3)	(101.8)	6.9	10.5	(23.6)
Assets under construction and other	55.9	(29.4)	(2.4)	(18.7)	7.1	5.7	18.2
	103.2	**0.0**	**(17.7)**	**(144.0)**	**48.4**	**27.7**	**17.6**

c) Property, plant and equipment include the following assets held under finance leases:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Land	3.8	3.9
Buildings	35.9	32.6
Machinery and equipment	37.6	38.1
	77.3	74.6
Less accumulated depreciation	(42.5)	(41.2)
	34.8	**33.4**

d) Finance lease liabilities are presented in the balance sheets as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Long-term borrowings	11.6	16.1
Short-term borrowings	8.7	8.9
	20.3	**25.0**

e) Future minimum lease payments under finance leases are as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Due within one year	9.6	7.8
Due in one to two years	5.1	8.2
Due in two to three years	1.6	4.3
Due in three to four years	1.5	1.5
Due in four to five years	1.3	1.4
Due beyond five years	2.7	3.4
	21.8	26.6
Of which interest portion	(1.5)	(1.6)
Present value of future minimum lease payments	**20.3**	**25.0**

5) Investments in associates and other investments

Investments in companies that are not fully consolidated are as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, millions	
Investments in associates	10.2	9.5

	June 30, 2006	Dec. 31, 2005
	Euros, millions	
Other investments	2.0	4.1

6) Inventories (Note 1 (i))

Inventories are as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, millions	
Purchased raw-materials and components	189.3	171.7
Sub-assemblies, work in process	100.9	93.4
Finished products	302.7	276.7
	592.9	541.8
Less impairment	(72.1)	(67.3)
	520.8	**474.5**

7) Trade receivables

The Group derives over 95% of its revenue from sales to distributors of electrical equipment. The two largest distributors account for approximately 26% of consolidated net revenue.

	June 30, 2006	Dec. 31, 2005
	Euros, millions	
Trade accounts receivable	653.2	513.4
Notes receivable	85.8	79.4
	739.0	592.8
Less impairment	(29.8)	(29.6)
	709.2	**563.2**

8) Other current assets

Other current assets are as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, millions	
Employee advances	6.2	4.8
Other receivables	35.8	36.4
Prepayments	18.6	18.8
Prepaid and recoverable taxes other than on income	63.9	67.5
	124.5	**127.5**

9) Marketable securities

Marketable securities are measured at fair value. The fair value of marketable securities is close to their net book value.

10) Share capital and earnings per share

Changes in share capital in first-half 2006:

		Number of shares	Par value	Share capital (euros)	Premiums (euros)
As of December 31, 2005		759,350,900	1	759,350,900	
february 24, 2006	Reverse stock-split	189,837,725	4	759,350,900	
april 11, 2006	Public placement of new shares	43,689,298	4	174,757,192	688,106,444
april 11, 2006	Share issue underwritten by GP Financière New Sub 1 SCS through settlement of related party borrowings	33,862,914	4	135,451,656	533,340,895
may 2, 2006	Employee share issue	2,303,439	4	9,213,756	36,279,164
As of June 30, 2006		269,693,376	4	1,078,773,504	1,257,726,503

Share capital consists exclusively of ordinary shares. On February 24, 2006, the par value of the shares was increased to €4.
On April 7, 2006, the Group was floated on the Euronext Paris (Eurolist) market, at an offering price of €19.75 per share for both the institutional and retail tranches. Proceeds from the related share issue amounted to €862.9 million.
Proceeds from the employee share issue carried out in conjunction with the IPO amounted to €36.4 million. The shares were issued at a 20% discount to the IPO price. The total €9.1 million discount was recognized in other operating expenses.
The aggregate proceeds from the share issues, net of transaction costs of €32.6 million, came to €866.7 million.

Following the share issues, major shareholders, KKR and Wendel Investissement, were holding each around 30% of share capital.

Shareholders have taken lock-up agreements to hold their shares on a timing ranging from 6 to 18 months from the date of the IPO (see notice of operation filed under number 06.082 with the French securities regulator (AMF) on March 22, 2006).

Earnings per share is calculated as follows:

	Six months ended June 30, 2006	Six months ended June 30, 2005
Profit attributable to equity holders of Legrand (euros, in millions)	63.3	59.6
Ordinary shares	269,693,376	759,350,900
Options granted	2,663,529	11,464,516
Basic earnings per share (euros) (note 1(s))	0.281	0.078
Diluted earnings per share (euros) (note 1 (s))	0.277	0.077

11) Stock options and employee profit-sharing

a) Legrand stock option plans

The Company has one stock option plan under which stock options may be granted to purchase a specified number of ordinary shares of the Company at an initial exercise price of €1.00 per share for options granted in 2003 and 2004, and €1.40 per share for options granted in 2005. At the General Meeting of February 24, 2006, shareholders decided to carry out a 1-for-4 reverse stock-split, leading to an increase in the shares' par value from €1 to €4. To take into account the effects of this change, the option exercise price was increased to €4 for options granted in 2003 and 2004 and to €5.60 for those granted in 2005.The

423,263 options remaining to be granted under the plan as of the IPO date will not now be granted. Following the IPO, outstanding options may be exercised in the coming years during the exercise periods set in the initial plan.

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €2.4 million was recorded in first-half 2006.

Stock options granted, exercised and canceled over the past three years can be analyzed as follows:

Stock subscription plan	
Balance at December 31, 2002	0
Options granted	9,555,516
Options exercised	0
Options forfeited	-597,000
Balance at December 31, 2003	8,958,516
Options granted	2,298,200
Options exercised	0
Options forfeited	-602,200
Balance December 31, 2004	10,654,516
Options granted	810,000
Options exercised	0
Options forfeited	-733,200
Balance December 31, 2005	10,731,316
Options granted	0
Options exercised	0
Options forfeited	-77,200
Balance at February 24, 2006	10,654,116
Options cancelled following reverse stock-split decided at the Shareholders' Meeting of February 24, 2006	-7,990,587
Balance at June 30, 2006	2,663,529

None of the outstanding options were exercisable as of June 30, 2006.

b) Legrand France SA stock-option plans

In May 1999, the shareholders gave the Company a five-year authorization expiring in May 2004 to issue up to 700,000 options to purchase or subscribe to ordinary shares or preferred, non-voting shares. This option plan was open to all Group employees in France. On December 13, 1999, the Company established a new plan for the purchase of ordinary shares, open to all employees in France who had completed the required period of service. The exercise price is equal to the average of the opening market prices quoted for the shares on the Paris stock exchange over the twenty trading days preceding the grant date. The options had a five-year vesting period and are exercisable between the fifth and seventh anniversaries of the grant date. Options are forfeited if the employee is dismissed for willful misconduct.

On November 21, 2000, the Company established a new stock subscription plan open to all French employees who had completed the required period of service. The exercise price is based on the opening market prices quoted for the shares on the Paris stock exchange over the twenty trading days preceding the grant date. The options had a five-year vesting period and are exercisable between the fifth and seventh anniversaries of the grant date.

On November 13, 2001, the Company established a stock subscription plan open to all French employees who had completed the required period of service. The exercise price is based on the opening market prices quoted for the shares on the Paris stock exchange over the twenty trading days preceding the grant date. The options had a four-year vesting period and are exercisable between the fourth and seventh anniversaries of the grant date.

Holders of Legrand France SA stock options (other than options granted under the 2001 plan) are entitled to exchange the ordinary shares acquired upon exercise of the options for Schneider Electric shares pursuant to an undertaking provided by Schneider Electric to the option holders at the time of its public tender offer for Legrand France SA.

On December 10, 2002, Legrand and Schneider Electric entered into a call and put option agreement whereby Schneider Electric agreed that it would sell to Legrand , if Legrand so wished, and Legrand agreed to purchase, if Schneider Electric so wished, all Legrand France SA ordinary shares held by Schneider Electric as a result of the exercise of such options. The call option is exercisable by Legrand for a period of six months from the date on which Schneider Electric becomes the owner of record of the relevant Legrand France SA shares and the put option may be exercised by Schneider Electric six months and fifteen days after the date on which Schneider Electric becomes the owner of record of the relevant Legrand France SA shares and in no event later than twelve months after such date.

Options for which the Legrand France SA shares are exchangeable for Schneider Electric shares have exercise periods that continue through and until November 2007.

The value and number of stock options were adjusted for the effects of the shareholder-approved distributions of retained earnings by Legrand France SA for €375 million in 2003 and for €675 million at the beginning of 2004.
At its meeting on November 2, 2005, the Board of Directors decided to offer a liquidity guarantee to holders of the 2001 stock options in the event that the Company was floated on the stock exchange. Following Legrand's flotation, the liquidity guarantee came into effect in the second quarter of 2006.

Type of plan	Subscription		Purchase
Date of grant	2000	2001	1999
Type of shares under option	Ordinary	Ordinary	Ordinary
Number of grantees	8,999	9,122	8,814
Starting date of exercise period	11-2005	11-2005	12-2004
Expiry date of exercise period	11-2007	11-2008	12-2006
Option price (in euros) before distribution of retained earnings	191.50	143.00	222.00
Option price (in euros) after distribution of retained earnings	140.19	104.68	162.51
Number of options granted	**124,240**	**178,766**	**85,708**
Options forfeited	(18)		(4,508)
Balance as of December 31, 2002	124,222	178,766	81,200
New options issued on Nov 15, 2003 through distribution of retained earnings	16,218	21,353	11,998
Options exercised			
Options forfeited	(372)	(372)	(376)
Balance as of December 31, 2003	140,068	199,747	92,822
New options issued on March 30, 2004 through distribution of retained earnings	38,002	52,996	28,963
Options exercised			
Options forfeited	(9)		(7)
Balance as of December 31, 2004	178,061	252,743	121,778
Options exercised	(38,265)		(30,779)
Options forfeited	(95)	(95)	(66)
Balance as of December 31, 2005	139,701	252,648	90,933
Options exercised	(56,298)	(243,623)	(54,729)
Options forfeited		(32)	
Balance as of June 30, 2006	83,403	8,993	36,204

c) 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 5 years and bear interest at negotiated rates ranging from 5 to 6%.

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 €17.3 million was recorded in the first-half of 2006 for statutory and discretionary profit-sharing plans (€13.6 million in first-half 2005).

12) Retained earnings and translation reserve

a) Retained earnings

Retained earnings of Legrand and its consolidated subsidiaries can be analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Distributable reserves	330.1	122.9
Other reserves	694.5	(280.0)
Share of post-acquisition earnings of consolidated companies	0.0	0.0
	1,024.6	**(157.1)**

b) Translation reserve

As explained in Note 1 (c), 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:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
US dollar	(122.6)	(79.5)
Other currencies	(6.1)	15.2
	(128.7)	**(64.3)**

The line ‘Other currencies’ mainly concerns currencies of countries located in the ‘Rest of the World’ segment as of June 30, 2006 and currencies of countries located in the ‘Rest of Europe’ segment as of December 31, 2005.

13) Subordinated perpetual notes (TSDIs)

In December 1990 and March 1992, Legrand France SA issued, at par, subordinated perpetual notes for a total of €457 million and €305 million, respectively.

Amortization of the residual carrying amount of the perpetual notes in the balance sheet is as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Due within one year	19.0	19.0
Due in one to two years	0.0	9.5
Due in two to three years	0.0	0.0
Due beyond three years	0.0	0.0
	19.0	**28.5**

The subordinated perpetual notes are subject to specific tax rules, the application of which was specified in the amended 2005 Finance Act voted by the French parliament in the fall of 2005. Under these rules, the total amount of interest provided for in

the loan debenture is deductible only up to the amount of interest paid in the first twelve years on the principal issued by the Group.
Application of these rules led to a €110 million reduction in the Group's tax loss carryforwards in 2005 and will lead to a further €62.5 million reduction in 2007. This has no impact on the income statement as no deferred tax asset was recognized for these tax loss carryforwards.

14) Related party borrowings

In February 2003, a subsidiary of the Group's ultimate parent obtained a €1,156.0 million subordinated shareholder loan.
As of December 31, 2005, the outstanding principal and interest amounted to €1,334.8 million.
On February 15, 2006, the Group repaid an amount of €177.9 million, using funds obtained under the 2006 Credit Facility.
A further €504.4 million was repaid in first-half 2006 using the proceeds from the IPO and related employee share issue and the remaining €668.8 million was repaid in newly issued shares on April 11, 2006.

15) Long-term borrowings

Long-term borrowings can be analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Facility Agreement	1,070.8	731.7
High-Yield notes	0.0	574.3
8 1/2 % debentures	304.3	329.6
Other borrowings	188.3	178.2
	1,563.4	**1,813.8**
Debt issuance costs	(5.4)	(10.5)
	1,558.0	**1,803.3**

Long-term borrowings are denominated in the following currencies:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Euro	1,152.9	1,457.4
US dollar	410.1	355.0
Other currencies	0.4	1.4
	1,563.4	**1,813.8**

Long-term borrowings can be analyzed by maturity as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Due in one to two years	259.1	282.0
Due in two to three years	154.2	173.7
Due in three to four years	154.0	426.9
Due in four to five years	667.5	4.5
Due beyond five years	323.2	916.2
	1,558.0	**1,803.3**

Interest rates on long-term borrowings are as follows:

	June 30, 2006	Dec. 31, 2005
	Average interest rate after swaps	
Facility Agreement	3.63%	2.69%
High-Yield notes	-	10.51%
Commercial paper	2.98%	-
Private debentures	5.60%	-
8 1/2 % debentures	4.79%	4.52%
Other borrowings	2.82%	2.41%
Finance lease liabilities	3.23%	3.19%

The figures above correspond to average interest rates. The rates shown for the 8 ½% debentures (Yankee bonds) take into account interest rate swaps. With the exception of the 8 ½% debentures, management considers that the carrying amount of borrowings is close to their fair value.

These borrowings are secured as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Assets mortgaged or pledged as collateral	23.3	23.1
Guarantees given to banks	76.6	63.6
Legrand France SA shares pledged under Facility Agreement	0.0	887.3
	99.9	974.0

a) Credit Facility

2004 Credit Facility

As of December 31, 2005, the Group owed €887.3 million on the €1.4 billion syndicated facility contracted in December 2004 (‘the 2004 Credit Facility’). In January 2006, the 2004 Credit Facility was refinanced through a new €2.2 billion syndicated facility.

Upon repayment of the 2004 Credit Facility, the €10.5 million unamortized balance of related debt issuance costs was written off. This amount is reported under ‘Loss on extinguishment of debt’ in the consolidated income statement.

2006 Credit Facility

On January 10, 2006, the Group signed a new €2.2 billion credit facility – the 2006 Credit Facility – with five mandated arrangers. Its purpose is (i) to refinance the €1.4 billion 2004 Credit Facility in its entirety, (ii) to retire the €574.2 million High Yield Notes issue, plus accrued interest on the notes and the €98.5 million early-repayment premium (recognized under ‘Loss on extinguishment of debt’), and (iii) to repay the €177.9 million portion of the subordinated shareholder loan corresponding to the vendor financing granted by Schneider at the time of acquisition of Legrand France SA, as required under the terms of the loan debenture in the event that the High Yield Notes are retired.

The 2006 Credit Facility comprises a €700 million Tranche A representing a multicurrency term loan repayable in semi-annual installments equal to 10% of the nominal amount between January 10, 2007 and July 10, 2010, with a final 20% installment on January 10, 2011. It also included a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns and a €300 million Tranche C multicurrency facility repayable upon the Group’s flotation on the stock market. Tranches A and B are five-year loans that can be rolled over for two successive one-year periods. Tranche C was a 364-day loan; it was repaid in full in April 2006 following the IPO.

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of December 31, 2005 and June 30, 2006:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Due within one year (short-term borrowings)	70.0	155.6
Due in one to two years	140.0	155.6
Due in two to three years	140.0	155.6
Due in three to four years	140.0	420.5
Due beyond four years	650.8	0.0
	1,140.8	**887.3**

The Facility Agreement breaks down as follows:

	June 30, 2006 Euros, in millions	Maturity	Interest rates
Term Facility	700.0	2011	Euribor + 0.40
Revolving Facility	440.8	2011	Euribor + 0.40

	Dec. 31, 2005 Euros, in millions	Maturity	Interest rates
Term Facility	622.3	2009	Euribor + 0.55
Revolving Facility	265.0	2009	Euribor + 0.55

b) High Yield Notes

In February 2003, the Group issued $350 million worth of 10.5% Senior Notes due 2013 and €277.5 million worth of 11.0% Senior Notes due February 15, 2013 (the 'High Yield Notes'). The Group redeemed all the High Yield Notes on February 15, 2006 for a total amount of €672.7 million, including an early-redemption premium of €98.5 million which is reported under 'Loss on extinguishment of debt' in the income statement.

c) 8 1/2% Debentures (Yankee bonds)

On February 14, 1995, Legrand France SA issued $400 million of 8 1/2% debentures due February 15, 2025, through a public placement in the United States. Interest on the debentures is payable semi-annually in arrears 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 SA 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 SA may, at its option, redeem all—but not part—of the debentures in advance. Each debenture holder may also require Legrand France SA to redeem its debentures in advance upon the occurrence of a hostile change of control.

In connection with the issuance of the debentures, Legrand France SA also entered into an interest rate swap agreement (see Note 24a).

d) Further borrowing capacity

As of June 30, 2006 a further €759.2 million was available for borrowing under the Facility Agreement.

16) Provisions and other non-current liabilities

Provisions and other non-current liabilities are as follows:

	June 30,2006
	Euros, in millions
At begining of period	134.0
Changes in scope of consolidation	1.3
Increases	20.8
Reversals	(25.6)
Transfers to current liabilities	(4.5)
Reclassifications	(10.4)
Translation adjustment	(3.2)
	112.4

As at June 30th 2006, total of provisions and other non-current liabilities comprises in particular provisions for claims and litigation (€10 million), provisions for restructuring (€17.7 million), statutory and discretionary profit-sharing (€13 million) and provisions for taxes (€20.6 million).

17) Employee benefits

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Retirement benefits in France *	30.7	26.0
Retirement benefits in Italy *	51.9	53.3
Other post-employment benefits *	56.6	60.4
	139.2	**139.7**

* These items represent the non-current portion of pension and other post-retirement benefits for a total of €139.2 million (€139.7 million in 2005). The current portion of €7.8 million (€9.6 million in 2005) is classified in 'Other current liabilities'. The total amount of those liabilities is therefore €147 million (€149.3 million in 2005) and is analyzed in Note 17 (a), which shows total liabilities of €278.8 million (€282.8 million in 2005) less total assets of €131.8 million (€133.5 million in 2005).

a) Pension and other post-employment benefit obligations

The aggregate 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 the United Kingdom, is as follows:

	June 30, 2006	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003
	Euros, in millions			
Defined benefit obligation				
Projected benefit obligation at beginning of period	282.8	249.7	237.0	220.0
Acquisitions	1.1	3.4	0.0	0.0
Goodwill allocation	0.0	0.0	0.0	21.0
Service cost	7.4	17.7	17.5	22.4
Interest cost	5.4	8.8	10.4	8.3
Benefits paid	(8.5)	(17.2)	(25.2)	(22.6)
Employee contributions	0.0	0.6	0.4	0.0
Plan amendments	0.0	0.0	0.3	0.0
Actuarial loss (gain)	(2.2)	6.6	6.9	4.8
Curtailments, settlements, special termination benefits	0.0	0.0	1.7	0.0
Translation adjustment	(7.2)	13.2	(5.3)	(16.9)
Other	0.0	0.0	6.0	0.0
Projected benefit obligation at end of period (I)	**278.8**	**282.8**	**249.7**	**237.0**
Fair value of plan assets				
Fair value of plan assets at beginning of period	133.5	109.9	110.8	108.0
Acquisitions	0.0	0.5	0.0	0.0
Actual return on plan assets	5.0	13.5	7.8	18.5
Employer contributions	4.2	8.2	9.7	5.6
Employee contributions	0.2	0.3	0.4	0.0
Benefits paid	(6.4)	(11.3)	(15.4)	(9.5)
Translation adjustment	(4.7)	12.4	(3.4)	(11.8)
Fair value of plan assets at end of period (II)	**131.8**	**133.5**	**109.9**	**110.8**
Pension liability recognised in balance sheet (I) - (II)	**147.0**	**149.3**	**139.8**	**126.2**
Current liability	7.8	9.6	8.8	3.8
Non-current liability	139.2	139.7	131.0	122.4

Until year-end 2005, actuarial gains and losses arising from changes in actuarial assumptions were recognized in profit.

Effective from January 1st, 2006, the Group has changed its accounting policy to adopt the preferred method of recognizing total actuarial gains and losses outside profit or loss, in a statement of changes in equity titled 'statement of recognized income and expense' (IAS 19.93A amended).
The impact of this change in accounting policy being immaterial, the Group did not judge necessary to modify the consolidated statement of income for year 2005.

Actuarial gains of €2.2 million were recognized in equity as of June 30, 2006 for an after tax amount of €1.5 million.

The impact on consolidated operating profit is as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Service cost - rights acquired during the period	(7.4)	(17.7)
Service cost - cancellation of previous rights	0.0	0.0
Benefits paid (net of cancellation of liability recognized in prior periods)	0.0	0.0
Interest cost	(5.4)	(15.4)
Other	0.0	(0.6)
Return on plan assets	5.0	13.5
	(7.8)	**(20.2)**

The weighted-average allocation of pension plan assets was as follows as of June 30, 2006:

	France	United States and United Kingdom	Total weighed
		%	
Equity instruments	0.0	60.0	49.0
Debt instruments	0.0	35.0	28.0
Insurance funds	100.0	5.0	23.0
	100.0	**100.0**	**100.0**

Based on company-level and collective bargaining agreements, the employees of the Group may be entitled to retirement benefits and supplementary pension benefits in addition to those received in compliance with legal obligations in force in each country.

b) 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.

In France, provisions recorded in the consolidated balance sheet amount to €37.4 million (€34.7 million in 2005), corresponding to the difference between the projected benefit obligation of €60.9 million (€57.3 million in 2005) and the fair value of the related plan assets of €23.5 million (€22.6 million in 2005).

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% and a discount rate of 4.75% in first-half 2006 (3.0% and 4.5% in 2005). The provisions recorded in the consolidated balance sheet correspond to the portion of the total obligation remaining payable by the Group; this amount is equal to the difference between the total obligation recalculated at each balance sheet date, based on the actuarial assumptions described above, and the net residual value of the plan assets at that date.

c) Provisions for termination benefits in Italy

In accordance with employment legislation in force in Italy, provisions for termination benefits payable to employees when they leave the Group have been established in the accounts of the Italian companies in an amount of €56.7 million as of June 30, 2006 (€58.4 million as of December 31, 2005). The accrued benefits are defined by law and correspond to approximately one month's salary per year of service. Amounts attributed to each employee are revalued each year in accordance with a specific index published by the government. They are fully vested and are paid when an employee leaves the Group. The companies have no further liability toward the employee once the payment is made.

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 Italy, the calculation was based on a salary increase rate of 3.15% and a discount rate of 4.25% in first-half 2006 (2.5% and 4.07% in 2005).

d) Provisions for retirement benefits and other post-employment benefits in the United States and the United Kingdom

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

The related benefit obligations amounted to €146.4 million as of June 30, 2006 (€154.6 million as of December 31, 2005). This amount is covered by pension fund assets estimated at €103.2 million as of June 30, 2006 (€106.1 million as of December 31, 2005) and by provisions.

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 the United Sates, the calculation was based on a salary increase rate of 4.25%, a discount rate of 5.75% and an expected return on plan assets of 8.75%. In the United Kingdom, the calculation was based on a salary increase rate of 3.2% and a discount rate of 5.2%.

18) Short-term borrowings

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Current portion of long-term debt	145.9	160.8
Bank overdrafts	166.8	70.0
Other short-term borrowings	225.6	88.5
	538.3	**319.3**

19) Provisions and other current liabilities

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Tax liabilities	78.9	80.8
Accrued employee benefits expense	142.7	133.4
Current portion of statutory profit sharing	8.9	8.1
Payables related to fixed asset purchases	8.1	9.6
Accrued expenses	37.4	29.6
Accrued interest	28.7	48.5
Deferred revenue	6.8	1.7
Other	95.6	95.2
	407.1	**406.9**

20) Analysis of certain expenses

a) Analysis of operating expenses

Operating expenses include the following categories of costs:

	Six months ended June 30, 2006	Six months ended June 30, 2005
	Euros, in millions	
Raw materials and parts used in production	(552.1)	(440.1)
Salaries and payroll taxes	(495.9)	(440.4)
Employees profit sharing	(17.3)	(13.6)
Total employee benefits expense	**(513.2)**	**(454.0)**
Depreciation expense	(69.6)	(70.5)
Amortization expense	(50.0)	(55.2)

As of June 30, 2006 the Group had 29,989 employees (30,237 as of December 31, 2005 and 25,993 as of June 30, 2005).

b) Analysis of other operating income and expense

	Six months ended June 30, 2006	Six months ended June 30, 2005
	Euros, in millions	
Employees profit sharing	(17.3)	(13.6)
Restructuring expenses	(9.0)	(14.5)
Non recurrent expenses from IPO	(9.1)	0.0
Other	(18.7)	(11.5)
	(54.1)	**(39.6)**

21) Finance costs and other financial income and expense, net

a) Exchange gains and losses

	Six months ended June 30, 2006	Six months ended June 30, 2005
	Euros, in millions	
Exchange gains and losses	21.7	(24.0)

Exchange gains and losses mainly concern long-term borrowings.

b) Finance costs, net

	Six months ended June 30, 2006	Six months ended June 30, 2005
	Euros, in millions	
Interest income	15.8	14.5
Finance costs	(88.8)	(122.6)
Change in fair value of financial instruments	(0.9)	20.4
	(89.7)	(102.2)
	(73.9)	**(87.7)**

22) Income tax expense (current and deferred)

Profit before taxes and share of profit of associates is as follows:

	Six months ended June 30, 2006	Six months ended June 30, 2005
	Euros, in millions	
France	(49.9)	(38.0)
Outside France	171.7	139.5
	121.8	**101.5**

Income tax expense consists of the following:

	Six months ended June 30, 2006	Six months ended June 30, 2005
	Euros, in millions	
Current taxes:		
France	(0.1)	(1.2)
Outside France	(53.3)	(44.3)
	(53.4)	(45.5)
Deferred taxes:		
France	6.2	17.8
Outside France	(10.5)	(13.4)
	(4.3)	4.4
Total income tax expense:		
France	6.1	16.6
Outside France	(63.8)	(57.7)
	(57.7)	**(41.1)**

The reconciliation of total income tax expense during the period to income tax calculated at the standard tax rate in France is as follows:

	Six months ended June 30, 2006	Six months ended June 30, 2005
	Tax rate	
Standard French income tax rate	**34.43%**	**34.93%**
Increases (reductions) :		
- Effect of foreign income tax rates	(0.53%)	(1.32%)
- Non taxable items	2.99%	5.55%
- Income taxable at specific rates	0.74%	3.60%
- Other	(9.87%)	(2.27%)
	27.76%	40.49%
Impact on deferred taxes:		
- Effect of tax rate changes on opening balance	-	-
- Recognition or non-recognition of deferred tax assets	19.61%	0.00%
Effective tax rate	**47.37%**	**40.49%**

Deferred taxes recorded in the balance sheets result from temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes and are analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Deferred taxes recorded by French companies	(343.5)	(350.8)
Deferred taxes recorded by foreign companies	(304.8)	(308.0)
	(648.3)	**(658.8)**
Origin of deferred taxes:		
- Depreciation of fixed assets	(99.2)	(97.0)
- Tax loss carryforwards	24.5	34.1
- Statutory profit sharing	3.8	3.9
- Pensions and other post-employment benefits	19.4	20.3
- Subordinated perpetual notes	6.7	11.1
- Patents	(71.9)	(87.0)
- Trademarks	(547.1)	(551.6)
- Impairment losses on inventories and receivables	22.0	20.4
- Fair value of derivative instruments	(10.4)	(12.7)
- Translation adjustment	3.6	4.4
- Non deductible provisions	16.8	13.6
- Margin on inventories	10.5	7.8
- Other	(27.0)	(26.1)
	(648.3)	**(658.8)**

Short and long-term deferred tax assets and liabilities are analyzed as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Deferred taxes - short-term	33.1	36.1
Deferred taxes - long-term	(681.4)	(694.9)
	(648.3)	**(658.8)**

As of June 30, 2006, net operating losses carried forward break down as follows:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Net recognized operating losses carried forward	76.7	103.7
Recognized deferred tax assets	24.5	34.1
Net non recognized operating losses carried forward	471.6	393.5
Non recognized deferred tax assets (1)	159.4	131.1
Net operating losses carried forward in total	548.3	497.2

(1) within which €49 million will be recognized through goodwill if a deferred tax asset was accounted for.

As explained in Note 13, the subordinated perpetual notes are subject to specific tax rules, the application of which was specified in the amended 2005 Finance Act.
Application of these rules led to a €110 million reduction in the Group's tax loss carryforwards in 2005 and will lead to a further €62.5 million reduction in 2007.

23) Contingencies and commitments

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 would not have a material adverse effect on the Group's consolidated financial position or results of operations.

Legal proceedings

In October 2003, an action was brought against a subsidiary of the Group and two other major suppliers of back-wires in the United States alleging that one of the Group's products - a quick connect receptacle - is dangerous and should be withdrawn from the United States markets and all production should be discontinued.

The Group disputes these allegations and has made a counterclaim, as it believes that the original claim is unsubstantiated. The quick connect receptacle has been sold in the United States for several years and during this period no accidents have been reported in connection with their use. In addition, management does not believe that the claimant has any evidence of loss and the claim does not refer to any loss or accidents from use of the receptacle. This action is currently being considered by the Superior Court of the State of California and the Charleston Division of the South Carolina District Court in relation to certain procedural matters. Although the Group believes the claims are unsubstantiated, it is currently too early to assess the eventual outcome of these proceedings.

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 non-cancelable leases are detailed below:

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Due within one year	17.6	17.4
Due in one to two years	12.8	13.4
Due in two to three years	9.9	9.8
Due in three to four years	7.4	7.1
Due in four to five years	6.2	6.4
Due beyond five years	8.0	9.4
	61.9	**63.5**

Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €9.8 million as of June 30, 2006.

24) Derivative financial instruments

The Group's cash management strategy is based on overall risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices, the use of derivatives and the investment of available cash. The Group does not conduct any trading transactions in financial instruments. All transactions involving financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks.

The Group does not hold any derivative financial instruments for speculative purposes.

a) Interest rate risk

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Financial assets:	**26.2**	**33.4**
Mirror swaps and swaps on TSDI 3	4.1	8.2
Swaps on other borrowings	14.0	25.2
Caps (1)	8.1	0.0
Financial liabilities:	**67.4**	**59.9**
Swaps on TSDI 1 & 2	16.8	26.4
Swaps on other borrowings	50.6	33.5

(1) As of December 31, 2005, caps were recorded in the consolidated balance sheet under 'Provisions and other non-current liabilities'.

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

As of June 30, 2006 the breakdown of gross debt was as follows:

	June 30, 2006
	Euros, in millions
Fixed rates	306.6
Variable rates (1)	1,808.7

(1) Variable rate debt is hedged by interest rate instruments with maturities of no more than three years.

The Group's strategy for managing variable rate debt consists of using caps to set a ceiling on interest rates, in order to limit risk while retaining the opportunity to benefit from favorable changes in rates.

The interest rate hedging portfolio primarily comprises caps.

June 30, 2006			
Period covered	Amount covered	Benchmark rate	Average guaranteed rate including premium
	Euros, in millions		
March 2006 - March 2007	960.0	Euribor	3.26%
April 2007 - March 2008	510.0	Euribor	3.47%
April 2008 - March 2009	150.0	Euribor	3.90%

The caps do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value, with changes in fair value recognized in profit. The effect of changes in fair value on consolidated profit was a €3.2 million gain (€1.6 million gain in 2005), recognized in 'Financial income'.

The Group has also entered into interest rate swaps with selected major financial institutions to hedge interest rate risks on its subordinated perpetual notes (TSDIs) and 8 1/2 % debentures. The fair value of each swap agreement is determined at each balance sheet date, based on rates implied in the yield curve at the reporting date; these implied rates may change, with an impact on cash flows.

Interest rate swaps on subordinated perpetual notes (Note 13)

In order to manage its exposure to interest rate fluctuations, the Group hedged its subordinate perpetual notes (TSDIs) with interest rate swaps.

The notional amount of these swaps was linked to the capitalized amount of the TSDIs. The swaps and the TSDI 1 matured on the same date – December 19, 2005.

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Interest rate swaps hedging subordinated securities		
Notional amount	266.2	259.5
Swaps on TSDI 1 & 2 subordinated perpetual notes issues (liabilities)	16.8	26.4
Mirror swaps and swaps on TSDI 3 (assets)	4.1	8.2

Interest rate swap on the 8 1/2% debentures (Yankee bonds) (Note 15)

The purpose of this swap is to convert the fixed rate of interest payable to the holders of the debentures into a variable rate indexed on LIBOR through the entire life of the issue. The notional amount of the swap matches the amount of the debentures and the swap's fair value is exactly symmetrical to the fair value of the debentures.

As a result of this swap agreement, the effective interest rate of the debentures after the swap agreement is LIBOR plus 53 basis points, representing a rate of 4.79% as of June 30, 2006 (4.52% as of December 31, 2005).
At the beginning of February 2003, the Group entered into a cross currency swap with respect to the 8 ½% debentures fixing the interest rate payable on the $350 million principal amount at 4.6% per year. The remaining $50 million in principal continues to be at a variable rate (LIBOR plus 53 basis points).

In April 2003, a new agreement was signed through which the Group sold the tranche related to the 2008-2025 maturities. As a result, from February 2008 onwards, the 8 ½% debentures will once again pay a fixed rate of 8 ½%. Further interest rate swap arrangements may be entered into on variable rate debt in the future, based on changes in market conditions.

	June 30, 2006	Dec. 31, 2005
Interest rate swap hedging the 8 1/2 % debentures		
Notional amount (USD, in millions)	400.0	400.0
Swaps on other borrowings (assets) (Euros, in millions)	14.0	25.2
Swaps on other borrowings (liabilities) (Euros, in millions)	50.6	33.5

b) Currency hedges

The Group entered into a swap on forward sales of foreign currency for an amount of $377 million as of June 30, 2006.

c) Commodity hedges

During the first-half of 2006, the Group signed collar contracts for limited amounts and periods, to hedge copper price risk.

d) Concentration of credit risk

The Group's financial derivatives contracts are held with major financial institutions that can reasonably be expected to comply with the terms of the agreements thereby mitigating the credit risk from the transactions.

As explained in Note 7, a substantial portion of Group sales is with two major distributors. Other sales are also essentially with distributors of electrical products but are diversified due to the large number of customers and their geographical dispersion. The Group mitigates its credit risk by establishing and performing regular evaluations of individual credit limits for each customer, and constantly monitoring collection of its outstanding receivables.

Other financial instruments that may potentially expose the Group to a concentration of credit risk are principally cash equivalents and short-term investments. These assets are placed with financial institutions that are rated at least A1 by Standard & Poor's, and the Group constantly monitors the amount of credit exposure with any one financial institution.

25) Information relating to corporate officers

	June 30, 2006	Dec. 31, 2005
	Euros, in millions	
Advances and loans to corporate officers	0.0	0.0
Compensation paid to corporate officers (*)	0.8	1.3

(*) Compensation paid to executive officers and members of the Board of Directors who hold operating responsibilities within the Group.

As of June 30, 2006, no corporate officers held any stock options granted under the 1999 and 2001 plans.

Within the context of the liquidity offer guaranteed to every holders of the 2001 stock options, corporate officers were paid a global amount of €2.2 million before taxes.

26) Information by geographical segment

The Group's business consists solely of the manufacture and marketing of products and systems for electrical installations and information networks. The following information by geographical segment reflects the level of analysis used to manage the Group.

Six months ended June 30, 2006	Geographic segments					Items not allocated to segments	Total
	Europe			USA/Canada	Rest of the World		
Euros, in millions	France	Italy	Others				
Total revenue	1,262.6	506.2	471.6	362.0	282.8		2,885.2
Less intra-group transfers	(694.1)	(111.8)	(107.5)	(21.6)	(56.9)		(991.9)
Revenue	**568.5**	**394.4**	**364.1**	**340.4**	**225.9**		**1,893.3**
Cost of sales	(220.6)	(175.7)	(229.9)	(191.5)	(122.1)		(939.8)
Administrative and distribution costs, R&D	(231.2)	(110.1)	(104.4)	(111.4)	(59.3)		(616.4)
Other operating income and expenses	(29.1)	(6.8)	(2.4)	(5.1)	(10.7)		(54.1)
Operating profit	**87.6**	**101.8**	**27.4**	**32.4**	**33.8**		**283.0**
- of which depreciation expense	(28.9)	(14.3)	(10.0)	(8.5)	(7.3)		(69.0)
- of which amortization expense	(2.1)	(2.2)	(0.5)	(0.5)	(0.3)		(5.6)
- of which amortization of development costs	(0.7)	(0.9)	0.0	0.0	0.0		(1.6)
- of which Legrand SA post-acquisition expenses	(22.8)	(10.9)	(3.2)	(4.8)	(1.7)		(43.4)
- of which restructuring costs	(1.4)	0.1	(1.5)	(1.6)	(4.6)		(9.0)
Exchange gains and losses						21.7	21.7
Finance costs and other financial income and expense,						(73.9)	(73.9)
Income tax expense						(57.7)	(57.7)
Minority interest and share of (loss)/profit of associates						(0.8)	(0.8)
Capital expenditure	26.2	12.5	7.6	8.8	6.9		62.0
Capitalized development costs	9.5	3.3	0.0	0.0	0.0		12.8
Total identifiable assets	3,918.2	1,645.2	321.9	(210.1)	369.0		6,044.2
Segment liabilities	343.8	222.6	124.1	86.6	86.8		863.9

Six months ended June 30, 2005	Geographic segments					Items not allocated to segments	Total
	Europe			USA/Canada	Rest of the World		
Euros, in millions	France	Italy	Others				
Total revenue	1,147.7	428.1	369.7	295.9	200.9		2,442.3
Less intra-group transfers	(638.4)	(94.9)	(78.4)	(6.8)	(41.2)		(859.7)
Revenue	**509.3**	**333.2**	**291.3**	**289.1**	**159.7**		**1,582.6**
Cost of sales	(205.3)	(146.5)	(187.3)	(167.8)	(90.1)		(797.0)
Administrative and distribution costs, R&D	(210.3)	(101.6)	(82.7)	(94.5)	(43.7)		(532.8)
Other operating income and expenses	(22.4)	(2.7)	(2.2)	(7.2)	(5.1)		(39.6)
Operating profit	**71.3**	**82.4**	**19.1**	**19.6**	**20.8**		**213.2**
- of which depreciation expense	(29.8)	(14.9)	(9.8)	(9.7)	(5.7)		(69.9)
- of which amortization expense	(1.1)	(1.9)	(0.3)	(0.5)	(0.3)		(4.1)
- of which amortization of development costs	(0.2)	0.0	0.0	0.0	0.0		(0.2)
- of which Legrand SA post-acquisition expenses	(27.1)	(13.1)	(3.9)	(5.5)	(1.9)		(51.5)
- of which restructuring costs	(6.5)	0.2	(0.6)	(6.9)	(0.7)		(14.5)
Exchange gains and losses						(24.0)	(24.0)
Finance costs and other financial income and expense,						(87.7)	(87.7)
Income tax expense						(41.1)	(41.1)
Minority interest and share of (loss)/profit of associates						(0.8)	(0.8)
Capital expenditure	15.6	12.7	7.5	7.2	6.3		49.3
Capitalized development costs	7.6	3.1	0.0	0.0	0.0		10.7
Total identifiable assets	3,851.8	1,362.9	307.1	(149.0)	313.1		5,685.9
Segment liabilities	316.9	169.7	104.5	78.5	69.9		739.5

27) Quarterly data

a) Quarterly revenue by geographical segment

	Legrand			
	1st quarter 2006	1 st quarter 2005	2nd quarter 2006	2nd quarter 2005
	Euros, in millions			
France	283.6	251.8	284.9	257.5
Italy	202.9	167.7	191.5	165.5
Rest of Europe	180.5	140.6	183.6	150.7
USA/Canada	163.6	130.5	176.8	158.6
Rest of the World	110.0	75.0	115.9	84.7
Total	**940.6**	**765.6**	**952.7**	**817.0**

b) Quarterly income statements

	Legrand			
	1 st quarter 2006	1 st quarter 2005	2 nd quarter 2006	2 nd quarter 2005
	Euros, in millions			
Revenue	**940.6**	**765.6**	**952.7**	**817.0**
Operating expenses				
Cost of sales	(465.4)	(379.5)	(474.4)	(417.5)
Administrative and selling expenses	(246.5)	(200.1)	(249.7)	(213.9)
Research and development costs	(60.5)	(58.8)	(59.7)	(60.0)
Other operating income (expense)	(26.5)	(21.2)	(27.6)	(18.4)
Operating profit	**141.7**	**106.0**	**141.3**	**107.2**
Financial expense	(53.0)	(53.6)	(36.7)	(48.6)
Financial income	6.4	6.5	9.4	8.0
Exchange gains and losses	5.8	(11.9)	15.9	(12.1)
Loss on extinguishment of debt	(109.0)	0.0	0.0	0.0
Finance costs and other financial income and expense, net	**(149.8)**	**(59.0)**	**(11.4)**	**(52.7)**
Share of (loss) / profit of associates	0.5	0.0	0.0	0.4
Profit before tax	**(7.6)**	**47.0**	**129.9**	**54.9**
Income tax expense	(27.0)	(20.5)	(30.7)	(20.6)
Profit for the period	**(34.6)**	**26.5**	**99.2**	**34.3**
Attributable to:				
- Equity holders of Legrand	**(35.3)**	**26.1**	**98.6**	**33.5**
- Minority interests	**0.7**	**0.4**	**0.6**	**0.8**

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