>

REFERENCE DOCUMENT

2007

legrand®

< Contents >

REFERENCE DOCUMENT 2007

Pursuant to article 212-13 of its general regulations, the French *Autorité des marchés financiers* (AMF) registered this reference document on April 23, 2008 under number R.08-029. This document may be used to support a financial operation only if it is completed by an offering circular approved by the *Autorité des marchés financiers*. This reference document has been prepared by the issuer under the responsibility of the signatories. Registration, made following examination of the relevance and consistency of the information provided on the Company's standing, does not imply authentication of the accounting and financial data presented.

This document is an unofficial translation of the French language reference document of Legrand, which was registered with the French *Autorité des marchés financiers* on April 23, 2008 under number R.08-029. It is for information purposes only.

In case of discrepancy with the original document in French, the latter shall prevail.

NOTE

References to the "Group" and "Legrand" are to the Company, its consolidated subsidiaries and its minority shareholdings. References to "Legrand France" are to Legrand France, the Company's subsidiary, previously named Legrand SA, and which company name was changed by the Shareholders' Meeting on February 14, 2006, and not to its subsidiaries. References to "Legrand SAS" are to Legrand SAS, dissolved without liquidation by a decision of the Board of Directors of the Company dated February 8, 2006, and previously an indirect subsidiary of the Company.

In this document, references to "KKR" are to Financière Light Sàrl, Financière Light II Sàrl, Financière Light III Sàrl and Financière Light IV Sàrl, each of which is a company under Luxembourg law, owned and controlled by one or more investment funds advised by Kohlberg Kravis Roberts & Co. L.P.

In this document, references to "Wendel" are, unless otherwise specified, to Wendel and/or one or more of its subsidiaries.

The Company's consolidated financial statements presented in this document for the years ended December 31, 2007, 2006 and 2005 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. Since the Group has not adopted the carve-out arrangements of IAS 39 proposed by the European Union, these consolidated financial statements were also prepared in accordance with IFRS principles as articulated by the International Accounting Standards Board ("IASB"). Therefore the use of the term "IFRS" within this document refers both to the international accounting standards as adopted in the European Union and as articulated by IASB. In the past, the Company presented its financial statements in accordance with French generally accepted accounting principles ("French GAAP") and United States generally accepted accounting principles ("US GAAP"). The Company has decided to present its consolidated financial statements in accordance with IFRS as required by French law and will be reporting its results and preparing its consolidated financial statements in the future in accordance with IFRS. IFRS may differ in certain significant respects from French GAAP.

This document contains information about Legrand's markets and its competitive position therein, including market size and market share. Legrand is not aware of any authoritative industry or market reports that cover or address the market for products and systems for low-voltage electrical installations and information networks in buildings, and thus assembles information on its markets through its subsidiaries, which compile information on their local markets annually. They derive that information from formal and informal contacts with industry professionals (such as professional associations), trade data from distributors of electrical products, building statistics and macroeconomic data (such as gross domestic product or consumption of electricity). Legrand estimates its position in its markets based on market data referred to above and on its actual sales in the relevant market for the same period.

Legrand believes that the market share information contained in this reference document provides fair and adequate estimates of the size of its markets and fairly reflects its competitive position within these markets. However, internal surveys, estimates, market research and publicly available information, while believed by Legrand to be reliable, have not been independently verified and Legrand cannot guarantee that a third party using different methods to assemble, analyze or compute market data would obtain or generate the same results. In addition, its competitors may define the Company's markets differently from Legrand. Because statements relating to market shares and market sizes are Company estimates, they are not data extracted from the consolidated financial statements, and Legrand cautions readers not to place undue reliance on such statements.

This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. They are mentioned in various sections of this document and contain data relating to the Group's intentions, estimates and targets, concerning in particular its market, strategy, growth, results, financial position and cash position.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of the Group's future performance. The Company's actual financial condition, actual results and cash flows, and the development of the industry in which it operates, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group's financial condition, results of operations and cash flows, and the development of the industry in which Legrand operates, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Factors that could cause those differences include, among other things, the risk factors described in chapter 3 of this reference document. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

The forward-looking statements provided in this document are only made as of the date of this document. Legrand operates in a competitive environment subject to rapid change. It therefore is not able to anticipate all risks, uncertainties or other factors that may affect its activities, their potential impact on its activities or the extent to which the occurrence of a risk or combination of risks could have significantly different results from those set out in any forward-looking statements, it being noted that such forward-looking statements do not constitute a projection or guarantee of actual results.

1

RESPONSIBILITY FOR THE REFERENCE DOCUMENT

1.1 - PERSON RESPONSIBLE FOR THE REFERENCE DOCUMENT

1.1.1 - Name and position of the person responsible for the reference document

Mr. Gilles Schnepp, Chairman and Chief Executive Officer of Legrand, a French *société anonyme* the registered address of which is 128, avenue du Maréchal de Lattre de Tassigny - 87000 Limoges and which is registered under the number 421 259 615 on the Limoges company register (*Registre des Commerces et des Sociétés* or RCS), hereinafter referred to as "the Company".

1.1.2 - Responsibility statement

"I hereby certify, having taken all reasonable care in this regard, that the information contained in this reference document is, to the best of my knowledge, accurate and that there are no omissions of a nature to materially affects its reliability.

I further certify that, to the best of my knowledge, the accounts have been drawn up in accordance with applicable accounting standards and fairly present the assets, the financial position and results of the Company and the businesses within the scope of consolidation and that Management Reports appearing on page 63 and in appendix 2 fairly present developments in the business, results and financial position of the Company and the businesses within the scope of consolidation together with a description of the risk and uncertainties to which they are exposed.

I have obtained from the Statutory Auditors, upon completion of their work, a letter in which they indicate that they have verified the information concerning the financial situation and accounts presented in this reference document and read the entire reference document."

Gilles Schnepp
Chairman and Chief Executive Officer

1.1.3 - Incorporation by reference

The following are hereby incorporated by reference in this reference document: the Company's consolidated financial statements for the financial year ended December 31, 2005 together with the related report of the Statutory Auditors as presented in the base prospectus (*document de base*) filed with the *Autorité des marchés financiers* under the number 1.06-009 and the Company's consolidated financial statements for the financial year ended December 31, 2006, together with the related report of the Statutory Auditors as presented in the reference document filed with the *Autorité des marchés financiers* under the number R.07.0038 on April 23, 2007.

1.2 - STATUTORY AUDITORS

1.2.1 - Principal Statutory Auditors

PricewaterhouseCoopers Audit

Member of the Regional Body of Statutory Auditors
in Versailles (*Compagnie régionale de Versailles*)
Represented by Gérard Morin
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the General Shareholders' Meeting of June 6, 2003, became principal statutory auditor following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and renewed as principal statutory auditor at the General Shareholders' Meeting of March 2, 2004 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2009.

Deloitte & Associés

Member of the Regional Body of Statutory Auditors
in Versailles (*Compagnie régionale de Versailles*)
Represented by Dominique Descours
185, avenue Charles de Gaulle
BP 136 - 92524 Neuilly-sur-Seine Cedex

Appointed principal statutory auditor at the General Shareholders' Meeting of December 21, 2005 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2010.

1.2.2 - Deputy Statutory Auditors

Mr. **Yves Nicolas**

Member of the Regional Body of Statutory Auditors
in Versailles (*Compagnie régionale de Versailles*)
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the General Shareholders' Meeting of March 2, 2004 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2009.

BEAS

Member of the Regional Body of Statutory Auditors
in Versailles (*Compagnie régionale de Versailles*)
7-9, Villa Houssay
92524 Neuilly-sur-Seine Cedex

Appointed deputy statutory auditor at the General Shareholders' Meeting of December 21, 2005 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2010.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

1.3 - FINANCIAL INFORMATION

1.3.1 - Person responsible for financial information

Mr. **Antoine Burel**

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

1.3.2 - Documents available to the public

The legal documents pertaining to the Company that must be made available to the shareholders in accordance with the applicable regulations and its financial records may be consulted at the registered office of the Company.

Pursuant to article 222-7 of AMF general regulations (*règlement général de l'Autorité des marchés financiers*), the following list has been compiled of the information published or made public by Legrand in the course of the past twelve months.

List of press releases

The press releases are available on the Company's web site (www.legrandelectric.com).

Date	Title
April 2007	Legrand joins UN Global Compact
	Unaudited consolidated financial statements to March 31, 2007
May 2007	Excellent 2007 first quarter
	Dividend payment on May 21, 2007
	Share buyback program
	Monthly declaration of trading in own shares for the month of April 2007
	Implementation of a liquidity contract on May 29, 2007
June 2007	Monthly declaration of trading in own shares for the month of May 2007
	Semi-annual update – liquidity contract – June 2007
July 2007	Legrand continues expansion on emerging markets with the acquisition of Kontaktor in Russia
	Firm rise in earnings for the first half of 2007
	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in June 2007
	Total number of shares and voting rights – June 2007
August 2007	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in July 2007
	Total number of shares and voting rights – July 2007
September 2007	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in August 2007
	Total number of shares and voting rights – August 2007

Date	Title
October 2007	Legrand pursues expansion in emerging countries, purchasing Mexico's Macse
	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in September 2007
November 2007	Steep rise in earnings to the end of September with 2007 targets revised upwards
	Legrand reinforces its business model for the long term and adapts organization
	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in October 2007
December 2007	Legrand continues expansion in China with the acquisition of TCL Wuxi
	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in November 2007
	Legrand strengthens positions in energy distribution with the acquisition of Alpes Technologies
January 2008	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in December 2007
	Semi-annual update – liquidity contract – December 2007
February 2008	Strong growth in 2007 sales and earnings
	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in January 2008
	Information on liquidity contract
March 2008	Monthly publication of information concerning share buybacks within the scope of line 1, paragraph 1 of article 241-4 of AMF General Regulations and which was made public in February 2008
	Total number of shares and voting rights – February 2008
April 2008	Legrand is on track, in line with its guidance
	Total number of shares and voting rights – March 2008
	Legrand continues expansion in emerging markets and VDI systems with the acquisition of Estap in Turkey

List of BALO publications

Date	Nature of information
05/11/2007	Periodical publications – Commercial and industrial companies (sales)
06/22/2007	Periodical publications – Commercial and industrial companies (annual accounts)
08/01/2007	Periodical publications – Commercial and industrial companies (sales)
09/19/2007	Periodical publications – Commercial and industrial companies (interim accounts)
11/14/2007	Periodical publications – Commercial and industrial companies (sales)
02/13/2008	Periodical publications – Commercial and industrial companies (sales)
03/28/2008	Periodical publications – Commercial and industrial companies (annual accounts)
04/07/2008	Convening – Shareholders' and member's Meetings

Documents filed with the clerk of the Commercial Court of Limoges (www.infogreffe.fr)

Date	Type of document
05/15/2007	Minutes of Shareholders' Meeting
05/15/2007	Updated by-laws
07/25/2007	Minutes of Board of Directors
11/07/2007	Minutes of Board of Directors
11/07/2007	Updated by-laws

1.3.3 - Indicative financial information schedule

The financial information the Company discloses to the public will be available on the Company's web site (www.legrandelectric.com).

As an indication only, the Company's schedule for publication of financial information should be as follows up to December 31, 2008:

2008 first-quarter results: May 7, 2008

2008 first-half results: July 30, 2008

2008 nine-month results: November 6, 2008

At its meeting on March 5, 2008, the Company's Board of Directors called the Company's Annual General Meeting for May 22, 2008.

2

GENERAL INFORMATION ON THE GROUP

2.1 - PRESENTATION OF THE GROUP

Legrand is one of the world's leading manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings. The Group is a pure player, focused on developing, manufacturing and marketing a complete range of control and command, cable management, energy distribution and Voice-Data-Image ("VDI") products and systems. Legrand markets its products under internationally recognized general brand names, including *Legrand* and *Bticino*, as well as well-known local or specialist brands. Legrand has commercial and industrial establishments in more than 70 countries and sells a wide range of products, comprising more than 150,000 catalog items, in almost 180 countries. In 2007, the Group had consolidated net sales of €4,128.8 million (of which 75% were generated outside of France). In addition, in 2007, almost 25% of the Group's net sales were generated in emerging markets (Eastern Europe, Turkey, Asia/Pacific excluding South Korea and Australia, Latin America and Africa-Middle East).

2.2 - A MARKET RESILIENT TO ECONOMIC CYCLES WITH A STEADY GROWTH POTENTIAL

2.2.1 - Accessible market

Legrand estimates its accessible market, which corresponds to worldwide sales made by Legrand and its competitors of products that are identical to, or comparable with, Legrand's products, at around €60 billion.

2.2.2 - Resilient market

2.2.2.1 - CAPACITY FOR RESISTANCE TO ECONOMIC CYCLES

The Group's accessible market covers the new construction and renovation of commercial, residential and industrial buildings worldwide. As a result of its presence on each of these market segments, the Group benefits from a multi-pole structure and enjoys geographically balanced exposure.

In addition, its accessible market is characterized by a flow of activity fueled by multiple orders, making it mostly widely dispersed and less sensitive to economic cycles than the medium- and high-voltage markets, where players are more dependent on large public or private projects.

2.2.2.2 - HIGH BARRIERS TO ENTRY

Access to the Group's market is made difficult by a number of barriers to entry. These barriers include:

- the need to offer an extensive range of products and systems with multiple functionalities;
- differences in national electrical standards, norms and local regulations and aesthetic preferences, which require new entrants to make a high initial investment; and
- the need to establish privileged relationships with many market players, such as electrical distributors, electrical professionals, specifiers and end-users.

Consequently, no new player of significant size has emerged on the market for the past twenty years.

2.2.3 - Attractive market

2.2.3.1 - STEADY GROWTH POTENTIAL

The market is characterized by steady demand for new products and functions which arises from the global trend towards innovation. In addition, the market offers medium-term growth potential due to an ever increasing interest in added-value products (aesthetically and functionally) referred to as "trading up". The Company's constant focus on technological innovation allows it to tap this growth potential effectively.

In addition, in emerging markets such as Brazil, China, India and Russia, the constant development of electrical installations and data networks generates demand for both low- and high-end products. Moreover, as nearly one-fourth of the world's population does not yet have access to electricity, the Group believes that the market offers significant long-term growth potential as such access is provided.

Moreover, now that electricity accounts for 70% of energy consumption in buildings, Legrand has experienced a growing demand in all of its markets for products and systems that reduce energy consumption, that have less impact on the environment and that improve the quality of electricity. Legrand is responding to this demand by offering a range of effective solutions that can meet these new requirements.

2.2.3.2 - FRAGMENTED MARKET PROVIDING ACQUISITION OPPORTUNITIES

The accessible market remains highly fragmented, as approximately 50% of worldwide net sales are made by typically local, small- and medium-sized companies that generally enjoy only marginal worldwide market share. Such market fragmentation is due in part to differences between countries' applicable technical standards and norms and also to the various customs of the end-users in each country. Consequently, a significant portion of the market for products and systems for low-voltage electrical installations and data networks traditionally remains in the hands of local, modestly sized manufacturers. The potential acquisition of these manufacturers offers growth opportunities.

2.2.3.3 - NON-DEFLATIONARY INDUSTRY

Whereas certain industries can be characterized by product price decreases, the Group's accessible market demonstrates a different overall trend. The production and distribution value chain for its products benefits from an established ability to increase its selling prices regularly over the long term. Moreover, end-user sensitivity to product prices is mitigated by the fact that electrical installations (excluding cables and cost of labor) generally only represent around 5% of the total cost of the average new residential or commercial construction project. In addition, the Group has a degree of control over its prices due to its strong market position and its ability to develop and offer innovative products.

2.3 - LEGRAND: UNMATCHED COMPETITIVE STRENGTHS

2.3.1 - Pure player with worldwide coverage

Legrand focuses on the development, manufacturing and marketing of a complete range of products and systems for low-voltage electrical installations and data networks. Its specialization, without diversification, has allowed the Group to acquire technical and commercial expertise specific to its business.

This specialization is conducted through a network of subsidiaries, branches and representative offices in more than 70 countries that market the Group's products in almost 180 countries worldwide. 75% of the Group's net sales in 2007 were generated outside France. In particular, net sales generated in emerging markets represented close to 25% of the Group's activity in 2007.

2.3.2 - First-rate positioning

2.3.2.1 - MARKET LEADING POSITIONS BOTH LOCALLY AND ON A GLOBAL BASIS

Legrand believes it is the worldwide leader in wiring devices, with an estimated 2007 market share of approximately 19%. The Group also believes that it is the global leader in cable management products, with an estimated 2007 market share of approximately 15%.

More globally, the Group holds leadership positions for one or more product ranges in several countries. Approximately 47% of the Group's net sales comprised sales of products enjoying number one positions in their respective markets. In addition, approximately 86% of the Group's net sales were derived from sales into countries where at least one of the Group's products held the leading market position. The Group believes that its first-rate competitive position makes it a benchmark for its customers, distributors, electrical professionals, specifiers and end-users and strengthens demand for its products while contributing to the stability of its margins.

2.3.2.2 - MULTI-POLE STRUCTURE

Over the past few years, the Group has distributed its sales forces and industrial facilities more evenly around the world. As a result, Legrand is becoming a multi-pole group marked by the emergence of new growth centers that combine size and rapid expansion, including Mexico, Brazil, China, India, Russia, Poland and Turkey.

More generally, Legrand has made significant investments to ensure coverage of the Rest of Europe and the Rest of the World zones and thus increase the contributions of these areas to the Group's net sales. Thus, 63% of its marketing and sales staff covered the Rest of Europe and the Rest of the World in 2007, up from 50% in 2002. In 2007, Legrand generated 43% of its net sales in the Rest of Europe and the Rest of the World zones, whereas these areas accounted for only 33% of net sales in 2002.

2.3.2.3 - TECHNOLOGICAL EXPERTISE

Legrand has a long and proven track record for innovation, new product development and the improvement of the functionality and reliability of its products. In addition, the Group has significant know-how in integrating innovative technologies into its product and solution offerings. As such, the Group regularly expands its product offering to include high added-value products and solutions based on new technologies to stimulate organic growth.

2.3.2.4 - QUALITY BRAND PORTFOLIO AND CONSISTENT "PUSH AND PULL" STRATEGY

Through its world renowned general brands, such as *Legrand* and *Bticino*, and broad portfolio of local or specialist brands, the Group believes that it offers a product range that its customers, distributors, electrical professionals, specifiers and end-users associate with quality and to which they remain loyal. In particular, the Group believes that electrical professionals and specifiers, which are the principal drivers of demand, have for many years trusted its brands, products and systems for their security, reliability and ease of installation and use. The Group's brand portfolio is continuously leveraged onto the market through its "push and pull" strategy, which markets its products to distributors while concurrently creating demand for its products from electrical professionals, specifiers and end-users.

2.3.2.5 - OVER 150,000 CATALOG ITEMS

The Group believes that its catalogs are among the most comprehensive on the market, offering a broad range of products that can be readily integrated into systems. The Group's catalogs currently feature more than 150,000 products in some 80 product families.

2.3.3 - Targeted acquisitions

2.3.3.1 - ACQUISITION TRACK RECORD

Since 1954, Legrand has acquired and integrated more than 120 companies into its global network, as growth through targeted acquisitions financed from cash flow is a recurring part of the Group's business model. In three years, the Group acquired 15 companies, each of which generated annual net sales of between €10 million and €100 million and which represented total acquired revenues of more than €500 million.

The Group continues to grow, and in February 2008 it announced the acquisition of PW Industries, a US firm specialized in ceiling cable trays for the commercial and industrial sectors.

2.3.3.2 - ACQUISITION EXPERTISE

Due to the fragmented nature of its market, Legrand has a demonstrated ability to identify and complete acquisitions of small- and medium-sized companies that satisfy its criteria for complementary technology, location, markets or products. In addition, the Group has successfully exploited both commercial (complementary products, catalogs and commercial networks) and cost synergies. These synergies have allowed the Group to improve the profitability of the acquired companies, which as a rule are initially less profitable than the Group.

2.3.3.3 - RIGOROUS TARGET SELECTION

The Group continues to review external growth opportunities through a rigorous process that allows it to ensure that an acquisition will increase its local market share, expand its product offering and technology portfolio or reinforce its presence in high-growth markets.

In addition, the Group ensures that each acquisition is completed in accordance with its financial criteria (principally, that the acquisition price corresponds on average to purchase price multiples less than or equal to those applied to Legrand and to companies in the same sector that are comparable in terms of market position and growth potential).

2.3.3.4 - SELF-FINANCING

The Group's ability to generate high cash flows of around 10% of Group sales enables it to fund its own acquisitions in a virtuous and recurring process of value creation.

2.3.4 - Experienced and motivated management

The majority of the members of the Group's senior management team have, on average, 20 years of experience in the industry for products and systems for low-voltage electrical installations and data networks. The combination of their experience, success and commitment to the Group has made it possible to create and maintain a unique corporate culture that inspires and rewards talent and initiative. Under the tenure of its senior management team, the Group has experienced sustained organic growth and strong financial performance and has also completed numerous targeted acquisitions.

In addition, the Group's principal managers (approximately 200 persons) directly or indirectly hold, or may exercise rights to hold, approximately 5% of the Company's share capital, and, as a result, are incentivized to create shareholder value.

The Group also implemented stock-option and free-share plans to motivate its managers and increase their loyalty to the Group (see sections 9.2 and 9.3 of this reference document).

2.3.5 - Efficient business model with profitable growth opportunities

Due to its competitive strengths, the Group has developed an efficient business model with profitable growth opportunities:

- *organic growth.* With an average annual organic growth rate in net sales of approximately 5% between 1988 and 2007 and a total annual sales growth rate of around 9% over the same period, the Group's performance has been particularly satisfying;
- *external growth.* In addition to its organic growth, the Group has demonstrated its ability to expand regularly through targeted, value-creating acquisitions financed from cash flow. The Group estimates that approximately half of its growth between 1988 and 2007 was due to acquisitions and the Group intends to develop its business every year through external growth;
- *high profitability.* The Group has historically maintained operating margins that are among the highest in its sector. For example, between 1988 and 2007, its average adjusted operating income margin was 15%;
- *strong cash flow generation.* The Group has historically been able to generate high levels of recurring cash flows, providing it with the financial and operational flexibility needed to grow its business. Between 2002 and 2007, free cash flow represented 71% of adjusted operating income, and more than 10% of net sales, as compared with 39% and 6%, respectively, between 1990 and 2001. This reflects the significant improvement in Legrand's ability to convert its adjusted operating income into cash and to generate a very high recurring level of free cash flow.

2.4 - STRATEGY

The Group's strategy is to optimize its business model through initiatives focused on growth, costs and capital employed, to accelerate its growth (in particular through targeted acquisitions financed from cash flow) and to increase its cash flow generation while maintaining or increasing its current margins.

2.5 - SUMMARY OF SELECTED FINANCIAL DATA

The Group has derived the following selected financial data as of and for the years ended December 31, 2007, 2006 and 2005 from its consolidated financial statements included in chapter 11 of this reference document. These consolidated financial statements were prepared in accordance with IFRS and audited by PricewaterhouseCoopers Audit and Deloitte & Associés.

Readers should read this summary selected financial data together with the information contained in chapter 7 of this reference document, the Group's consolidated financial statements, the related notes thereto (included in chapter 11 of this reference document) and other financial information included elsewhere in this reference document.

(in € millions, except percentages)	2007	2006	2005
Net sales	**4,128.8**	**3,736.8**	**3,247.9**
Total sales growth	+10.5%	+15.1%	+11.0%
Sales growth at constant scope of consolidation and exchange rates	+8.6%	+7.8%	+6.6%
EBITDA(1)	**877.4**	**773.0**	**661.1**
As a percentage of net sales	21.3%	20.7%	20.4%
Maintainable EBITDA(2)	**885.6**	**796.6**	**698.9**
As a percentage of net sales	21.4%	21.3%	21.5%
Adjusted operating income(3)	**724.0**	**616.2**	**509.0**
As a percentage of net sales	17.5%	16.5%	15.7%
Maintainable adjusted operating income(2)	**732.2**	**639.8**	**546.8**
As a percentage of net sales	17.7%	17.1%	16.8%
Net income(4)	**422.6**	**255.2**	**103.8**
Free cash flow(5)	**552.9**	**456.1**	**327.9**
As a percentage of net sales	13.4%	12.2%	10.1%
Net financial debt(6)	**1,798**	**1,676**	**2,017**

(1) EBITDA means operating income plus depreciation of tangible assets and amortization of intangible assets and impairment charges on goodwill. EBITDA is not a measurement of performance under IFRS and should not be considered as an alternative to (a) operating income or net income (as determined in accordance with IFRS) as a measure of the Group's operating performance, (b) cash flows from ongoing operations, investing and financing activities (as determined in accordance with IFRS) as a measure of the Group's ability to meet cash needs or (c) any other measures of performance under IFRS. The Group believes that EBITDA is a measure commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance and debt servicing ability because it assists in comparing performance on a consistent basis without regard to depreciation and amortization, which can vary significantly depending upon accounting methods (particularly when acquisitions are involved) or non-operating factors (such as historical cost). Accordingly, this information has been disclosed in this reference document to permit a more complete and comprehensive analysis of the Group's operating performance relative to other companies and the Group's debt servicing ability. Because all companies do not calculate EBITDA identically, the Group's presentation of EBITDA in this reference document may not be comparable to similarly titled measures of other companies.

(2) Maintainable EBITDA and maintainable adjusted operating income mean EBITDA or adjusted operating income, as the case may be, excluding the effect of restructuring charges and capital gains or losses in connection with the sale of assets relating to restructuring.

(3) Adjusted operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill.

(4) Net income corresponds to historical net income (before minority interests).

(5) Free cash flow is defined as cash flow resulting from current operations, plus the net cash resulting from sales of assets, less investments and capitalized development expenses. Free cash flow is not an indicator of performance defined by the IFRS standards, and should not be considered as an alternative to cash flows resulting from current operations, generated by investments or resulting from the financial transactions (as calculated in accordance with IFRS standards) in order to assess Legrand's capacity to address its cash needs or to any other indicator of performance defined by IFRS standards. Legrand considers that free cash flow is an often displayed and commonly used indicator by investors and other interested parties in order to assess its capacity to service debt, to finance acquisitions and to pay dividends. Therefore, this information is provided in this reference document for the purpose of allowing a more exhaustive and global analysis of Legrand's capacity to face debt service, to finance acquisitions and to pay dividends. As not all companies calculate free cash flow following the same method, the free cash flow shown in this reference document may not be comparable to free cash flow information provided by other companies.

(6) Net financial debt is defined as the sum of current credit facilities, non-current credit facilities and subordinated perpetual notes, less the cash flow, investments in securities and blocked current accounts.

The table below presents a reconciliation of EBITDA and Maintainable EBITDA to net income and operating income:

(in € millions)	2007	2006	2005
Net income for the year	**422.6**	**255.2**	**103.8**
Income tax	175.0	82.9	89.8
Share of loss/(profit) of associates	(2.0)	(0.8)	(1.3)
Loss on extinguishment of debt	0.0	109.0	0.0
Foreign exchange (gain)/loss	(44.0)	(40.4)	32.3
Interest income	(42.5)	(33.7)	(25.4)
Interest expense	152.4	157.4	206.5
Operating income	**661.5**	**529.6**	**405.7**
Depreciation of tangible assets	131.5	142.0	144.0
Amortization of intangible assets	84.4	101.4	111.4
EBITDA	**877.4**	**773.0**	**661.1**
Restructuring charges	8.2	23.6	37.8
Maintainable EBITDA	**885.6**	**796.6**	**698.9**

The table below presents a reconciliation of the Group's adjusted operating income and maintainable adjusted operating income to net income:

(in € millions)	2007	2006	2005
Net income for the year	**422.6**	**255.2**	**103.8**
Income tax	175.0	82.9	89.8
Share of loss/(profit) of associates	(2.0)	(0.8)	(1.3)
Loss on extinguishment of debt	0.0	109.0	0.0
Foreign exchange (gain)/loss	(44.0)	(40.4)	32.3
Interest income	(42.5)	(33.7)	(25.4)
Interest expense	152.4	157.4	206.5
Operating income	**661.5**	**529.6**	**405.7**
Amortization in connection with the acquisition of Legrand France[1]	62.5	86.6	103.3
Goodwill impairment	0.0	0.0	0.0
Adjusted operating income	**724.0**	**616.2**	**509.0**
Restructuring charges	8.2	23.6	37.8
Maintainable adjusted operating income	**732.2**	**639.8**	**546.8**

(1) Amortization in connection with the acquisition of Legrand France relates to amortizable tangible and intangible assets to which part of the price of the acquisition of Legrand France in 2002 was assigned.

The table below presents a reconciliation of free cash flow and cash flow resulting from current operations:

(in € millions)	2007	2006	2005
Cash flow resulting from current operations	**685.5**	**581.5**	**450.5**
Net cash resulting from sales of assets	38.8	27.5	10.9
Investments	(149.4)	(130.8)	(112.0)
Capitalized development expenses	(22.0)	(22.1)	(21.5)
Free cash flow	**552.9**	**456.1**	**327.9**

The table below shows the changes in Legrand's share capital:

(in € millions)	2007	2006	2005
Share capital	1,083.9	1,078.8	759.4
Reserves	1,238.4	1,217.6	(157.1)
Translation reserves	(194.0)	(136.6)	(64.3)
Share capital (Group share)	**2,128.3**	**2,159.8**	**538.0**

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3 RISK FACTORS

Readers should consider carefully the risk factors described in this chapter and all other information in this reference document. At the date of this reference document, the risks described below are those identified by the Company which could have an adverse effect on the Group's situation. Additional risks, which are not currently known or which are not potentially deemed, as of the date of this reference document, to materially adversely affect the Group's business, financial condition or results of operations, may exist. The price of shares could decline due to any of these risks, and, as a result, investors could lose part or all of their investment.

Adverse economic conditions affecting the building sector might adversely affect Legrand.

The Group's business could be affected by the impact that changes in general and local economic conditions have on the building sector. The sale of the Group's products is determined principally by the demand for such products from electrical professionals and building contractors, which in turn is primarily a function of the level of activity in the renovation and new construction sectors for residential, commercial and industrial buildings. To differing degrees, the level of activity in these sectors is sensitive to changes in general and local economic conditions. The impact of these changes may vary in time and significance across the markets and geographic zones in which Legrand operates. The Group's profitability is sensitive to downturns in sales volumes due to its fixed cost base (even though the variable portion of overall costs has continuously increased). As is customary in its sector, Legrand does not have a backlog of customer orders which would help it accurately predict future demand for the Group's products.

Consequently, generalized or localized economic downturns in the countries in which Legrand markets its products could have an adverse effect on its business, financial condition, results of operations or cash flows.

Unfavorable foreign currency exchange rate fluctuations and interest rate fluctuations could adversely affect Legrand.

Exchange rates

The Group has foreign currency denominated assets, liabilities, revenues and costs. The preparation of the Group's consolidated financial statements, which are denominated in euros, requires the conversion of those assets, liabilities, revenues and costs into euros at the then applicable exchange rates. Consequently, variations in the exchange rate of the euro versus these other currencies could affect the amount of these items in the Group's consolidated financial statements, even if their value remains unchanged in their original currency. These translations in the past have resulted and in the future could result in significant changes to the Group's results of operations from period to period.

In addition, to the extent that the Group incurs expenses that are not denominated in the same currency as that in which corresponding sales are made, exchange rate fluctuations could cause the Group's expenses to increase as a percentage of net sales, affecting its profitability and cash flows. Whenever the Group believes it appropriate, it seeks to achieve natural hedges by matching costs to operating revenues in each of the major currencies in which it operates. The Group believes that such hedging is facilitated by the selling of products in the country where they are manufactured. However, these measures may not be sufficient to systematically protect the Group against the consequences of a significant fluctuation in exchange rates on the Group's results of operations and cash flows.

The most significant currency used by the Group other than the euro is the US dollar. As of December 31, 2007, the Group's non-current debt denominated in US dollar amounts to €505.5 million (see note 15 to the consolidated financial statements).

The Group estimates that, all other things being equal, a further 10% increase in the exchange rate of the euro against all other currencies in 2007 (see section 7.10.1.1 of this reference document) would have resulted in a decrease in the Group's net sales of approximately €148 million and a decrease in the Group's operating income of approximately €20 million for the year ended December 31, 2007. This sensitivity analysis was conducted based on the flows during the year ended December 31, 2007.

Interest rates

The Group is exposed to risks associated with the effect of variations in interest rates (see section 7.10.1.2 of this reference document). The Group manages this risk by using a combination of fixed and variable rate debt and through interest rate hedging arrangements. At December 31, 2007, the Group's gross financial debt was comprised of approximately €263.8 million of fixed rate debt and €1,755.3 million of floating rate debt, of which €1,475.2 million was subject to hedges capping interest rates (see note 24 b to the financial statements).

The use of derivative instruments includes the risk that counterparties will default on their obligations and terminate hedging agreements. In addition, the Group might be required to post cash-collateral in a restricted or pledged account equal to the level of the Group's commitments in order to cover liabilities arising from interest rate or to pay costs, such as transaction fees or brokerage commissions, in the event the hedging arrangements are terminated.

The swap agreements entered into between Legrand France and credit institutions provide that the swap counterparty may require Legrand France to post collateral into a pledged or restricted account equal to its net liability determined on a marked-to-market basis pursuant to the provisions of the relevant hedging agreement.

Based on the Group's total debt outstanding as of December 31, 2007, the Group estimates that a 100 bp increase in interest rates (with regard to the Group's floating rate debt) should not result in a decrease in annual net income (before taxes) of more than €13 million (see section 7.10.1.2 of this reference document).

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The table below presents the frequency of revision of the rates applicable to the Company's financial assets and liabilities.

(in € millions)	< 1 year	1 to 5 years	> 5 years
Gross debt	1,781.5	–	237.6
Cash and marketable securities	(221.3)	–	–
Net debt	1,560.2	–	237.6
Hedging	1,475.2	–	0.0
Net position after hedging	85.0	–	237.6

Existing or future regulations and standards in the markets where the Group operates could adversely affect Legrand.

The Group's products, which are sold in almost 180 countries, are subject to numerous regulations, including trade, customs and tax regulations applicable in each of these countries and on the international level. Changes to any of these regulations and their applicability to the Group's business could lead to lower sales or increased operating costs, and result in a decrease in its profitability and income. For example, the application of new trade restrictions or tariffs or the modification of current regulations could lead to a decline in the Group's export sales and a resulting decrease in its net sales.

In addition, the Group's products are subject to quality and safety controls and regulations arising from national and international standards, such as European Union directives, and product norms and standards adopted by international organizations such as the European Committee for Electrotechnical Standardization and the International Electrotechnical Commission. These quality and safety standards may change or may be applied more stringently, and could therefore require the Group to make capital expenditures or implement other measures to ensure compliance with any such new or more stringent standards.

The Group cannot reliably estimate the timing and amount of potential future expenditures related to complying with any of these regulations or standards, in particular because of the difficulty in anticipating future regulations in countries where Legrand currently has a significant presence and in assessing the impact of regulations in countries in which it presently does not yet have material operations. The Group cannot, however, give assurance that it has been or will be at all times in compliance with such standards and regulations, that it will not incur material costs or liabilities in order to ensure compliance with such regulations in the future or that it will be able to fund any such potential future liabilities.

In order to follow regulatory developments, the Group has established a compliance department which is in charge of managing related risks.

The Group may not be able to protect its intellectual property rights against competitors, which could adversely affect the development and success of its products.

The Group's future success depends to an extent on the development and protection of its intellectual property rights, particularly its *Legrand* and *Bticino* brands. Third parties have infringed the Group's intellectual property rights in the past and may infringe them in the future. The Group may expend significant resources monitoring, protecting and enforcing its rights. If the Group fails to adequately protect or enforce the Group's intellectual property rights, its competitive position could suffer, which could have an adverse effect on its business, financial condition, results of operations or cash flows.

Furthermore, the Group cannot guarantee that its activities will not infringe on the proprietary rights of third parties. If the Group were to do so, it could be subject to claims for damages and could be prevented from using the contested intellectual property rights.

The Group's products could contain defects or be the cause of harm to persons and property, which could have an adverse effect on Legrand.

Between 2004 and 2007, the average annual rate of returns under warranty for the Group's products was less than 1% of products. However, regardless of product testing, the Group's products might not operate properly or might contain errors and defects, particularly upon the launch of a new range of products or enhanced products. Such errors and defects could cause injury to persons and/or damage to property and equipment. These accidents have in the past and could in the future result in product liability claims, loss of revenues, warranty claims, costs associated with product recalls, litigation, delay in market acceptance or harm to the Group's reputation for safety and quality. In particular, an action was filed against Pass & Seymour, one of the Group's United States subsidiaries, claiming that one of the Group's products, a quick release receptacle, is not fit for use and should be withdrawn from the market (see section 11.5 of this reference document). The Group cannot guarantee that it will not face material product liability claims or product recalls in the future, or that it will be able to successfully dispose of any such claims or effect any such product recalls within acceptable costs. Moreover, a product liability claim or product recall, even if successfully concluded at a nominal cost, could have a material adverse effect on the Group's reputation for safety and quality. Any product liability claims or product recalls could have an adverse effect on its business, financial condition, results of operations or cash flows.

The Group may incur environmental liability and investment expenses in connection with the Group's past, present and future operations.

The Group's activities, like those of similar companies, are subject to extensive and increasingly stringent environmental laws and regulations regarding, for example, air emissions, asbestos, noise, health and safety, the use and handling of hazardous waste or materials, waste disposal and the remediation of environmental contamination. In particular, European Union Directive 2002/96/EC dated January 27, 2003 on Waste Electrical and Electronic Equipment (WEEE), which was transposed into French law by Decree No. 2005-829, dated July 20, 2005, aims to organize and improve the management of electrical and electronic equipment waste and is likely to have an impact on the Group's operations (see chapter 6 of this reference document).

The Group has developed an environmental risk prevention and measurement policy implemented through environmental audits which are subsequently reviewed and analyzed by the Group's environmental risk management department. The implementation of this policy, which aims to evaluate preventable risks and to implement the actions necessary to control them, is a part of the Group's efforts to comply with applicable laws, particularly with respect to environmental protection and pollution control laws. Therefore, in the context of ISO 14001 certification, the Group has defined an environmental risk identification policy (see chapter 6 of this reference document). The Group sets up provisions on its financial statements when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

Notwithstanding the above, the Group may be required to pay potentially significant fines or damages as a result of past, present or future violations of applicable environmental laws and regulations, even if these violations occurred prior to the acquisition of companies or operations by Legrand. Courts, regulatory authorities or third parties could also require, or seek to require, Legrand to, on the one hand, undertake investigations and/or implement remedial measures regarding either current or historical contamination, of current or former facilities or offsite disposal facilities, and, on the other hand, curtail operations or temporarily or permanently close facilities in connection with applicable environmental laws and regulations. The Group may also become subject to claims for violations of environmental law. For example, it currently has decontamination obligations concerning a site in Pont-à-Mousson (France) and a site in Syracuse (United States) for which provisions have been made in a total amount of approximately €3 million. Any of these actions may harm the Group's reputation and adversely affect its operations, financial condition, results of operations and cash flows. Legrand has made and will continue to make capital expenditures to comply with applicable environmental laws and applicable regulations as they continue to change. If Legrand is unable to recover these expenditures through higher prices, its profitability or cash flows could be affected.

Moreover, regulatory authorities could suspend the Group's operations if it fails to comply with relevant regulations, and/or may not renew the permits or authorizations the Group requires to operate. They could also mandate upgrades or changes to its manufacturing facilities that could result in significant costs to Legrand.

The Group's competitors may have more significant financial and marketing resources and therefore may be able to launch new products and systems more quickly and at lower prices than Legrand. This could reduce the Group's market share.

The market for the Group's products is competitive in terms of pricing, product and service quality, development and timing of new product launches. The Group's competitors include specialized companies acting on a national level and divisions of large-scale multinational companies, such as Schneider Electric, ABB, Siemens, General Electric, Matsushita Group, Eaton and Honeywell International (see paragraph 5.1.3 of this reference document) which may, due to their size, have superior financial and marketing resources compared to Legrand. The Group's competitors could be able to launch products with superior characteristics or at lower prices, to integrate products and systems more effectively than Legrand does, to secure long-term agreements with some of the Group's customers or to acquire companies targeted for acquisition by Legrand. The Group could lose market share if it is not able to offer prices, technologies or quality which are at least comparable to those offered by its competitors or if it does not take advantage of new business opportunities arising from acquisitions. The Group's net sales and profitability could be consequently affected. Furthermore, in order to preserve its competitiveness, the Group must regularly commit resources prior to the launch of a new or upgraded product line, which, if not as successful as expected, might not allow the Group to recoup the expenses incurred.

In particular, global competitors may be better positioned to develop superior product features and technological innovations. These competitors may also benefit from better financing conditions for their product development investments and the Group could be forced to obtain financing on less advantageous terms to fund the investments necessary to remain competitive. In addition, smaller local competitors could benefit from better knowledge of their national markets and long-established relationships with electrical professionals and, as a result, have a competitive advantage. Moreover, as the market for the Group's products evolves towards systems that combine traditional equipment and computerized systems, increased competition from new market entrants could lead to a decline in the Group's sales, a loss of market share or an increase in its sales and marketing expenses or research and development costs.

Any intensification of competition in the Group's markets, or any increase in the activities of its competitors could lead to a decline in its sales and/or an increase in its costs, which could have an adverse effect on its business, financial condition, results of operations or cash flows.

The loss of key personnel could have an adverse effect on Legrand.

Legrand's key personnel have been with the Group for many years and have extensive knowledge of its business and, more generally, its sector as a whole. The loss of any one of these key personnel could constitute a loss of industry and company know-how, and could result in Legrand's competitors potentially being able to obtain sensitive information. The loss of key personnel could also adversely affect the Group's ability to retain its most important distributors, to continue the development of its products or to implement its strategy. Legrand's success depends in part on the loyalty of its executive officers and other key employees and its ability to continue to attract, motivate and retain highly qualified personnel. Its inability to do so could have an adverse impact on its business, financial condition, results of operations or cash flows.

The Group seeks to expand its business partly through acquisitions which, by their nature, involve numerous risks and could have an adverse effect on Legrand.

The Group's growth strategy relies in part on the acquisition of local manufacturers that provide new technologies, new product lines, access to new markets and/or synergies with its existing operations. The Group may not successfully identify appropriate targets, consummate transactions on satisfactory terms, successfully integrate acquired businesses, technologies or products, effectively manage newly acquired operations or realize anticipated cost savings. Furthermore, the Group may be unable to arrange financing on favorable terms for its acquisitions and, as a result, may elect to finance them with cash that could otherwise be allocated for other uses in the Group's existing operations. The Group also may experience problems in integrating acquired businesses, including possible inconsistencies in systems, procedures (including accounting systems and controls), policies and business cultures, the diversion of management attention from day-to-day business, the departure of key employees and the assumption of liabilities, such as environmental liabilities. These risks could have a significant adverse impact on the Group's business, financial condition, results of operations and cash flows.

The Group's profitability and market share may be adversely impacted in markets where market demand is driven by product price as well as product quality.

The Group typically manufactures products close to or within the market in which they are sold or in immediate proximity to these markets. In 2007, Legrand generated approximately 77% of its net sales through subsidiaries located in Western European countries and in the United States and Canada. Production costs in those countries are generally higher, in particular labor costs, compared to production costs in other countries. Consequently, in markets where the end-user is more sensitive to price than product appeal or features, imports of lower-cost products manufactured in other countries and sold at lower prices, including counterfeited products, may lead to a decrease in the Group's market share, or a decrease in the average selling price of its products, or both.

To a lesser extent, the Group's profitability in countries where its products benefit from relatively higher gross margins could also be adversely affected by imports from neighbouring countries where interchangeable products are sold at lower prices.

These factors may cause the Group's revenues to decline, which could have an adverse effect on its business, financial condition, results of operations or cash flows.

The Group may be adversely affected by its reliance on its two largest customers.

The Group derives a significant portion of its revenues from sales to its two largest distributor customers – Sonepar and Rexel. The Group's sales to Sonepar and Rexel represented approximately 26% of its net sales in 2007 and approximately 25% of net sales in 2006. In addition, sales to the Group's 10 most important customers (including Sonepar and Rexel) were less than 35% of the Group's net sales in 2007 and 2006.

The Group enters into short-term agreements with the Group's distributors, which, as a result, have no long-term contractual obligation to purchase its products. Due to the nature of the Group's relationship with its distributors, it often has a number of significant receivables outstanding from Sonepar and Rexel which it might not be able to recover were either of them to become insolvent or bankrupt. The Group cannot guarantee that it will continue to maintain its relationship with Sonepar and Rexel or that, in the event that these relationships were suspended or terminated, electrical professionals and end-users would continue to purchase the Group's products through alternative distributors. The temporary or permanent interruption of the Group's relationship with Sonepar and/or Rexel could have a material adverse effect on its business, financial condition, results of operations or cash flows.

The Group's results may be adversely affected by increases in the cost of raw materials and components.

The cost of raw materials and components amounted to approximately 61% of total cost of goods sold of €2,060.5 million in 2007 and approximately 60% of total cost of goods sold of €1,881.7 million in 2006. Raw materials mainly consist of plastics (more than 50 references) and metals (steel, brass, copper, etc.), which accounted for approximately 37% of all raw materials and components in 2007 and approximately 39% of all raw materials and components in 2006 (see sections 5.2.5 and 7.10.1.3 of this reference document for a sensitivity calculation). Components include other materials, such as parts, semi-finished and finished products (which accounted for approximately 63% of all raw materials and components in 2007 and 61% in 2006). Legrand may not be able to pass on, immediately or in the long term, increases in costs of raw materials and components to the Group's customers through price increases. Its costs could therefore increase without an equivalent increase in sales, which could in turn affect its profitability and cash flows.

As of December 31, 2007, the Group has entered into "collars" for a total nominal amount of around €18 million and with a term of approximately six months, in order to hedge part of its risk related to an unfavorable change in copper prices.

The Group could have unfunded liabilities with respect to the pension plans and other comparable benefit obligations of its subsidiaries.

The Group's subsidiaries have obligations to their employees relating to retirement and severance pay in the majority of the countries where the Group operates. These commitments may be funded by payments to insurance companies or retirement plans where funds are held in trust, as determined by periodic actuarial calculations. Within the Group there are defined contribution plans and defined benefit plans.

Defined contribution plans are plans where the Group pays defined contributions to a separate entity. Thus, the Group has no legal or implied obligation to pay new contributions if the fund does not have enough assets to pay benefits to all employees for their years of service in the current period and prior periods.

Defined benefit plans specify the amount of benefits that employees will receive upon retirement, which usually depends on one or more factors such as age, number of years of contribution, and salary. The liability on the balance sheet for defined benefit retirement plans is the present value of the commitments at the balance sheet date less the fair value of the plan assets.

In France, retirement obligations arise pursuant to collective bargaining agreements, enterprise agreements and legal requirements. Pursuant to the relevant provisions of French law, there is no legal requirement to maintain assets to fund these liabilities. At December 31, 2007, the amount of retirement benefits to be paid amounted to approximately €58.5 million. At the same date, these benefits were funded at €15.1 million. Consequently, a provision was made in the Group's 2007 financial statements for the unfunded portion of these liabilities (€43.4 million). Although Legrand believes that it maintains sufficient and customary insurance coverage, there can be no assurance that the Group will continue to maintain this insurance coverage in the future or that it will be sufficient to cover the Group's future retirement and severance pay obligations.

In the United States and the United Kingdom, liabilities arise pursuant to collective bargaining agreements, various pension schemes and plans, and other employee benefit plans. At December 31, 2007, the amount of liabilities due amounted to €133.7 million. At December 31, 2007, these liabilities, including those related to post-retirement benefits (other than pensions) were underfunded by approximately €22.6 million. The unfunded amount has been completely provisioned for in the Group's consolidated financial statements at December 31, 2007. Although the Group currently does not intend to terminate any of these pension plans or schemes, the liabilities associated therewith could, in the event of termination, be significantly higher. With respect to the pension plans or schemes which the Group is not required by applicable law to fund, the Group intends to satisfy such liabilities from its general assets and cash flows.

In Italy, pension plans and post-retirement benefit liabilities arise pursuant to national collective bargaining agreements. With the changes brought about by Italian Law No. 296 on December 27, 2006, contributions made for severance pay are subject to the defined contribution system. Severance payments prior to January 1, 2007 continue to be covered by the defined benefit system but were subject to a new actuarial evaluation that excludes the component related to future salary increases. The Group does not fund its retirement and severance pay obligations in Italy. At December 31, 2007, the severance pay obligations subject to the defined benefit system amounted to €56.5 million. A provision was made in this amount in the Group's 2007 financial statements.

In countries other than France, the United States, the United Kingdom and Italy, retirement and severance pay obligations arise pursuant to applicable local law requirements and specific pension arrangements and were in the aggregate equal to €15.2 million at December 31, 2007. At December 31, 2007, these obligations were underfunded by an aggregate amount of €10.0 million. A provision was made in this amount in the Group's 2007 financial statements.

If the amounts with respect to the Group's severance pay and post-retirement benefits were to become due and payable, and the insurance and annuity contracts and other investments that the Group has entered into with respect to these liabilities were not sufficient to cover such liabilities, the Group could be required to make significant payments with respect to such severance pay and retirement benefits. Any such payments could have an adverse effect on the Group's business, financial condition, results of operations or cash flows.

The Group is subject to stringent labor laws in certain jurisdictions in which it operates.

Labor laws applicable in certain countries in which Legrand operates are relatively stringent and, in some cases, grant significant job protection to certain employees, including temporary employees, particularly with respect to termination of employment. In certain countries where it operates, the Group's employees are members of unions or, by virtue of applicable regulations, are represented by a works' council. The Group may be required to consult and seek the consent or advice of the representatives of these unions and/or respective works' councils. Labor laws and employee-representative consultation procedures could have an effect on the way the Group runs its operations and an impact on its business.

Legrand could be exposed to liquidity risk.

The banking and financial indebtedness of the Group is described in section 7.5.2 of this reference document as well as in note 15 to the consolidated financial statements.

Legrand's strategy is to maintain a financial structure giving leverage to its shareholders while benefiting from an investment grade rating from the major rating agencies. The Group could thus be at a disadvantage compared to competitors who would not have the same level of indebtedness during the same period.

In addition, the Group's capacity to comply with the covenants stipulated in certain borrowings (in particular the 2006 Credit Facility described in section 7.5.2.1 and the bank loan described in section 7.5.2.2 of this reference document), to refinance or redeem its borrowings according to the provisions thereof, will depend on its future operating performance and could be affected by a number of factors beyond the Company's control (economic environment, conditions of the debt market, changes in regulations, etc.). Under the 2006 Credit Facility described in section 7.5.2.1 and the bank loan described in section 7.5.2.2, Legrand must maintain a ratio of net financial debt to maintainable EBITDA less than or equal to 3.5, calculated every six months on a consolidated basis (net financial debt and maintainable EBITDA as adjusted under the contracts entered into with the relevant financial institutions). At December 31, 2007, the Company was in compliance with all financial covenants mentioned above.

Legrand could therefore be forced to devote a significant part of its cash flow to the payment of the principal and interest on its debt, which could consequently reduce the funds available to finance its daily operations, investments or external growth.

In addition, readers should refer to paragraph 19.9 of appendix 2 (Management Report) relating to agreements concluded by the Company and which would be altered or lapse in the event of a change of control of the Company.

4

INFORMATION ABOUT THE GROUP

4.1 - HISTORY AND DEVELOPMENT

4.1.1 - Company name

The Company's name is "Legrand".

4.1.2 - Place of registration and registration number

The Company is registered with the commercial registry of Limoges (*Registre du commerce et des sociétés de Limoges*) under number 421 259 615.

4.1.3 - Date and duration of incorporation

The Company was incorporated on December 22, 1998, as a French stock corporation (*société anonyme*). The Company was transformed into a simplified joint stock company (*société par actions simplifiée*) by an Extraordinary General Meeting on December 5, 2001. The Company was again transformed into a stock corporation (*société anonyme*) by a unanimous decision of the shareholders on November 4, 2002.

The Company's term is 99 years from its registration with the commercial registry and thus expires on December 22, 2097, unless the term is extended or the Company is dissolved early.

The resolutions of the Company's Board of Directors on February 8, 2006, which were submitted for shareholder approval at the Annual Shareholders' Meeting on February 24, 2006, extended the term of the Company by 99 years (i.e., to February 24, 2105), unless this term is extended again or the Company is dissolved early.

4.1.4 - Registered office

The Company's registered office is at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges, France.

The telephone number of the registered office is +33 (0)5 55 06 87 87.

4.1.5 - Legal form and applicable law

Legrand is a French stock corporation (*société anonyme*) with a Board of Directors. The Company is mainly governed by the provisions of Book II of the French Commercial Code.

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4.1.6 - Important events in the development of the business

In 2007, more than 50 new product lines were launched, covering the entirety of the Group's business and including a large number of high-end products and integrated solutions, such as:

- for control and command: the *Céliane*, *Mosaic* and *Batibox* wiring devices in France, the *Mallia* product line in Asia and the Middle East, *Signature* in the United States, *Zunis* in South Korea, and an optimized emergency lighting system in the United States that reduces energy consumption;
- for energy distribution: the optimized distribution system *XL Part* in Portugal, the new *Stop & Go* automatic rearm circuit-breakers in France, Italy and Spain, the new *DRX* molded case circuit breakers in India and Latin America;
- cable management: *Mosaic* floor boxes in France, *Datamatix* in Spain; *WMFB* home floor boxes and *Walkerflex* modular connectors in the United States;
- VDI: *Mighty Mo* enclosures, *10 Giga Clarity* high-density patch panels (category 5 and 6) and a new range of fiber optic connectors.

4.2 - INVESTMENTS

4.2.1 - Major investments made by the Group

During 2007, Legrand made total investments of €265.1 million (after deducting the acquired cash) and in particular, Legrand financed acquisitions of the following six companies from cash flow. All of these companies generally have strong positions in their markets:

- HPM, the number two player in wiring devices in Australia and New Zealand. This significantly strengthens Legrand's position in the Asia-Pacific region and in the domain of wiring devices, where it is the global leader. HPM generated net sales of approximately €100 million in 2006 with a workforce of around 875 persons;
- UStec, an American expert in global solutions for the distribution of Voice-Data-Image networks in homes, based in the State of New York. This acquisition strengthens Legrand's offering of home automation devices in the United States. UStec generated net sales of approximately $12 million in 2006 with a workforce of 36 employees;
- Kontaktor, the Russian leader for air circuit breakers and molded case circuit breakers. By increasing its presence in Russia, where the Group already holds leading positions in wiring devices, cable management and modular circuit breakers, Legrand has become a key player in this high-growth market and continues its rapid growth in emerging countries. Kontaktor generated net sales of approximately €35 million in 2006 with a staff of more than 2,400 persons.
- Macse, the leader in metallic cable management in Mexico. Legrand thus enhanced its presence in Mexico, a high-growth market where the Group already holds leading positions in wiring devices and energy distribution. Macse generated net sales of approximately €10 million in 2006 with a workforce of 140 persons;
- TCL Wuxi, a Chinese firm specializing in modular and high-current circuit breakers for residential, commercial and industrial applications. Legrand thus enhanced its presence in China, a very high-growth market. TCL Wuxi generated net sales of approximately €20 million in 2006 with a workforce of 700 persons;
- Alpes Technologies, a French leader in systems designed to optimize and measure the quality of electricity for commercial and industrial applications. Legrand continues its growth in the field of power distribution by enhancing its offerings and tapping new markets. Alpes Technologies had net sales of approximately €10 million in 2006 with a workforce of 40 persons.

During 2006, Legrand made several investments for a total amount of €85.9 million (after deducting the acquired cash) and in particular, Legrand made four self-financed acquisitions, with all four companies having strong positions in their markets:

- Shidean, the leader in audio and video door entry systems in China. In 2005, Shidean had approximately €15 million in net sales and employed a staff of around 900 persons;

- Cemar, the leader in Brazil for consumer units and industrial enclosures. In 2005, Cemar had approximately €28 million in net sales and employed a staff of around 400 persons;
- RM Kabelbaner, the leader in Denmark for metal cable management systems, with net sales of more than €5 million in 2005;
- Vantage, the number two player in the United States in high-end lighting control and specialist in home automation. In 2005, Vantage had approximately $20 million in net sales.

During 2005, Legrand made several investments for a total amount of €399.8 million (after deducting the acquired cash) and in particular, Legrand made targeted acquisitions of the five companies described below, each of which has a very strong position in its market:

- TCL International Electrical and TCL Building Technology. In December 2005, the Group acquired TCL International Electrical, the leader in China for wiring devices, and TCL Building Technology, the leading Chinese brand for VDI products and systems. In 2004, the two businesses posted combined net sales of more than €60 million and employed a workforce of approximately 3,000 persons;
- ICM Group, the leader in metal wire cable trays in France, with well-known brands such as *Cablofil*. In 2004, the ICM Group generated net sales of approximately €100 million (40% in France and 60% outside France), with a workforce of around 500 persons;
- Van Geel, the market leader in metal cable management systems (ducts, floor boxes) in the Netherlands. In 2004, Van Geel's net sales amounted to €60 million, and it employed a workforce of 300 persons;
- OnQ, the United States leader in structured cable management for residential applications. In 2004, OnQ generated net sales of approximately $22 million and employed a workforce of around 100 persons;
- Zucchini, the leader in Italy for prefabricated busbar systems. In 2004, Zucchini reported net sales of approximately €50 million.

4.2.2 - Main investments in progress

In February 2008, Legrand acquired PW Industries, a US firm specialized in ceiling cable trays for the commercial and industrial sectors. This reinforced the positions of Legrand, the uncontested world leader in cable management and number one in the United States in this field, enabling it to round out its offerings and accelerate growth on the industrial market. PW Industries reported sales of approximately $32 million in 2007, with a workforce of 61 persons.

This acquisition will be consolidated during the first quarter of 2008, and readers should refer to the information on profit & loss, balance sheet and cash flow that will be published by the Company on May 7, 2008.

In April 2008, Legrand acquired Estap, the uncontested leader in VDI enclosures and cabinets in Turkey, thereby accelerating its growth in emerging markets, which contributed approximately 50% of its organic growth in 2007. Estap reported sales of more than €22 million in 2007, with a workforce of around 120 persons.

This acquisition will be consolidated in the second quarter of 2008, and readers should refer to the information on profit & loss, balance sheet and cash flow that will be published by the Company on July 30, 2008.

4.2.3 - Main planned investments and external growth policy

The Company intends to pursue its strategy of targeted acquisitions and investments particularly in research and development, in accordance with the strategy described in this reference document (see in particular section 5.1.5 of this reference document).

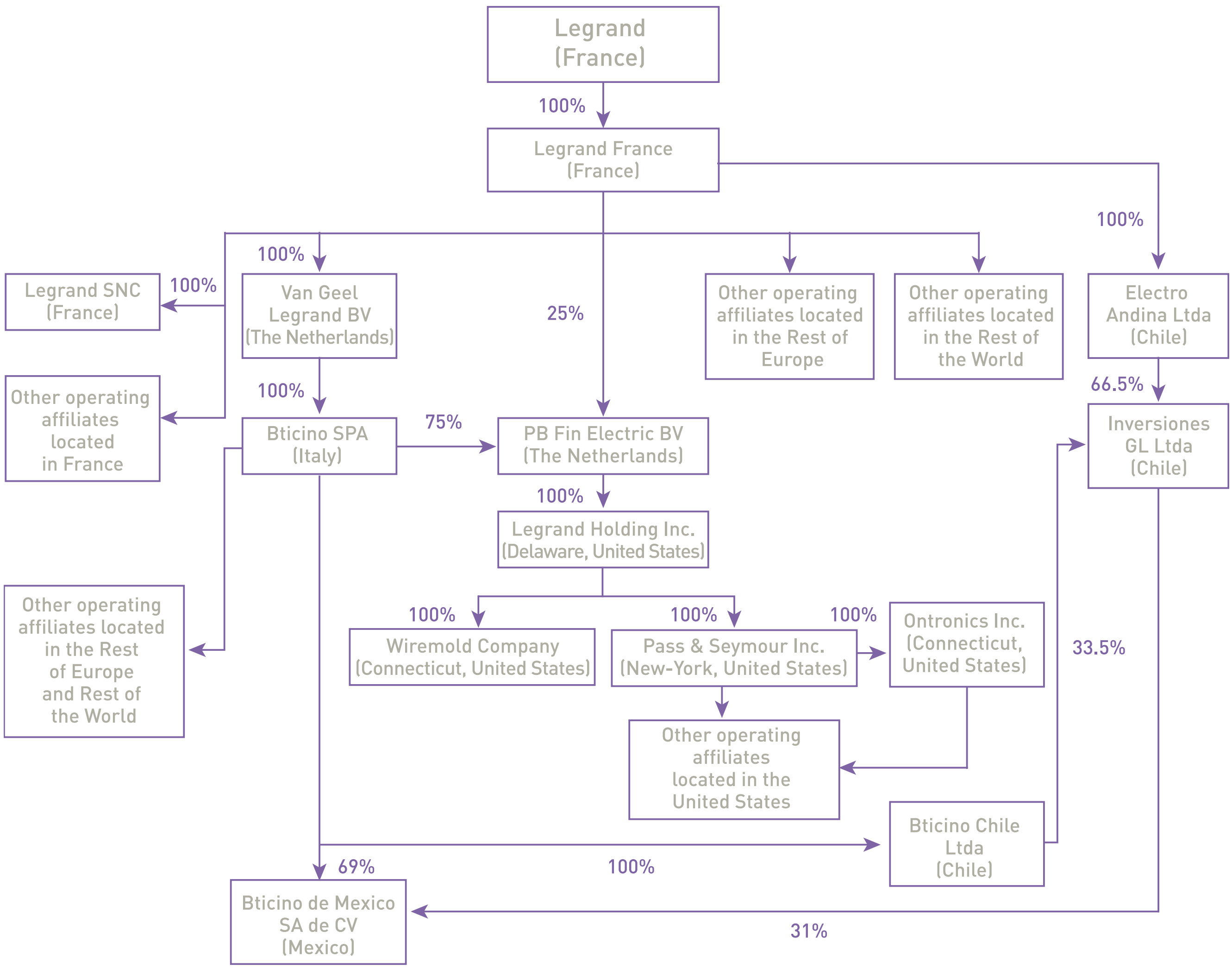
4.3 - ORGANIZATIONAL STRUCTURE

The Group is made up of Legrand and its 139 subsidiaries at December 31, 2007. The Company is the parent company of the Legrand Group and its principal business is providing general management and financial services to manage the Group's operations.

Legrand France, the Company's wholly-owned principal operating subsidiary, directly or indirectly controls all of the Group's subsidiaries.

The payment of dividends by Legrand's principal subsidiaries is decided by their respective Shareholders' Meetings, and is subject to local laws and regulations applicable to them. At the date of this reference document, Legrand had not identified any restrictions that would significantly limit its access to its susbsidiaries' cash flows or to the payment of dividends distributed by the same.

4.3.1 - Organizational chart



4.3.2 - Subsidiaries and shareholdings

The main subsidiaries holding equity investments in the Group are described below. For a description of related party transactions, see section 10.3 of this reference document. For a description of the consolidated Group and the holding relationships, see the section entitled "General Information" in section 11.1.2 (notes to the Consolidated Financial Statements) in this reference document.

BTICINO CHILE LIMITADA (CHILE)

Bticino Chile Limitada is a limited liability company under Chilean law, whose registered office is located at Vincuna Mackenna #1292, Santiago de Chile. Bticino Chile Limitada's main business is manufacturing and marketing electrical products and systems. In addition, Bticino Chile Limitada exploits the *Bticino* brand in Chile. Created on June 1, 1968, Bticino Chile Limitada joined the Group on July 1, 1989. Bticino Chile Limitada is wholly owned by Bticino SpA.

BTICINO DE MEXICO SA DE CV (MEXICO)

Bticino de Mexico SA de CV is a variable capital stock company under Mexican law, whose registered office is located at Carretera 57, Qro a S.L.P. Km 22.7, Santa Rosa de Jauregui, 76220 Queretaro. Bticino de Mexico SA de CV's main business is designing, manufacturing and marketing electrical products and systems. Created on January 30, 1952, Bticino de Mexico SA de CV joined the Group on August 15, 1989. Bticino de Mexico SA de CV is 69% owned by Bticino SpA and 31% owned by Inversiones GL Limitada. Gilles Schnepp is a director of Bticino de Mexico SA de CV.

BTICINO SPA (ITALY)

Bticino SpA is an Italian corporation whose registered office is located at Via Messina 38, 20154 Milano. Bticino SpA's main business is manufacturing and marketing electrical products and systems. Bticino SpA joined the Group on January 1, 1989. Bticino SpA is wholly owned by Van Geel Legrand. Gilles Schnepp is a Director and Chairman of the Board of Directors of Bticino SpA. Olivier Bazil is a director of Bticino SpA.

ELECTRO ANDINA LIMITADA (CHILE)

Electro Andina Limitada is a limited liability company under Chilean law, whose registered office is located at Vicuna Mackenna #1292 Santiago de Chile. Electro Andina Limitada's main business is manufacturing and marketing electrical products and systems. In addition, Electro Andina Limitada exploits the *Legrand* brand in Chile. Electro Andina Limitada was created and joined the Group on November 5, 1985. Electro Andina Limitada is wholly owned by Legrand France.

INVERSIONES GL LIMITADA (CHILE)

Inversiones GL Limitada is a limited liability company under Chilean law, whose registered office is located at Santiago de Chile. Inversiones GL Limitada's main business is holding equity investments in other companies. Inversiones GL Limitada was created and joined the Group on December 26, 2001. Inversiones GL Limitada is 66.5% owned by Electro Andina Ltda and 33.5% owned by Bticino Chile Ltda.

LEGRAND FRANCE (FRANCE)

Formerly known as Legrand SA, Legrand France is the Group's main operational subsidiary in France. Legrand France is a French stock corporation, registered under number 758 501 001 RCS. Limoges. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges. Legrand France's main business is manufacturing products and systems for electrical installations and their components. Legrand France was created on July 11, 1953. Legrand France is wholly-owned by the Company. Legrand France holds equity investments in other operational subsidiaries of the Group located in France, in the Rest of Europe and in the Rest of the World. Gilles Schnepp is Chairman of the Board of Directors, CEO (*Directeur général*) and a Director of Legrand France. Olivier Bazil is Chief Operating Officer, Vice-Chairman of the Board of Directors and a Director of Legrand France. François Grappotte is Honorary Chairman of the Board of Directors and a Director of Legrand France.

LEGRAND HOLDING INC. (UNITED STATES)

Legrand Holding Inc. is a Delaware corporation, whose principal place of business is located at 60, Woodlawn Street, West Hartford, CT 06110. Legrand Holding Inc.'s main business is holding equity investments in other companies. Legrand Holding Inc. was created on July 18, 1984 and joined the Group on October 31, 1984. Legrand Holding Inc. is wholly owned by PB Fin Electric BV. Gilles Schnepp is a director and Chairman of Legrand Holding Inc. Olivier Bazil is a director and Vice-Chairman of Legrand Holding Inc.

LEGRAND SNC (FRANCE)

Legrand SNC is a general partnership (*société en nom collectif*) under French law, registered under number 389 290 586 RCS Limoges. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges. Legrand SNC's main business is marketing and distributing products under the *Legrand* brand. Legrand SNC was created and joined the Group on December 8, 1992. Legrand SNC is wholly owned by Legrand France. Gilles Schnepp is the permanent representative of Legrand France, which is the managing partner (*gérant*) of Legrand SNC.

ORTRONICS INC. (UNITED STATES)

Ortronics Inc. is a Connecticut corporation, whose registered office is located at 125, Eugene O'Neill Drive, New London, CT 06320. Ortronics Inc.'s main business is designing and marketing VDI products. Ortronics Inc. joined the Group on January 2, 1998. Ortronics Inc. is wholly-owned by Pass & Seymour Inc. In addition, Ortronics holds equity investments in other Group operating companies in the United States.

PASS & SEYMOUR INC. (UNITED STATES)

Pass & Seymour Inc. is a New York corporation, whose registered office is located at 50, Boyd Avenue, Syracuse, NY 13221. Pass & Seymour's main business is designing, manufacturing and marketing electrical systems. Pass & Seymour was created on July 23, 1984 and joined the Group on October 31, 1984. Pass & Seymour is wholly owned by Legrand Holding Inc. In addition, Pass & Seymour holds equity investments in other Group operating companies in the United States. Gilles Schnepp and Olivier Bazil are directors of Pass & Seymour.

PB FINELECTRIC BV (THE NETHERLANDS)

PB Finelectric BV is a simplified joint stock company (*société par actions simplifiée*) under Dutch law. Its registered office is located at Van Salmstraat 76, 5281 RS Boxtel. PB Finelectric BV's main business is making equity investments in other companies. PB Finelectric BV was created and joined the Group on December 19, 1991. PB Finelectric BV is 75% owned by Bticino SpA and 25% owned by Legrand France. Olivier Bazil is a director and CEO (*Directeur général*) of PB Finelectric BV.

THE WIREMOLD COMPANY (UNITED STATES)

The Wiremold Company is a Connecticut corporation, whose registered office is at 60, Woodlawn Street, West Hartford, CT USA 06110. The Wiremold Company's main business is designing, manufacturing and marketing wire cable trays. The Wiremold Company joined the Group on January 8, 2000. It is wholly owned by Legrand Holding Inc. Gilles Schnepp and Olivier Bazil are members of the Board of Directors of The Wiremold Company.

VAN GEEL LEGRAND BV (THE NETHERLANDS)

Van Geel Legrand BV is a simplified joint stock company (*société par actions simplifiée*) under Dutch law. Its registered office is located at Van Salmstraat, 76, Boxtel 5281 RS. Legrand acquired Van Geel in March 2005. Van Geel Legrand BV's main business is manufacturing and marketing metal cable management systems in the Netherlands and Austria. Van Geel Legrand BV is wholly owned by Legrand France. Gilles Schnepp and Olivier Bazil are directors of Van Geel Legrand BV.

1
2
3
4
5
6
7
8
9
10
11
12
13
CT
A

5

THE GROUP'S BUSINESS

5.1 - LEGRAND'S BUSINESS

5.1.1 - Introduction

5.1.1.1 - GENERAL OVERVIEW

Legrand is one of the world's leading manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings. Legrand is a pure player, focused on developing, manufacturing and marketing a complete range of control and command, cable management, energy distribution and Voice-Data-Image ("VDI") products. Legrand markets its products under internationally recognized general brand names, including *Legrand* and *Bticino*, as well as well-known local and specialist brands. Legrand has commercial and industrial establishments in more than 70 countries and sells a wide range of products, comprising more than 150,000 catalog items, in nearly 180 countries. In 2007, the Group's consolidated net sales amounted to €4,128.8 million, of which 75% were generated outside of France. In 2007, nearly 25% of the Group's net sales were generated in emerging markets (Eastern Europe, Turkey, Asia/Pacific excluding South Korea and Australia, Latin America and Africa-Middle East), compared to 23% in 2006 and 19% in 2005.

5.1.1.2 - HISTORY

Legrand France, formerly called Legrand SA, was founded in 1926 and incorporated as a French stock corporation (*société anonyme*) in 1953. In 1970, Legrand France carried out an initial public offering and was listed on the Paris stock exchange, now called Euronext Paris, until October 2, 2003, when it was delisted in connection with its acquisition by the Consortium (see below).

Legrand began to expand from France into other European and overseas markets during the 1960s and early 1970s, both by setting up its own commercial and production operations and by acquiring local manufacturers. In 1989, Legrand acquired Bticino, a major Italian manufacturer of low-voltage electrical fittings with established market positions in Italy, Mexico, Chile, Venezuela and Thailand. In 2000, Legrand acquired Wiremold, the United States specialist in cable management products, with market presence in Canada, the United Kingdom and Poland, as well as a number of medium-sized businesses located in Europe, the United States and Brazil. Finally, in 2005, 2006 and 2007, Legrand made fifteen acquisitions in Europe, the United States, China, Brazil, Mexico, Russia and Australia. Since 1954, the Group has acquired more than 120 companies.

Schneider public exchange-offer

In August 2001, Schneider Electric SA ("Schneider") acquired approximately 98% of Legrand France's share capital by means of a public exchange offer. In October 2001, the European Commission announced that it would not approve the acquisition by Schneider on competition grounds, forcing Schneider to divest its shareholding in Legrand France.

Acquisition of Legrand France

On December 10, 2002, a consortium led by Wendel and KKR and including other institutional and private investors (including the founding families of Legrand France, the Verspieren and Decoster families and the group's managers) (collectively, the "Consortium") acquired approximately 98% of the share capital of Legrand France (named Legrand SA at the time of the acquisition) from Schneider (the "Acquisition").

On October 2, 2003, Legrand France was delisted from Euronext Paris following the completion of a buy-out offer to repurchase all outstanding shares in accordance with French procedures for the buy-out of minority shareholders.

Debt restructuring

On January 10, 2006, the Company entered into a credit agreement in the amount of €2.2 billion (the "2006 Credit Facility") in order to (i) refinance in full the €1.4 billion syndicated credit facility entered into in December 2004, (ii) refinance the total nominal amount of its high yield notes issued in February 2003 ($350 million bearing interest of 10.5% per annum and maturing in 2013 and €277.5 million bearing interest of 11.0% per annum and maturing in 2013), and (iii) partially repay the portion of the Subordinated Shareholder PIK Loan corresponding to the vendor financing granted by Schneider in connection with the acquisition of Legrand France and which came due upon the redemption of the high yield notes. In addition, the 2006 Credit Facility should also allow the Company to satisfy its general financing needs and, as the case may be, complete acquisitions.

In addition, when the high yield notes were issued, Legrand contractually agreed to comply with the reporting obligations applicable to companies registered with the US Securities and Exchange Commission (the "SEC") for so long as the high yield notes remained outstanding. On February 15, 2006, Legrand redeemed all of its high yield notes. Following the redemption, in February 2006, Legrand filed a Form 15 with the SEC to suspend its reporting obligations and is therefore no longer subject to those reporting obligations.

Initial public offering

In April 2006, Legrand (formerly named Legrand Holding and the parent company of Legrand France since the Acquisition) listed its share capital on the Eurolist market of Euronext Paris in an initial public offering. On this occasion, the Company effected a public offering in the amount of €862.9 million through the issuance of 43,689,298 shares. In addition, the Company gave Group employees the opportunity to participate in Legrand's initial public offering on preferred terms through a capital increase reserved for its employees in the amount of €36.4 million (after taking into account discount fees in the amount of €9.1 million) through the issuance of 2,303,439 shares.

Changes in the capital structure

At the time of the initial public offering in 2006, 20% of the Group's capital was held in free float. In November 2006, Goldman Sachs Capital Partners, Montagu Private Equity and WestLuxcon Holdings SA (a subsidiary of West LB AG), the historical shareholders of Legrand, sold a total of approximately 40 million Legrand shares on the public market. Following this transaction, 35% of the Company's share capital was held in free float.

Please see section 11.6.1 of this reference document for updated information on the Company's share capital.

5.1.2 - Legrand's market and its market position

Legrand designs, manufactures and markets products and systems for low-voltage electrical installations and data networks, and its activities do not include energy production and transmission or production of lighting sources and electrical cables. Based on worldwide sales made by the Group and its competitors of products that are the same as, or interchangeable with, its products (referred to as Legrand's "accessible market"), Legrand estimates the accessible market at around €60 billion.

5.1.2.1 - CAPACITY FOR RESISTANCE TO ECONOMIC CYCLES

The performance of the market for products and systems for low-voltage electrical installations and data networks used in the building sector is naturally subject to the prevailing economic conditions. Because of its diversity, this market is resilient to the effects of economic cycles:

- the market includes the new construction sector as well as the renovation sector, which is less sensitive to economic cycles than the new building construction sector, as it requires lower investments and benefits from a recurring flow of activity arising from regular maintenance and modernization needs;
- the market is divided into the commercial, residential and industrial sectors, based on building types and end-user characteristics. Each of these sectors has its own growth dynamic;
- the market is principally characterized by a flow of activity fueled by numerous orders of relatively small value, unlike industries that are more dependent on large public or private projects. The market is therefore mostly widely dispersed and ongoing and is less sensitive to economic cycles than other markets, such as the medium- and high-voltage markets.

5.1.2.2 - HIGH BARRIERS TO ENTRY

Legrand believes that access to the market by new competitors is made difficult by significant barriers to entry. For example, no new player of significant size has emerged on the market over the past 20 years. These barriers to entry include:

- the need to offer an extensive range of products and systems with multiple functionalities;
- differences in national electrical standards and local regulations, standards and aesthetic preferences, which require new entrants to make a high initial investment; and
- the need to establish privileged relationships with many market players, such as local electrical distributors, electrical professionals, specifiers and end-users.

5.1.2.3 - HIGH-GROWTH POTENTIAL

Due to several factors, the market for products and systems for low-voltage electrical installations and data networks offers attractive growth opportunities.

Innovation and trading up

The market is characterized by a steady and growing demand for new products and features. In particular, it offers significant growth opportunities resulting from the global trend towards innovation. Legrand's constant focus on technological innovation therefore allows the Group to effectively exploit this growth potential.

Legrand's market also offers medium-term natural growth potential linked to increasing interest in high added-value products, with a focus on both functionality (new features and ease of use) and aesthetic features in an approach referred to as "trading up". For example, the successful commercial release of *Céliane* in France and its high-end product line *Axolute* in Italy, combining wiring devices, access control and home automation, had a very positive effect on Legrand's sales. By way of illustration, the "trading up" effect contributed to 23% of revenue growth in France and Italy in 2007.

In addition, Legrand sees strong growth potential in integrated systems and high added-value products in the United States (home automation systems, energy saving systems and high-end lighting control), where the combined revenues of OnQ, specialized in structured cables for housing, The Watt Stopper, the No. 1 player in high-efficiency lighting control in the commercial sector, and Vantage, No. 2 in high-end residential lighting control, increased by 22% in 2007 (at constant exchange rates).

Emerging markets

Moreover, in emerging markets such as Brazil, China, India, Mexico and Russia, the constant development of electrical infrastructure and data networks creates demand for both low- and high-end products. Notably, in Eastern China, the market for high-end products represents approximately 30% of the total market. Finally, as nearly one-fourth of the world's population does not yet have access to electricity, Legrand believes that the market offers significant long-term growth potential as such access is provided. In 2007, net sales in emerging markets represented nearly 25% of the Group's total revenues.

Energy efficiencys

Electricity now accounts for 70% of energy consumption in buildings (source: *2007 Building Energy Data Book*). This is associated with growing demand on all Legrand's markets for products and systems reducing energy consumption, together with related environmental impact, and improving the quality of electricity.

Legrand does so with a comprehensive range of solutions for home automation and the control of lighting, electric shutters, hot water supply, and equipment in standby mode. Legrand solutions also enable customers to optimize the quality of electric current through source inversion, compensation of reactive energy, energy-efficient transformation, and surge protection.

Sales of energy-efficient solutions accounted for approximately 5% of Legrand's consolidated total in 2007, showing a year-on-year rise of 27% at constant scope of consolidation and exchange rates.

5.1.2.4 - FRAGMENTED MARKET

The accessible market remains highly fragmented, as Legrand estimates that approximately 50% of worldwide net sales are made by often local, small- and medium-sized companies who typically enjoy only marginal worldwide market share. With an estimated accessible market share on the order of 7% in 2007, Legrand believes it is a leader in, and a benchmark for, the market. Market fragmentation is due in part to differences between countries' applicable technical standards and norms and also to the various customs of the end-users in each country. Historically, initiatives to harmonize standards in order to make products able to be used worldwide have failed, even within the European Union, notably due to the significant investment necessary to replace existing electrical networks for only limited added-value. Consequently, a significant portion of the market for products and systems for low-voltage electrical installations and data networks remains traditionally in the hands of local, modestly sized manufacturers. The acquisition of these manufacturers may offer growth opportunities.

5.1.2.5 - FAVORABLE PRICE TRENDS

The market is globally characterized by a relative lack of commoditization. Electrical professionals, specifiers and end-users pay special attention to products' technical characteristics, without necessarily considering price as the determining factor. Therefore, as an example, electrical professionals tend to favor products that can be efficiently used (quality, reliability, ease and speed of installation, compatibility with related products, long-term product availability, commercial and technical assistance, safety) and that offer characteristics demanded by end-users (functionality, aesthetics, ease of use).

According to a survey conducted by Sonepar, a French electrical equipment distributor, in terms of electrical installers' priorities, price was ranked seventh behind quality, delivery time, availability, on-time response to requirements, product documentation and ease of installation.

Whereas certain industries can be characterized by falling prices for products, Legrand's accessible market shows a different overall trend. The production and distribution value chain for Legrand's products benefits from an established ability to increase sales prices regularly over the long term. Moreover, end-user sensitivity to product prices is mitigated by the fact that electrical installations (excluding cables and cost of labor) generally represent around 5% of the total cost of an average new commercial or residential construction project. Between 1992 and 2007, Legrand's selling prices have increased on average by 1.7% per year globally in its markets. Moreover, Legrand has a degree of control over its prices, due to its strong market position and its ability to develop and offer innovative products.

5.1.3 - Competitors

Legrand has established market positions in France, Italy and numerous other European countries, as well as in North and South America and in Asia. Its principal direct competitors include:

- specialized companies which mainly operate at a national or regional level, such as Deltadore in France, Hager Tehalit in Germany and France, Gewiss and Vimar in Italy, Niko in Belgium, Jung in Germany, Simon in Spain and Leviton, Panduit, Thomas & Betts, Hubbell and Cooper Industries in the United States and Canada; and
- divisions of large multinational companies that compete with Legrand in a number of national markets, although not with respect to the full range of its products, such as Schneider Electric, ABB, Siemens, General Electric, Matsushita Group, Eaton and Honeywell International.

5.1.4 - Competitive strengths

In addition to the attractive profile of its market, Legrand considers its principal competitive strengths to be the following:

5.1.4.1 - A PURE PLAYER WITH WORLDWIDE COVERAGE

In contrast to its large multinational competitors, Legrand focuses on the development, manufacture and sale of a complete range of products and systems for low-voltage electrical installations and data networks. Legrand's specialization, without diversification, has allowed it to acquire technical and commercial expertise specific to its business.

This specialization is conducted through a network of subsidiaries, branches and representative offices in more than 70 countries that markets the Group's products into nearly 180 countries worldwide. Net sales realized outside the French market thus represent 75% of total sales in 2007. In particular, revenues earned in emerging markets represent nearly 25% of the Group total's business.

By leveraging off its strong local presence, Legrand has established longstanding and privileged commercial relationships with key local distributors, electrical professionals and specifiers who share their thorough knowledge of market trends and demands with Legrand.

5.1.4.2 - A LEADER WITH FIRST-RATE MARKET SHARES

Legrand believes that it is the worldwide leader in wiring devices, with an estimated market share of approximately 19% in 2007 and 2006. Legrand also believes that it is the world leader in cable management products, with an estimated market share of approximately 15% in 2007 and 2006.

More generally, Legrand also holds leadership positions for one or more products in several key countries, including cable management in France and the United States, wiring devices in France, Italy, Russia, Brazil, Mexico and China, emergency lighting products in Spain and modular power protection products in Poland, Russia, Brazil and India. Approximately 47% of the Group's net sales comprised sales of products enjoying number one positions in their respective markets. In addition, approximately 86% of the Group's net sales were derived from sales into countries where at least one of its products held the leading market position. The Group believes that its first-rate competitive position makes it a benchmark for its customers, distributors, electrical professionals, specifiers and end-users and strengthens demand for its products while contributing to the stability of its margins.

5.1.4.3 - A MULTI-POLE STRUCTURE AND BALANCED EXPOSURE RESILIENT TO ECONOMIC CYCLES

Legrand believes that its exposure to economic cycles is mitigated by three important factors:

- approximately 60% of the Group's net sales in 2007 were generated by the renovation market, which is less sensitive to economic cycles than the new construction market, in which Legrand generated 40% of its net sales in 2007;
- Legrand operates on three markets with different dynamics: the commercial market (46% of net sales in 2007), the residential market (42% of net sales in 2007) and the industrial market (12% of net sales in 2007); and
- the breadth and diversity of Legrand's international presence, which limits its dependence on the economic performance of one or more countries. Legrand has thus become a multi-pole group, as development poles of significant size have emerged. These include Mexico, Brazil, Chile, China, India, Russia, Poland, Turkey, Spain and Greece, all of which are contributing more and more to the Group's overall performance. These ten countries alone represented 20% of the Group's total net sales in 2007, up from 15% in 2002. More generally, Legrand has grown extensively in the Rest of Europe and Rest of the World, where it generated 43% of its sales in 2007, as compared with 33% in 2002.

5.1.4.4 - RECOGNIZED TECHNOLOGICAL LEADERSHIP

Legrand has a long and proven track record for new product development, as well as the improvement of the functionality and reliability of its products. In addition, Legrand regularly expands its product offering to include higher added-value products (using raw materials such as leather, wood and steel) and solutions based on new technologies, such as its universal media plug, the first Wi-Fi outlet integrated into a range of wiring devices, the automatic rearm circuit breaker and its home automation offerings, *In One by Legrand, My Home, Lubnet* and *Miro*, which simultaneously manage lighting, security, heating and sound distribution in a simple and ergonomic manner in residential buildings. The Group has also developed a special expertise in reducing energy consumption with systems developed by The Watt Stopper (presence detectors, motion detectors, lighting management in the commercial sector).

Legrand has developed significant know-how in the integration of innovative technologies into its products and solutions offerings. This expertise presents an opportunity for sales growth as it allows end-users to constantly benefit from the widest possible choice in technologies.

5.1.4.5 - QUALITY-BRAND PORTFOLIO WITH COMPLETE RANGE OF PRODUCTS AND SYSTEMS

With its world renowned general brands, such as *Legrand* and *Bticino*, as well as an expansive portfolio of 34 well-known local and specialist brands, Legrand believes that it offers a product range that its customers, distributors, electrical professionals, specifiers and end-users associate with quality and to which they remain loyal. In particular, Legrand believes that electrical professionals and specifiers, which are the principal drivers of demand, have for many years trusted its brands, products and systems for their security, reliability and ease of installation and use.

Legrand believes that its catalogs, which feature more than 150,000 references organized into some 80 product families, are among the most complete on the market. Moreover, Legrand believes that it is the only market player offering wiring devices that both comply with the majority of international electrical standards and respond to the needs of electrical professionals and end-users, particularly due to their ready integration into systems.

Legrand constantly leverages its brand portfolio onto the market with its permanent "push and pull" strategy, which aims to market its product offerings to electrical distributors and stimulate demand for its products from electrical professionals, specifiers and end-users.

5.1.4.6 - RECOGNIZED GROWTH EXPERIENCE THROUGH TARGETED ACQUISITIONS

In the fragmented market context in which Legrand operates, the Group has a demonstrated ability to identify and complete acquisitions of small- and medium-sized companies that generally are well-known leaders in their local markets and which fulfill Legrand's criteria of complementary technology, location, markets or products. In addition, Legrand has successfully exploited both commercial (complementary products, catalogs and sales networks) and cost synergies. These synergies have allowed the Group to increase the profitability of the companies it acquires, which usually have initially lower operating margins than the Group.

Since 1954, Legrand has acquired and integrated more than 120 companies into its global network. Growth by self-financed, targeted acquisitions has been a recurrent aspect of Legrand's growth model. In three years, Legrand acquired six companies which generated annual net sales of between €10 million and €100 million, representing total acquired sales of more than €500 million.

Legrand expects to pursue a policy of external growth every year while maintaining a disciplined financial approach based on the analysis of several criteria. Legrand uses an analytical model to ensure that every acquisition:

- increases its local market share;
- expands its product offering and portfolio of technologies;
- enhances its presence on markets with high growth potential; and
- conforms to its financial criteria (principally that the purchase price on average represents valuation multiples less than or equal to those applied to Legrand and other comparable companies in the same sector with a similar market position and growth potential; furthermore, the Group generally only includes short-term synergies that relate to operating costs in its modeling, except in exceptional circumstances).

The members of Legrand's management team, who have a thorough knowledge of local players, have developed close relationships with the market players and maintain regular contacts with companies identified as potential targets. A dedicated corporate development cell is responsible for monitoring the entire acquisition process and is particularly responsible for coordinating work among the Group's teams involved in an acquisition.

Legrand's ability to generate high cash flows of around 10% of Group sales enables it to fund its own acquisitions in a virtuous and recurring value creating process.

For 2008, the Group has announced the acquisition of PW Industries, a North American specialist in ceiling cable management for the commercial and industrial sectors. PW Industries generated revenues of approximately $32 million in 2007 (see section 4.2.2 of this reference document)

5.1.4.7 - EXPERIENCED AND MOTIVATED MANAGEMENT

The majority of the members of Legrand's senior management team have, on average, 20 years of experience in the low-voltage electrical installations industry. In addition, Legrand's principal managers (approximately 200 persons) directly or indirectly hold, or may exercise rights to hold, approximately 5% of the

Group's share capital, and, as a result, are incentivized to create shareholder value.

Their experience and commitment to the Group have allowed Legrand to create and maintain a unique corporate culture that inspires and rewards talent and initiative. Under the tenure of its senior management team, Legrand has experienced sustained organic growth and strong financial performance and has completed numerous targeted acquisitions.

The Group has also established stock-option and free-share plans to motivate managers and increase their loyalty to the Company (see sections 9.2 and 9.3 of this reference document).

5.1.4.8 - EFFICIENT BUSINESS MODEL WITH PROFITABLE GROWTH OPPORTUNITIES

Due to its competitive strengths, Legrand has developed an efficient business model with profitable growth opportunities:

- *organic growth*. With an average annual organic growth rate in net sales of approximately 5% between 1988 and 2007 and a total annual sales growth rate of approximately 9% over the same period, Legrand's performance has been particularly satisfying;
- *external growth*. In addition to its organic growth, Legrand has demonstrated its ability to continuously expand through targeted, self-financed acquisitions that create value. Legrand estimates that approximately half of its growth between 1988 and 2007 was due to acquisitions and intends to continue acquisition-driven growth each year;
- *high profitability*. Legrand has historically maintained operating margins that are among the highest in its sector. For example, between 1988 and 2007, Legrand's average adjusted operating income as a percentage of net sales was 15%;
- *strong cash flow generation*. Legrand has historically been able to generate high and sustained cash flows, which have allowed it to benefit from significant financial and operational flexibility to support the development of its business. For the fourth year in a row, free cash flows represented more than 10% of sales – versus 6% historically – which reflects the structural improvement of Legrand's ability to generate a significant level of free cash flow on a recurring basis.

5.1.5 - Strategy

Legrand's strategy is to accelerate its growth, notably through self-financed targeted acquisitions, and increase its cash flow generation while maintaining or increasing its current margins.

5.1.5.1 - ACCELERATE GROWTH

In order to accelerate and consolidate its growth, Legrand intends to:

- *expand market coverage and improve its commercial efficiency*. Legrand's relationships with its customers, distributors, electrical professionals, specifiers and end-users are central to its strategy. Legrand has more than 70 showrooms and 10 training centers, including Innoval in Limoges, which has welcomed more than 60,000 visitors (10,000 of them customers) since it was founded in 1999. At the same time, Legrand expands its commercial coverage with a particular focus on markets with long-term high growth potential, such as emerging markets, VDI products, home automation systems and energy-efficient products. As a result, Legrand's sales and marketing staff represented more than 18% of the Group's total headcount in 2007, compared to 13.5% in 2002;
- *focus on markets with high growth potential*. Legrand's sales and marketing initiatives are focused on market segments that offer the highest growth potential, in particular energy efficiency, high-end wiring devices and commercial and industrial applications such as power protection, lighting control, VDI networks and wire mesh cable management – areas in which Legrand posted double-digit sales growth in 2007 (on a like-for-like basis). In particular, a team known as IKAP (International Key Accounts and Projects) dedicated to large international projects in the commercial and industrial fields (hotels, hospitals, factories, airports, office buildings) helps customers define their needs and offers them turnkey solutions;
- *expand geographic presence*. Legrand is seeking to accelerate its international growth by expanding its presence in countries with high growth potential. As such, it has established more than 20 subsidiaries and branches since 2001, with a particular focus on emerging markets within Eastern Europe, the Middle East and Asia. Legrand's sales generated in emerging markets, which represented more than 25% of the Group's operations in 2007 compared to 17% in 2002, improved by nearly 18% in 2007 (on a like-for-like basis). 40% of the Group's sales and marketing staff are assigned to emerging markets;
- *drive innovation by increasing the number of research and development projects designed to renew and enhance Legrand's product range*. In order to fuel demand for its products, Legrand intends to launch, on a regular basis, enhanced product lines with new functionalities and significant added value. To this end, Legrand has established an increasing number of research and development projects, and it invests from 4% to 5% of its net sales in research and development each year. Legrand concentrates its research and development efforts on

technologically advanced products with higher added-value, such as home automation systems, commercial lighting control, VDI products and the development of solutions that can be integrated into systems. Moreover, Legrand favors the development of products that share a common platform, thereby streamlining component production and reducing production costs. In addition, Legrand anticipates the use of its products around the world from the very time of their development. Thus, *Axolute's* wiring devices, which were initially launched on the Italian market in September of 2005, were sold in more than 45 countries in 2007. In 2007, more than 50 new product ranges were launched, covering the Group's various lines of business, with an increased focus on high-end products and integrated solutions, including:

- command and control: the *Céliane*, *Mosaic* and *Batibox* programs in France, the *Mallia* product range in Asia and the Middle East, the *Signature* product range in the United States, *Zunis* in South Korea and a new offering of enhanced, energy-efficient emergency lighting management in the United States,
- energy distribution: the optimized distribution system *XL Part* in Portugal, the *Stop & Go* automatic rearm circuit-breakers in France, Italy and Spain, and *DRX* molded case circuit breakers in India and Latin America,
- cable management: *Mosaic* floor boxes in France, the launch of *Datamatix* in Spain, the line of *WMFB* residential floor boxes and the launch of *Walkerflex* modular connectors in the United States,
- VDI: the new range of *Mighty Mo* telecom enclosures, the launch of *10 Giga Clarity* high-density patch panels (categories 5 and 6) and a new range of fiber optic connectors;

- *accelerate growth through targeted and recurring acquisitions.* Legrand intends to continue to pursue targeted acquisitions each year in order to accelerate its growth. Given the fragmented nature of its market, the Group will continue to focus on small- and medium-sized businesses. In addition, the Group's senior management team, which has strong knowledge of local market participants, has cultivated close relationships with market players and is frequently in contact with companies it has identified as potential targets.

  Legrand will continue to review external growth opportunities through a stringent selection process in order to ensure that each acquisition:

  - increases the Group's local market share,
  - expands the Group's product offering and its portfolio of technologies, or
  - strengthens the Group's presence on markets with high growth potential, and
  - conforms to the Group's financial criteria (principally that the purchase price corresponds on average to purchase price multiples less than or equal to those applied to Legrand and comparable companies in the same sector with a similar market position and growth potential);

- *develop added-value customer services*. The Group also aims to optimally leverage its brands by expanding its added-value customer service offerings. Consequently, Legrand has developed a number of added-value services, such as customer call centers for households, electrical distributors and electrical professionals in France. In addition, the Group offers training sessions to electrical professionals and distributors which are designed to introduce them to new product offerings (particularly those with a high technological component), expand their expertise and demonstrate installation methods. Legrand also provides practical and detailed technical guides for its products, including through Internet sites and specialized software.

5.1.5.2 - OPTIMIZE COST STRUCTURE TO IMPROVE PRODUCTIVITY AND FLEXIBILITY

In order to improve its productivity and the flexibility of its cost structure, Legrand intends to capitalize on its operational initiatives implemented over the last few years. In particular, by relying on the organization of its production and product development activities into four industrial divisions, Legrand is looking to accelerate the specialization of its production sites, the transfer of certain activities to lower-cost sites and countries, the use of outsourcing and the realization of economies of scale. This strategy has notably allowed an increase in the portion of the production headcount located in low-cost countries from 31% of total headcount in 2002 to 54% in 2007 (including the employees of Kontaktor, Macse, TCL Wuxi and Alpes Technologies), thus reducing production personnel costs from 16.1% of net sales in 2002 to 10.8% in 2007. These initiatives also enabled the Group to improve the flexibility of its cost structure by increasing the variable portion of its operating costs, which were considerably more than half of total operating expenses in 2007.

Legrand intends to continue to optimize its purchasing productivity based on initiatives launched in 2003 to centralize, globalize and standardize its purchasing functions.

The implementation of these initiatives enabled production costs reductions expressed as a percentage of annual net sales from 20.4% in 2006 to 19.5% in 2007, thus contributing to the improvement of operating margins.

5.1.5.3 - INCREASE CASH FLOW AND OPTIMIZE CAPITAL EMPLOYED

Legrand has structurally enhanced its ability to generate cash flows by continuing strong growth in net sales, cost reductions, optimization of Legrand's investments and management of its working capital requirements.

Through the systematic application of its "make or buy" approach to all investment projects, the transfer of certain production activities to countries with low capital costs and a reduction in capital expenditure in connection with the specialization of its production sites, Legrand has been able to reduce its ratio of capital expenditure (including capitalized development expenses) to net sales from 9% between 1990 and 2001 to 4% over the past five years. Legrand believes that, due to the development of its business model and its improved operational structure, the Group should be able to maintain capital expenditure ratios within a normalized range not exceeding 4% to 5% of consolidated sales.

In addition, after having reduced the ratio of the Group's working capital requirements to net sales from an average of 21% between 1990 and 2001 to an average of 13% between 2002 and 2007, Legrand intends to continue to carefully manage its working capital requirements in order to maintain it between 12% and 13% of sales.

The Group has historically been able to generate high and sustained cash flows, which have allowed it to benefit from significant financial and operational flexibility to support the development of its business, particularly through external growth. Between 2002 and 2007, free cash flow represented 71% of adjusted operating income, and more than 10% of net sales, as compared with 39% and 6%, respectively, between 1990 and 2001. This reflects the significant improvement in Legrand's ability to convert its adjusted operating income into cash and to generate a very high recurring level of free cash flow.

5.1.6 - Operational structure

Legrand operates manufacturing and distribution subsidiaries and offices in more than 70 countries and sells its products in nearly 180 countries. At the end of 2001, Legrand launched a number of organizational and operational initiatives aimed at accelerating growth, improving margins and optimizing capital employed. As a result, the Group now organizes and operates its business on the basis of a separation between its sales and marketing activities ("front office") and its production, purchasing, logistics and general administration activities ("back office").

- Legrand's back office is organized on a centralized basis and comprises the Group's production, research and development, purchasing, logistics and general administration departments. The section of the back office responsible for manufacturing products and research and development is organized into four industrial divisions which seek to optimize industrial production, develop new products through an increase in research and development efforts, reduce costs and optimize capital employed at the Group level. The heads of each industrial division, as well as the head of each of the main operational departments, report directly to the Group's CEO. This operational structure has resulted in the streamlining of the Group's production activities and, more generally, has yielded back-office savings which Legrand has principally reinvested in its front office operations. Legrand intends to continue to invest a significant portion of its back office savings in its front office in order to fuel organic growth while maintaining a high level of profitability.
- Legrand's front office consolidates its operations relating to marketing strategy and interfacing with customers, distributors, electrical professionals, specifiers and end-users. The front office is organized on a decentralized basis and is run by the Group's country managers who focus on developing sales, increasing commercial profitability and reducing working capital requirements on a country-by-country basis.

5.1.6.1 - BACK OFFICE

Legrand's back office is centralized at the Group level and is dedicated to developing new products, reducing costs and optimizing capital employed. The Group's back office spearheads production, research and development, purchasing, logistics and general administration operations.

5.1.6.1.1 - PRODUCTION

Due to the close relationship between production and technology employed, Legrand reorganized its production and product development activities in 2001 into five industrial divisions pooling production expertise specific to the industrial processes involved in manufacturing its products.

To take account of changes in its markets and growth opportunities in the commercial and industrial fields, Legrand decided in 2007 to align this organization on the structure of its markets. Its industrial organization now consists of four divisions:

- the Wiring Devices and Home Systems Division, to accelerate the development of offerings combining comfort, security and communications, and to bring an added aesthetic dimension to our products;
- the Energy Distribution and Industrial Applications Division, to develop a broader portfolio of products and systems to better respond to the needs of commercial and industrial customers;
- the Building Management Division, to develop an offering for commercial buildings (lighting management, VDI, safety and energy efficiency);
- the Cable Management Division, to develop and manufacture all devices used in secure distribution of electricity and information in buildings.

On a stand alone basis, each industrial division is responsible for:

- developing new products;
- defining and implementing its industrial plan;
- increasing its industrial profitability; and
- reducing capital employed.

More specifically, the industrial divisions continuously aim to increase their industrial profitability and reduce capital employed by:

- optimizing and streamlining industrial sites;
- specializing plants by product line or technology to reach critical mass. These specialized plants allows Legrand to centralize know-how and act as a benchmark for the rest of the Group with respect to their specific industrial processes;
- systematically applying a "make or buy" approach for all new projects to determine when capital should be invested in new production assets as opposed to outsourcing production to subcontractors;
- creating lean manufacturing workshops on sites in order to optimize productivity and capital employed; and
- transferring production to other units within the Group which carry lower production costs. In 2007, 54% of the Group's production employees are located in low cost countries, as compared with 31% in 2002.

As a result of the continuous optimization policy of its industrial divisions, Legrand has closed or sold 25 plants over the past five years (notably in Austria, Brazil, South Korea, France, Italy, Morocco, Mexico, the Netherlands, Peru, the United Kingdom and the United States).

The savings realized from Legrand's industrial optimization policy have helped to finance:

- strengthening of the Group's front office operations, particularly in the increase of its sales force;
- the design and launch of new products; and
- acquisitions.

5.1.6.1.2 - RESEARCH AND DEVELOPMENT

On a recurring basis, Legrand's research and development expenses (before purchase accounting charges relating to the acquisition of Legrand France and including capitalized development expenses) as a percentage of net sales represented between 4% and 5% of net sales. In particular, our research and development staff increased by 19% between 2004 and 2007. Thus, Legrand launched more than 50 new product ranges for 2007 alone and more than 80 new product ranges between 2005 and 2006 (see section 5.1.5 of this reference document)

5.1.6.1.3 - PURCHASING

As part of its industrial reorganization starting in 2003, Legrand implemented a more centralized purchasing organization to optimize its purchasing and improve its purchasing profitability. This purchasing organization now reports directly to the head of purchasing and is characterized by:

- a purchasing structure that is adapted to the Group's suppliers' worldwide organization, which puts it in an equal bargaining position (locally or by geographical zone) with them so that the Group may benefit from economies of scale;
- purchasing management led by user/buyer teams which aim to maximize the value of the Group's purchasing by making pricing a criterion of supplies selection; and
- the involvement of buyers in the research and development process to capture savings at the very beginning of product development.

Through the channels of the Group's new purchasing organization, purchasing is optimized through the following means:

- consolidating purchasing for all divisions of the Group;
- purchasing of raw materials and components from lower cost countries. Since 2003, Legrand has opened an international purchasing office in each of Asia, Latin America and Eastern Europe, which allows it to purchase raw materials and components from lower-cost countries and to purchase certain raw materials and components for the entire Group at a global level;
- adapting the Group's consumption of raw materials and components to fit with those materials readily available on the market;
- continuously optimizing the Group's supply specifications for raw materials and components to meet the Group's actual needs;
- adapting industrial processes to optimize the Group's cost structure; and
- adapting its corporate habits, including those relating to transportation (personnel and materials), supplies, facilities, office management and information technology, to conform with best practices.

5.1.6.1.4 - LOGISTICS AND INVENTORY MANAGEMENT

Legrand's primary logistical concern is ensuring timely product delivery to its customers by adapting the volume and nature of customer shipments to the storage, preparation and transport costs. Recent initiatives to streamline inventory management have helped the Group to decrease its ratio of inventory value to consolidated net sales from an historical level of 17% on average between 1990 and 2001 to 15% on average between 2002 and 2007. To this end, Legrand developed and refined its industrial management methods, such as Kanban, the Group's just-in-time production management system that manages parts required for product assembly, and Manufacturing Resources Planning 2, a production management system that enables the Group to optimize the use of all manufacturing resources.

In each market where it distributes its products, Legrand maintains logistics, inventory management and distribution systems adapted to local market conditions. The Group's operating subsidiaries take orders and ship products out of their own inventory. These inventories include both products manufactured locally and products manufactured in other jurisdictions. The Group has implemented automated and computerized systems for the majority of its warehouses. The Group's principal warehouses (located in France and Italy and which supply most of the countries in which it operates) are equipped with an advanced warehouse management system, Warehouse Management System (WMS), which allows Legrand to know exactly how much inventory it has and to prepare products for delivery on a real-time basis. This system has enabled Legrand to improve its quality of deliveries by ensuring reliability and timeliness.

Legrand's Distribution Resources Planning (DRP) tool records on a nightly basis the inventories, forecasts and local customer orders for 27 subsidiaries worldwide (located in Algeria, Germany, Austria, Belgium, Chile, Colombia, Costa Rica, Dubai, Spain, Greece, Hungary, Ireland, Italy, Kazakhstan, Mexico, the Netherlands, Poland, Portugal, the Czech Republic, Romania, the United Kingdom, Russia, Singapore, Slovakia, Switzerland, Ukraine and Turkey) for the *Legrand* brand name and for 16 subsidiaries worldwide (located in Germany, Austria, Belgium, Chile, Colombia, Costa Rica, Spain, France, Kazakhstan, Mexico, Portugal, Romania, the United Kingdom, Russia, Switzerland and Turkey) for the *Bticino* brand name. In the United States, Legrand manages its inventories with PKMS software.

Legrand believes that its logistics organization allows it to guarantee high-quality service to its customers, in terms of both availability and flexibility, speed and adaptability.

5.1.6.2 - FRONT OFFICE

Legrand's front office interfaces with customers, distributors, electrical professionals, specifiers and end-users. The front office in each country is run by a country manager who reports directly to the Group's head office and is responsible for:

- increasing sales;
- increasing commercial profitability; and
- reducing working capital requirements through efficient management of inventory and accounts receivable.

In each country, the Group's subsidiaries are given significant latitude to manage their local business and personnel. Local managers are encouraged to manage local operations using an approach the Group sometimes refers to as "manage it as if it were your own company," which it believes allows Legrand to motivate its local managers and employees and increases its ability to respond to the needs of and changes in local markets.

Local operations are supported by the Group's marketing team, which is responsible for defining the Group's marketing strategy, the evolution of the Group's product offerings and specific measures for high growth potential markets, as well as developing the marketing programs for its products.

An important initiative since Spring 2006 is the implementation of a pricing cell in charge of adjusting our selling prices by family of products or catalog item. The goal of this system is to offset the rise in the costs of raw materials and components with Legrand's pricing power due to the Group's innovations and leadership.

Legrand has created a Key Accounts unit, which is dedicated to covering its international customers that have global commercial projects. The Key Accounts unit markets the Group's entire product offering in all of its geographic markets.

Over the last three financial years, the Group has significantly strengthened its front office operations either through recruitment or acquisitions. During this period, the Group's front office headcount strongly increased to reach 5,952 employees, which represents more than 18% of its total weighted-average headcount in 2007 versus 15% in 2004. In particular, the Group has strengthened its teams in emerging countries due to the potential for significant growth in these markets.

5.2 - PRINCIPAL ACTIVITIES

5.2.1 - Financial information by geographic zone

The Group organizes its financial reporting along five geographic zones. References to headcount mean average headcount.

Please see sections 7.3.2.9 and 7.3.2.10 of this reference document for more information on business development by geographic zone over the past three years.

5.2.1.1 - FRANCE

Sales made in France represented 25% of the Group's 2007 consolidated net sales.

In France, the Group principally markets its products through its *Legrand*, *Ortronics*, *Planet Wattohm*, *Arnould*, *Bticino*, *Cofrel*, *Sarlam*, *Cablofil*, *Zucchini* and *URA* brands. Legrand recently reinforced its presence in France by acquiring Alpes Technologies.

In France, the Group operates approximately 15 principal sites and employs 8,546 persons, approximately 13% of whom are employed in the front office and 87% of whom are employed in the back office (see sections 5.1.6. and 5.2.7. of this reference document).

5.2.1.2 - ITALY

Italy represented 17% of the Group's 2007 consolidated net sales.

In Italy, the Group principally markets its products through its *Bticino*, *Legrand, Zucchini* and *Ortronics* brands.

In Italy, the Group operates approximately 10 principal sites and employs 3,573 persons, 16% of whom are employed in the front office and 84% of whom are employed in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

5.2.1.3 - REST OF EUROPE

The Rest of Europe zone principally comprises Spain, Portugal, Greece, Turkey, Belgium, the Netherlands, the United Kingdom, Germany, Austria, Poland, Hungary and Russia, and represented 22% of the Group's 2007 consolidated net sales.

In the Rest of the Europe zone, the Group principally markets its products through its *Legrand*, *Ortronics*, *Bticino*, *Quintela*, *Tegui*, *Van Geel*, *Tenby* and *Baco* brands. Legrand recently reinforced its presence in the Rest of Europe zone by acquiring Kontaktor in Russia.

The Group employs 4,749 persons throughout the Rest of Europe zone, approximately 28% of whom are employed in the front office and 72% of whom are employed in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

5.2.1.4 - THE UNITED STATES AND CANADA

The United States and Canada zone represented 15% of the Group's 2007 consolidated net sales.

In the United States and Canada zone, the Group markets its products through brands that are coupled with the *Legrand* brand, such as *Ortronics*, *Wiremold*, *Pass & Seymour*, *The Watt Stopper, OnQ, Cablofil* and *Vantage*. Legrand recently reinforced its presence in the United States by acquiring UStec.

The Group operates approximately 10 principal sites in the United States and Canada zone and employs 2,706 persons throughout the zone, of whom approximately 20% are employed in the front office and 80% are employed in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

5.2.1.5 - REST OF THE WORLD

The Rest of the World zone consists primarily of Brazil, Mexico, Chile, Costa Rica, Venezuela, Colombia, India, South Korea, Australia, Egypt and China. The zone represented 21% of the Group's 2007 consolidated net sales.

In the Rest of the World zone, the Group markets its products through the *Legrand*, *Bticino*, *Ortronics*, *Luminex Legrand*, *TCL Legrand*, *Shidean*, *Anam Legrand*, *Lorenzetti*, *Pial Legrand*, *Cemar*, *Tenby, HPM* and *Baco* brands. The Group recently reinforced its presence in the Rest of the World zone by acquiring HPM in Australia, TCL Wuxi in China and Macse in Mexico in 2007.

The Group employs 12,781 persons throughout the Rest of the World zone, approximately 19% of whom are employed in the front office and 81% of whom are employed in the back office (see sections 5.1.6 and 5.2.7 of this reference document).

5.2.2 - Products

The Group offers more than 150,000 catalog items, grouped into 80 product families. These product families can in turn be divided into four principal product groups:

- control and command;
- cable management;
- energy distribution; and
- Voice-Data-Image ("VDI").

Each product group is marketed in all of Legrand's major geographic markets. The technical characteristics and design of Legrand's products differ depending on whether they are installed in commercial, residential or industrial buildings.

Legrand sells its products under two key worldwide global brands, *Legrand* and *Bticino*, one worldwide VDI specialist brand, *Ortronics*, and several leading local brands, such as *Wiremold*, the *Watt Stopper* and *Pass & Seymour* in the United States, *TCL Legrand* and *Shidean* in China, *URA*, *Arnould* and *Cablofil* in France, *HPM* in Australia, as well as numerous other brands which enjoy strong name recognition on several local markets.

Control and command products and systems, cable management, energy distribution, VDI and related products respectively represented around 43%, 21%, 24% and 12% of the Group's net sales in 2007 (44%, 22%, 23% and 11% of 2006 net sales, respectively). The effect of "trading up" contributed 23% to net sales growth through the *Céliane* and *Axolute* product ranges in France and Italy in 2007. Moreover, Legrand's sales of industrial and commercial solutions also experienced strong growth: The Group increased its sales of power distribution, VDI for the commercial sector, wire cable management and commercial lighting control by 17%, 13%, 19% and 24%, respectively in 2007 (on a like-for-like basis).

5.2.2.1 - CONTROL AND COMMAND

Control and command products and systems are the interface between end-users and their electrical installation, permitting them to access comfort, security and communication functions in the home or workplace, including:

- comfort functions, such as lighting, climate control, sound diffusion or automated shutter closing. These products range from basic electrical "on-off" switches and wall sockets to thermostats, dimmers, switches activated by infrared presence detectors, electro-mechanical and electronic timer switches and other building automated products that enable end-users to control the flow of electricity and data;
- security functions, such as emergency lighting, intruder alarms, fire alarms, and building access control. In the security sector, Legrand offers a number of products, including fire and intruder alarm systems, smoke, water, heat and motion detectors and emergency lighting equipment for homes, offices and other commercial properties. Legrand's security systems are designed to permit rapid installation by electrical professionals and maximum flexibility, convenience and security for the end-user. Legrand also offers a wide range of communications products such as audio and video door entry phones and electric chimes for residential use; and
- communication functions, such as television, telephone or IT networks. With respect to communication functions, Legrand has developed significant know-how in "smart" house systems known as "home automation." All household appliances and electrical functions are connected to a central unit through these systems, therefore allowing the end-user to regulate security, comfort and energy consumption locally or remotely. These systems give Legrand the opportunity not only to sell the control unit, but also to provide the related cable management products and wiring devices in an integrated package.

In 2007, Legrand launched (among others) the following ranges of wiring devices: *Céliane*, *Mosaic* and *Batibox* (France), *Mallia* (Asia and the Middle East), *Signature* (United States) and *Zunis* (South Korea). In 2006, Legrand launched (among others) the *Cariva* (Eastern Europe and Turkey), *Valena* (Poland), *Vela* (South America), *Plexo* (France), *Galea Life* (Spain, Greece and Eastern Europe) ranges of wiring devices, as well as the *Arcor2* and *Baas* (France) security systems, the *InFusion* home automation system, the new *TWS* motion detector system and the *Ultimate Music Solution* sound diffusion system (United States).

Legrand has been producing controlling and connection products and systems for electrical installation since it began doing business and has unrivaled experience that sets it apart from its large competitors in this field, whose experience lies chiefly in the technical energy distribution market. The Group believes that it has a leading position in the worldwide market for the manufacture of control and command products. Legrand believes that it is the global market leader in wiring devices (mainly switches and sockets) with an estimated market share of approximately 19% based on the Group's net sales in 2007. The Group is one of the few manufacturers offering wiring device products adapted to the principal electrical standards in use around the world.

5.2.2.2 - CABLE MANAGEMENT

Cable management products include trunking and ducting, mini column, cable routing systems, floor boxes, busbars, wire cable trays and other products that provide safe distribution of electricity and data in buildings. These items are designed to prevent potentially hazardous contact between electrical wires and cables and other electrical or mechanical equipment, or any exposure of such wires and cables that could pose a danger to end-users. Cable management products include various products designed specifically for the requirements of particular industries or businesses, such as the Group's range of specialized ducting products for use in hospitals.

In 2007, Legrand launched *Mosaic* floor boxes in France, *Datamatix* in Spain, the *WMFB* range of residential floor boxes and the *Walkerflex* modular connection system in the United States. In 2006, Legrand notably launched the *4000 Designer Series* (United States) range of metal ducts and its offering of rapid high- and low- voltage connectors for commercial buildings (France).

Legrand believes that it is the world's leading manufacturer of cable management products, with an estimated market share of its accessible market of approximately 15%, based on the Group's 2007 net sales.

5.2.2.3 - ENERGY DISTRIBUTION

Energy distribution products consist of circuit breakers, distribution boards, residential, commercial and industrial enclosures, earth leakage circuit breakers and other products that protect people, appliances and electrical systems from electrical faults, electrocution and power surges up to 4,000 amperes.

In the circuit breaker market, Legrand has steadily improved its product ranges and market position by offering circuit breakers with increased performance both in electrical (technical performance and electronic regulation) and installation (ease of use and ease of installation) terms. In accordance with the Group's strategy to cover multiple markets using one product platform, Legrand has extended the application of *Lexic* and *Btdin* from France and Italy to almost all the geographical segments in which the Group operates. In addition, in accordance with the Group's strategy to "trade up" to higher value-added functions, these product lines have been complemented with products whose characteristics have constantly been improved, such as "air circuit breaker" technology, which protects circuits up to 4,000 amperes.

In 2007, Legrand launched the *XL Part* optimized distribution system (Portugal), the *Stop & Go* automatic rearm circuit breaker (France, Italy and Spain), the *DRX* molded case circuit breaker

(India and Latin America). In 2006, Legrand notably launched the *XS* and *XG* circuit breakers (Turkey), *CTX* power contactors (Colombia, Chile and Turkey), remote monitoring systems for *DPX*, *DMX* and *Lexic* (France) and the *Marina* range of industrial enclosures (France and Italy).

Legrand believes that it is one of the principal manufacturers of energy distribution products and that it is among the top five players in the European, Asian and South American energy distribution product markets.

5.2.2.4 - VDI

In the VDI sector, Legrand offers a broad range of pre-wiring hardware for computer, telephone and video applications, such as a new high transmission rate *RJ45* multimedia socket for data communication applications, fiber optic jacks, fiber optic and copper patch panels, VDI cabinets and enclosures, copper and fiber optic VDI cables, all of which facilitate the organization of telephone and data networks in buildings.

In 2007, Legrand launched the new *Mighty Mo* range of enclosures, *10 Giga Clarity*, a range of high-density patch panels (categories 5 and 6) and a new range of fiber optic connectors. In 2006, Legrand launched a number of products, including *10 Giga SSTP* (France), *10 Giga UTP* (Europe and the Middle East) and the *Wi-Jack Duo* range, the world's most compact Wi-Fi access point (United States).

Legrand believes that it is one of the four principal manufacturers of a certain number of VDI applications (excluding cables). The VDI product category, as it relates to communications and security products, also includes products for computer systems, telephones and video.

5.2.2.5 - REGULATION AND STANDARDS

Legrand's products are subject to quality and safety controls and regulations, and are governed by both national and international standards, such as European Union directives, and product norms and standards adopted by international organizations, including the European Committee for Electrotechnical Standardization and the International Electrotechnical Commission. Changes in standards and norms are gradual and result in higher standards of security and performance, and thus increase barriers to entry for new market entrants.

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5.2.3 - Research and development

Legrand has a long track record of developing new products and upgrading products by adding improved functionalities. As part of its recent operational initiatives, Legrand has increased its investment in research and development. During the last three financial years, on average, the Group has spent and invested (before purchase accounting charges relating to the acquisition of Legrand France and including capitalized development expenses) 4% to 5% of its net sales on research and development. In 2007, 38% of the Group's net sales were generated by products less than five years old, with net sales of those products representing approximately 49% of its net sales in Spain, 48% of its net sales in the United States, 34% of its net sales in Brazil and 59% of its net sales in France.

The following characteristics are a priority for Legrand's product development:

- quality, reliability and overall safety;
- simplicity, ease and speed of installation;
- integration of new technologies into its product offering;
- capacity of its product lines to work together in an integrated system;
- product functionality; and
- new designs.

Certain production facilities have dedicated research and development teams. However, a significant portion of Legrand's research and development is carried out in Limoges, France, Varese, Italy and in the United States. As of December 31, 2007, 1,794 employees in approximately 16 countries were involved in research and development, of which approximately 71% were based in France and Italy, and the remainder in other countries.

Although Legrand believes that new product launches are a key driver of growth in the medium- to long-term, they can, in the short term, lead to increased costs associated with such factors as initial operational inefficiency, return of old products, obsolete inventory and increased promotional expenses.

5.2.4 - Distribution, customers and marketing

Legrand manufactures products for end-users in commercial, residential and industrial markets:

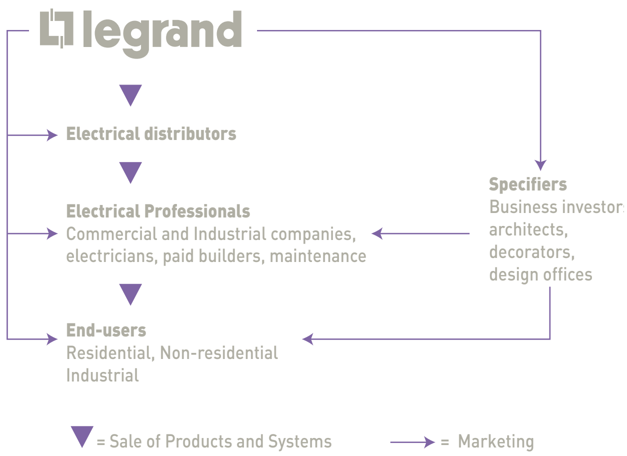
- The commercial market, which accounted for approximately 46% of the Group's consolidated net sales in 2007, consists of electrical products used in the construction and renovation of a variety of commercial buildings, such as hotels, offices and stores, and public buildings, such as schools and hospitals.
- The residential market, which accounted for approximately 42% of the Group's consolidated net sales in 2007, consists of electrical products used in the new construction and renovation of houses and apartments.
- The industrial market, which accounted for approximately 12% of the Group's consolidated net sales in 2007, consists of electrical products used in the new construction and renovation of factories, plants and other industrial sites.

In its business, Legrand distinguishes between "distributors", "electrical professionals", "specifiers" and "end-users":

- Legrand's "distributors" are electrical hardware and equipment distributors and accounted for approximately 95% of the Group's consolidated net sales in 2007.
- "Electrical professionals" are the professionals or "do-it-yourselfers" who purchase, install and use Legrand's electrical products; this category of professionals includes electricians, contractors, paid builders and industrial and commercial companies with electrical products or systems installation operations.
- "Specifiers" are the architects, decorators and design offices which Legrand believes fuel demand for its products by recommending their use to end-users or by including them for use in certain building projects.
- "End-users" are the clients who use Legrand's products in the environment in which they are ultimately installed or used.

Legrand's relationships with its customers are generally governed by the relevant standard terms and conditions for sales in each local market.

As described in the chart below, Legrand is part a of a distribution chain in which manufacturers, such as Legrand, mainly sell their products to electrical distributors, who in turn sell products to electrical professionals who then install the products in end-users' buildings. Specifiers play an active role in this chain by advising electrical professionals and end-users on product choice and applications.



Sales and marketing is handled by Legrand's front office, which represented more than 18% of the Group's worldwide employees in 2007 compared to 17% in 2006 and 15% in 2005 (see section 9.1 of this reference document). Since 2001, Legrand has opened more than 20 new sales offices or subsidiaries, principally in Eastern Europe, Asia and the Middle East, in order to increase its geographic coverage. Legrand's marketing efforts are directed at each level of the distribution chain (i.e., distributors, electrical professionals, specifiers and end-users) in what it describes as a "push and pull" strategy (see below) aimed at providing market players with information, training and other services relating to the Group's full range of products and systems. Legrand believes that in making it easier for its distributors, electrical professionals and end-users to access and use its products, it creates significant product and brand loyalty and builds demand for the Group's products and systems at each level of the distribution chain.

Selling the Group's products to electrical distributors ("push")

On the "push" side, Legrand maintains close relationships with its customers by focusing on product availability and just-in-time delivery and by simplifying and expediting ordering, stocking and dispatching of its products. This "push" side of Legrand's strategy also involves providing customers with a catalog of more than 150,000 items, including innovative new products. Legrand has also made it easier to access and use its catalog by providing electronic catalogs and reducing the number of catalog references, standardizing packaging sizes and appearance and introducing innovative features such as pre-sorted deliveries.

Examples of Legrand's "push" initiatives include:

- *priority inventories:* In France, many of Legrand's customers have agreed to maintain inventories of certain priority products at all times. In turn, Legrand maintains large quantities of non-priority products which, coupled with a computerized inventory control system, enables it to respond rapidly to its customers' orders. In emergencies, products that are not stocked by its customers can be delivered within 48 hours to any location in France through "Dispo-Express," Legrand's own delivery service;
- *inventory management:* In the United States, Pass & Seymour, one of the Group's US subsidiaries, receives inventory details from certain of its large customers on a daily basis. When inventory levels drop below a pre-defined level, new inventories are prepared and shipped immediately. Pass & Seymour has also instituted an action plan to provide for the delivery of key products to its customers in the event of a natural disaster;
- *intelligent sorting*: Before Legrand ships its products to its customers, it pre-sorts them by anticipating the steps customers will be required to take in order to distribute the products to their clients. This value-added service reduces the sorting that Legrand's customers must do on their own before shipping, minimizes shipping errors and decreases handling costs, giving Legrand a competitive edge which is appreciated by its customers;
- *logistics platforms*: Legrand is increasing the number of logistics platforms from which it ships its products. By reducing the distance between its products and customers, Legrand is able to improve service and significantly reduce lead time. Upon completing the installation of a logistics platform in Asia and the Middle East, Legrand intends to implement one or more similar platforms in Eastern Europe;
- *optimizing inventories:* Based on Legrand's internal statistical data and its knowledge of best practices in inventory management, it is currently implementing its experience-sharing program with its customers to assist them in optimizing the management of their inventories to better respond to the needs of their customers.

Legrand enjoys strong, long-standing commercial relationships with its distributors, particularly its two largest distributors, the electrical wholesale groups Sonepar and Rexel. In 2007, sales to Sonepar and Rexel accounted for approximately 26% of the Group's consolidated net sales, although this percentage varied from country to country. (See chapter 2 of this reference document.) Legrand believes that no other single distributor or group represented more than 5% of its worldwide consolidated net sales in 2007. Legrand's other main customers include Hagemeyer, FinDea, Graybar, Wesco, Home Depot and Anixter.

The pattern of distribution for electrical products and systems in most countries allows Legrand to channel products into its distributors' centralized distribution systems and thus leverage off of their market presence and branch infrastructure. It also limits the logistics costs and credit risk that Legrand would incur if it were required to deal with electrical professionals and end-users directly.

Stimulating demand among electrical professionals, specifiers and end-users ("pull")

On the "pull" side, Legrand believes that demand for its products is, for the large part, determined by the extent to which electrical professionals, specifiers and end-users request or "pull" its products from its distributors, and a major portion of the Group's marketing efforts is therefore directed towards developing and sustaining demand for its products by actively promoting them to electrical professionals, specifiers and end-users. Legrand focuses on providing training, technical guides and business software applications, as well as ensuring reliable and readily available product supplies.

Legrand offers training programs to electrical distributors and electrical professionals locally, including at its Innoval international training center in Limoges, France. These training programs are designed to expand installers' expertise and services to include Legrand's latest electrical equipment and new installation methods. The Innoval training center offers approximately 30 separate hands-on programs in areas ranging from home automation and wiring of electrical cabinets and fiber-optic cabling to installing emergency lighting systems and regulations applicable to the electrical installation business. Between 1999 and 2007, the Innoval center welcomed more than 60,000 visitors, approximately 10,000 of whom were customers.

In addition, Legrand offers training programs on a localized basis in many countries, including Italy, Brazil and the United Kingdom. Based on the Innoval model, Legrand opened Innovel in Chile in 2006 in order to present its product offerings and to train professionals in installing Legrand products.

In France, Legrand has established a series of websites for electrical professionals and specifiers, directed at separate categories of businesses, from architects to self-employed electricians. After keying in their password, users have quick, easy access to regularly updated material, including automatic selection charts, catalogs, design tools and order records. Legrand's other electronic catalogs include the E-catalog product database – also available on PDA – and SpecPartner, a service provided by Pass & Seymour in the United States. Legrand has established a group-wide software multimedia unit to coordinate its range of on-line guides and business software.

Legrand's business software applications include XL-Pro2 software for electrical cabinet wiring, and LabelMo labeling software for VDI networks, an "add up and sell" quotation package for self-employed electricians.

In addition to pulling its products through marketing initiatives directed towards electrical professionals, Legrand also seeks to stimulate demand among end-users by actively promoting its products through specific marketing and advertising campaigns emphasizing the design and functional aspects of its products. Legrand's call centers, which provide full information on new applications, also contribute to Legrand's product promotion. For example, in France, Legrand recently reorganized its customer relations management by creating a three-level call center which, at the first level, provides general information about its products, at the second level, provides detailed information on standard products and, at the third level, provides information on customized solutions which draw from Legrand's product portfolio.

5.2.5 - Suppliers and raw materials

Legrand does not depend upon any single supplier for raw materials or components used in the manufacture of its products. Legrand believes that raw materials and components essential to its operations will remain available in all of its principal markets.

In 2007, plastics accounted for approximately 35% of the raw materials used in manufacturing its products and metals accounted for approximately 49%, with the balance principally consisting of packaging materials (approximately 16%). Legrand uses over 50 types of plastics of varying grades and colors in the manufacture of its different products, with specific plastics selected according to their physical properties and ability to meet requirements such as durability, heat and impact resistance and ease in molding and injection or bonding with other components. In 2007, on average, approximately 46% of the metal purchased was steel used in mechanisms and structures, and approximately 41% was brass and copper, used principally for their conductive properties. Legrand also purchases certain finished and semi-finished electro-mechanical and electronic components for integration into products such as video communications and sound diffusion products.

The table below sets forth the relative portion of the Group's purchases of raw materials and components as a percentage of Group sales for 2005, 2006 and 2007.

(% of consolidated sales)	2007	2006	2005
Raw materials	11.6%	12.2%	11.3%
Components	18.8%	17.8%	17.8%
TOTAL	**30.4%**	**30.0%**	**29.1%**

5.2.6 - Intellectual property

Legrand's brand and trademark portfolio includes more than 100 brands and trademarks of international renown (especially *Legrand* and *Bticino*), first rate local trademarks (including *Wiremold*, *The Watt Stopper*, *Pass & Seymour*, *URA*, *Zucchini*, *Planet Wattohm*, *Cablofil*, *HPM*, *TCL Legrand* and *Arnould*) and trademarks that are specialized in certain products or systems (for example, *Ortronics* in VDI products). Legrand's trademarks are protected on the majority of the markets in which it operates. In general, Legrand only exceptionally grants licenses to its trademarks to third parties. Moreover, with the notable exception of the *TCL* trademark, the Group generally does not license trademarks from third parties.

The protection of Legrand's brands is based on their registration and use. Legrand's brands are registered with national, international and international agencies for variable periods (for example, 10 years in France and 20 years in the United States), subject to laws stipulating continued use as a condition to maintained protection.

Furthermore, Legrand holds more than 4,800 patents in nearly 70 countries, some of which relate to the filing of the same or similar patented technologies in multiple jurisdictions. Legrand's patent portfolio is diversified, with approximately 17% of patents held in France, 11% in the United States, 10% in Italy, 7% in Germany, 6% in Spain, 6% in the United Kingdom and the remaining 43% in other countries.

Legrand's patents cover approximately 1,670 different systems and technologies. In 2007, Legrand registered more than 80 new patents. The average life-span of Legrand's utility patent portfolio is approximately eight years, which corresponds to the average life-span of patents held by the Group's competitors in its accessible market. Legrand rarely licenses the use of its products to third parties, nor does it license use of technologies from third parties.

Given the Group's research and development efforts, Legrand does not believe that it is dependent on patents to conduct its business.

5.2.7 - Property, plant and equipment

Legrand seeks to optimize its manufacturing processes, improve its efficiency and reduce its production costs by increasing the level of industrial specialization within each site according to particular technologies or product families, by optimizing its choice of production sites by relocating production to low labor cost areas, by systematically implementing a "make or buy" analysis on a Group-wide basis (Legrand foresees increasing outsourcing of production where cost savings can be achieved without compromising its intellectual property, know-how or product quality) and by implementing "lean manufacturing" initiatives aimed at optimizing productivity and capital employed. Legrand constantly seeks solutions to increase its productivity.

The Group's manufacturing plants, together with its headquarters, represent its major properties. Legrand operates over 50 manufacturing sites and complexes (including acquisitions) in more than 20 countries and employs between 200 and 500 individuals per site.

The table below sets forth the location, size and uses of Legrand's major properties, of which Legrand is the sole owner, with the exception of the Saint-Marcellin and the Ospedaletto (Btcino) sites, which are leased.

At the registration date of this reference document and to the Company's knowledge, there has been no significant change with respect to the properties described below.

Site or Subsidiary	Approximate Size (thousands of m^2)	Principal Use	Site Location
France			
Legrand Limoges	210	Headquarters/Manufacturing/Distribution/ Administrative Services/Storage	Limoges region
Legrand Normandie	78	Manufacturing/Administrative Services	Malaunay
Inovac/Planet Watthom	43	Manufacturing/Administrative Services	Sillé-le-Guillaume, Senlis
Legrand Isère	59	Manufacturing/Administrative Services	Saint-Marcellin
Legrand Antibes	16	Manufacturing/Administrative Services	Antibes
Legrand Strasbourg	15	Manufacturing	Strasbourg
Verneuil	72	Storage	Verneuil-en-Halatte
Bagnolet	10	Manufacturing/Administrative Services	Bagnolet
Italy			
Bticino Italie	190	Manufacturing/Distribution/ Administrative Services/Storage	Varèse, Bodio, Erba, Naples, Bergame, Tradate, Ospedaletto
Legrand Italie	45	Manufacturing/Distribution/ Administrative Services/Storage	Alessandria
Portugal			
Legrand Portugal	25	Manufacturing/Distribution/ Administrative Services/Storage	Carcavelos
United Kingdom			
Legrand UK	26	Manufacturing/Distribution/ Administrative Services/Storage	Scarborough

Site or Subsidiary	Approximate Size (thousands of m²)	Principal Use	Site Location
Spain			
Legrand Española	40	Manufacturing/Distribution/ Administrative Services/Storage	Madrid, Barcelona
Poland			
Fael Pologne	44	Manufacturing/Distribution/ Administrative Services/Storage	Zabkovice
Hungary			
Kontavill Hongrie	33	Manufacturing/Distribution/ Administrative Services/Storage	Szentes
Germany			
Legrand Allemagne	19	Manufacturing/Distribution/ Administrative Services/Storage	Soest
United States			
Wiremold North America	39	Manufacturing/Distribution/ Administrative Services/Storage	West Hartford, Philadelphia, Williamstown
Pass & Seymour	81	Manufacturing/Distribution/ Administrative Services/Storage	Concord, Greensboro, San Antonio
Mexico			
Mexico	44	Manufacturing/Distribution/ Administrative Services/Storage	Queretaro
Brazil			
Pial Brasil, Lorenzetti, Cemar	74	Manufacturing/Distribution/ Administrative Services/Storage	Campo Largo, Caxias do Sul
China			
Rocom, Legrand Beijing, TCL, Shidean	108	Manufacturing/Distribution/ Administrative Services/Storage	Dongguan, Beijing, Huizhou, Shenzhen
Russia			
Kontaktor	88	Manufacturing/Distribution/ Administrative Services/Storage	Ulyanovsk
Australia			
HPM	47	Manufacturing/Distribution/ Administrative Services/Storage	Sydney, Melbourne
South Korea			
Anam Legrand	36	Manufacturing/Distribution/ Administrative Services/Storage	Pyong Taek
India			
Legrand India	13	Manufacturing/Distribution/ Administrative Services/Storage	Jalgaon, Nashik, Sinnar
Turkey			
Legrand Turkey	15	Manufacturing/Storage	Gebze

5.2.8 - Insurance

Within the context of its risk and insurance management policy, which is centralized at Group headquarters, Legrand has taken out global insurance programs through insurance brokers to cover its major risks.

Legrand believes that these insurance programs (which cover all of the Group's subsidiaries) provide adequate coverage for the principal risks faced by the Group. These insurance programs are contracted from leading insurance companies without recourse to a captive reinsurance structure. These programs provide global coverage for the Group under umbrella policies that take into account the risks and activities related to the Group's operations, including property damage and the resulting operating losses, D&O (Directors' and Officers') liability, and product liability.

Legrand intends to continue its practice of maintaining global insurance programs where practicable, increasing coverage where necessary and reducing insurance costs through risk protection and prevention and through self-insurance (adapted deductibles).

In the context of a relatively stable insurance market, levels of coverage set up in 2007 remained unchanged in respect of the previous financial year.

CIVIL AND ENVIRONMENTAL LIABILITY

The Group's main insurance plans relate to civil liability before and after product delivery, as well as environmental claims and cover (subject to customary deductibles, exclusions and limits) physical injuries, property damage and consequential loss, removal/reinstallation expenses, product recall expenses, damage to property of others, and decontamination expenses. The limit on this civil liability and environmental coverage is €60 million per claim.

These insurance programs consist of a master insurance policy set up in France and local policies in the countries where the Group operates.

PROPERTY DAMAGE/OPERATING LOSS INSURANCE

The property damage/operating loss insurance policy covers (subject to customary deductibles, exclusions and limits) property damage that could affect the various sites, which have all been previously appraised to determine their insured value, as well as the operating losses resulting from any event of a sudden and accidental origin (such as fire, storm, explosion, electrical damage, water damage, etc.). This insurance program also includes a master insurance policy set up in France and local policies in the countries where the Group is present.

The plan offers a contractual global maximum indemnity per event (combining property damage/operating losses) of €500 million with additional limitations for certain acts of God or certain specific guarantees such as machine breakage and IT and electrical risks.

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6 SUSTAINABLE DEVELOPMENT

6.1 - SUSTAINABLE DEVELOPMENT POLICY

In all its operations, the Group applies sustainable development policy that includes social, environmental and economic components. This policy is founded on four fundamental values presented and defined in the Legrand Group's Charter of Fundamental Principles: ethics of behavior, customer awareness, resource enhancement and innovation. The Group draws on the expertise and know-how of staff to apply a certain number of good practices with a view to ensuring growth that is at once profitable, lasting and responsible. This process is headed by a sustainable development unit charged with coordinating and consolidating all actions and initiatives conducted by Legrand in all areas of social, environmental and economic concerns.

- *Social policy*. Counting nearly 35,000 employees around the world (including recent acquisitions) and with sales and production units in over 70 countries, Legrand pursues its business development with particular attention to employee working conditions and its responsibility as an employer and a member of society at large. Legrand's human-resource and employee-relations policies are structured around four priorities:
  - attentive management of competencies and employee career paths with emphasis on training, loyalty enhancement, the promotion of mobility (see paragraph 6.2.2.1 of this reference document) and a focus on diversity,
  - promotion of an active policy of risk prevention and safety backed by the Worldwide Prevention Charter adopted in June 2004 and setting out the Group's commitments in this area, which stress the integration of safety considerations in industrial processes. In addition, Group companies are engaged in a safety management system which conforms to the main principles of the International Labour Organisation, based on the ILO-OSH 2001 reference,
  - compliance with the law of the countries where the Group is present,
  - engagement in local society with support for a range of social and humanitarian causes, education, and cultural activities.
- *Environmental policy*. By limiting the environmental impact of its products, Legrand participates in the protection of the environment and the reduction of climate change. In a continuous effort to preserve the environment, Legrand has for several years worked to control environmental impact by:
  - integrating environmental management into manufacturing facilities at the earliest possible stage, in particular with a view to obtaining ISO 14001 certification,
  - factoring the environment into the product-design process to reduce product impact, and by supplying Legrand's customers with all relevant product information,
  - offering solutions enabling customers to design environment-friendly installations. Innovations in this area include new solutions to reduce energy consumption (lighting and heating management, shutter monitoring) and to provide protection against electrical risks.
- *Economic policy*. The Group aims to achieve profitable, lasting and responsible growth and to satisfy the expectations of distributors, electricians, specifiers and end users as well as those of employees and shareholders as regards economic strategy.

More broadly, Legrand's participation in the UN Global Compact from 2007 reflects the Group's desire to apply its standards of development within the Group and its subsidiaries and in relation to its stakeholders, and to promote social, societal and environmental values on a global scale. It has thus set the target of having 60% of the Group's strategic suppliers join the UN Global Compact in the coming years. Similarly, the Group encourages suppliers to seek ISO 14001 certification. The UN Global Compact, launched at the Davos World Economic Forum at the initiative of Kofi Annan, the UN Secretary General, aims to put responsible values and principles to work in world markets and in so doing allows people everywhere to benefit from the advantages of globalization. The UN Global Compact is summarized in 10 principles relating to respect for human rights, the elimination of discrimination in employment, the protection of the environment and the fight against corruption.

6.2 - 2007 RESULTS AND COMMITMENTS

6.2.1 - Environmental commitment

On its production sites as in its products, Legrand favors materials and processes that are compatible with the well-being of people and their environment. Through this approach, the Group reduced the impact of its operations on the ecosystem while at the same time enhancing business performance and the appeal of its offerings.

For a good number of years, the Group has progressed significantly beyond what is strictly required under applicable regulations. Testifying to the quality of its environmental management, 73% of its industrial sites had ISO 14001 certification by 2007. Two new sites were certified during the year, one being the Pyong Taek factory in South Korea and the other the extension of the Verneuil-en-Halatte site in France.

In 2007, emphasis on environmental concerns was extended to recent acquisitions, which are now required to have integrated the Group's environmental strategy within a year from the acquisition date. Environmental managers are appointed at each subsidiary, charged with carrying out environmental audits and then defining appropriate action plans.

6.2.1.1 - REGULATORY COMPLIANCE

Legrand's objective is to comply in all material respects with environmental and pollution control laws applicable to the Group.

The Group meets the requirements of the EU Directives concerning Restriction of Hazardous Substances (RoHS) and Waste Electrical and Electronic Equipment (WEEE). Since July 2006, the EU's Restriction of Hazardous Substances (RoHS) in electrical and electronic equipment Directive prohibits the use of substances such as lead for certain electrical and electronic equipment. The Group had anticipated the elimination of all substances referred to in the Directive as early as in 2004, including in equipment outside of the scope of the Directive, and aims to extend its application to all Group products sold in Europe. Legrand is also involved in collecting and recycling end-of-life equipment. In each EU country, the Group implements solutions that meet both customers' expectations and the requirements of the WEEE Directive.

The Group is also taking all necessary action for compliance with the EU's new REACH (Registration, Evaluation and Authorization of CHemicals) Regulation, imposing new requirements on producers, importers and users of chemicals with effect from June 2008. Legrand aims to meet these requirements immediately.

Legrand considers that it has made adequate provisions for environmental risk. The Group sets aside these provisions when remedial action is probable and the costs can be reasonably estimated. In all cases, provisions are booked before finalization of action plans. However, considering the difficulty of quantifying environmental risk, the Group may be led to correct existing provisions to ensure full cover for all environmental liabilities identified.

6.2.1.2 - REDUCTION OF GREENHOUSE GAS EMISSIONS

Legrand helps to combat climate change by reducing greenhouse gas emissions relating to transport, its product offering and energy consumption on its sites.

Results to date are set out in the table below.

Area	Action	Results in metric tons of CO2 equivalent (teq CO_2)*
Transport of finished goods	Preference for rail and sea transport, load optimization storage close to end markets	Savings of 1,087 teq CO_2 in 2007
	Limits on air transport	Savings of 3,980 teq CO_2 in 2007 compared to 2002
Eco-design policies (see paragraph 6.2.1.5 of this reference document for details)	Redesign of some product ranges	Savings of 4,500 teq CO_2 over full product life cycle in 2007
	New packaging	Savings of 127 teq CO_2 in 2007
Energy savings on sites	Reduction of electricity consumption (excluding heating)	Saving of over 10,900 MWh from 2005 to 2007 at constant scope of consolidation, equal to 4,345 teq CO_2
	Reduction of energy consumption for heating	Saving of over 32,160 MWh from 2005 to 2007 at constant scope of consolidation, equal to 12,800 teq CO_2

* *Note: Reductions relating to transport of finished goods are expressed in metric tons of carbon dioxide equivalent emissions in transport. These are calculated in accordance with the Bilan Carbone® method developed by France's public energy and environmental agency ADEME. Reductions resulting from eco-design and energy savings on sites are expressed in metric tons of carbon dioxide equivalent emissions calculated with the assistance of EIME (Environmental Impact and Management Explorer) software described in paragraph 6.2.1.5 of this reference document.*

Legrand is continuing its efforts to reduce greenhouse gas emissions with its "Legrand CLIMACT" project calling on the participation of all concerned employees in the Group.

6.2.1.3 - ENERGY SAVINGS ON SITES

The Group is reducing its energy consumption while contributing to the improvement of its industrial performance through profitable investments. Employee awareness measures, together with the implementation of lighting management solutions, allow sites to save substantial energy.

6.2.1.4 - ENERGY EFFICIENCY

Electricity now accounts for 70% of energy consumption in buildings (source: 2007 *Building Energy Data Book*). This is associated with growing demand on all Legrand's markets for products and systems reducing energy consumption, together with related environmental impact, and improving the quality of electricity.

Legrand does so with a comprehensive range of solutions for home automation and the control of lighting, heating, electric shutters and hot water supply, and equipment in standby mode. Legrand solutions also enable them to optimize the quality of electric current through source inversion, compensation of reactive energy, energy-efficient transformation and surge protection.

To take an example, the installation of presence detectors in a school classroom reduces energy consumption by around 52% and the investment pays for itself in less than a year. In 2007, a jury representing France's Ministry for the Environment and concerned NGOs awarded the *Ecoproduit 2007* sustainable development prize to Legrand for its *Céliane* scenario switch offering. This single-point control switch, used to program standby modes, lighting, electric shutters for optimum insulation, operation of indoor heating and hot-water supply, can cut electricity consumption by 6 to 10%, which would mean a saving of 8 TWh – equal to the annual consumption of 400,000 households – if it were in general use in French housing. In addition to the benefits of lower energy consumption, the *Céliane* scenario switch matches new concerns for eco-friendly design, with environmental impact over its entire life cycle limited through the optimization of electronic components and other materials. CO_2 emissions are 10% lower than with the previous range.

Sales of energy-efficiency solutions accounted for approximately 5% of Legrand's consolidated sales in 2007, showing a year-on-year rise of 27% at constant scope of consolidation and exchange rates.

6.2.1.5 - ECO-DESIGN

Since 2001, Legrand has consistently applied a policy of making the largest possible allowance for environmental concerns in product design and development.

Particular emphasis is placed on three criteria:

- total energy consumption, particularly in production and use of products;
- related impact on greenhouse effects;
- selection of materials (reduction of volumes, replacement of so called hazardous or rare substances, etc.).

All stages in the product life cycle are taken into account:

- production (materials, components, processes);
- distribution (transport and packaging);

- use (maintenance and energy consumption);
- end-of-life processing (recycling, other uses).

To factor the environment into products from the design stage, Legrand uses EIME (Environmental Impact and Management Explorer) software, based on the Product Life Cycle Assessment as described by the ISO 14040 series of standards. Findings regarding each product are published in a Product Environmental Profile, available on the www.legrand.fr website or delivered to customers on request. The environment is becoming a key criterion alongside price and functionalities, offering scope for the creation of added value through Legrand's dedication to responsible innovation.

6.2.1.6 - ENVIRONMENTAL INDICATORS

The table below sets out the main environmental indicators monitored by the Group.

Environment-friendly production	2005	2006[1]	2007[2]
ISO 14001 certified sites *(%)*	65	72	73
Waste produced (metric tons)	40,408	44,095	52,401
% of recycled waste	77	78	83
Energy consumption *(MWh)*	544,056	543,436	527,861
Energy consumption measured by CO_2 emissions, metric tons of CO_2 equivalent[3]	216,534	216,288	210,089
Water consumption *(m^3)*	1,476,959	1,481,246	1,661,662
Environment training and awareness campaign (hours)	17,871	16,322	17,516
Environmental liaison staff (in number of people)	53	62	67

(1) 4 more sites than in 2005.
(2) 8 more sites than in 2006.
(3) Calculated using EIME (Environmental Impact and Management Explorer) software described in paragraph 6.2.1.5 of this reference document.

6.2.1.7 - ENVIRONMENTAL TARGETS

The table below sets out the targets for the Group for 2010, including new acquisitions:

Environment-friendly products	Targets for 2010 (including new acquisitions)
ISO 14001 certified sites *(%)*	Maintain rate at above 70%
% of recycled waste	Maintain rate at above 75%
Elimination of hazardous substances	Eliminate hazardous substances
Emissions of volatile organic compounds (VOC) *(metric tons)*	20% reduction relative to 2006
R&D centers applying eco-design principles, % of Group total	60% worldwide and 100% in France, Italy and North America
Quicker sales growth for products favoring energy savings and energy efficiency	Double-digit growth at constant scope of consolidation and exchange rates
Contribution of products covered by environmental profiles to sales in France, Italy and the United States	50%

6.2.2 - Social and societal commitments

6.2.2.1 - MANAGING TALENTS, MOBILITY AND TRAINING

As in previous years, effective human resource management to make the most of talent was naturally a top priority in 2007, as illustrated by a wide variety of initiatives. An important example is the deployment in the past two years of Talentis, a human resource information system for the management of competencies that will in time be shared by all Group entities, with Internet access ensuring worldwide availability. This is particularly effective in career planning that factors in future demand for competencies. Looking ahead, an observation unit dedicated to the evaluation of emerging staff requirements will provide additional support for mobility policies. In 2007, rapid integration of staff at businesses entering the Group as a result of its sustained acquisition-driven growth was another main focus of attention.

Legrand considers staff mobility critical to business efficiency and responsiveness. Organization and Staffing Reviews and a Management Center provide the basis for managing Group-wide executive talent in key positions within the framework of proactivepolicies on compensation, training and career development. Vacancies are advertised on the Dialeg intranet and the organization of dedicated monthly sessions also contributes to the pace of geographical and professional mobility within the Group. In addition, employees benefited from a total of 520,000 hours' training in 2007, up from 435,000 hours in 2006.

While professional mobility plays an important role in in-house recruitment and mobility, the Group naturally recruits new staff from outside. In 2007, nearly 1,800 new employees were hired by Group businesses in Europe. On this subject, it is worth noting that recruitment conditions were strained in 2007, in particular in emerging markets where staff loyalty follows specific patterns. The Group's compensation policies allow for the local conditions and trends for different business functions, which affect prevailing market rates. In this area, as in others, the Group makes fairness within the business and competitiveness outside it the fundamental priorities.

In the broader area of prospective human resource management, Legrand is currently developing new structures and approaches in consultation with trade unions and employee representative committees. The aim is to reinforce capacity to enhance staff members' employability, optimize staffing, and back our Group's international expansion. This international expansion has also led to the development of appropriate HR structures, with the appointment of regional managers and reinforcement at corporate level.

6.2.2.2 - EMPLOYMENT OF THE DISABLED

Convinced that integration of the disabled in the workforce is a source of opportunity, Legrand makes this a key component of social policy. A first agreement for the employment of the disabled was signed in Legrand's home region around Limoges in 1993, has been renewed every three years since, and has been extended to Group companies throughout France. In 2006 this was followed by an agreement covering the Group as a whole. The agreement sets out clearly defined undertakings concerning adaptation of the workplace environment, training and partnerships with associations. Legrand thus offers disabled employees an average of 10% more training hours than others. The approach adopted in France, where our Group is well above legal requirements and the national average for employment of the disabled, is now being extended to other countries, in particular Italy.

6.2.2.3 - DIVERSITY

At the beginning of 2007, Legrand launched a new initiative in favor of diversity as part of its commitment to the principles of sustainable development. In the US, managers received related training and diversity indicators were put in place, while in France a number of roundtables were organized to identify priorities, and diversity issues were incorporated into "Tremplin" training programs for executives with an average of five years' seniority.

New ways to promote the position of women in the business are under consideration, the aim being to enable them to acquire additional skills and take on responsibilities at higher levels. The Group aims in particular to increase the proportion of women taking part in mobility and corporate training programs.

The breakdown of our workforce at the end of 2007 is shown in the table below:

Worldwide – by age

% of women aged < 26	% of men aged < 26	% of women aged > 26 - 35 <	% of men aged > 26 - 35 <	% of women aged > 36 - 45 <	% of men aged > 36 - 45 <	% of women aged > 46 - 55 <	% of men aged > 46 - 55 <	% of women aged > 55	% of men aged > 55
7%	6%	12%	19%	9%	18%	10%	12%	3%	4%

Worldwide – by professional category

	Operatives	Office workers and technicians	Engineers and executives
% of women	51%	34%	22%
% of men	49%	66%	78%

Recruitment in 2007

% of women recruited	% men recruited
50.4%	49.6%

6.2.2.4 - ACCIDENT PREVENTION AND SAFETY

Following a thorough review, Legrand's safety policies were set out in a Prevention Charter in June 2004. Since then, it has made continued progress with initiatives targeting full compliance with all national laws, integration of safety and environmental priorities in industrial planning, and harmonization of strategies across the Group.

A major example is the Esculape project launched in 2005, which involves the deployment by stages throughout the Group of a safety management system based on the International Labor Organization's Guidelines on Occupational Health and Safety Management Systems (ILO-OSH 2001). This has already made for some significant progress:

- Ensuring regulatory compliance

  Group resources also include SecuRisk software currently used to assess regulatory compliance in France and Italy, and set for Group-wide deployment over time. It is backed up by monitoring of new developments in regulation and case law, allowing regular updates of audit terms of reference.

- Making safety an integral part of production processes

  As the Esculape project progresses, authority is delegated to provide a clear framework for the responsibilities of managers of each Group entity as regards occupational risk prevention.

  At all levels, job descriptions are designed to ensure that occupational health and safety are recognized as a responsibility for all employees, whatever their rank and position. The Group's Purchasing specifications have been amended to factor in Legrand's sustainability principles, in particular to prevent the introduction of additional substances classified as CMR (Carcinogenic, Mutagenic, Reprotoxic) into production processes.

- Taking a harmonized approach to prevention strategies

  Our human resource information systems now include specifications that define the safety responsibilities associated with each position, easing the overall management of personal safety certification in related areas. Shared databases also allow consolidation of information to promote best practices throughout the Group.

  In 2007, 4,191 employees received safety training, which represented a total of 20,357 hours.

The table below shows the main occupational prevention indicators tracked by the Group:

	2005	2006	2007
Risk assessment: (Percentage of Group employees covered by formal risk assessment)	82.6%	71%	77%
Risk control: (Percentage of Group employees within the scope of consolidated risk data)	94.6%	91%	91%
Health and Safety Committees: (Percentage of Group employees represented by a committee)	88.3%	82%	86%
Frequency of accidents resulting in absence from work: (Number of accidents per million man-hours worked)	13.86	12.08	13.81
Severity of accidents: (Number of days lost per thousand man-hours worked)	0.29	0.25	0.22

The table shows main targets for 2010, allowing for possible acquisitions:

	2010 targets (including new acquisitions)
Risk assessment: Percentage of Group employees covered by formal risk assessment	Rise to over 78%
Risk control: Percentage of Group employees within the scope of consolidated risk data	Rise to over 95%
Health and Safety Committees: Percentage of Group employees represented by a committee	Maintain rate at over 85%

6.2.2.5 - SPONSORSHIP

In 2007 our Group was again actively involved in a variety of socially responsible initiatives and partnerships across Europe, Africa, Latin America, Asia and the United States. Highlights included the signature of an agreement with the non-governmental organization *Electriciens Sans Frontières*, under which the Group will help bring electricity to a village in Cameroon. Other initiatives of a similar kind will be launched in 2008.

Our Group's action in this area – an issue left up to each subsidiary – is mainly focused on education and humanitarian aid, areas where we can use our special expertise. Subsidiaries in Chile and the United States thus provide annual scholarships for students at institutions specialized in the techniques and technology of electricity. Many of our subsidiaries also take initiatives in support of local communities, as illustrated in 2007 by programs in India, Hungary, the United States, Costa Rica, Mexico, Brazil, Italy and Spain.

6.2.2.6 - LEGRAND SHARES INCLUDED IN THE FTSE4GOOD INDEX

In 2007, Legrand shares were included in the FTSE4Good index. Developed by the London Stock Exchange and the Financial Times, and managed by the UK rating agency EIRIS (Ethical Investment Research Services), this is made up of stocks representing listed companies considered ethical and responsible on the basis of strict social and environmental criteria. The FTSE4Good index series are thus tools for investment in companies meeting internationally recognized standards of corporate responsibility, in particular positive relationships with all stakeholders, the promotion of and respect for human rights, and protection of the environment over the long term.

7 MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2007

7.1 - PRELIMINARY DISCLAIMER

This summary of selected financial data of the Group should be read together with the consolidated financial statements and their related notes set forth in chapter 11 of this reference document. The Company's consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union. The following information includes forward-looking statements based on estimates relating to the future activity of Legrand and which may differ materially from actual results.

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

7.2 - OVERVIEW

Legrand is one of the world's leading manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings. Legrand is a "pure player", focused on developing, manufacturing and marketing a complete range of control and command, cable management, energy distribution and Voice-Data-Image ("VDI") products. Legrand markets its products under internationally recognized general brand names, including Legrand and Bticino, as well as under well-known local and specialist brands. Legrand has commercial and industrial establishments in more than 70 countries and sells a wide range of products, comprising more than 150,000 catalog items, in almost 180 countries. In 2007, Legrand had consolidated net sales of €4,128.8 million, of which 75% were generated outside of France. In addition, in 2007, nearly 25% of net sales were generated in emerging markets (Eastern Europe, Turkey, Asia/Pacific excluding South Korea and Australia, Latin America and Africa-Middle East).

In the 2007 financial year, Legrand made six acquisitions of companies, financed out of cash flow, all of which had very strong positions on their markets:

- HPM Industries, number two for wiring devices in Australia and New Zealand, with operations in Sydney, Melbourne and Auckland;
- UStec, a US specialist in complete solutions for Voice-Data-Image networks for residential buildings, based in the state of New York;
- Kontaktor, the Russian leader for air circuit breakers and molded-case circuit breakers, based in Oulianovsk to the southeast of Moscow;
- Macse, Mexico's leading producer of metal cable trays;
- TCL Wuxi, a Chinese firm specializing in modular and high-current circuit breakers for residential, commercial and industrial applications; and
- Alpes Technologies, a French leader in systems designed to optimize and measure the quality of electricity for commercial and industrial applications.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

7.3 - OPERATING PROFITS

7.3.1 - Introduction

The Group reports its finances and results of operations on the basis of five geographic zones. Information concerning the results of operations and finances for each of these five geographic zones is presented for years 2007, 2006 and 2005 in note 26 to the consolidated financial statements. Each zone represents either a single country or the consolidated results of a number of countries and distinct markets. These five geographic zones are:

- France;
- Italy;
- Rest of Europe (including principally Spain, Portugal, Greece, Turkey, the United Kingdom, Germany, Belgium, the Netherlands, Austria, Poland and Russia);
- United States and Canada; and
- Rest of the World (including principally Brazil, Mexico, Chile, Venezuela, Colombia, China, India, South Korea, Egypt and Australia).

Since local market characteristics are the determining factor in the Company's performance and net sales by zone, consolidated financial information for multi-country zones does not always accurately reflect the financial performance of each national market. In fact, operations in the Group's geographic zones vary significantly from one country to the next. Furthermore, products may be manufactured and sold locally or instead be imported from or exported to another member of the Group. These factors may distort the comparison of the results of the various geographic zones. Consequently, with the exception of information and data relating to net sales, the discussion of results below focuses primarily on consolidated results, with reference to national markets where they have a material impact on consolidated accounts.

The impact of exchange rate fluctuations is described in section 7.9 of this reference document.

7.3.2 - Factors that affect the results of operations

7.3.2.1 - NET SALES

Markets in the countries and regions in which Legrand operates have different characteristics, principally as a result of local economic conditions and standards of living, which affect the level of renovation and new construction of homes, stores and office buildings, as well as the level of investment in industrial facilities. Underlying demand is also linked to the rate of real-estate turnover, since newly acquired properties are frequently renovated or refurbished. The Company estimates that, for the periods under review, approximately 60% of consolidated net sales were generated from the renovation market, which the Company believes limits its exposure to the more cyclical new construction market, and which represented approximately 40% of consolidated net sales.

Changes in consolidated net sales principally reflect the following factors:

- changes in sales volume (i.e., the number of products sold in each period) due to changes in product demand and business levels in all markets;
- the product mix;
- changes in selling prices (including quantity discounts and rebates, cash discounts for prompt payment, general price changes relating to local market conditions and specific price changes, such as those which are intended to pass on changes in raw material prices);
- fluctuations in exchange rates between the euro and the currency in which the relevant subsidiary maintains its accounts, which affect the level of net sales from that subsidiary after currency translation for consolidation purposes; and
- changes in the subsidiaries consolidated by Legrand, principally as a result of acquisitions or disposals (which are referred to as "changes in the scope of consolidation").

The table below presents a breakdown by geographic zone of the Company's consolidated net sales (by destination) for the years ended December 31, 2007, 2006 and 2005. Sales "by destination" means all sales by the Group to third parties on a given geographic market.

	Legrand Year ended December 31					
	2007		2006		2005	
(in € millions, except percentages)	€	%	€	%	€	%
Net sales by destination						
France	1,009.9	24.5	949.8	25.4	856.8	26.4
Italy	716.3	17.3	672.4	18.0	606.3	18.7
Rest of Europe	910.6	22.1	806.2	21.6	692.1	21.3
United States and Canada	624.0	15.1	643.2	17.2	617.7	19.0
Rest of the World	868.0	21.0	665.2	17.8	475.0	14.6
TOTAL	**4,128.8**	**100.0**	**3,736.8**	**100.0**	**3,247.9**	**100.0**

7.3.2.2 - COST OF GOODS SOLD

Cost of goods sold consists principally of the following:

Cost of raw materials and components. On average, the cost of raw materials and components accounted for approximately 59% of consolidated cost of goods sold over the last three financial years. On average, approximately 63% of this cost relates to components and semi-finished goods and approximately 37% relates to raw materials. The breakdown between raw materials and semi-finished products varies according to the product mix, trends in market prices and choices in industrial organization, in particular with the systematic application of a "make or buy" approach to all projects.

Legrand purchases most of its raw materials and components locally. However, Legrand's policy is to increase the percentage of raw materials and components purchased at Group level in order to benefit from economies of scale. Moreover, the cost of raw materials and components may vary as a consequence of global economic changes, such as the general worldwide increase in raw material prices from 2005 to 2007.

Salary costs and benefit charges for employees involved in manufacturing. In general, these costs increase on an aggregate basis in proportion to increases in sales and production volumes, and decline as a percentage of net sales as a result of productivity initiatives and economies of scale associated with higher production volumes. In addition, certain back-office salary costs and benefit charges may decrease due to increased use of subcontractors in connection with the systematic application of a "make or buy" approach to all projects. Salary costs and benefit charges accounted for approximately 24% of the average cost of goods sold over the last three financial years.

Other costs of goods sold include:

- depreciation of fixed assets;
- subcontracting costs, which may increase as a result of the transfer of certain production activities to subcontractors with lower production costs; and
- other general manufacturing expenses, such as expenses for energy consumption.

The main factors that influence cost of goods sold as a percentage of net sales include:

- trends in net sales;
- production volumes, insofar as the Company achieves economies of scale through higher production volumes, thereby spreading fixed production costs over a larger number of units produced;
- the mix of products sold, insofar as consumption and production costs vary depending on the cost of the specific technology, raw materials and other components needed to manufacture a given product;
- initiatives to improve operating efficiency, including the implementation of measures to improve productivity and reduce fixed production costs (in particular through deployment of *lean manufacturing* initiatives), ongoing rationalization of manufacturing capabilities through the specialization of production sites, automation of manufacturing processes, subcontracting and the transfer of certain production to low-cost countries, the systematic application of a "make or buy" approach, and the optimization of inventory management (see section 5.1.6 of this reference document);
- the effectiveness of the new purchasing organization in implementing the cost reduction policy through the centralization, internationalization and standardization of purchasing management (see section 5.1.6 of this reference document);
- product life cycles, insofar as the Company typically incurs higher production costs associated with surplus manufacturing capacity during the initial stages of product launches and when Legrand is phasing out products from its catalogs; and
- changes in the prices of raw materials, components and semi-finished goods due to local or global economic conditions.

7.3.2.3 - ADMINISTRATIVE AND SELLING EXPENSE

Legrand's administrative and selling expense consists principally of the following:

- salary costs and benefit charges for sales personnel and administrative staff. These expenses accounted on average for approximately 48% of administrative and selling expense over the last three financial years. As a consequence of the Company's strategy of expanding its geographic presence and its sales force in markets with high growth potential, such as emerging markets, expense relating to its sales and marketing personnel may increase. Such expense may also increase or decrease due to changes in sales volume. Expense relating to administrative staff is generally less influenced by changes in sales volumes;
- expense related to the use and maintenance of administrative and commercial offices;
- other administrative expense, including expense relating to logistics and information systems;
- advertising expense, which tends to increase as Legrand launches new products, particularly more expensive or higher added-value products, which require increased marketing efforts; and
- other selling expense, such as printing costs for catalogs and expense incurred in connection with travel and communications.

7.3.2.4 - RESEARCH AND DEVELOPMENT EXPENSE

Research and development expense consists principally of the following:

- salary costs and benefit charges for research and development employees;
- amortization expense for patents and other revalued assets recorded in connection with purchase accounting adjustments for the acquisition of Legrand France. In particular, the carrying value of certain patents was increased and then amortized on an accelerated basis. Year on year, the amortization of these purchase accounting adjustments is thus lower, which in turn reduces research and development expense;
- other miscellaneous expense related to research and development, such as software, prototypes and patent registration costs;
- expense related to the use and maintenance of administrative offices, as well as expense related to information systems, in each case, concerning research and development activities; and
- amortization of capitalized development expense. Costs incurred on significant 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, considering its technical, commercial and technological feasibility, will be a success, and the costs can be reliably quantified. Once these conditions are satisfied, a portion of the relevant development expense is capitalized. Development costs are amortized from the starting date of the sale of the product on a straight line-basis over the period of its expected benefit, not exceeding a period of ten years.

Over the last three financial years, excluding the amortization expense in connection with the acquisition of Legrand France but including capitalized development expense net of amortization expense, research and development expense and investments represented on average €171.3 million per year, or 4.6% of net sales.

7.3.2.5 - OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense includes employee profit sharing, restructuring expense and other expense and provisions. Over the last three financial years, the Company incurred on average €23.2 million in restructuring expense relating in particular to plant closures, early retirement plans and specialization of production sites.

7.3.2.6 - OPERATING INCOME

Operating income consists of net sales, less cost of goods sold, administrative and selling expense, research and development expense and other operating expense. Operating income does not include interest expense (described below).

7.3.2.7 - NET INTEREST EXPENSE

Net interest expense principally corresponds to interest income arising from the investment of cash and cash equivalents, less interest expense, including interest paid on amounts made available to the Company under its 2004 and 2006 credit facilities, subordinated perpetual notes, Yankee Bonds and High Yield Bonds, as well as interest relating to the Subordinated Shareholder PIK Loan. (For a description of these arrangements, see section 7.5 of this reference document).

7.3.2.8 - DISCUSSION AND ANALYSIS OF CHANGES IN NET SALES

In the discussion below, reference to net sales or changes in net sales is made by distinguishing variations due to changes in the scope of consolidation, organic growth (changes in net sales "using constant scope of consolidation and exchange rate") and the impact of exchange-rates variations in the euro and other currencies. The Company believes that this measure is a useful tool for analyzing changes and trends in its historical consolidated net sales over different periods. Measures of organic growth are computed by making the following five adjustments, as applicable.

7.3.2.8.1 - Companies acquired during the current period

Where companies are acquired during the current period, the net sales of the acquired company are reflected in the consolidated statement of income for only the portion of the current period from the date of first consolidation of such company. The calculation of the change in consolidated net sales at constant scope (i.e., excluding the effects of the acquisition) takes into account sales of the acquired company, based on sales information of the acquired company prepared in a manner consistent with internal accounting policies, for the portion of the prior period equal to the portion of the current period during which Legrand actually consolidated the entity.

7.3.2.8.2 - Companies acquired during a prior period

Where companies were acquired during the prior period, net sales of the acquired company are reflected in the consolidated statement of income for the entirety of the current period but only for the portion of the prior period from the date of first consolidation of such company. The calculation of the change in consolidated net sales at constant scope (i.e., excluding the effects of the acquisition) takes into account the sales of the acquired company, based on sales information of the acquired company prepared in a manner consistent with internal accounting policies, for the portion of the previous year during which it was not consolidated.

7.3.2.8.3 - Disposals during the current period

Where companies are disposed of during the current period, the net sales of the company sold are reflected in the consolidated statement of income for only the portion of the current period prior to the date of disposal and deconsolidation. The calculation of the change in consolidated net sales at constant scope (i.e., excluding the effect of disposals) does not take into account the sales of the divested company during the period of the previous year corresponding to the period of the current year after disposal.

7.3.2.8.4 - Disposals during a prior period

Where companies were disposed of during the prior period, the net sales of the company sold are not reflected in the consolidated statement of income for the current period. The calculation of the change in consolidated net sales (i.e., excluding the effect of disposals) does not take into account sales of the divested company in the prior period.

7.3.2.8.5 - Using constant exchange rates

Consolidated historical net sales include the effects of exchange rate differences between the euro and other currencies. To analyze the variation of consolidated net sales excluding the effects of these exchange rate changes, Legrand uses constant exchange rates (calculated by adjusting current year reported net sales using prior period exchange rates) to compare year-to-year changes in net sales.

7.3.2.9 - BREAKDOWN OF CHANGES IN NET SALES BETWEEN 2006 AND 2007

The following table presents the breakdown of changes in net sales as reported by zone of **destination** (market where sales are recorded) between 2006 and 2007.

Net sales *(in € millions except %)*	Year ended December 31					
	2006	2007	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	949.8	1,009.9	6.3%	0.0%	6.3%	0.0%
Italy	672.4	716.3	6.5%	(1.5)%	8.2%	0.0%
Rest of Europe	806.2	910.6	12.9%	0.1%	12.8%	0.0%
USA/Canada	643.2	624.0	(3.0)%	4.1%	1.6%	(8.3)%
Rest of the World	665.2	868.0	30.5%	17.6%	13.2%	(2.0)%
CONSOLIDATED TOTAL	**3,736.8**	**4,128.8**	**10.5%**	**3.6%**	**8.6%**	**(1.8)%**

The following table presents the breakdown of changes in net sales as reported by zone of **origin** (zone of origin of the products sold) between 2006 and 2007.

Net sales *(in € millions except %)*	Year ended December 31					
	2006	2007	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,108.7	1,203.2	8.5%	0.0%	8.5%	0.0%
Italy	713.8	769.0	7.7%	(1.5)%	9.3%	0.0%
Rest of Europe	748.6	829.8	10.8%	0.0%	10.8%	0.0%
USA/Canada	653.7	639.7	(2.1)%	4.6%	2.1%	(8.3)%
Rest of the World	512.0	687.1	34.2%	22.5%	12.1%	(2.3)%
CONSOLIDATED TOTAL	**3,736.8**	**4,128.8**	**10.5%**	**3.6%**	**8.6%**	**(1.8)%**

7.3.2.10 - BREAKDOWN OF CHANGES IN NET SALES BETWEEN 2005 AND 2006

The following table presents the breakdown of changes in net sales as reported by zone of **destination** (market where sales are recorded) between 2005 and 2006.

	Year ended December 31					
Net sales *(in € millions except %)*	2005	2006	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	856.8	949.8	10.9%	5.9%	4.7%	0.0%
Italy	606.3	672.4	10.9%	3.2%	7.5%	0.0%
Rest of Europe	692.1	806.2	16.5%	6.6%	9.0%	0.3%
USA/Canada	617.7	643.2	4.1%	1.6%	3.4%	(0.9)%
Rest of the World	475.0	665.2	40.0%	19.1%	16.2%	1.2%
CONSOLIDATED TOTAL	**3,247.9**	**3,736.8**	**15.1%**	**6.6%**	**7.8%**	**0.1%**

The following table presents the breakdown of changes in net sales as reported by zone of **origin** (zone of origin of the products sold) between 2005 and 2006.

	Year ended December 31					
Net sales *(in € millions except %)*	2005	2006	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	980.5	1,108.7	13.1%	5.7%	7.0%	0.0%
Italy	633.2	713.8	12.7%	3.7%	8.7%	0.0%
Rest of Europe	653.5	748.6	14.6%	5.7%	8.0%	0.3%
USA/Canada	622.3	653.7	5.0%	1.9%	4.0%	(0.9)%
Rest of the World	358.4	512.0	42.9%	24.4%	13.1%	1.6%
TOTAL CONSOLIDATED	**3,247.9**	**3,736.8**	**15.1%**	**6.6%**	**7.8%**	**0.1%**

7.3.2.11 - OTHER FACTORS THAT AFFECT THE NET INCOME OF THE GROUP

The acquisition of Legrand France in 2002 and associated purchase accounting adjustments and transactions related thereto have affected net income. In particular:

- from 2002 through 2005, the Group had substantial indebtedness that was incurred to finance the acquisition of Legrand France, which caused interest expense over that period to be high. However, the Group believes that the significant debt repayment made from free cash flows, the refinancing transactions completed in February 2006 and the repayment of certain debt from the net proceeds of the Global Offering should result in a reduction of interest expense as from the 2006 financial year; and
- the significant intangible assets recorded in connection with the acquisition of Legrand France increased the amortization charges of the Group. The purchase accounting adjustments relating to the acquisition of Legrand France principally concern the revaluation of patents and trademarks that are being amortized on an accelerated basis. As a consequence, these purchase accounting adjustments are expected to have a significant impact on operating income until 2009.

7.4 - YEAR-ON-YEAR COMPARISONS

7.4.1 - Comparison: 2007 and 2006 financial years

	Legrand Year ended December 31,	
(in € millions)	**2007**	**2006**
Net sales	**4,128.8**	**3,736.8**
Operating expense		
Cost of goods sold	(2,060.5)	(1,881.7)
Administrative and selling expense	(1,081.8)	(977.7)
Research and development expense	(219.5)	(237.9)
Other operating income (expense)	(105.5)	(109.9)
OPERATING INCOME	**661.5**	**529.6**
Interest expense	(152.4)	(157.4)
Interest income	42.5	33.7
Foreign exchange gain/loss	44.0	40.4
Loss on extinguishment of debt	0.0	(109.0)
FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE, NET	**(65.9)**	**(192.3)**
Share in (loss)/profit of associates	2.0	0.8
Income before taxes	597.6	338.1
Income taxes	(175.0)	(82.9)
NET INCOME FOR THE YEAR	**422.6**	**255.2**
Net income attributable to:		
– Legrand	**421.0**	**252.0**
– Minority interests	**1.6**	**3.2**

The table below presents the calculation of the adjusted operating income (defined as operating income adjusted for purchase accounting adjustments relating to the acquisition of Legrand France and impairment of goodwill) for the periods under review:

(in € millions)	2007	2006
Net income for the year	**422.6**	**255.2**
Income taxes	175.0	82.9
Share of loss/(profit) of associates	(2.0)	(0.8)
Loss on extinguishment of debt	0.0	109.0
Foreign exchange (gain)/loss	(44.0)	(40.4)
Interest income	(42.5)	(33.7)
Interest expense	152.4	157.4
OPERATING INCOME	**661.5**	**529.6**
Purchase accounting adjustments related to the acquisition of Legrand France	62.5	86.6
Impairment of goodwill	0.0	0.0
ADJUSTED OPERATING INCOME	**724.0**	**616.2**
Restructuring charges	8.2	23.6
RECURRING ADJUSTED OPERATING INCOME	**732.2**	**639.8**

7.4.1.1 - NET SALES

Consolidated net sales increased by 10.5% to €4,128.8 million in 2007, compared to €3,736.8 million in 2006, reflecting:

- an 8.6% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 3.6% increase in net sales relating primarily to changes in the scope of consolidation in 2007 relating in particular to the consolidation of Vantage, UStec and HPM for eleven months and of Cemar for six months; and
- a 1.8% decrease in net sales relating primarily to unfavorable fluctuations in exchange rates in 2007 compared to 2006.

The increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, reflects increases in all zones and in particular the Rest of Europe, Rest of the World and Italy zones.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, changes in net sales by zone of destination between 2007 and 2006 were as follows (sales by zone of destination means sales of Legrand to third parties in a given geographic zone):

France	+6.3%
Italy	+8.2%
Rest of Europe	+12.8%
United States and Canada	+1.6%
Rest of the World	+13.2%
TOTAL	**+8.6%**

France. Net sales in France increased by 6.3% to €1,009.9 million in 2007, compared to €949.8 million in 2006. Excluding the effects of changes in the scope of consolidation, net sales increased by 6.3%, due in particular to the success of new Céliane, Mosaic and Batibox wiring device ranges and a strong performance in power distribution.

Italy. Net sales in Italy increased by 6.5% to €716.3 million in 2007, compared to €672.4 million in 2006; driven by the continuing pace in sales for the Axolute range and robust performance in the industrial sector. This overall rise results from an 8.2% increase in net sales, excluding the effects of changes in the scope of consolidation, together with the 1.5% negative impact of a change in the scope of consolidation due to accounting reclassification.

Rest of Europe. Net sales in the Rest of Europe zone increased by 12.9% to €910.6 million in 2007, compared to €806.2 million in 2006. This increase resulted from a 12.8% increase in net sales excluding the effects of changes in the scope of consolidation and using constant exchange rates, with, in particular, continued remarkable performances in Eastern Europe (with very strong rises in Russia, Poland, Slovakia and Ukraine) and double-digit growth in Greece and Turkey.

United States and Canada. Net sales in the United States and Canada zone fell 3.0% to €624.0 million in 2007, compared to €643.2 million in 2006. This decline resulted primarily from a very unfavorable exchange rate (-8.3%), whereas net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates rose 1.6%, driven by moderate growth in the non-residential sector and the vigorous performances of high value-added businesses despite a slowdown in the residential market. Changes in the scope of consolidation also added 4.1% to sales, with the consolidation of Vantage and UStec.

Rest of the World. Net sales in the Rest of the World zone increased by 30.5% to €868.0 million in 2007, compared to €665.2 million in 2006. This increase resulted from a 13.2% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, with all emerging countries making excellent contributions (this was particularly the case for the Middle East and Latin America). It also reflected the impact of the consolidation of HPM Industries from February 1, 2007 and of Cemar for twelve months in 2007 compared with six months in 2006. Unfavorable fluctuations in exchange rates had a negative impact of 2.0%.

More generally, net sales generated in emerging markets, which represent almost 25% of the Group total, increased by over 18% in 2007 excluding the effects of changes in the scope of consolidation and using constant exchange rates. Legrand thus improved its growth profile and diversified market positions by bringing its exposure to emerging countries into line with their place in the world economy.

7.4.1.2 - COST OF GOODS SOLD

Consolidated cost of goods sold increased by 9.5% to €2,060.5 million in 2007, compared to €1,881.7 million in 2006. Cost of goods sold as a percentage of net sales eased to 49.9% in 2007 compared to 50.4% in 2006.

The increase in consolidated cost of goods sold resulted primarily from increases in:

- the volume of raw materials and components purchased due to higher consolidated net sales;
- the price of raw materials and components; and
- production expense related to subcontracting as a result of the transfer of certain manufacturing activities to low-cost manufacturers;

This increase also results from the consolidation of recently acquired companies.

It was partially offset by:

- a decrease in manufacturing expense as a percentage of net sales. This decrease is related to both salary costs (with a 1.9% decrease, excluding the impact of changes in the scope of consolidation, in the Group's total production headcount particularly in France, the United Kingdom, the United States, Brazil and Korea) and other general manufacturing expense as a result of:
  - continued restructuring measures, particularly in the countries indicated above, and
  - ongoing initiatives to improve productivity and rationalization of manufacturing capabilities through lean manufacturing action plans;
- a decrease in amortization charges resulting from the application of the "make or buy" approach and the localization of some production activities in countries with lower capital expenditure needs.

The increase in sales prices offsets increases in the cost of raw materials and components.

7.4.1.3 - ADMINISTRATIVE AND SELLING EXPENSE

Consolidated administrative and selling expense increased by 10.6% to €1,081.8 million in 2007, compared to €977.7 million in 2006. This increase is attributable to:

- the ongoing marketing initiatives to develop the Company's presence in emerging markets, including Eastern Europe, Latin America and Asia, as well as in the United States. Weighted-average marketing and commercial headcount increased by 3.6% in 2007 compared to 2006 on a comparable basis, excluding the impact of changes in the scope of consolidation;
- the consolidation of recently acquired companies; and
- higher variable commercial expense linked to higher net sales as, for instance, commissions on sales and transport costs.

In particular, selling expense significantly increased in the Rest of the World zone, particularly in Brazil, Colombia, India and Australia, as well as in certain countries in the Rest of Europe zone, including Russia and Poland. Even so, the rise in selling expense is, on the whole, in line with rising sales.

Likewise, administrative expense increased moderately on the whole, and less rapidly than net sales in France, Italy and in the Rest of Europe zone. Specific initiatives in logistics in certain countries in the Rest of the World zone, aimed at continuously improving the customer service led to one-off increases there.

As a percentage of net sales, consolidated administrative and selling expense thus held steady at 26.2% in 2007, as in 2006.

7.4.1.4 - RESEARCH AND DEVELOPMENT EXPENSE

In 2007, research and development teams worked on numerous new development projects for the launch of new product ranges. The Company launched over fifty new products or product ranges in 2007, including:

- in control and command: the Céliane, Mosaic and Batibox ranges in France; Mallia ranges in Asia and the Middle East; Signature in the United States; Zunis in South Korea and an optimized emergency lighting range in the US that reduces energy consumption;
- in energy distribution: the new XL Part optimized power distribution system in Portugal; Stop & Go automatic re-set circuit-breakers in France, Italy and Spain; and DRX molded case circuit-breakers in India and Latin America;
- in cable management: Mosaic range floor boxes in France, Datamatix offering in Spain; WMFB home floor boxes range and Walkerflex modular connectors in the United States; and

- in VDI: new Mighty Mo enclosures, 10-giga Clarity range, high-density patch panels offering (category 5 and 6) and a new fiber-optic connector range.

In accordance with the application of IAS 38 "Intangible Assets", the Group implemented an internal measurement and accounting system for development expense to be recognized as intangible assets. As a result, €22.0 million in development expense was capitalized in 2007, compared to €22.1 million in 2006. Amortization charges for capitalized development costs amounted to €8.2 million in 2007.

Consolidated research and development charges totaled €219.5 million in 2007 and €237.9 million in 2006, including the amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the impact of development costs capitalization and the purchase accounting charges relating to the acquisition of Legrand France, cash research and development expense held steady at €175.9 million in 2007 compared to €175.6 million in 2006. This stability is due primarily to heavy investment in the development of new wiring device ranges undertaken in 2006 in France.

In 2007, excluding the acquisitions of Kontaktor, Macse, Wuxi and Alpes Technologies, 1,794 employees in 16 countries were involved in research and development, with 71.0% based in France and in Italy. In 2006, 1,807 employees in 16 countries were involved in research and development, with 71.2% based in France and in Italy.

	Calculation of research and development expense	
(in € millions)	2007	2006
Research and development expense	**(219.5)**	**(237.9)**
Purchase accounting amortization	57.4	81.0
Amortization of capitalized development costs	8.2	3.4
RESEARCH AND DEVELOPMENT EXPENSE, EXCLUDING AMORTIZATION AND PURCHASE ACCOUNTING ADJUSTMENTS RELATING TO THE ACQUISITION OF LEGRAND FRANCE	**(153.9)**	**(153.5)**
Capitalized development costs	(22.0)	(22.1)
RESEARCH AND DEVELOPMENT EXPENDITURE FOR THE YEAR	**(175.9)**	**(175.6)**

7.4.1.5 - OTHER OPERATING INCOME AND EXPENSE

In 2007, other operating income and expense decreased by 4% to €105.5 million, compared to €109.9 million in 2006. This reduction is due to a €12.1 million rise in the proceeds of the sale of industrial buildings, particularly in Korea, Brazil and Peru, which was partially offset by an increase in employee profit-sharing and certain provisions. In 2007, restructuring costs related principally to Italy, the United States and Australia.

7.4.1.6 - OPERATING INCOME

Consolidated operating income increased by 24.9% to €661.5 million in 2007, compared to €529.6 million in 2006. This increase resulted primarily from:

- a 10.5% increase in net sales;
- a 7.7% decrease in research and development expense, primarily due to the decrease in purchase accounting charges in connection with the acquisition of Legrand France; and
- a 4.0% decline in other operating expense;

This was partially offset by:

- a 9.5% increase in the cost of goods sold which, expressed as a percentage of net sales, nonetheless decreased to 49.9% in 2007 compared to 50.4% in 2006; and
- a 10.6% increase in administrative and selling expense.

Overall, consolidated operating income as a percentage of net sales increased to 16.0% in 2007 compared with 14.2% in 2006.

7.4.1.7 - ADJUSTED OPERATING INCOME

Operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill. Adjusted operating income increased by 17.5% to €724.0 million in 2007, compared to €616.2 million in 2006, reflecting:

- a 9.5% increase to €231.8 million in France in 2007 compared to €211.6 million in 2006, which represented 19.3% of net sales in 2007 compared to 19.1% in 2006;
- a 24.7% increase to €230.4 million in Italy in 2007 compared to €184.7 million in 2006, which represented 30.0% of net sales in 2007 compared to 25.9% in 2006;

- an increase in most countries of the Rest of Europe zone, including in particular Spain, the United Kingdom, Greece, Turkey, Poland and Russia, which more than offset less favorable trends in the Netherlands;
- an increase of 8.0% to €79.2 million in the United States and Canada zone in 2007 compared to €73.3 million in 2006, which represented 12.4% of net sales in 2007 compared to 11.2% in 2006. This underscored Legrand's remarkable resilience in this zone where very strong performances of high value-added businesses more than offset a slowdown in the residential market; and
- an increase in a large majority of the countries in the Rest of the World zone, including in particular Latin America, India, Korea and China, which more than offset restructuring costs in Australia.

7.4.1.8 - FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE

Consolidated net interest expense decreased by 11.2% to €109.9 million in 2007 compared to €123.7 million in 2006. Consolidated net interest amounted to 2.7% of 2007 net sales compared to 3.3% in 2006. The decrease is due to lower levels of average indebtedness in 2007, as well as hedging to limit the negative impact of higher interest rates and the full-year impact of more favorable financing conditions obtained following the debt refinancing operations in the first quarter of 2006.

7.4.1.9 - FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains amounted to €44.0 million in 2007, compared to gains of €40.4 million in 2006. As in 2006, gains were essentially due to trends in US dollar/euro exchange rates.

7.4.1.10 - INCOME TAX

Consolidated income tax amounted to €175.0 million in 2007, compared to €82.9 million in 2006. In 2007, the income tax charge takes into account the impact of a lower tax rate in Italy on deferred tax assets and liabilities. In 2006 the tax charge was affected by the recognition of deferred tax assets in France. In 2007, Legrand recorded pretax income of €597.6 million, resulting primarily from increased operating income and lower financial expense. In 2006, Legrand recorded pretax income of €338.1 million resulting primarily from increased operating income and lower financial expense, partially offset by a €109.0 million loss on the extinguishment of debt principally relating to the early redemption of High Yield Bonds (see note 22 to the consolidated financial statements set forth in chapter 11 of this reference document).

7.4.1.11 - NET INCOME

Consolidated net income amounted to €422.6 million in 2007, compared to €255.2 million in 2006, mainly resulting from:

- a €131.9 million increase in operating income;
- a €13.8 million decrease in finance costs;
- a €3.6 million increase in exchange-rate gains; and
- a €109.0 million loss in 2006 recorded on early redemption of High-Yield Bonds during the year;

partially offset by:

- a €92.1 million increase in income tax.

7.4.2 - Comparison: 2006 and 2005 financial years

(in € millions)	Legrand Year ended December 31, 2006	2005
Net sales	**3,736.8**	**3,247.9**
Operating expense		
Cost of goods sold	(1,881.7)	(1,675.4)
Administrative and selling expense	(977.7)	(835.6)
Research and development expense	(237.9)	(238.6)
Other operating expense	(109.9)	(92.6)
OPERATING INCOME	**529.6**	**405.7**
Interest expense	(157.4)	(206.5)
Interest income	33.7	25.4
Foreign exchange gain/loss	40.4	(32.3)
Loss on extinguishment of debt	(109.0)	0.0
FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE, NET	**(192.3)**	**(213.4)**
Share of (loss)/profit of associates	0.8	1.3
Income before taxes	338.1	193.6
Income taxes	(82.9)	(89.8)
NET INCOME FOR THE YEAR	**255.2**	**103.8**
Net income attributable to:		
– Legrand	**252.0**	**101.4**
– Minority interests	**3.2**	**2.4**

The table below presents the calculation of adjusted operating income (defined as operating income adjusted for purchase accounting adjustments relating to the acquisition of Legrand France and impairment of goodwill) for the periods under review:

(in € millions)	2006	2005
Net income for the year	**255.2**	**103.8**
Income taxes	82.9	89.8
Share of loss/(profit) of associates	(0.8)	(1.3)
Loss on extinguishment of debt	109.0	0.0
Foreign exchange (gain)/loss	(40.4)	32.3
Interest income	(33.7)	(25.4)
Interest expense	157.4	206.5
OPERATING INCOME	**529.6**	**405.7**
Purchase accounting adjustments relating to the acquisition of Legrand France	86.6	103.3
Impairment of goodwill	0.0	0.0
ADJUSTED OPERATING INCOME	**616.2**	**509.0**
Restructuring charges	23.6	37.8
RECURRING ADJUSTED OPERATING INCOME	**639.8**	**546.8**

7.4.2.1 - NET SALES

Consolidated net sales increased by 15.1% to €3,736.8 million in 2006, compared to €3,247.9 million in 2005, reflecting:

- a 7.8% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 6.6% increase in net sales relating primarily to changes in the scope of consolidation in 2006 compared to 2005, and in particular to the consolidation of ICM Group, TCL International Electrical, TCL Building Technology, Shidean and, for six months, of Zucchini and Cemar; and
- a slight 0.1% increase in net sales relating primarily to favorable fluctuations in exchange rates in 2006 compared to 2005.

The increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, reflects an increase in net sales in all zones and in particular the Rest of Europe and Rest of the World zones, and Italy.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, the trend in net sales by zone of destination between 2006 and 2005 was as follows (sales by zone of destination means sales of Legrand to third parties in a given geographic zone):

France	+4.7%
Italy	+7.5%
Rest of Europe	+9.0%
United States and Canada	+3.4%
Rest of the World	+16.2%
TOTAL	**+7.8%**

France. Net sales in France increased by 10.9% to €949.8 million in 2006, compared to €856.8 million in 2005. Excluding the effects of changes in the scope of consolidation, net sales increased by 4.7%, due to a market environment which was globally more favorable and the impact of the consolidation of ICM Group.

Italy. Net sales in Italy increased by 10.9% to €672.4 million in 2006, compared to €606.3 million in 2005. This increase resulted principally from a 7.5% rise in net sales, excluding the effects of changes in the scope of consolidation reflecting the launch of new product ranges and strong results in residential and industrial markets; and the impact of the consolidation of Zucchini for an entire financial year compared with only six months in 2005.

Rest of Europe. Net sales in the Rest of Europe zone increased by 16.5% to €806.2 million in 2006, compared to €692.1 million in 2005. This increase resulted from a 9% increase in net sales excluding the effects of changes in the scope of consolidation and using constant exchange rates, and from the effects of the consolidation of ICM Group and a slight 0.3% increase in net sales due to fluctuations in exchange rates. Excluding the effects of changes in the scope of consolidation and using constant exchange rates, net sales in Eastern Europe showed particularly vigorous growth, with strong gains in Russia, Poland, Romania, Slovakia and Ukraine. Growth was also significant in Netherlands, Belgium, Spain, Greece and Turkey, offsetting trends that were not as favorable in Austria and the United Kingdom.

United States and Canada. Net sales in the United States and Canada zone increased by 4.1% to €643.2 million in 2006, compared to €617.7 million in 2005. This increase resulted primarily from a 3.4% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates, and from the consolidation of the American subsidiary of ICM Group, while fluctuations in exchange rates were unfavorable by 0.9%. After a strong first half, activity in the residential market deteriorated in the third quarter, resulting in a decrease in net sales from the month of September in most product ranges, except in the residential automation and lighting control businesses, which together recorded a growth rate above 20%.

Rest of the World. Net sales in the Rest of the World zone increased by 40.0% to €665.2 million in 2006, compared to €475.0 million in 2005. This increase resulted from a 16.2% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates (the most significant increase over the last ten years); from the impact of the consolidation of TCL International Electrical, TCL Building Technology and Shidean since January 1, 2006 and Cemar since July 1, 2006; and from a 1.2% increase in net sales due to favorable fluctuations in exchange rates.

More globally, net sales generated in emerging markets, which represent almost 22% of the Group total, increased by 20% in 2006 excluding the effects of changes in the scope of consolidation and using constant exchange rates. This strong growth more than offsets the downturn in the United States.

7.4.2.2 - COST OF GOODS SOLD

Consolidated cost of goods sold increased by 12.3% to €1,881.7 million in 2006, compared to €1,675.4 million in 2005. Cost of goods sold as a percentage of net sales decreased at 50.4% in 2006 compared to 51.6% in 2005.

The increase in the consolidated cost of goods sold resulted primarily from increases in:

- the volume of raw materials and components consumed due to higher consolidated net sales;
- the price of raw materials and components; and
- production expenses related to subcontracting as a result of the transfer of certain manufacturing activities to low-cost manufacturers;

This increase also results from the consolidation of recently acquired companies.

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It was partially offset by:

- a decrease in manufacturing expense in percentage of net sales related to salary costs (with a 0.4% decrease, excluding the impact of changes in the scope of consolidation, in the Group's total production headcount, particularly in France, the United Kingdom, Germany and the United States) and also to other general manufacturing expense as a result of:
  - recent restructuring measures implemented in those countries, and
  - ongoing initiatives to improve productivity and streamline manufacturing capabilities through lean manufacturing action plans. In 2006, more than 240 lean manufacturing action plans were deployed, mobilizing approximately 1,000 employees;
- a decrease in amortization charges resulting from the application of the "make or buy" approach and the localization of certain production activities in countries with lower capital expenditure needs.

Furthermore, the increase in selling prices offset increases in the cost of raw materials and components.

7.4.2.3 - ADMINISTRATIVE AND SELLING EXPENSE

Consolidated administrative and selling expense increased by 17.0% to €977.7 million in 2006, compared to €835.6 million in 2005. This increase is attributable to:

- ongoing marketing initiatives to develop the Company's market presence in emerging markets including Eastern Europe, Latin America and Asia, but also in France. Weighted-average marketing and commercial headcount increased by 2.9% in 2006 compared to 2005 on a comparable basis and excluding the impact of changes in the scope of consolidation. In addition, four subsidiaries and representative offices were opened in 2006;
- the consolidation of recently acquired companies; and
- higher commercial expense as a result of higher net sales and advertisement expense to support the launch of new product ranges.

In particular, selling expense increased significantly in France and in the Rest of the Europe zone, particularly in Spain, the United Kingdom, Russia, Greece and Turkey, as well as in the Rest of the World zone, particularly in Brazil, Chile, India and China.

However, selling expense has globally increased less than net sales, in particular with moderate increases in France, Italy and in the United States and Canada zone.

As a percentage of net sales, consolidated administrative and selling expense increased to 26.2% in 2006, compared to 25.7% in 2005.

7.4.2.4 - RESEARCH AND DEVELOPMENT EXPENSES

In 2006, research and development teams worked on numerous new developments projects for the launch of new product ranges. The Company launched approximately 40 new products or product ranges in 2006, including:

- for control and command: wiring device ranges including Cariva (Eastern Europe and Turkey), Valena (Poland), Vela (South America), Plexo (France) and Galea Life (Spain, Greece and Eastern Europe); security device ranges including Arcor2 and Baas (France); the InFusion home automation range; new motion detector ranges from TWS and the Ultimate Music Solution sound diffusion device range (United States);
- for energy distribution: new DRX molded case circuit-breakers (Asia and Latin America); the XS and XG circuit breaker range (Turkey); CTX power contractors (Colombia, Chile and Turkey); the remote circuit-breaker management range in France and Marina industrial enclosures (France, Italy);
- cable management: the 4000 Designer Series metallic trunking range (United States) and high and low-voltage connector offerings for commercial buildings (France); and
- VDI: the 10 Giga SSTP offering (France); 10 Giga UTP offering (Europe, Middle East and the United States); and Wi-Jack Duo, the most compact WiFi access point outlet in the world.

In accordance with the application of IAS 38 "Intangible Assets", the Group implemented an internal measurement and accounting system for development expense to be recognized as intangible assets. As a result, €22.1 million in development expense was capitalized in 2006, compared to €21.5 million in 2005. Amortization charges for capitalized development expense amounted to €3.4 million in 2006.

Consolidated research and development expenditures totaled €237.9 million in 2006 and €238.6 million in 2005, which principally consisted of the amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the purchase accounting charge relating to the acquisition of Legrand France and including capitalized development expense, cash research and development expense increased by 8.1% to €175.6 million in 2006 (4.7% of net sales) compared to €162.4 million in 2005 (5,0% of net sales).

At December 31, 2006, 1,807 employees in approximately 16 countries were involved in research and development, of whom over 71% were based in France and in Italy. At December 31, 2005, 1,633 employees (excluding the impact of the acquisition of ICM Group and TCL) in approximately 16 countries were involved in research and development, of whom over 78% were based in France and in Italy.

	Calculation of research and development expenses	
(in € millions)	2006	2005
Research and development expense	**(237.9)**	**(238.6)**
Purchase accounting amortization	81.0	97.3
Amortization of capitalized development costs	3.4	0.4
RESEARCH AND DEVELOPMENT EXPENSE, EXCLUDING AMORTIZATION AND PURCHASE ACCOUNTING ADJUSTMENTS RELATING TO THE ACQUISITION OF LEGRAND FRANCE	**(153.5)**	**(140.9)**
Capitalized development costs	(22.1)	(21.5)
RESEARCH AND DEVELOPMENT EXPENDITURE FOR THE YEAR	**(175.6)**	**(162.4)**

7.4.2.5 - OTHER OPERATING EXPENSE

In 2006, other operating income and expense increased by 18.7% to €109.9 million, compared to €92.6 million in 2005. This increase is primarily due to a non-recurring charge of approximately €9 million related to the IPO and to the implementation of the offering of Legrand shares to the Company's employees, as well as in increase in the employee benefit plans (*participation*) and certain provisions, which was partially offset by a decrease in restructuring costs. In 2006, restructuring costs related principally to Spain, the United Kingdom, Brazil and Korea.

7.4.2.6 - OPERATING INCOME

Consolidated operating income increased by 30.5% to €529.6 million in 2006, compared to €405.7 million in 2005. This increase resulted primarily from:

- a 15.1% increase in net sales; and
- a 0.3% decrease in research and development expense primarily due to the decrease in purchase accounting charges in connection with the acquisition of Legrand France, as well as an increase in capitalized research and development expense in accordance with IAS 38;

partially offset by:

- a 12.3% increase in cost of goods sold which, expressed as a percentage of net sales, however decreased at 50.4% in 2006 compared to 51.6% in 2005;
- a 17.0% increase in administrative and selling expense; and
- a 18.7% increase in other operating expense.

Overall, consolidated operating income as a percentage of net sales increased to 14.2% in 2006 compared with 12.5% in 2005.

7.4.2.7 - ADJUSTED OPERATING INCOME

Operating income is defined as operating income adjusted for purchase accounting charges recorded in connection with the acquisition of Legrand France and impairment of goodwill. The adjusted operating income increased by 21.1% to €616.2 million in 2006, compared to €509.0 million in 2005, resulting from:

- a 13.9% increase to €211.6 million in France in 2006 compared to €185.8 million in 2005, which represented 19.1% of net sales in 2006 compared to 18.9% in 2005;
- a 9.7% increase to €184.7 million in Italy in 2006 compared to €168.3 million in 2005, which represented 25.9% of net sales in 2006 compared to 26.6% in 2005; this decrease in percentage is due to the impact of the consolidation of Zucchini for the entire 2006 financial year versus six months in 2005;
- an increase in most countries of the Rest of Europe zone, including notably the Netherlands, Belgium, the United Kingdom, Germany, Portugal, Hungary, Poland and Russia, which more than offset unfavorable trends in Spain (due to restructuring costs) and in Austria;
- an increase of 30.0% to €73.3 million in the United States and Canada zone in 2006 compared to €56.4 million in 2005, or 11.2% of net sales in 2006 compared to 9.1% in 2005 in spite of the strong slowdown in the residential business as from the month of September; and
- an increase in the vast majority of the countries in the Rest of the World zone, including Mexico, Chile, Colombia, Venezuela, China, Hong Kong, Singapore, Australia and India, which more than offset the decrease in Korea and Brazil due to restructuring costs.

7.4.2.8 - FINANCE COSTS

Consolidated net interest expense decreased by 31.7% to €123.7 million in 2006 compared to €181.1 million in 2005, amounting to 3.3% of 2006 net sales compared to 5.6% in 2005. The decrease is due to lower levels of indebtedness, as well as more favorable financing conditions obtained following debt refinancing operations in the first quarter of 2006, and was partially offset by an increase in market interest rates.

7.4.2.9 - FOREIGN EXCHANGE GAINS AND LOSSES

Foreign exchange gains amounted to €40.4 million in 2006, compared to a loss in the amount of €32.3 million in 2005. This €72.7 million variation in foreign exchange translation gains and losses is essentially due to trends in the US dollar/euro exchange rate and to a non-recurring foreign exchange gain in the amount of €30.4 million recorded following the redemption of High-Yield Bonds in February 2006.

7.4.2.10 - INCOME TAX

Consolidated income tax expense, after the recognition of deferred tax assets in France, amounted to €82.9 million in 2006, compared to €89.8 million in 2005. In 2006, Legrand recorded a €338.1 million gain before taxes, resulting primarily from increased operating income and lower financial expense, partially offset by a €109.0 million loss mainly on the extinguishment of debt arising from the early redemption of the high-yield notes.

In 2005, Legrand recorded a €193.6 million gain before taxes, resulting primarily from increased operating income and lower financial expense (see note 22 to the consolidated financial statements in chapter 11 of this reference document).

7.4.2.11 - NET INCOME

Consolidated net income amounts to €255.2 million in 2006, compared to €103.8 million in 2005, mainly resulting from:

- a €123.9 million increase in operating income;
- a €57.4 million decrease in net finance costs;
- a €72.7 million increase in foreign-exchange gains; and
- a €6.9 million decrease in income tax;

partially offset by:

- a €109.0 million loss due to the early redemption of High-Yield Bonds.

7.5 - CASH AND CAPITAL RESOURCES

For information concerning the share capital of the Company, readers should refer to notes 10 and 12 to the consolidated financial statements in chapter 11 of this reference document and sections 10.1, 11.6 and 12.1 of this reference document.

On March 21, 2007 Legrand implemented a share buyback program pursuant to the authorization granted at the General Meeting of shareholders on February 24, 2006. This program was for an amount not exceeding €220 million.

The Shareholders' Meeting of May 15, 2007 authorized a new share buyback program for an amount not exceeding €650 million. This program began on May 15, 2007 and will end no later than November 15, 2008.

In the period to December 31, 2007, 11,269,411 shares were acquired pursuant to these programs, for an amount of €278,331,428.

Also in connection with these programs, in May 2007 Legrand contracted with a financial institution to act as liquidity provider for its ordinary shares and appropriated €15 million to a liquidity account. At December 31, 2007, Legrand held 116,423 own shares for an amount of €2,515,355 in connection with this liquidity contract.

7.5.1 - Cash flows

7.5.1.1 - CASH FLOWS OVER 3 YEARS

The table below summarizes cash flows of the Company for the years ended December 31, 2007, 2006 and 2005.

	Legrand Year ended December 31,		
(in € millions)	2007	2006	2005
Net cash provided by operating activities	685.5	581.5	450.5
Net cash (used in) provided by investing activities	(403.2)	(213.7)	(481.9)
Net cash (used in) provided by financing activities	(234.2)	(312.3)	87.8
Increase (reduction) in cash and cash equivalents	42.2	45.7	64.9
Capital expenditure and capitalized development costs	(171.4)	(152.9)	(133.5)

For a description of cash flows, readers should refer to the consolidated statement of cash flows provided in the Company's consolidated financial statements.

7.5.1.2 - NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities increased to €685.5 million at December 31, 2007, compared to €581.5 million at December 31, 2006. This increase of €104.0 million in 2007 was attributable to an increase in cash flow from operations (defined as net cash provided by operating activities, plus or minus variations in other operating assets or liabilities) of 8.0%, amounting to €668.0 million at December 31, 2007 compared to €618.7 million at December 31, 2006, and to a decrease in the change in working capital requirements of €54.7 million.

Net cash provided by operating activities increased to €581.5 million at December 31, 2006, compared to €450.5 million at December 31, 2005. This increase of €131,0 million in 2006 was mainly attributable to an increase in cash flow from operations (defined as net cash provided by operating activities, plus or minus variations in other operating assets or liabilities) of 40.3%, amounting to €618.7 million at December 31, 2006 compared to €441.0 million at December 31, 2005, partially offset by an increase in working capital requirements of €46.7 million.

7.5.1.3 - NET CASH USED IN OR PROVIDED BY INVESTING ACTIVITIES

Net cash used in investing activities for the year ended December 31, 2007 amounted to €403.2 million, compared to net cash used in investing activities of €213.7 million for the year ended December 31, 2006. This increase is primarily due to a rise in investments in consolidated entities and to an increase in capital expenditure and capitalized development costs, partially offset by an increase in the proceeds of sales of fixed assets.

Capital expenditure and capitalized development costs amounted to €171.4 million for the year ended December 31, 2007 (of which €22.0 million related to capitalized development costs), an increase of 12.1% from €152.9 million for the year ended December 31, 2006 (of which €22.1 million related to capitalized development costs).

Net cash used in investing activities for the year ended December 31, 2006 amounted to €213.7 million, compared to net cash used in investing activities of €481.9 million for the year ended December 31, 2005. This decrease was primarily due to a decrease in investments in consolidated entities and to an increase in the proceeds of sales of fixed assets, partially offset by an increase in capital expenditure and capitalized development costs.

Capital expenditure and capitalized development costs amounted to €152.9 million for the year ended December 31, 2006 (of which €22.1 million related to capitalized development costs), an increase of 14.5% from €133.5 million for the year ended December 31, 2005 (of which €21.5 million related to capitalized development costs).

7.5.1.4 - NET CASH USED IN OR PROVIDED BY FINANCING ACTIVITIES

Net cash used in financing activities amounted to €234.2 million in 2007, compared to €312.3 million net cash used in financing activities in 2006. This decrease in net cash used in financing activities is primarily due to new bank borrowing and use of credit lines set up in 2006, partially offset by share buybacks and an increase in dividends paid.

Net cash used in financing activities amounted to €312.3 million in 2006, compared to €87.8 million of net cash used in financing activities in 2005. This increase in net cash used in financing activities is primarily due to the early repayment of the 2004 credit facility, high yield bonds and the related-party loan as part of refinancing prior to Legrand's listing, as well as to the payment of dividends offset by lower indebtedness due to the capital increase on listing.

7.5.2 - Debt

Gross debt of the Group (defined as the sum of the subordinated shareholder loan, long-term and short-term borrowings, including subordinated perpetual notes, commercial paper and bank overdrafts) amounted to €2,019.1 million at December 31, 2007, compared to €1,855.7 million at December 31, 2006 and €3,485.9 million at December 31, 2005. Cash and marketable securities amounted to €221.3 million at December 31, 2007, compared to €179.3 million at December 31, 2006 and €133.8 million at December 31, 2005. No cash deposits were restricted at December 31, 2007, December 31, 2006 and December 31, 2005. Total net debt (defined as gross debt, less cash, marketable securities and restricted cash deposits) amounted to €1,797.8 million at December 31, 2007 compared to €1,676.4 million at December 31, 2006 and €3,352.1 million at December 31, 2005.

The ratio of consolidated net debt to consolidated shareholders' equity was 84% at December 31, 2007, compared to 77% at December 31, 2006 and 613% at December 31, 2005.

At December 31, 2007, gross debt of the Group consisted principally of the following:

- €730.0 million under the 2006 Credit Facility (see section 7.5.2.1 of this reference document);
- €220.0 million under the bank loan taken out in May 2007 (see section 7.5.2.2 of this reference document);
- €263.0 million in Yankee Bonds (see section 7.5.2.3 of this reference document); and
- other debt amounting to €806.1 million at December 31, 2007, consisting mainly of commercial paper and other borrowings.

7.5.2.1 - 2006 CREDIT FACILITY

On January 10, 2006, the Company entered into a €2.2 billion credit facility with a syndicate of banks (the "2006 Credit Facility") in order to refinance the 2004 Credit Facility in the amount of €1.4 billion and redeem all outstanding High-Yield Notes at an aggregate redemption price of €574.2 million, plus accrued interest and the early redemption premium, as well as to redeem the €177.9 million portion of the Subordinated Shareholder Loan corresponding to the vendor loan granted by Schneider at the time of the acquisition of Legrand France and which fell due upon the redemption of the High-Yield Notes.

When originally signed, the 2006 Credit Facility comprised: (i) a €700 million Tranche A representing a multi-currency 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 due on January 10, 2011; (ii) a €1.2 billion Tranche B revolving multi-currency facility; and (iii) a €300 million Tranche C bridge term multi-currency facility. Tranches A and B are five-year loans that can be rolled over for two successive one-year periods, and Tranche C was a 364-day loan that could be rolled over for 364 days. Tranche C was repaid in full in April 2006 following the IPO. In March and in November 2007, the Group exercised the rollover option for two successive one-year periods for Tranches A and B.

As of December 31, 2007, an additional amount of €1,043.8 million was available for borrowing under Tranche B of this credit facility.

7.5.2.2 - BANK LOAN TAKEN OUT IN MAY 2007

On May 21, 2007 the Group took out a bank loan in the amount of €220 million with French financial institutions with a view to diversifying its sources of debt. This loan is for a period of six years and four months ending on September 21, 2013, and interest is payable at a floating rate of 45 basis points above the 3-month Euribor.

7.5.2.3 - 8.5% YANKEE BOND ISSUE

On February 14, 1995, Legrand France issued $400 million of 8.5% debentures due February 15, 2025 (the "Yankee Bonds"). Interest on the Yankee Bonds is payable semi-annually in arrears on February 15 and August 15 of each year.

The Yankee Bonds are not subject to any sinking fund and cannot be redeemed before maturity unless there is a change in the law that requires other payments in addition to principal and interest. Should Legrand France be prevented by law from paying such additional amounts, early redemption would in general be mandatory, or if such amounts could be paid, Legrand France could, at its option, redeem all, but not part, of the Yankee Bonds in advance. Each bondholder may also require Legrand France to redeem its Bonds early upon the occurrence of a hostile change of control of the Company.

7.6 - CAPITAL EXPENDITURE

From 1990 to 2003, Legrand appropriated an average of 8% of annual consolidated net sales per year to capital expenditure (this figure does not include capitalized development expenses, which were not recorded at that time). Historically, annual capital expenditures have varied between 4% and 12% of consolidated net sales over the last 20 years with year-to-year variations resulting from the cyclical nature of investment requirements. In 2007, capital expenditure and capitalized development expenses as a percentage of consolidated net sales amounted to 4.2% (compared with 4.1% in 2006 and 4.1% in 2005). This decrease in capital expenditure compared to historical levels is the result of a structural change which in 2007 led to continuing initiatives to optimize productivity and capital employed, including a systematic application of "make or buy" approach, the transfer of certain production activities to low-cost, less capital-intensive countries, internationalization of purchasing, optimization of manufacturing facilities, and outsourcing of production. As a result, in 2004 capital expenditure reached an historical low point due to the combination of the structural changes just referred to, the cyclical nature of new product launches and the impact of restructuring initiatives. The impact of these measures was partially offset by the capitalization of certain R&D expenditures in accordance with IAS 38.

7.7 - OFF BALANCE SHEET COMMITMENTS

The Group does not have any off balance sheet arrangements that have or can be considered reasonably likely to have a current or future impact on its finances, changes in its finances, revenues, expenses, results, operating income, cash, capital expenditure or capital reserves, and that would be material to investors. See note 23 to the consolidated financial statements in chapter 11 of this reference document. There is no significant off balance sheet commitment related to acquisitions.

7.8 - CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's contractual obligations, commercial commitments and principal maturity dates on a consolidated basis as of December 31, 2007.

	Payments due by period				
As of December 31, 2007 *(in € millions)*	**Total**	**< 1 year**	**1 - 3 years**	**4 - 5 years**	**> 5 years**
Borrowings	1,995.4	650.2	295.1	229.7	820.4
Capital lease obligations	23.7	4.5	4.9	4.5	9.8
TOTAL CONTRACTUAL OBLIGATIONS	**2,019.1**	**654.7**	**300.0**	**234.2**	**830.2**

7.9 - VARIATIONS IN EXCHANGE RATES

A significant number of the Group's foreign subsidiaries operate in countries outside the euro zone. In 2007, approximately 40% of the Group's net sales were denominated in currencies other than the euro (in particular the US dollar). As a consequence, the Group's consolidated operating income has been and could in the future be significantly affected by variations in exchange rates between the euro and such other currencies.

In order to prepare the consolidated financial statements, the Group must convert assets, liabilities, income and expenses that are recognized in other currencies into euros. Variations in foreign currency exchange rates affect such items in the Group's consolidated financial statements, even if the value of the item remains unchanged in its original currency. To the extent that the Group incurs expenses that are not denominated in the same currency as the related revenues, changes in foreign exchange rates could cause the Group's expenses to increase as a percentage of net sales, affecting its profitability and cash flows.

The Group's uses end-of-period exchange rates for the translation of balance sheet data and period average exchange rates for the translation of income statement and cash flow data. In translating financial statements of subsidiaries operating in inflationary economies, non-monetary assets are recorded at historical rates of exchange, and gains or losses arising from the translation of the financial statements of such subsidiaries are included in the consolidated income statement under "Exchange and translation gains (losses)."

The following table shows, for the periods and dates indicated, noon buying rate information for euro/US dollar exchange rates from 2003 through 2007 expressed in US dollars per euro. This exchange rate information is provided as an indication only and does not represent the exchange rates used by Legrand in the preparation of its consolidated financial statements.

(euro per US dollar)	Period-end rate	Average rate(1)	High	Low
2003	0.80	0.88	0.97	0.80
2004	0.74	0.80	0.85	0.73
2005	0.84	0.80	0.86	0.74
2006	0.76	0.80	0.85	0.75
2007	0.68	0.73	0.78	0.67

(1) The average rate for the euro is calculated as the average of the month-end figures for the relevant year-long period or the average of the noon buying rates on each business day for the relevant month-long period.

Natural hedges are achieved, whenever management deems it appropriate, through the matching of financing costs to operating revenues in each of the principal currencies in which the Group operates.

The Group periodically enters into foreign currency contracts to hedge certain commitments, transactions and foreign income.

In recent years, the hedging transactions the Group has entered into have principally involved certain intra-group sales between major foreign subsidiaries denominated in these subsidiaries' respective local currencies. The Group does not currently hedge the net cash assets of its subsidiaries.

7.10 - QUANTITATIVE AND QUALITATIVE DISCLOSURES RELATING TO MARKET RISK

Legrand's financial risk management mainly focuses on the principal areas of credit risk, market risk and liquidity risk.

The overall objective of treasury policy is to identify, evaluate and hedge financial risk. Legrand aims to minimize adverse effects of exposure to financial risks on the profitability of the underlying activity and thus on the Company's financial performance.

Legrand's treasury policy provides principles for general financial risk management and as well as specific operating policies for areas such as interest-rate risk, foreign-exchange risk, commodity risk, use of derivative financial instruments and liquidity. The Group's policy is to abstain from transactions in financial instruments of a speculative nature. All transactions in financial instruments are exclusively for the purposes of managing and hedging interest rate, foreign exchange and commodity risk.

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7.10.1 - Market risk

Market risk is the risk of loss arising from unfavorable changes in market rates and prices such as interest rates, foreign exchange rates and commodity prices.

7.10.1.1 - FOREIGN EXCHANGE RISK

Legrand operates internationally and is therefore exposed to foreign exchange risk relating to various foreign currencies. Foreign currency denominated assets and liabilities, together with firm and identifiable term sales commitments, give rise to foreign exchange exposure. Natural hedges are achieved, whenever management believes it appropriate, through the matching of financing costs to operating revenues in each of the principal currencies in which the Group operates. The Company also uses forward foreign exchange contracts and currency swaps to manage exposure to foreign exchange risk.

Legrand estimates that, all other things being equal, a further 10% increase in the exchange rate of the euro against all other currencies in 2007 would have resulted in a decrease in net sales of approximately €148 million and a decrease in operating income of approximately €20 million for the year ended December 31, 2007.

The table below presents the financial assets (cash and marketable securities) and liabilities (non-current borrowings) at December 31, 2007:

(in € millions)	Assets Cash and marketable securities	Liabilities Non-current borrowings
Euro	60.6	776.8
Dollar	101.3	505.5
Other currencies	59.4	86.1
TOTAL	**221.3**	**1,368.4**

The table below presents net sales and operating expense by currency at December 31, 2007:

(in € millions)	Net sales		Operating expenses (excluding purchase accounting adjustments relating to the acquisition of Legrand France)	
Euro	2,471.1	60%	1,962.9	58%
Dollar	639.7	15%	560.6	16%
Other currencies	1,018.0	25%	881.3	26%
TOTAL	**4,128.8**	**100%**	**3,404.8**	**100%**

7.10.1.2 - INTEREST-RATE RISK

Interest-rate risk arises mainly through interest-bearing assets and liabilities at floating rates. The Company's general policy with respect to floating interest-bearing liabilities is to purchase interest-rate caps which limit the extent of its exposure to increases in floating interest rates while allowing it to take advantage of favorable interest-rate trends.

At December 31, 2007, Legrand thus had a portfolio of hedging contracts representing a total nominal amount of €1,260 million to cover its euro-denominated debt at floating rates, and a total nominal amount of $350 million to cover its dollar-denominated debt at floating rates. The Company may enter into other interest-rate cap agreements in respect of its debt at floating rates.

On the basis of its total debt outstanding at December 31, 2007, Legrand estimates that a 100 bp increase in interest rates with respect to its floating rate debt should not result in a decrease in its annual net income before taxes of more than €13 million.

The Company hedged its interest liabilities on the Yankee Bonds by entering into an interest-rate swap over 30 years. The settlement dates for net amounts to be paid or received under the Yankee Bond Swap are the same as the interest payment dates on the Yankee Bonds. Taking into account the interest rate swap, the effective interest rate of the Yankee Bonds is LIBOR +53 bp per annum.

At the beginning of February 2003, the Company entered into a cross-currency interest-rate swap with respect to the Yankee Bonds. The resulting interest rate payable on $350 million principal amount was fixed at 4.6% per year until 2008. The other $50 million remain at a floating rate (LIBOR +53 bp).

In April 2003, the Company entered into a swap novation agreement, pursuant to which it sold the 2008-2025 maturity bracket of the Yankee Bond Swap for a cash consideration of €56.8 million. As a result, from February 2008, the Yankee Bonds will bear a fixed 8.5% rate of interest.

7.10.1.3 - COMMODITY RISK

The Company is exposed to commodity risk arising from changes in the prices of raw materials. In 2007, the Group entered into agreements for limited amounts and durations to hedge part of its exposure to unfavorable trends in copper prices. These contracts end in June 2008. Approximately €477 million of the Group's total purchases in 2007 concerned raw materials, with related market risk. While a 10% increase in the price of all of the raw materials used by the Group would result in a theoretical increase of these costs by approximately €48 million on an annual basis, the Company believes that, circumstances permitting, it could increase the sales prices of its products in the short term so as to offset the impact of such increases.

7.10.2 - Credit risk

Interest-rate swap agreements and foreign-exchange contracts are with major financial institutions, which means that counterparty risk is negligible, and thus mitigates credit risk arising from these transactions.

Other financial instruments that could potentially expose the Group to a concentration of credit risk are principally cash and cash equivalents and short-term investments. These instruments are with high quality credit financial institutions which have at least an A1 credit rating from Standard and Poor's. The Company closely monitors the amount of credit exposure with any one financial institution.

In addition, approximately 26% of the Group's sales are with two major customers, Sonepar and Rexel. The majority of the balance of Group sales are also to electrical distributors but are diversified, reflecting the large number of customers and their geographical dispersion. The Company mitigates its credit risk by running periodic evaluations of the credit balances of each of its customers and closely monitors the collection of overdue receivables.

7.10.3 - Liquidity risk

Legrand believes that the key to effective management of liquidity risk is access to funding from a diverse range of sources. A monitoring process is thus in place at Group level to this end.

7.11 - SUMMARY OF CRITICAL ACCOUNTING POLICIES

The accounting policies described below are those the Company considers critical in preparing its consolidated financial statements.

- intangible assets;
- fair value of financial instruments;
- financial and commodity market derivatives;
- accounting for stock option plans;
- employee benefits;
- deferred taxes; and
- use of estimates.

These policies include significant estimates made by management using information available at the time the estimates are made. A more detailed description of the significant accounting policies used by the Company in preparing its consolidated financial statements is included in note 1 to the consolidated financial statements in chapter 11 of this reference document.

7.12 - NEW IFRS PRONOUNCEMENTS

In 2007, standards and interpretations published by the IASB but not compulsory at December 31, 2007 were as follows:

- IFRS 8 - Operating Segments;
- IFRIC 11 - Group and Treasury Share Transactions;
- IAS 23 - Borrowing Costs (revised);
- IFRIC 12 - Service Concession Arrangements;
- IFRIC 13- Customer Loyalty Programs; and
- IFRIC 14- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Summaries of these publications and their possible consequences with respect to the financial information provided by the Group are presented in note 1 to the consolidated financial statements in chapter 11 of this reference document.

7.13 - TRENDS

Legrand turned in an excellent performance in 2007. Revenues rose sharply, both from organic growth and from acquisition-driven growth. Operating margins showed a significant improvement after the consolidation of numerous acquisitions, while net income more than doubled and generation of free cash flow was robust.

Here is how Legrand's prospects for 2007 as set forth in the 2006 reference document compare with the performance it actually achieved in 2007:

- increase in total revenues by 7 to 10%, excluding exchange rate effects – in 2007, the Group's total revenues increased by 12.5% at constant exchange rates;
- organic growth rate between 4 and 5% – in 2007, the Group's organic growth rate came in at 8.6%;
- maintenance, after consolidation of recent acquisitions, of a high level of adjusted operating margin, comparable to 2006 – in 2007, the Group's adjusted operating result represented 17.5% of revenues, as compared with 16.5% in 2006, which is a 100 basis point increase in adjusted operating margin.

Thus, in 2007 Legrand clearly exceeded the annual targets announced, demonstrating the effectiveness of its business model, which combines organic growth and acquisitions financed from cash flow with high margins and tight control of capital employed.

In particular, 2007 was marked by the acquisition of six companies with both strong market positions and high growth potential: HPM, the number two player for wiring devices in Australia and New Zealand, UStec, a US specialist in complete solutions for VDI networks, Kontaktor, the Russian leader for high-current circuit breakers, Macse, a leading producer of metal cable trays, TCL Wuxi, a Chinese firm specializing in modular and high-current circuit breakers, and Alpes Technologies, a French leader in systems designed to optimize and measure the quality of electricity for commercial and industrial buildings.

Given these excellent results, and subject to approval by the Annual Shareholders' Meeting on May 22, 2008, Legrand expects to distribute a dividend in respect of the 2007 financial year of €0.70 per share on June 3, 2008, 40% more than in the previous year.

7.14 - PROSPECTS

Assuming an economic slowdown but no major upsets of its markets, Legrand is confident in its capacity to raise sales in 2008 by 7 to 9%, excluding exchange-rate effects and including the contribution of acquisitions, and, over the same period to reach an adjusted operating margin at a level close to that achieved in 2007.

The objectives summarized above are not forecasts or projections, but are merely objectives resulting from our strategic orientation and the Group's action plan. Therefore, Legrand is not making any earnings estimate or forecast. These objectives are based on data, assumptions and estimates that Legrand considers reasonable. These data, assumptions and estimates may change or be modified because of uncertainties related to the economic, financial, competitive or regulatory environment. Moreover, the occurrence of certain the risks described in chapter 3 of this reference document would have an impact on the Group's operations and its ability to achieve these objectives. Legrand does not make any commitment and does not give any guarantee that the objectives set forth in this paragraph will be met.

7.15 - TABLE OF CONSOLIDATED FINANCIAL RESULTS OVER THE LAST FIVE YEARS

(in € millions except number of shares, earnings per share and number of employees)	2003	2004	2005	2006	2007
END OF PERIOD SHARE CAPITAL					
Share capital	759.4	759.4	759.4	1,078.8	1,083.9
Number of shares[1]	759,350,900	759,350,900	759,350,900	269,693,376	270,975,739
EARNINGS					
Net sales	2,761.8	2,926.3	3,247.9	3,736.8	4,128.8
Earnings before tax, depreciation and amortization	121.3	350.0	449.0	581.5	813.5
Income tax	21.9	(46.6)	(89.8)	(82.9)	(175.0)
Net earnings	(159.1)	28.0	103.8	255.2	422.6
Dividends paid				110.6	133.1
EARNINGS PER SHARE					
Earnings before tax, depreciation and amortization[2]	0.16	0.46	0.59	2.35	3.01
Net earnings[2]	-	0.04	0.13	1.02	1.58
Dividend per share				0.41	0.50
EMPLOYEES					
End of period number of employees	25,258	24,775	30,237	30,706	33,656
Personnel costs	858.3	860.6	920.3	1,007.4	1,066.9

(1) At the General Meeting of February 24, 2006, the shareholders decided to carry out a 1-for-4 reverse stock-split.

(2) Earnings per share are calculated on the basis of the average number of shares outstanding during the year, i.e. 759,350,900 shares in 2003, 2004 and 2005, 247,218,622 shares in 2006 and 265,729,265 shares in 2007.

8

CORPORATE GOVERNANCE

8.1 - ADMINISTRATION AND MANAGEMENT OF THE COMPANY

8.1.1 - Board of Directors

The Company is managed by a Board of Directors. The Board is currently composed of 11 members. Members' terms of office last six years. The Company has three specialized committees, the purpose of which is to assist the Board of Directors in preparing its deliberations. These committees are the Audit Committee, the Nominating and Compensation Committee and the Strategy Committee.

8.1.1.1 - MEMBERS OF THE BOARD OF DIRECTORS

The table below sets forth information about the Company's Directors at the registration date of this reference document.

Gilles Schnepp
Age 49
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

Gilles Schnepp has been a member of the Company's Board of Directors since 2002 and the Company's Chairman and Chief Executive Officer since 2006. He is also the Chairman and Chief Executive Officer of Legrand France. Upon graduating from the *École des Hautes Études Commerciales* (HEC), he started his career at Merrill Lynch France where he became a Vice President. He then joined Legrand in 1989 as Deputy Chief Financial Officer. He became Company Secretary of Legrand France in 1993, Chief Financial Officer in 1996, and Chief Operating Officer in 2000.

Other positions held or formerly held in the Group

- Chairman and CEO of Legrand France
- Chairman and CEO of SERD
- Chairman of the Board of Directors of Leten
- Chairman of the Board of Directors of TCL Legrand Building Technologies
- Chairman of the Board of Directors of TCL Legrand International Electrical
- Director and Chairman of the Board of Directors of Anam
- Director and Chairman of the Board of Directors of Bticino Corporativo
- Director and Chairman of the Board of Directors of Bticino Operacional SA DE CV
- Director and Chairman of the Board of Directors of Bticino Philippines
- Director and Chairman of the Board of Directors of Bticino SpA
- Director and Chairman of the Board of Directors of Fidelec
- Chairman of the Board of Directors of Firelec
- Director and Chairman of the Board of Directors of Legrand China Holding
- Director and Chairman of the Board of Directors of Legrand España SL
- Director and Chairman of the Board of Directors of Legrand ZRT
- Director and Chairman of the Board of Directors of Simapel
- Director and Chairman of the Board of Directors of Tenby Electrical Access
- Director and Chairman of the Board of Directors of Legrand (S) PTE Ltd.
- CEO and Vice-Chairman of the Board of Directors and Director of Legrand France
- Director of Bticino de Mexico
- Director of Legrand Elektrik Sanayi
- Director of Desmag
- Director of Eltas
- Director of ICM Group
- Director of Legrand Australia
- Director of Kimbe
- Director of Legrand (Beijing) Electrical Company
- Director of Legrand Electrique Belgique
- Director of Legrand Electrica
- Director of Legrand Hellinki
- Director of Legrand Holding Inc.
- Director of Legrand Hong-Kong
- Director of Legrand Ireland Ltd.
- Director of Van Geel Legrand BV
- Director of Legrand NZ
- Director of Legrand Romania
- Director of Legrand Shanghai Trading
- Director of Luminex
- Director of Pass & Seymour Inc.
- Director of PT Supreme Electro Kontak
- Director of The Wiremold Company
- Member of the Supervisory Board of Legrand Polska
- Director of Legrand Skandinaviska
- Director of Legrand SLV d.o.o.
- Manager of Krupka Otto
- Manager of Legrand Osterreich

* *Listed company.*

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Gilles Schnepp

- Permanent Representative of Legrand France, President of Arnould FAE
- Permanent Representative of Legrand France, President of Baco
- Member of the Supervisory Board of Chateaudun Développement 3
- Permanent Representative of Legrand France, President of Cofrel
- Permanent Representative of Legrand France, President of Distrasa
- Permanent Representative of Legrand France, President of Inovac
- Permanent Representative of Legrand France, President of Sarlam
- Permanent Representative of Legrand France, President of Sute
- Permanent Representative of Legrand France, President of URA
- Permanent Representative of Legrand France, Manager of Legrand SNC
- Director of Bticino España SLU
- Director of Clarly Ltd
- Director of Rocom Electric Company Ltd
- Director of Shenzhen Shidean Legrand Electronic Products
- Director of Van Geel Slovakia
- Director and Chairman of the Board of Directors of Invac SA DE CV
- Director and Chairman of the Board of Directors of Legrand Corporativo
- Director and Chairman of the Board of Directors of Legrand de Mexico
- Director of Legrand SpA
- Member of the Management Board of Znut Fael
- Manager of Pammelec
- Manager of Pammelec Participations
- Manager of Legrand Gmbh
- Permanent Representative of Arnould FAE, President of Arnould Planet Watthom

Other positions held or formerly held outside the Group in the past five years

None.

Olivier Bazil

Age 61

128, avenue du Maréchal de Lattre de Tassigny

87000 Limoges

Olivier Bazil has been Director of Legrand France since 1988 and a Director of the Company since 2002. After finishing his studies at the *École des Hautes Études Commerciales* (HEC) and Harvard Business School, he joined the Company in 1973 as a Deputy to the Company Secretary, responsible for financial information and development of the Group's growth strategy. In 1979, he became Chief Financial Officer of Legrand France and became Deputy Chief Operating Officer in 1993 and Vice-Chairman and Chief Operating Officer in 2000.

Other positions held or formerly held in the Group

- Chairman and CEO of Desmag
- Chief Operating Officer, Vice-Chairman of the Board of Directors and Director of Legrand France
- Chairman of the Board of Directors of TCL Legrand Electrical Technology
- Director of Anam
- Director of Bticino SpA
- Director of Bticino Corporativo
- Director of Bticino Operacional
- Director of Legrand Elektrik Sanayi
- Director of Eltas
- Director of ICM Group
- Director of Legrand Electrica
- Director of Legrand (India) Private
- Director of Legrand (HK) Ltd.
- Director of Legrand Holding Inc.
- Director of Luminex
- Director of Pass & Seymour Inc.
- Director of Van Geel Legrand BV
- Chairman of the Board of Directors of Vantage Emea
- Director and CEO of PB Finelectric BV
- Director of The Wiremold Company
- Member of the Supervisory Board of Legrand Polska
- Director of Legrand SNC FZE
- Member of the Supervisory Board of Legrand ZRT
- Manager of Rhein Vermogensverwaltung
- Permanent Representative of AE Chessy, manager of Planet Watthom
- Permanent Representative of Legrand France, president of AE Chessy
- Permanent Representative of AE Chessy, Director of SERD
- Member of the Supervisory Board of Chateaudun Développement 3
- Permanent Representative of Legrand France, President of Pammelec
- Director of Legrand España SL
- Director of Parkfield Holdings Limited
- Director of Shenzen Shidean Legrand Electronic Products
- Director of TCL Legrand Building Technologies
- Director of TCL Legrand International Electrical (Huizhou) Co. Ltd.
- Chairman of the Board of Directors of TCL Legrand International Electrical (Hu He Hao Te) Co. Ltd.
- Director of Invac SA DE VC
- Director of Legrand Corporativo
- Director of Legrand de Mexico

Other positions held or formerly held outside the Group in the past five years

None.

* *Listed company.*

Mattia Caprioli
Age 34
Stirling Square
7 Carlton Gardens
London SW1Y 5AD
United Kingdom

Mattia Caprioli is a Director of Kohlberg Kravis Roberts & Co., based in London. He has been actively involved in the investments of Alliance Boots, AVR/Van Gansewinkel, Legrand, Pages Jaunes Groupe, Selenia and Toys R Us. He is a member of the Board of Directors of Alliance Boots. He is responsible for developing KRR's business in Italy and is a member of the European Chemicals Industry. Before joining KKR in 2001, he worked at Goldman Sachs International in London, handling mergers, acquisitions and financings in a variety of industries. He holds a Master's of Science, Summa Cum Laude, from L. Bocconi University in Milan, Italy.

He has been a Director of the Company since 2007.

Other positions held or formerly held in the Group

None.

Other positions held or formerly held outside the Group in the past five years

- Director of Alliance Boots (since 2007)
- Director of FL Selenia SpA (2005-2007)
- Director of AVR Bedrijven BV (2006-2007)
- Director of Pages Jaunes Groupe SA (2006-2007)*

Arnaud Fayet
Age 66
89, rue Taitbout
75009 Paris

Arnaud Fayet joined the Wendel group in 1995 and was head of business development. He is a member of the Board of Directors of Stallergènes. Between 1991 and 1995, Arnaud Fayet served as Chief Executive Officer, then Executive Vice President and member of the Board of Directors of Carnaud Metalbox. Arnaud Fayet was Executive Director of DMC and *Société Générale de Fonderie* after spending five years at McKinsey. Arnaud Fayet holds a degree from *École Centrale* and an MSc from Stanford University.

He has been a Director of the Company since 2002.

Other positions held or formerly held in the Group

None.

Other positions held or formerly held outside the Group in the past five years

- Director of Guala Closures SpA (Since 2001)
- Director of Stallergènes (Since 1999)*
- Director of Transgène (Since 2003)*
- Director of Vaucrains Participations (Since 1990)
- Director of BLR Lux (2002-2006)
- Director of Société Française de MicroInformatique (2005-2006)
- Director of Biomérieux SA (1998-2004)
- Director of BLR BV (2001-2003)
- Director of Taitbout Antibes BV (1999-2005)
- Director of Wheelabrator Allevard (1997-2005)
- Member of the Supervisory Board of Trader Classified Media (2000-2004)
- Member of the Supervisory Board of Valeo (1997-2003)

Jacques Garaïalde
Age 51
Stirling Square
7, Carlton Gardens
London SW1Y 5AD
United Kingdom

Jacques Garaïalde has been an Executive of KKR since 2003. Effective January 1, 2004, Jacques Garaïalde became a partner of the company that serves as the general partner of KKR. Prior to joining KKR, Jacques Garaïalde was a partner at Carlyle, in charge of Europe Venture Partners Fund. From 1982 to 2000, he worked at the Boston Consulting Group where he was the Managing Partner in charge of Belgium (1992-1995), then in charge of France and Belgium (1995-2000). Between 1979 and 1981, he held various positions at Esso France. Jacques Garaïalde also serves as a Director of Nexans, Pages Jaunes Groupe, Tarkett, *Société d'Investissement Familiale* (SIF), and Médiannuaire Holding. Jacques Garaïalde received his MBA from INSEAD (Fontainebleau) and is a graduate of *École Polytechnique*.

He has been a Director of the Company since 2003.

Other positions held or formerly held in the Group

None.

Other positions held or formerly held outside the Group in the past five years

- Chairman and CEO of Médiannuaire Holding (since 2006)
- Chairman of the Board of Directors of Pages Jaunes Groupe (since 2006)*
- Member of the Executive Committee of Société d'Investissement Familiale (SIF) (since 2007)
- Director of Nexans (since 2001)*
- Director of Tarkett (since 2007)

* *Listed company.*

Edward A. Gilhuly

Age 48
250 University Avenue
Suite 300
Palo Alto, CA 94301
United States

Edward A. Gilhuly is a founding partner of Sageview Capital LP. He was an executive of KKR between 1986 and 2005 and a partner of the company that serves as the general partner of KKR between 1996 and 2005. Mr. Gilhuly is a Director of MedCath Corporation, Duke Management Company and the California Academy of the Sciences. Mr. Gilhuly holds a BA from Duke University and an MBA from Stanford University.

He has been a Director of the Company since 2002.

Other positions held or formerly held in the Group

- Director of Legrand France

Other positions held or formerly held outside the Group in the past five years

- Director of MedCath Corporation (since 1998)
- Director of Duke Management Company (since 2005)
- Director of Rockwood Specialties, Inc. (2000-2005)
- Director of California Academy of the Sciences (since 2005)
- Director of Tenovis GmbH (2000-2004)
- Director of LNG (2000-2003)
- Director of MTU Aero Engines
- Director of Vendex
- Member of the Supervisory Board of Demag Holding Sarl (since 2002)
- Member of the Supervisory Board of Wincor Nixdorf AG (1999-2006)
- Member of Sageview Capital LP (since 2005)
- Member and partner of KKR (1986-2005)

François Grappotte

Age 71
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

After graduating from the *École Nationale d'Administration* (ENA), he started his career at the Ministry of Industry and at the Treasury Division (*Direction du Trésor*) of the Ministry of the Economy and Finance. In 1970, he joined Banque Rothschild, serving successively as Assistant Director, Deputy Director and Director. In 1973, he joined Compagnie Electro Mécanique where he served as Company Secretary, Chief Operating Officer and Vice-Chairman. Mr. Grappotte joined Legrand in 1983 as Chief Executive Officer and became Chairman and Chief Executive Officer in 1988. Mr. Grappotte serves as a Director of BNP Paribas (France), a Member of the Supervisory Board of Etablissements Michelin (France) and a Member of the Consultation Council (*Conseil Consultatif*) of Banque de France.

He has been a Director of the Company since 2002.

Other positions held or formerly held in the Group

- Director and Honorary Chairman of Legrand France (Chairman of the Board of Directors and CEO until early 2006)
- President of Lumina Management (until early 2006)
- Director of Bticino SpA (until early 2006)
- Director of Legrand Elektrik Sanayi (until early 2006)
- Director of Eltas Elektrik (until early 2006)
- Director of Legrand España (until early 2006)
- Director of Pass & Seymour Inc. (until early 2006)
- Director of The Wiremold Company (until early 2006)

Other positions held or formerly held outside the Group in the past five years

- Member of the Supervisory Board of Michelin
- Director of BNP Paribas
- Member of the Advisory Council of Banque de France
- Director of Valeo (2003-2007)
- Member of the Supervisory Board of Galeries Lafayette (2004-2005)

* *Listed company.*

Gérard Lamarche
Age 46
16 rue de la Ville l'Evêque
75008 Paris

Gérard Lamarche was appointed Senior Executive Vice President in charge of Finance of the Suez group in March 2004. He started his career in 1983 with Deloitte Haskins & Sells in Belgium, then became a consultant in mergers and acquisitions in The Netherlands in 1987. In 1988, Mr. Lamarche joined Société Générale in Belgium as Investment Manager, Controller from 1989 to 1991 and advisor on strategic operations from 1992 to 1995. He joined Compagnie Financière de Suez as *Chargé de mission* with the Chairman and Secretary of the Executive Committee (1995-1997), then participated in the merger between Compagnie de Suez and *Lyonnaise des Eaux*, which became Suez Lyonnaise des Eaux (1997), before being granted the position of Deputy Manager in charge of Planning, Control and Accounting and secretary to the Investment Committee (1997-2000). Gérard Lamarche continued his career in industry by joining NALCO (US subsidiary of the Suez group – world leader in industrial water treatment) in 2000 as Managing Director in charge of Finance. In February 2003, he was appointed Deputy Senior Executive Vice President in charge of Finance of the Suez group, and has been head of the Financial Operations, Cash Flow, Tax, Planning, Accounting and Control sections. Gérard Lamarche is a graduate in Economics of the university of Louvain-La-Neuve and of the *Institut du Management* of INSEAD (Advanced Management Program for Suez Executives). He was also trained by Wharton International (Forum-Global Leadership Series).

He has been a Director of the Company since 2006.

Other positions held or formerly held in the Group

None.

Other positions held or formerly held outside the Group in the past five years

- Chairman of the Board and Director of Cosutrel (Belgium)
- Chairman of the Board and Director of Genfina (Belgium)
- Director of Aguas de Barcelona (Spain)
- Director of Distrigaz(s) (Belgium)
- Director of Electrabel (Belgium)
- Director of Leo Holding Company (USA)
- Director of Suez Energie Services – SES
- Director of Suez Environnement
- Director of Suez Environnement North America (USA)
- Director of Suez-Tractebel (Belgium)
- Director of KKR Guernsey GP Limited (USA)

Jean-Bernard Lafonta
Age 46
89, rue Taitbout
75009 Paris

Jean-Bernard Lafonta has been Chairman of the management board of Wendel since 2005. He joined Groupe Wendel in 2001. Jean-Bernard Lafonta has held various positions in the French government, including in ministerial cabinets. He was a member of the mergers and acquisitions team at Lazard. In 1996, he became Strategic Director before becoming Head of Capital Markets at BNP Paribas and then Chairman and Chief Executive Officer of *Banque Directe* and a member of the Executive Committee of BNP Paribas. Mr. Lafonta is also a member of the supervisory board of Bureau Veritas. Jean-Bernard Lafonta is a graduate of *École Polytechnique*.

He has been a Director of the Company since 2002.

Other positions held or formerly held in the Group

- Director of Legrand France (2002-2007)

Other positions held or formerly held outside the Group in the past five years

- Chairman of the Management Board of Wendel Investissement (Since 2005)*
- Chairman of the Supervisory Board of Bureau Veritas (Since 2005)*
- Chairman of the Supervisory Board of Editis Holding (Since 2004)
- Member of the Supervisory Board of Oranje-Nassau Groep BV (Since 2002)
- Chairman of the Board of Directors of Winvest International SA SICAR (Since 2006)
- Member of the Management Council of Materis Parent SARL (Since 2006)
- President of Compagnie de l'Audon (Since 2007)
- Manager of Granit SARL
- Manager of JB Mac Nortance
- Manager of Winvest Conseil (Since 2006)
- Director and Chief Operating Officer of Wendel Investissement (2001-2005)
- Director of Cap Gemini (2002-2003)
- Director of Lumina Parent (2003-2006)
- Director of Valeo (2001-2006)
- Permanent Representative of SOFU on the Board of Directors of Bureau Veritas (2002-2005)

* *Listed company.*

Thierry de La Tour d'Artaise
Age 53
Chemin du Petit Bois – BP 172
69134 Ecully Cedex

Between 1979 and 1983, Thierry de La Tour d'Artaise was an Audit Manager with Coopers & Lybrand. In 1983, he was appointed Head of Internal Audit at Groupe Chargeurs SA. Thierry de La Tour d'Artaise then served as Chief Administrative and Financial Officer (1984-1986) and Chief Executive Officer (1986-1993) of Croisières Paquet and then joined the SEB Group as Chief Executive Officer (1994-1996) and Chairman and Chief Executive Officer (1996-1998) of Calor SA. He was appointed Deputy Chairman and Chief Executive Officer of the SEB group in 1999 and Chairman and Chief Executive Officer of the SEB Group from 2000. Thierry de La Tour d'Artaise is a graduate of *École Supérieure de Commerce de Paris* and is a chartered accountant.

He has been a Director of the Company since 2006.

Other positions held or formerly held in the Group

None.

Other positions held or formerly held outside the Group in the past five years

Current positions

- Chairman of the Board of Directors and CEO of SEB SA*
- President of SEB Internationale
- Director of Plastic Omnium*
- Director of Club Méditerranée*
- Permanent Representative of Sofinaction, Director of la Lyonnaise de Banque
- Director of SUPOR

Positions held during the past five years

- Director of Tefal UK
- Director of Groupe SEB Japan
- Director of Groupe SEB Mexicana
- Director of Siparex Associés
- Member of the Supervisory Board of Rowenta Invest BV
- Chairman of the SEB Moulinex Group
- Chairman of the Supervisory Board of Rowenta Werke
- Member of the Supervisory Board of the SEB Deutschland Group
- Director of T-fal Corp
- Director of T-fal de Mexico
- Director of Rowenta Inc
- Director of Groupe SEB Colombia
- Director of SEB Benrubi
- Permanent Representative of Seb Internationale at Seb UK Group
- Permanent Representative of SEB SA at Rowenta France
- Permanent Representative of SEB SA at Calor
- Permanent Representative of SEB SA at Tefal
- Manager of Rowenta Deutschland GmbH
- Manager of Krups GmbH

Ernest-Antoine Seillière
Age 70
89, rue Taitbout
75009 Paris

Ernest-Antoine Seillière is the Chairman of the Supervisory Board of Wendel. In 1969, Ernest-Antoine Seillière was a member of the cabinet of French Prime Minister Jacques Chaban-Delmas. He then served as a member of the cabinets of Pierre Messmer, Maurice Schumann and Robert Galley. He joined Wendel in 1976. Ernest-Antoine Seillière is the Chairman of SLPS (the company belonging to the members of the Wendel family), Chairman of the Board of Directors of Oranje Nassau and a member of the Supervisory Board of Bureau Veritas. He was chairman of MEDEF (*Mouvement des Entreprises de France*) from 1997 to 2005 and is currently the Chairman of Business Europe. Mr. Seillière graduated from *École Nationale d'Administration* (ENA), and lectured for a year at Harvard University, Center for International Affairs.

He has been a Director of the Company since 2002.

Other positions held or formerly held in the Group

None.

Other positions held or formerly held outside the Group in the past five years

- Chairman of the Board of Directors of Société Lorraine de Participations Sidérurgiques (formerly Wendel Participations) (Since 2006)
- Chairman of the Supervisory Board of Wendel Investissement (formerly CGIP) (Since 2005)*
- Chairman of the Supervisory Board of Oranje-Nassau Groep BV (2001-2009)
- Director of SOFISAMC (Since 2003)
- Member of the Supervisory Board of Bureau Veritas (Since 2005)*
- Member of the Supervisory Board of Editis Holding (Since 2004)
- Member of the Supervisory Board of Gras Savoye & Cie (Since 2003)
- Member of the Supervisory Board of Hermès International (Since 1997)*
- Member of the Supervisory Board of Peugeot SA (Since 1994)*
- Chairman of the Board of Directors and CEO of Société Lorraine de Participations Sidérurgiques (2003-2007)
- Chairman of the Board of Directors and CEO of Wendel Investissement (formerly CGIP) (1987-2005)
- Chairman of the Board of Directors of Lumina Parent (2003-2006)
- Vice-Chairman of the Board of Directors of Cap Gemini (2000-2006)
- Director of Société Générale (1986-2002)
- Director of Société Lorraine de Participations Sidérurgiques (1985-2003)
- Chairman of the Supervisory Board of Trader Classified Media (2000-2004)
- Vice-Chairman of the Supervisory Board of Valeo (2001-2002)
- Director of Valeo (1986-2001)
- Vice-Chairman of the Supervisory Board of bioMérieux Pierre Fabre (2001-2002)
- Permanent Representative of SOFISERVICE, now ONG, on the Supervisory Board of Bureau Veritas (1995-2005)

* *Listed company.*

To the Company's knowledge, there are no family relationships between any of the Company's Directors.

In addition, to the Company's knowledge, no Director of the Company:

- has been convicted of fraud within the last five years;
- has been associated with any bankruptcy, receivership or liquidation within the last five years;
- has been the subject of any official public incrimination or sanctions by statutory or regulatory authorities (including designated professional organizations);
- has been disqualified by a court from serving as a member of an administrative, management or supervisory body of any issuer or from participating in the management or conduct of the business of any issuer within the last five years.

8.1.1.2 - REELECTION

A proposal will be made that the shareholders reelect Gilles Schnepp, Olivier Bazil, Mattia Caprioli, Arnaud Fayet, Jacques Garaïalde, Eward Gilhuly, François Grappotte, Jean-Bernard Lafonta and Ernest-Antoine Seillière to the Board of Directors, for a term of six years, which will end following the Shareholders' Meeting held in 2014 to approve the financial statements for the financial year ended December 31, 2013.

Subject to the reelection of Gilles Schnepp and Olivier Bazil by the shareholders, a proposal will be made at the Board of Directors meeting held following the Shareholders' Meeting that the Directors reelect Gilles Schnepp as Chairman and CEO and Olivier Bazil as Vice-Chairman and Chief Operating Officer.

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8.1.2 - General Management of the Company

Gilles Schnepp is responsible for the general management ("*Direction Générale*") of the Company. Mr. Schnepp is also the Chairman of the Company's Board of Directors and was appointed as such on March 17, 2006.

See section 8.1.1.1 of this reference document for more information about Gilles Schnepp.

8.1.3 - Conflicts of interest

Gilles Schnepp and Olivier Bazil are parties to contracts of employment with Legrand. To the Company's knowledge, neither Mr. Schnepp nor Mr. Bazil is in a position of conflict of interest with respect to the Company.

Ernest-Antoine Seillière and Jean-Bernard Lafonta are Directors of the Company and of Wendel, one of the Company's principal shareholders. To the Company's knowledge, neither Mr. Seillère nor Mr. Lafonta is in a position of conflict of interest with respect to the performance of their duties.

Mattia Caprioli, Arnaud Fayet, Jacques Garaïalde and Edward Gilhuly are Directors of the Company. To the knowledge of the Company, none of these persons is in a position of conflict of interest with respect to the performance of their duties.

Gérard Lamarche and Thierry de La Tour d'Artaise meet the independence criteria and are therefore not in a position of conflict of interest with respect to the performance of their duties as Director.

As of the registration date of this reference document and to the knowledge of the Company, there is no other situation which might give rise to a conflict of interest between the personal affairs of the Directors of the Company and the interests of the Company.

8.1.4 - Service Contracts

At the registration date of this reference document and to the Company's knowledge, there are no service contracts providing for benefits and binding on members of the Company's administrative bodies or management to the Company or one of its subsidiaries.

8.2 - REMUNERATION AND BENEFITS

8.2.1 - Remuneration and benefits of the Company's officers

In 2007, the following remuneration was paid to officers for all the duties they performed at the Company and its subsidiaries: Gilles Schnepp received total gross remuneration of €914,294 during 2007, consisting of fixed remuneration of €498,000 and a variable component of €416,294. Olivier Bazil received total gross annual remuneration of €864,375 in 2007, consisting of fixed remuneration of €471,000 and a variable component of €393,375. The primary rules used to determine the variable portion of Mr. Schnepp's and Mr. Bazil's compensation are described in section 8.4.3 of this reference document.

In 2007, Gilles Schnepp and Olivier Bazil received in-kind benefits consisting of a company car and a mobile telephone equivalent to €3,808 for Mr. Schnepp and €3,667 for Mr. Bazil.

In 2007, business travel expenses paid by the Company for Gilles Schnepp and Olivier Bazil amounted to €64,397 and €82,477, respectively.

Pursuant to the Group's profit-sharing plans, Gilles Schnepp and Olivier Bazil each received a gross amount of €15,534 in 2007.

In 2007, the Company paid a total of €238,000 in attendance fees for the 2006 financial year. The meeting of the Board of Directors held on February 6, 2008 approved the payment of the following amounts to Directors as attendance fees for the 2007 financial year:

Name	Duties	Amount
Gilles Schnepp	Chairman of the Board of Directors and CEO	20,000
Olivier Bazil	Director and Vice-Chairman, Chief Operating Officer	20,000
Mattia Caprioli	Director	15,000
Arnaud Fayet	Director	21,500
Jacques Garaïalde	Director	30,000
Edward A. Gilhuly	Director	20,500
François Grappotte	Director	19,000
Jean-Bernard Lafonta	Director	26,500
Gérard Lamarche	Director	31,500
Thierry de La Tour d'Artaise	Director	19,000
Ernest-Antoine Seillière	Director	19,000
TOTAL		**242,000**

During the 2007 financial year, Bticino SpA paid attendance fees of €5,200 to Olivier Bazil.

During the 2006 financial year, the following remuneration and benefits were paid to the Company's officers:

- the compensation paid by the Company and its subsidiaries to the Company's officers was around €1.6 million. This amount includes the compensation paid to the officers for all the duties they performed within the Company and its subsidiaries. Gilles Schnepp received total gross compensation for 2006 of €649,200, consisting of fixed compensation of €444,000 and a variable component of €205,200. Olivier Bazil received total gross compensation for 2006 of €620,000, consisting of fixed compensation of €420,000 and a variable component of €200,000;
- following François Grappotte's resignation from his position as CEO, which was officially recorded by the Board of Directors on March 17, 2006, Mr. Grappotte received the balance of his compensation for 2006, amounting to €300,000. The Company sold Mr. Grappotte's company car to him for the token amount of €1, which corresponded to an in-kind benefit of €17,789;

- Gilles Schnepp and Olivier Bazil received in-kind benefits in the form of a company car equivalent to €1,909 for Mr. Schnepp and €3,723 for Mr. Bazil;
- the business travel expenses paid by the Company for François Grappotte, Gilles Schnepp and Olivier Bazil amounted to €1,835, €40,594 and €33,628, respectively;
- Bticino SpA paid attendance fees in the amount of €5,200 to Olivier Bazil; and
- pursuant to the Group's profit-sharing plans, Gilles Schnepp and Olivier Bazil each received a gross amount of €19,711 in 2006.

8.2.2 - Remuneration and benefits payable upon termination of functions as Company officer

In 2001, the Legrand Group entered into an agreement with an insurance company for the provision of pension, retirement and similar benefits to the members of the Group Executive Committee covered by the retirement system applicable to French employees. At December 31, 2007, the Group's obligations under such agreement amounted to approximately €9.1 million, of which approximately €3.2 million was funded. A provision was created in the financial statements for the remaining €5.9 million. The Executive Committee is composed of eight members, including two officers. This retirement supplement is calculated in a manner that allows the beneficiary to receive a retirement pension, consisting of the sum of the retirement supplement and all other sums received upon retirement, in an amount equal to 50% of the average amount of the two highest annual salaries paid to such individual during the last three years of employment with the Group. To receive the retirement supplement, the individual must be at least 60 years of age and must have been employed by the Group for at least ten years. If the beneficiary dies, the Company will pay 60% of the retirement supplement to the beneficiary's surviving spouse.

Moreover, the Collective Bargaining Agreement for Steel Workers (*Convention Collective de la Métallurgie*) and the entreprise agreements in place in the Group provide for the payment of departure benefits (*indemnité de départ*) to any salaried employee who retires. These benefits are prorated for the amount of time that such employee worked in the Group. These provisions would apply to Gilles Schnepp and Olivier Bazil if the conditions were satisfied as of the date of their retirement. For example, the departure benefit paid to an executive who had worked at the company between 30 and 39 years as of his retirement date would be four months of salary.

Gilles Schnepp and Olivier Bazil are also subject to the standard non-compete covenant corresponding to the provisions of the non-compete covenant defined in the Collective Bargaining Agreement for Steel Workers (*Convention Collective de la Métallurgie*). It should be noted that the enforcement of this covenant is left completely to the Company's discretion. If the Company decided to enforce it, this would result in a payment to Mr. Schnepp and Mr. Bazil in the amount of 50% of their base salary over a maximum period of two years.

8.2.3 - Shareholding by corporate officers

See section 10.1.2.3 of this reference document.

8.2.4 - Breakdown of stock options and free shares granted to corporate officers

The table below shows a breakdown of purchase and subscription options awarded by the Company to its officers on the basis of meeting economic performance objectives at December 31, 2007. The stock option plans implemented by the Company are described in section 9.2 of this reference document. The options granted to the officers are not subject to any requirement that they be employed with the Company to exercise the options.

Name	Plan	Number of options granted	Number of shares for which options are exercisable
Gilles Schnepp	2007	40,745	40,745
Olivier Bazil	2007	38,536	38,536

The table below shows a breakdown of the new or existing free shares granted by the Company to its officers on the basis of meeting economic performance objectives at December 31, 2007. The free share plan established by the Company is described in section 9.3 of this reference document. The free shares awarded to the officers are not subject to any requirement that they be employed with the Company.

Name	Plan	Number of bonus shares awarded
Gilles Schnepp	2007	13,582
Olivier Bazil	2007	12,845

Moreover, pursuant to Article L.225-185 (options) and Article L. 225-197-1 II (awards of free shares) of the French Commercial Code, the Board of Directors approved the requirement placed on Gilles Schnepp and Olivier Bazil to hold the following in registered form and until they cease to hold office: (i) under the free share plan, at least 30% of the Company shares they receive through free share allocations, once such allocations have actually been made, and (ii) under the stock option plan, 30% of the Company shares they receive through the exercise of options, once such exercise has actually been made. This obligation was extended by decision of the Board of Directors to require Mr. Gilles Schnepp and Mr. Olivier Bazil to hold 30% of all shares acquired throughout their terms of office, regardless of how such shares may be acquired.

8.2.5 - Other benefits granted to the Company's officers

The Company has not granted any loan, advance or guarantee to any of its officers.

8.2.6 - Amounts established or provisioned for by the Company or its subsidiaries for purposes of paying pensions, retirement commitments or other benefits

Excluding provisions recorded in accordance with applicable law, the Company recorded a provision in the amount of €5.9 million pursuant to an agreement entered into between Legrand France and an insurance company to provide pension, retirement and other services to Executive Committee members who are covered by the retirement system applicable to French employees.

8.3 - OPERATION OF ADMINISTRATIVE AND MANAGEMENT BODIES

8.3.1 - Operation of administrative bodies

The Company endeavors to comply with corporate governance principles as defined by applicable recommendations, except as such principles regard the number of independent Directors. Given the concentration of the shareholding of the Company, there must be two independent Directors on the Company's Board of Directors.

The Company's Board of Directors adopted internal regulations conforming to the Company's bylaws. The purpose of internal regulations is to supplement the Company's bylaws and to determine, within the context of legal, regulatory and statutory requirements, the composition, organization and functioning of the Board of Directors and its Committees, as well as the

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rights and obligations of the Company's Directors. The principal provisions of the internal regulations are described below (as amended by the Board of Directors on March 5, 2008).

8.3.1.1 - BOARD OF DIRECTORS

8.3.1.1.1 - Missions and duties of the Board of Directors

The Board of Directors determines the broad lines of the Company's business activities and ensures their implementation. The Board reviews all issues concerning the operation of the Company and acts on all matters over which it has authority.

The Board's strategy and decisions are made within the context of the Company's sustainable development policy.

In particular, the Board of Directors is responsible for:

- evaluating and approving decisions of the Company and the Group with respect to the Company's strategic, economic, labor, financial and technology guidelines and ensuring that the Company's management implements them;
- for the transactions listed below, the Board either submits proposals to the shareholders for transactions which require shareholder approval, or, in those cases where the transactions fall within the powers delegated to management, authorizes the Chief Executive Officer (*Directeur général*) or Chairman, as the case may be, to enter into and implement such transactions:
  - the granting of any power or authorization relating to the issuance or buy-back of shares or equity-based securities,
  - the entry into or termination of borrowings, whether in the form of debt securities or otherwise, or the voluntary early repayment of all loans, advances or borrowings in an amount in excess of €100 million,
  - the creation of joint venture(s) or any acquisition of a business in an amount exceeding €100 million and the acquisition of any shareholding or business, or the entering into of any joint venture contract, where such transaction involves an amount in excess of €100 million,
  - the sale or transfer of asset(s) or business(es) in an amount in excess of €100 million and the disposal of any shareholding or businesses in an amount in excess of €100 million,
  - the annual budget and the approval of the Group's three-year business plan established by the Company and its subsidiaries,
  - the appointment, replacement or removal of any or all of the Company's Statutory Auditors,
  - mergers or proposed mergers concerning the Company, or more generally, any transaction regarding the transfer or disposal of all or substantially all of the Company's assets,
  - any transaction leading to a capital increase or decrease, including, as the case may be, through the issuance of equity-based securities (securities exchangeable, convertible or redeemable for shares of the Company, or preference shares), except for grants of bonus shares or stock options in the ordinary course of business,
  - the creation or termination of any double voting rights mechanism, or any modification of voting rights relating to shares in the Company,
  - changes to corporate governance, including any amendments to corporate governance rules applicable to the Company, including in particular any modifications to the composition and functioning of the Board of Directors, and more generally, any modification of the internal regulations,
  - proposed appointment of new members to the Board of Directors; any proposed appointment of one or more new Directors to the Board of Directors,
  - the listing of any financial instrument issued by the Company on a regulated market other than the Eurolist market of Euronext Paris,
  - a declaration of bankruptcy, the appointment of an *ad hoc* authorized agent, liquidation, voluntary dissolution or amicable liquidation of the Company, and any decision that would result in insolvency proceedings (*procédure collective*) or the appointment of an *ad hoc* authorized agent,
  - any proposed resolution to amend the Company's bylaws,
  - the entry into any agreement or settlement, or the acceptance of any compromise, concerning any litigation where the amount in controversy exceeds €100 million, and
  - the granting of a security interest in the Company's assets, where the secured commitment or the asset furnished as security involves an amount in excess of €100 million;
- examining and approving reports on the operations of the Board of Directors and its Committees to be included in the annual report;
- examining and approving, upon the recommendation of Nominating and Compensation Committee, the presentation of Directors to be included in the annual report, and in particular, the list of independent Directors and the criteria adopted;
- the appointment of temporary replacements (*cooptation*) of Directors, as necessary, and proposals for the appointment and reelection of Directors at the Annual Shareholders' Meeting;
- determining, upon the recommendation of the Nominating and Compensation Committee, the compensation of the Company's Chairman, Chief Executive Officer and Chief Operating Officers (*Directeurs généraux délegués*), and the allocation of Directors' fees (*jetons de présence*);
- upon the recommendation of the Nominating and Compensation Committee, approvals of all proposed stock option plans and grants of free shares, and, more generally, profit-sharing plans based on the results of the Group for Group managers and employees;

- supervision of the quality of information disclosed to the Company's shareholders and the market through the financial statements or in the event of significant transactions;
- approving the Management Report, as well as sections of the annual report dealing with corporate governance or presenting the Company's policy relating to compensation and stock option plans; and
- the review of any issues relating to the efficient operations of the Company and the Group.

8.3.1.1.2 - Composition of the Board of Directors

Number of Directors

The Company's Board of Directors may be composed of a maximum of 18 members, at least two of whom must be independent in accordance with the Company's internal regulations.

Without prejudice to the rights of other shareholders, the Company's Board of Directors is initially composed of 11 Directors, including the Company's Chairman and Chief Executive Officer, Vice-Chairman and Chief Operating Officer and the Honorary Chairman, six shareholder representatives (three of whom were nominated by each of Wendel and KKR) and two independent Directors.

Independent Directors

Membership of Independent Directors

The Board of Directors ensures that at least two of the Directors are independent. At the registration date of this reference document, Thierry de La Tour d'Artaise and Gérard Lamarche are independent Directors.

Definition of Independent Director

A Director is considered to be independent if he or she has no relationship with the Company, its management or the Group which might compromise such Director's free judgment or create a conflict of interest with the Company, its management or the Group.

An Independent Director may not:

- be, or have been within the last five years, an employee or officer of the Company or the Group or an employee or Director of a controlling shareholder (whether control is exercised alone or in concert within the meaning of article L.233-3 of the French Commercial Code) or of a consolidated company;
- be, or have been within the last five years, an officer of a company for which the Company, directly or indirectly, is a Director or for which a Company officer or employee is a Director;
- be a client, supplier, investment or corporate banker:
  - of significant importance to the Company or the Group,
  - or for which the Company or Group represents a significant portion of such person's business;
- have a close family relationship with a manager of the Company or the Group;
- have been an auditor of the Company or a Group company during the last five years;
- have been a manager of the Company or a Group company during the last five years;
- have been a director of the Company for more than 12 years; or
- receive or have received significant additional compensation from the Company or the Group, excluding Directors' fees, including participation in any stock option plan or other performance-based compensation.

Directors that represent significant direct or indirect shareholders of the Company may be deemed to be independent if those shareholders do not control the Company within the meaning of article L.233-3 of the French Commercial Code. However, if a Director represents a shareholder that directly or indirectly holds more than 10% of the Company's share capital or voting rights, the Company's Board of Directors, upon a report from the Nominating and Compensation Committee, will investigate the independence of that Director while taking into account the composition of the Company's share ownership and potential conflicts of interest.

Independent Director Qualification Procedure

Director independence is reviewed by the Nominating and Compensation Committee, which prepares a report on this subject for the Board of Directors. Each year, before the Company's annual report is published, the Company's Board examines each Director's position with respect to the independence criteria defined above, using the Nominating and Compensation Committee's independence report as a reference.

The Company's Board must report its findings on Director independence to the Company's shareholders in the annual report.

8.3.1.1.3 - Operations of the Board of Directors

Board meetings

The Company's Board of Directors may meet as often as required in the interest of the Company, and in any event, must meet at least five times per year.

Notice of Board meetings may be given by letter, telex, telegram, fax, electronic mail or orally, and may be transmitted by the secretary of the Board.

If provided for in the meeting notice, Board meetings may be held by videoconference or by other electronic means of telecommunication or teletransmission, so long as such means satisfy technical characteristics which guarantee effective participation in the Board meeting and continuous transmission of the Board's deliberations. Directors participating in Board meetings using such means are deemed present for the purposes of quorum and majority requirements.

If one or more Directors notify the Chairman of the Board that they cannot attend a Board meeting, the Chairman must attempt to organize a Board meeting using the means described in the preceding paragraph.

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Board meetings held by videoconference or by other electronic means cannot adopt certain decisions set forth by law.

The Chairman of the Board is required to comply with a five day notice period between the notification of a Board meeting and the meeting itself, taking into account the schedules of the Board members to ensure the presence of as many Directors as possible at each Board meeting.

An attendance register is maintained at the Company's registered office and contains the names of the Board members who were physically or otherwise present (e.g., by telecommunication or teletransmission), represented, excused or absent at each meeting. Proxies granted by mail, fax, telex, telegram or electronic mail are annexed to the attendance register.

Deliberations of the Board are evidenced by minutes established, signed and maintained in accordance with regulatory requirements.

The minutes of each Board meeting include:

- the name of each Director present (either physically or by means of telecommunication or teletransmission), represented, excused or absent;
- the occurrence of any disruptive technical problem arising during a videoconference or teleconference;
- the name of other persons attending all or part of the Board meeting;
- a summary of the discussions and deliberations of the Board of Directors; and
- questions raised and the reservations of participating Directors, if any.

Upon the request of a Director, Board meeting notices and minutes are translated into English. However, such translations are made for information purposes only, and only the French version is binding.

Evaluation of the Board of Directors

At least once a year, a portion of a Board meeting agenda is devoted to reviewing the operations of the Board of Directors, which is thereafter described in the Company's annual report.

Director Access to Information

In order to allow Board members to carry out their duties effectively, the Chairman of the Board must provide each Director with all documents necessary to consider items on Board meeting agendas.

Directors may request any document they deem useful to prepare for a Board meeting, provided such request is made within a reasonable period of time before the date of the Board meeting.

Information files are delivered at the Board meeting itself when confidentiality considerations so require, particularly with respect to sensitive financial information.

In addition, Directors receive all useful information relating to significant events or operations of the Company between Board meetings.

Remuneration

Attendance fees (*jetons de présence*) allocated by the General Shareholders' Meeting are divided between Board members upon the proposal of the Nominating and Compensation Committee. The allocation of Directors' fees takes into account Directors' participation on the Board and its specialized committees.

8.3.1.2 - COMMITTEES

The Board of Directors has established specialized committees to facilitate the Board's work and the preparation of its discussions. The Committees consider issues falling within the scope of their competence and submit opinions, proposals and recommendations to the Board.

The three specialized standing committees are:

- the Audit Committee;
- the Nominating and Compensation Committee; and
- the Strategy Committee.

The Board appoints and removes committee members upon the recommendation of the Nominating and Compensation Committee. The Nominating and Compensation Committee was created before the other Board committees so that the Nominating and Compensation Committee could make recommendations regarding the membership of the other Board committees. The Audit Committee Chairman is an independent Director appointed upon the recommendation of the Nominating and Compensation Committee. The Strategy Committee Chairman is appointed upon the recommendation of the Nominations and Compensation Committee. The Nominating and Compensation Committee Chairman is appointed from among the members of the Committee by its members. Committee members are appointed for a term determined by the Board, which in no case can be for a longer duration than their term of office as a member of the Board of Directors.

Each Committee determines its annual meeting schedule, taking into account the schedules for Board meetings and General Shareholders' Meetings.

Each Committee meets as often as required to consider issues falling within its domain of competence upon convocation by the Chairman of the Committee or by half of its members. If the Chairman of the Board considers that a committee has not met as often as necessary, he may cause a Committee meeting to be convened. The Chairman may also convene a committee meeting if he deems it necessary for the committee to give an opinion or a recommendation to the Board on a specific topic.

The Chairman of each committee establishes the committee meeting agenda and gives notice of Committee meetings to committee and Board members within a period of time sufficient to allow each committee member to prepare for the meeting. The notice must contain the committee meeting agenda and all information and documentation useful to the examination of agenda items.

Committee meetings may be held at the Company's registered office or at any other location.

In performing its duties, each committee may contact the Company's principal executives after having informed the Chairman of the Board of Directors of its intention to do so and subject to briefing the Board of Directors on the exchange with such principal executives.

In addition to these permanent Committees, the Board of Directors may create one or more temporary or permanent *ad hoc* committees at any time, including with respect to conflicts of interest. The Board is authorized to determine the composition and internal rules of such *ad hoc* committees.

Finally, the Chief Executive Officer may create an Executive Committee and determine its composition and area of competence.

8.3.1.2.1 - Audit Committee

The Audit Committee assists the Board of Directors in ensuring the accuracy and truthfulness of the parent company and consolidated financial statements, as well as the quality of internal controls and information made available to the Company's shareholders and the market.

The Audit Committee has been specifically required by the Board of Directors to:

- with respect to the financial statements:
  - examine the draft annual and six-month parent company and consolidated financial statements, in order to verify the manner in which they are established and to ensure the relevance and application of the accounting standards used; to this end, the Audit Committee may interview, outside the presence of the managers or Directors that actively exercise functions within the business, any person who in one way or another participates in the preparation or control of the accounts (finance department, internal auditors, Statutory Auditors),
  - examine the methods and scope of consolidation used in the financial statements,
  - ensure the adequate treatment of significant transactions at the Group level, and
  - keep up to date on the Group's financial and cash position, as well as its significant commitments;
- with respect to internal controls:
  - determine the quality and efficiency of the Group's internal control procedures so that the parent company and consolidated financial statements accurately and truly reflect the reality of the business and of the Group and conform to applicable accounting standards, and
  - ensure the relevance and quality of the Company's financial communications;
- with respect to external controls, the Audit Committee has the essential role of guaranteeing the independence and objectivity of the Statutory Auditors by:
  - managing the selection process of the Company's Statutory Auditors and by examining questions relating to the appointment, renewal or termination of the mandate of the Company's Statutory Auditors, and
  - examining the amount and details of remunerations paid by the Group to the Statutory Auditors and the group to which they belong; to this end, the Audit Committee is required to obtain information on the fees paid by the Company and the Group to the Statutory Auditors and the group to which they belong and ensure that the amount, or the portion such amounts represent in the net sales of the auditors and the group to which they belong, does not compromise the independence of Statutory Auditors.

The Audit Committee must be composed of at least three members, of which one must be an independent Director.

Executive Directors and salaried employees of the Company may not serve on the Audit Committee.

The members of the Audit Committee must possess the financial and/or accounting experience necessary for the exercise of their role on the Committee. In addition, the Company also ensures that Audit Committee members have knowledge of the Company's business, activities and industry.

A meeting of the Audit Committee is validly held if at least a majority of its members are present. Decisions are taken by simple majority vote. In the event of a tie, the vote of the Audit Committee Chairman will carry the vote.

The Audit Committee must regularly report on its activities to the Board of Directors, and in any event, at the time of the approval of the annual and six-month financial statements.

8.3.1.2.2 - Nominating and Compensation Committee

The Nominating and Compensation Committee is responsible for:

- reviewing and making proposals to the Board of Directors regarding candidates for Director, CEO, Chairman of the Board and the members and chairman of the Audit Committee and the Strategy Committee. To this end, it must evaluate the abilities, knowledge and experience required for the position, describe the position's responsibilities and determine the time commitments for the position;
- evaluating proposals submitted by interested parties, including management and the shareholders;
- periodically examining the efficient operations of the Board and managers' performance; and
- annually assessing each Directors' independence in the context of the criteria contained in the internal regulations.

With respect to the compensation granted to the Chairman of the Board and the managers of the Company, the Nominating and Compensation Committee:

- provides its opinion on all forms of compensation, including benefits in kind and insurance or retirement benefits received from Group companies or affiliated entities;
- examines and formulates proposals to the Board regarding the compensation of the Chairman of the Board, the CEO and the chief operating officers (*directeurs généraux délégués*), and in particular, the variable portion of compensation. To this end, the Committee establishes the rules regarding the manner in which variable compensation is determined and ensures that such rules are consistent with annual performance evaluations of managers and with the Group's medium-term strategy. The Committee also supervises the enforcement of these rules; and
- ensures that the Company complies with its obligations regarding compensation disclosure. To this end, an annual report is prepared by the Committee and submitted for the approval of the Board of Directors to be subsequently included in the Company's annual report. In addition, the Committee ensures that all information required by law with respect to compensation is clearly and completely communicated in the annual report.

With respect to Director compensation, the Committee:

- makes proposals on the allocation of attendance fees (*jetons de présence*) pursuant to the internal regulations; and
- makes recommendations on any compensation granted to Directors entrusted with additional responsibilities.

With respect to stock option plans and all other forms of compensation through shares or equity-based compensation, the Committee is responsible for:

- reviewing the general policy on entitlement to such methods of compensation and submitting proposals as necessary to the Board of Directors;
- reviewing information provided on such compensation in the annual report and to the Annual Shareholders' Meetings;
- submitting proposals to the Board of Directors regarding the selection of a particular compensation plan from among the plans authorized by law and expressing the reasons for and consequences of such choice; and
- preparing Board of Directors decisions regarding such compensation plans, as well as salary savings plans, for managers and employees of the Company, its subsidiaries or the Group.

The Nominating and Compensation Committee is composed of four members.

A meeting of the Nominating and Compensation Committee is validly held if at least half of its members are present at the meeting. Decisions are taken by simple majority vote. In the event of a tie, the vote of the Nominating and Compensation Committee Chairman will carry the vote.

The Nominating and Compensation Committee meets at least twice a year. In any event, the Committee must meet before the agenda of the Annual Shareholders' Meeting is approved, to examine the draft resolutions that fall within its jurisdiction.

8.3.1.2.3 - Strategy Committee

The Strategy Committee is responsible for assisting the Board of Directors in determining the Company's strategy, and in particular:

- examining major projects relating to the strategic development and positioning of the Group, and in particular, strategic partnerships and major investment or disposal transactions; and
- examining the draft annual budget and the three year business plans of the Company that are submitted to the Board of Directors. To this end, the Committee may interview the Company's managers on the assumptions used to prepare or modify such budgets and business plans.

The Strategy Committee is composed of four members.

A meeting of the Strategy Committee is validly held if at least half of its members are present at the meeting. Decisions are taken by simple majority vote. In the event of a tie, the vote of the Strategy Committee Chairman will carry the vote.

The Strategy Committee meets as many times as necessary, and in any event, at least two times per year.

8.3.1.3 - DIRECTORS' CHARTER

In keeping with its corporate governance responsibilities, the Board of Directors adopted a Directors' charter, which has been integrated into the internal regulations. This Directors' charter sets forth the rights and obligations of the Directors and is binding upon each Director.

Before accepting the position of Director, each Director must ensure that he is familiar with the general and specific obligations of the position, such as those arising from law or regulation, the Company's bylaws, the internal regulations, the Directors' charter described below and all other applicable documents or laws.

- Directors must be competent and play an active role.
- Directors must act at all times in the interest of the Company and are required to defend and promote the Company's values.
- Directors must dedicate the time and attention necessary to their positions and must be assiduous and participate, whenever possible, in all Board meetings and meetings of Committees of which they are a member.
- To enhance transparency, the annual report includes information on Directors' attendance at Board and committee meetings.
- Directors must attend the Shareholders' Meetings.
- Each Director must personally hold at least 500 shares of the Company throughout his term as Director.

- Directors have a duty of loyalty and diligence.

  To this end, each Director commits to:

  - inform the Board of all conflicts of interest, including potential conflicts, and abstain from participating in any consideration of or voting on issues relating to any such conflicts, and
  - abstain from personal commitments with competitors without informing the Board and obtaining its consent.
- Directors have a duty of confidentiality regarding all non-public information obtained in connection with the performance of their duties.
- Directors must ensure that they receive in a timely manner all documents and information necessary for discharging their responsibilities and are responsible for requesting from the Chairman all documents they deem necessary for such purposes.

  A Director who does not consider that sufficient information has been provided may ask for additional information from the Board or the Chairman.
- Directors must possess broad knowledge of the specifics of the Company, its activities and the industry in which it operates.
- Upon appointment or at any time during their term, Directors may receive training on the specifics of the Company, its operations and the industry in which it operates.
- Directors must comply with the Company's code of conduct with respect to insider trading and market activities.

8.3.2 - Operations of management "*Direction Générale*"

The Chief Executive Officer (*Directeur général*) is vested with the broadest powers to act on the Company's behalf under all circumstances. The Chief Executive Officer exercises his powers within the limits of the Company's corporate purpose and subject to the powers expressly attributed by law to the Board of Directors and General Shareholders' Meetings. The Chief Executive Officer represents the Company in its dealings with third parties (see section 11.2.2.2 of this reference document).

The internal regulations enumerate certain significant decisions that require the prior authorization of the Company's Board of Directors (see section 7.3.1.1 of this reference document).

8.3.3 - Code of conduct with respect to trading and market activities

Pursuant to the new legal and regulatory requirements relating to issuers, the Group adopted a code of conduct in 2006.

This code of conduct was adopted by the Board of Directors on June 2, 2006 and applies to all officers (*mandataires sociaux*), managers and senior executives (*personnes assimilées*). The Board appointed the Company Secretary as the person in charge of the ethical duties, responsible for ensuring compliance with the code of conduct.

The main provisions of this code of conduct aim at controlling transactions in the securities of the Company which may be carried out by persons with regular access to material insider information concerning the Company.

8.4 - REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON INTERNAL CONTROLS

The report of the Chairman of the Board of Directors relating to internal controls is prepared pursuant to article L.225-37 of the French Commercial Code and after discussion with the Audit Committee, the Company's Statutory Auditors and the Group's audit and internal control department.

8.4.1 - Corporate governance and conditions of preparation and organization of the work of the Board

The Board of Directors

Legrand is a *société anonyme* with a Board of Directors.

At December 31, 2007, the Board was made up of 11 members, appointed for a term of six years.

Composition of the Board of Directors

Name	Duties	Date of first appointment	Term of office expires on(1)
Gilles Schnepp	Chairman and CEO	12/10/2002	12/31/2007
François Grappotte	Honorary Chairman	12/10/2002	12/31/2007
Olivier Bazil	Vice-Chairman – COO	12/10/2002	12/31/2007
Mattia Caprioli(2)	Director	07/25/2007	12/31/2007
Arnaud Fayet	Director	12/10/2002	12/31/2007
Jacques Garaialde	Director	06/06/2003	12/31/2007
Edward A. Gilhuly	Director	12/10/2002	12/31/2007
Jean-Bernard Lafonta	Director	12/10/2002	12/31/2007
Gérard Lamarche	Director	04/06/2006	12/31/2011
Ernest-Antoine Seillière	Director	12/10/2002	12/31/2007
Thierry de La Tour d'Artaise	Director	04/06/2006	12/31/2011

(1) As of the date of the Shareholders Meeting to approve the financial statements for the past financial year.
(2) Director coopted by the Board of Directors on July 25, 2007 to replace Henry Kravis, who resigned.

In 2007, the Board met six times.

Attendance of Directors at Board meetings was satisfactory, with an attendance rate of 80% for the year. Representatives of the Central Works Committee (*Comité central d'entreprise*) attend the meetings of the Board of Directors

These meetings were used by the general management to inform the Board of Directors about the strategy, development and performance of the Group. The Board thus examined and approved the Group's consolidated financial statements each quarter, after they were presented by the general management. The Board also examined and approved the Group's proposed acquisitions, whenever necessary.

In order to perform its duties under the best conditions, the internal regulations of the Board provide that its deliberations will be prepared in certain fields by specialized Committees: the Audit Committee, the Strategy Committee, and the Nominating and Remuneration Committee.

At Board meetings, these committees present a detailed report on their work. At the end of 2007, a questionnaire was sent to the Directors to evaluate the workings of the Board and its committees. A discussion of these responses was placed on the agenda for the Board meeting held in early 2008.

The Audit Committee

The powers of the Audit Committee and its organization are specified in the internal rules of the Board.

The Audit Committee is composed of three members appointed by the Board of Directors: Arnaud Fayet, Jacques Garaïalde and Gérard Lamarche. It is chaired by Gérard Lamarche. Its primary duties are as follows:

- review the financial statements of the Company and the Group;
- ensure that the accounting methods used for preparation of the consolidated or parent company financial statements are consistent and accurate, and that material transactions at the Group level and major risks are adequately addressed;
- ensure that internal control procedures are established for the collection and control of information to ensure that such information is reliable, review the Group's internal audit plan and the work plan of the Statutory Auditors, become familiar with the Group's internal audit programs;
- provide an opinion on the renewal or appointment of the Statutory Auditors; and
- review any financial or accounting issue which is submitted to it by the Chairman of the Board or by the Chief Executive Officer, as well as any issue of conflict of interest of which it becomes aware.

The Audit Committee meets prior to the review of the annual, half-year and quarterly financial statements by the Board of Directors.

Meetings of the Board of Directors may take place by telephone or video conference; a quorum exists when at least half of the members are present.

The Audit Committee may interview the Chief Financial Officer of the Group and/or members of his team, or receive the observations of the Statutory Auditors without the members of the general management being present.

The Audit Committee reports to the Board of Directors on the performance of its duties.

The Audit Committee met on four occasions during the 2007 financial year.

During these meetings, the findings of the 2006 financial year audit were presented and approved. Every quarter, the Audit Committee reviewed in detail the accuracy of the quarterly financial information published by the Group, as well as the half-year financial statements. The Committee also reviewed the work agenda and the findings of the internal and external audits. In early 2008, the Audit Committee reviewed in detail the accuracy of the parent company and consolidated financial statements for the financial year ended December 31, 2007. The auditors presented their findings to the members of the Committee. The chairman of the Audit Committee reported on the Committee's work on a regular basis to the meetings of the Board of Directors.

The Nominating and Compensation Committee

The powers and organization of the Nominating and Compensation Committee are specified in the internal rules of the Board.

The Nominating and Compensation Committee is made up of four members appointed by the Board of Directors: Jacques Garaïalde, Edward A. Gilhuly, Jean-Bernard Lafonta and Gérard Lamarche. It is chaired by Jean-Bernard Lafonta. Its duties are to approve:

- all types of remuneration of managers, including benefits in kind received from any company of the Group or any affiliated company, as well as any provisions relating to their retirement;
- the establishment of stock option plans, and any other types of remuneration based on shares or indexed to or connected with shares, for managers or any employee or group of employees of the Company or its subsidiaries.

The Nominating and Compensation Committee meets as often as necessary.

Meetings of the Nominating and Compensation Committee may be held by telephone or video conference; a quorum exists when at least half of the members are present.

The Nominating and Compensation Committee reports to the Board of Directors on the performance of its duties.

The Nominating and Compensation Committee met on four occasions during financial year 2007. As part of its compensation-related duties it determined the remuneration of the two officers in view of the Group's performance and their individual performance. It also determined the terms and framework of the Company's stock option plan and the free share plan established for employees and officers in May 2007. It also determined the attendance fees to be paid to the members of the Board of Directors based on their participation in Board and Committee meetings. Finally, the Committee asked the Company to have an independent consulting firm to make a comparative study of the compensation of the Group's managers relative to market practices. The Committee examined the results of this study in early 2008 to establish compensation for 2008.

As part of its nominating-related duties, the Committee examined and recommended the candidacy of Mattia Caprioli for Director to replace Henry Kravis, who had resigned. The Nominating and Compensation Committee reports on its work to the Board of Directors.

The Strategy Committee

The Strategy Committee is made up of four members appointed by the Board of Directors: Olivier Bazil, Jacques Garaïalde, Jean-Bernard Lafonta and Gilles Schnepp. It is chaired by Jacques Garaïalde. Its responsibilities include:

- reviewing all of the main projects relating to the development and strategic position of the Group, in particular strategic partnership projects and main investment and divestment transactions;
- reviewing the draft annual budgets and development plans of the Company submitted to the Board of Directors. As such, the Strategy Committee consults with the managers of the Company in relation to the assumptions on which such plans and budgets are based or amended.

The Strategy Committee met on three occasions during the 2007 financial year.

At its meetings, it reviewed, in particular, the Group's budget. It also examined the major projects related to development and the Group's positioning. It also reviewed all of the Group's proposed acquisitions, including the acquisitions of HPM, the number two player in wiring devices in Australia; UStec, the American specialist in residential structured cabling, Kontaktor, the leader in high-power circuit breakers in Russia; Macse, the leader in Mexico in metal cable management; TCL Wuxi, the Chinese specialist in modular circuit breakers; and Alpes Technologies, the French specialist in quality of electricity.

The Strategy Committee reports on its work to the Board of Directors.

8.4.2 - Definition, goals and organization of the Group's internal control procedures

8.4.2.1 - DEFINITIONS AND GOALS OF THE GROUP'S INTERNAL CONTROL SYSTEM

The internal control system implemented by the Group consists of a set of behaviors, procedures and actions tailored to the Group's special characteristics and:

- contributes to the management of its activities, the effectiveness of its operations and the efficient use of its resources; and
- enables it to take appropriate account of significant operational, financial and compliance risks.

The goals of the Group's internal control procedures are based on a number of principles:

- protection and safeguarding of assets through procedures such as stock monitoring through cycle counts, tangible asset monitoring through regular inventories, or insurance policies tailored to the Group's needs;
- fraud prevention and detection, particularly with regard to accounting and financial information;
- reliability and integrity of accounting information in relation to existing transactions;
- accomplishment of objectives established by management;
- compliance with laws and regulations and internal procedures;
- contribution to the optimization of operations.

It is important to note that internal control cannot provide an absolute guarantee that the Group's objectives will be met. However, the unique nature of its business model makes it easier for the Group's subsidiaries to understand and implement internal control principles.

8.4.2.2 - SCOPE OF INTERNAL CONTROL

The Company's assets consist almost exclusively of shareholdings that represent ownership of the Group companies.

The scope of its internal control system is thus the entire Group and all of its businesses.

8.4.2.3 - FRAMEWORK

To implement these internal control objectives, the Group's management has established an internal control framework based on the COSO principles, tailored to the particularities of Legrand, and based on the practices recommended by the AMF in the reference framework published in January 2007:

- the Group's control environment, the principles of which provide the basis for the Group's internal control philosophy, and determine employees' awareness of the need for internal controls;
- risk assessment and management;
- internal control activities, which ensures that the objectives established by management are accomplished. Because the Group is focused on only one core business, simple organizational rules can be defined in each of the Group's staff and line management units;
- established communications systems, ensuring internal distribution of relevant, reliable information;
- management of the Group's operations through an appropriate delegation of authorities, supervision and continuous monitoring of internal control.

This reference framework is effective in all of the Group's subsidiaries where needed. It has resulted in numerous improvements throughout the subsidiaries in question. In late

December 2007, more than 90% of these measures had already been implemented and significantly enhanced the quality of internal control throughout all procedures. Measures that have not yet been implemented will be carried out in 2008.

Lastly, the organizational structure of this framework is also used to harmonize the internal control methods of the new subsidiaries of the Group and facilitate their integration.

8.4.2.4 - ORGANIZATION OF LEGRAND'S INTERNAL CONTROL

The principles of the Group's internal control framework are established and implemented through the joint action of the following internal entities.

Internal control environment

The goal of the organization deployed by the Group is to clearly assign responsibilities to operational units and functions. This approach also uses a set of core messages and values that are widely disseminated throughout the Group and shared by all, above and beyond the corporate structures. This internal control environment has resulted in the adoption of a charter of fundamentals to disseminate Group values and principles to all entities and their employees.

Risk assessment and management

In the course of 2007, the Group conducted a risk assessment to strengthen its internal control system, and thus define a methodology for identifying and evaluating the principal risks it faces and take the necessary actions. This system will be implemented by a manager assigned to risk management and a steering committee that will be operational in 2008.

Internal control activities

The Group's internal control procedures activities are defined in a manual of administrative and financial procedures and accounting, management and reporting rules. This procedures manual has existed for over ten years and is tailored to the Group's economic environment and industry. Clear emphasis is placed on tracking product flow (with reliability of stocks monitored through cycle counts, analysis and justification of inventory discrepancies) and sales transactions (compliance with revenue recognition rules, tracking and authorization of discounts or rebates). These procedures are updated on a regular basis as necessary.

Establishment and dissemination of relevant information

Financial managers at subsidiaries

The position of financial manager is defined as a key position in the Group's Finance Department. Candidates for these positions are reviewed systematically by the Group's financial management, to ensure consistency and the same level of expertise among the candidates selected.

Group financial control

The Group's financial control section plays a key role in monitoring of the subsidiaries' performance. It coordinates the preparation of annual budgets and regularly monitors achievements and estimates. This work follows specific reporting and budget preparation rules, which are included in the internal control procedures manual.

All subsidiaries issue a consolidation report every month, including a balance sheet, an income statement and analysis, so that their performance can be monitored in detail.

Corporate financial analysis

The corporate financial analysis section prepares and analyzes the Group's consolidated financial statements. It prepares and circulates, on a monthly basis, a balanced scorecard (*tableau de bord*) showing the Group's consolidated performance and the difference between actual performance and targeted results.

Accounting data are consolidated by a dedicated team based on the consolidation reports available via software to all Group subsidiaries. Consolidated financial statements are prepared on a monthly basis, with the exception of July, following a consolidation schedule circulated to all subsidiaries, which allows them to plan accordingly and provide the financial information in a timely manner.

Almost all of the consolidated entities have their consolidation reports reviewed annually by the local affiliated offices of the Group's Statutory Auditors.

Cash flow management

Cash flow is monitored through specific Group procedures. In particular, investment, borrowing and hedging transactions are centralized and controlled by the Group's Finance Department.

This allows the Finance Department to monitor the Group's indebtedness, manage interest rate and exchange rate risks and optimize cash flow management and the financing of the subsidiaries.

IT Department

To ensure the reliability of accounting and financial data processing, Legrand has implemented a system of IT procedures and data back-up plans for the various IT systems used by the Group.

Moreover, the roll-out of internal controls strengthened and harmonized all provisions connected with the implementation and operation of IT systems, as well as the protection and access conditions for systems and networks.

Management of internal control

The Group's internal control section:

- steers the Group's internal control activities and ensures that reviews are performed methodically;
- is in charge of performing internal audits in the various entities in the Group.

The assignment of these two tasks to one section ensures consistent methodology and precise identification of the risk areas and related points of control.

Moreover, for the Group's largest entities (France, Italy and USA), the internal control section relies on local internal controllers who implement the internal control policy in their respective units. In smaller or intermediate subsidiaries, internal control is the responsibility of the head of each operating unit. Regular reviews by the Group's internal auditors and financial controllers are performed to verify that the Group's procedures have been implemented and enforced. Throughout the Group as a whole, around 17 staff members will be devoted to internal control in 2008.

The internal control section reports to the Company's Secretary of the Group, who in turn reports to the Vice-Chairman and Chief Operating Officer.

8.4.3 - Principles and rules for determining officers' compensation and benefits

Officer compensation is determined by the Board of Directors on the recommendation of the Nominating and Compensation Committee.

Compensation and benefits granted to the Chairman and Chief Executive Officer and the Vice-Chairman, Chief Operating Officer

The principles for determining the compensation of the Chairman and Chief Executive Officer and the Vice-Chairman, Chief Operating Officer include:

- a fixed annual remuneration, determined with regard to the level of responsibility and the experience of each person as well as the market practice;
- a variable portion based on the achievement of specific targets, both quantitative and qualitative. The quantitative targets are linked to the financial performance of the Company. Qualitative targets are mainly connected with the manager's implementation of the Group's strategy;
- the stock option or free share plans implemented during 2007 and those to be implemented in 2008, with the amounts based on the attainment of specific objectives related to the Group's financial performance;
- a company car and a cell phone as benefits in kind;
- the mandatory group contingency fund scheme and supplementary health insurance for the Group's executives;
- a retirement supplement described in section 8.2.2 of this reference document.

Attendance fees paid to members of the Board of Directors

The rules for determining the amount of the attendance fees paid to the members of the Board of Directors are as follows:

- €20,000 per year to be paid to each member attending each meeting of the Board of Directors, this amount being decreased by €1,000 for each absence from a Board of Directors meeting;
- in addition, €5,000 per year to be paid to each member of the Board of Directors who is also a member of a Committee, this amount being increased to €10,000 per year if such member is also Chairman of the Strategy Committee or of the Nominating and Compensation Committee, and to €20,000 for the Audit Committee Chairman.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

8.4.4 - Statutory Auditors' report prepared in accordance with article L.225-235 of the French Commercial Code

Statutory Auditors' report, prepared in accordance with article L.225-235 of the French Commercial Code, on the report prepared by the Chairman of the Board of Legrand, on the internal control procedures relating to the preparation and processing of the financial and accounting information

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

For the year ended December 31, 2007

To the Shareholders,

In our capacity as Statutory Auditors of Legrand, and in accordance with article L.225-235 of the French Commercial Code *(Code de commerce)*, we hereby report to you on the report prepared by the Chairman of your company in accordance with article L.225-37 of the French Commercial code for the year ended December 31, 2007.

It is the Chairman's responsibility to describe in his report the preparation and organization of the Board's work and the internal control procedures implemented by the company. It is our responsibility to report to you on the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of the financial and accounting information.

We performed procedures in accordance with the relevant French professional standard. This standard require that we perform procedures to assess the fairness of the information set out in the Chairman's report on internal control procedures relating to the preparation and processing of financial and accounting information. These procedures mainly consisted of:

- obtaining an understanding of the internal control procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material weaknesses in the internal control relating to the preparation and processing of financial and accounting information that we may have identified in the course of our work are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information given on internal control procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine, April 7, 2008
The Statutory Auditors

PricewaterhouseCoopers Audit
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9 EMPLOYEES

9.1 - NUMBER AND BREAKDOWN

The table below shows the weighted-average number of employees, including temporary employees, employed by the Group in 2007, 2006 and 2005 together with breakdowns by geographical locations and areas of employment.

	2007	2006	2005
Total number of employees *(weighted average)*[1]	32,355	31,705	27,032
By geographical location			
France	26%	27%	31%
Italy	11%	11%	13%
Rest of Europe	15%	15%	17%
United States and Canada	8%	9%	10%
Rest of world	40%	38%	29%
By area of employment			
Back Office			
Manufacturing	61%	62%	63%
Administration, General Services and R&D	21%	21%	22%
Front Office			
Marketing and Sales	18%	17%	15%

(1) Excluding Kontaktor, Macse, Wuxi and Alpes Technologies.

The Group tries to achieve an appropriate match between workforce numbers and economic conditions, customer relationships, the development of new products and renewal of existing lines. Aiming to build market share, it continues to make sales and marketing ("Front Office" activities) the priority, and the weighted average number of employees in these areas thus rose by 3.6% excluding the impact of the recent acquisitions Kontaktor, Macse, TCI Wuxi and Alpes Technologies. As a counterbalance, the Group keeps a tight rein on staff numbers in manufacturing, administration, general services and R&D ("Back Office"), with the weighted average declining by 1.9% in 2007, again excluding the impact of recent acquisitions. If required, the Group cuts staff in response to changes in business pace, where possible on the basis of voluntary departures.

9.2 - OPTIONS FOR SUBSCRIPTION TO NEW SHARES OR PURCHASE OF EXISTING SHARES

9.2.1 - Stock options granted by the Company

If all the options granted under the plans described below were exercised, the resulting dilution of the Company's share capital measured at December 31, 2007 would be 1.1%.

9.2.1.1 - 2003, 2004 AND 2005 STOCK-OPTION PLANS

At the General Meeting of June 6, 2003, shareholders authorized the Board of Directors to grant certain employees and officers of the Company or of its subsidiaries, on one or more occasions, stock options entitling holders to subscribe to new shares of the Company representing at most 1.6% of its share capital including the shares to be issued as a result of the exercise of options.

The table below summarizes the position regarding the Company's stock-option plans at December 31, 2007.

Information on options for the subscription to new shares or the purchase of existing shares	2003 Plan	2004 Plan	2005 Plan	Total
Date of Board of Directors' meeting	June 5, 2003	January 30, 2004	February 7, 2005	
Total number of shares that may be subscribed or purchased	1,924,530	508,250	173,750	2,606,530
Including number of shares that may be subscribed or purchased by corporate officers (mandataires sociaux)	*0*	*0*	*0*	*0*
Terms of exercise	■ up to 2/3 of the options, 4 years after grant and option to be exercised within 60 days; ■ up to 1/3 of the options, 5 years after grant and option to be exercised within 60 days.			
Subscription/purchase price	€4	€4	€5.6	
Options exercised in 2007	(1,282,363)	0	0	(1,282,363)
Options cancelled in 2007	(496)			(496)
OPTIONS OUTSTANDING AT DEC. 31, 2007	**641,671**	**508,250**	**173,750**	**1,323,671**

Of the options outstanding at December 31, 2007, 980,343 may be exercised in 2008, 285,250 options in 2009 and 57,917 in 2010.

In 2007, 1,282,363 options were exercised and those still outstanding may be exercised over the following years in accordance with the schedules defined in the plans.

9.2.1.2 - 2007 STOCK-OPTION PLANS

The table below summarizes authorizations for the issuance of options for the subscription to new shares or purchase of existing shares granted at the General Meeting of shareholders on May 15, 2007. Meeting on May 15, 2007, the Company's Board of Directors approved the implementation of stock option plans for subscription to new shares or purchase of existing shares.

Transaction concerned	Duration of authorization and expiration date	Maximum number of shares to which options may entitled	Duration of plans	Price	Beneficiaries
Issue in one or several stages of stock options or share purchase options	38 months July 15, 2010	5% of share capital of the Company at the grant date	10 years as from date of grant by the Board of Directors	Determined by the Board of Directors in accordance with applicable law and regulations	Certain employees and/or officers of the Company and of affiliated companies

Information on options for the subscription to new shares or the purchase of existing shares	2007 Plan
Date of Board of Directors' meeting	May 15, 2007
Total number of shares that may be subscribed to or purchased	1,638,137
Including number of shares that may be subscribed or purchased by corporate officers *(mandataires sociaux)*	79,281
Terms of exercise	After a period of at most 4 years except in cases of resignation or grave misconduct (faute lourde) after grant and option to be exercised within 60 days
Subscription/purchase price	€25.20
Options vesting in 2007	1,637
Options cancelled in 2007	(27,574)
OPTIONS OUTSTANDING AT DEC. 31, 2007	**1,610,563**

Options granted in 2007 were valued on the basis of the following assumptions:

Risk-free interest rate	4.35%
Anticipated volatility	28.7%
Return	1.98%

9.2.1.3 - RECAPITULATION

The table below shows the options granted to and exercised by the officers and the highest paid employees who are not officers of the Company during the financial year ended December 31, 2007:

	Number of options				Price of options *(in euros)*				Expiration date of options			
	2003	2004	2005	2007	2003	2004	2005	2007	2003	2004	2005	2007
Options granted to corporate officers												
Olivier Bazil	–	–	–	40,745	–	–	–	25.20	–	–	–	2017
Gilles Schnepp	–	–	–	38,536	–	–	–	25.20	–	–	–	2017
Options exercised by the corporate officers												
Olivier Bazil	–	–	–	–	–	–	–	–				
Gilles Schnepp	–	–	–	–	–	–	–	–				
Options granted to 11 highest paid employees*				38,393				25.20				2017
Options exercised by 10 highest paid employees	26,329			-	4							

* *In 2007, two salaries were ranked ex aequo in the top ten, thus making a total of 11 employees.*

9.2.2 - Options for subscription to new shares or purchases of existing shares granted by Legrand France

In May 1999, shareholders authorized Legrand France to issue, until May 2004, up to 700,000 options to purchase or subscribe to ordinary shares or preferred, non-voting shares. This option plan was open to all French employees.

On November 21, 2000, Legrand France established an option plan for subscription to ordinary shares, open to all French employees above a certain level. The exercise price for options issued under the plans was equal to the average opening price of the shares on the Paris stock exchange, in the 20 trading days prior to November 21, 2000.

On November 13, 2001, Legrand France established a stock option plan open to all French employees above a certain level. The exercise price was equal to the average opening price of the shares on the Paris stock exchange in the 20 trading days prior to November 13, 2001. The options could be exercised in the three years following a four-year vesting period.

At its meetings on November 2, 2005 and February 8, 2006, the Board of Directors' meetings established liquidity mechanisms enabling holders of options under the 2001 plan to sell to the Company the shares resulting from the exercise of these options.

The shareholders of Legrand France approved the distribution of reserves in the amounts of €375 million at their meeting on November 15, 2003 and €675 million at their meeting on March 30, 2004. Tithe value and the number of options were adjusted to allow for this.

For details relating to Legrand France employee stock option plans, please refer to note 11 (c) to the consolidated financial statements as referred to in chapter 11 of this reference document.

At December 31, 2007, the outstanding options for the purchase or subscription to ordinary shares of Legrand France held by the employees of the Group, including executives and corporate officers, potentially represented a total of 7,434 new ordinary shares, or approximately 0.03% of the fully-diluted outstanding share capital of Legrand France. They may be exercised until November 2008.

In 2007, 66,740 options granted pursuant to the 2000 plan were exercised at a price of €140.19 per share and 9 options granted pursuant to the 2001 plan were exercised at a price of €104.68 per share.

The table below sets forth an overview of the stock option and share subscription option plans established by Legrand France:

Type of plan		Subscription
DATE OF GRANT	**2000**	**2001**
TYPE OF SHARES UNDER OPTION	**ORDINARY**	**ORDINARY**
Number of grantees	8,999	9,122
Start date of exercise period	11/2005	11/2005
Expiry date of exercise period	11/2007	11/2008
Exercise price (*in euros*) before distribution of retained earnings	191.50	143.00
Exercise price (*in euros*) after distribution of retained earnings	140.19	104.68
Number of options granted	**124,240**	**178,766**
Options forfeited	(18)	
Balance as of December 31, 2002	124,222	178,766
New options issued on November 15, 2003 in connection with distribution of retained earnings	16,218	21,353
Options exercised		
Options forfeited	(372)	(372)
Balance as of December 31, 2003	140,068	199,747
New options issued on March 30, 2004 in connection with distribution of retained earnings	38,002	52,996
Options exercised		
Options forfeited	(9)	
Balance as of December 31, 2004	178,061	252,743
Options exercised	(38,265)	
Options forfeited	(95)	(95)
Balance as of December 31, 2005	139,701	252,648
Options exercised	(64,247)	(244,704)
Options forfeited	(240)	(465)
Balance as of December 31, 2006	75,214	7,479
Options exercised	(66,740)	(9)
Options forfeited	(8,474)	(36)
BALANCE AS OF DECEMBER 31, 2007	**0.0**	**7,434**

The table below shows the options granted to and exercised by the officers and the 10 highest paid employees who are not officers of the Company during the financial year ended December 31, 2007:

	Number of options		Price of options *(in euros)*		Expiration date of options	
	2000	2001	2000	2001	2000	2001
Options granted to corporate officers						
Olivier Bazil	–	–	–	–	–	–
François Grappotte	–	–	–	–	–	–
Gilles Schnepp	–	–	–	–	–	–
Options exercised by the corporate officers						
Olivier Bazil	–	–	–	–	–	–
François Grappotte	–	–	–	–	–	–
Gilles Schnepp	–	–	–	–	–	–
Options granted to 10 highest beneficiaries	–					
Options exercised by 10 highest beneficiaries	717	–	140.19	–	11/2007	11/2008

9.3 - FREE SHARE ALLOTMENTS

The table below summarizes authorizations for the allotment of free shares granted by the Combined Ordinary and Extraordinary General Meeting of shareholders on May 15, 2007. Meeting on the same day, the Board of Directors approved the implementation of a free share plan.

Transaction concerned	Duration of authorization and expiration date	Maximum number of shares to which allotments may entitle	Beneficiaries
Allotment of free shares, on one or several occasions	38 months July 15, 2010	5% of share capital of the Company at the grant date	Certain employees and/or officers of the Company and of affiliated companies

Information concerning free share plan	2007 Plan
Date of Board of Directors' meeting	May 15, 2007
Total number of free shares allotted	533,494
Including number of shares allotted to corporate officers *(mandataires sociaux)*	26,427
Including number of shares allotted to the 11 highest beneficiaries*	12,802
Vesting	After a period of at most 4 years except in cases of resignation or grave misconduct *(faute lourde)*
Free shares vested in 2007	546
Free shares cancelled in 2007	(8,695)
Allotments outstanding at Dec. 31, 2007	**524,799**

* *In 2007, two salaries were ranked ex aequo in the top ten, thus making a total of 11 employees.*

If all free shares allotted vest, the resulting dilution of share capital measured at December 31, 2007 would be 0.2%.

9.4 - PROFIT SHARING, EMPLOYEE SHARE OWNERSHIP/ SAVINGS PLANS AND COMPANY MUTUAL FUND

French companies with after-tax income exceeding a certain amount are required by law to share the benefits of their business development. The amounts distributed through this form of profit sharing, referred to in French as *participation*, are generally frozen for a five-year period.

In addition to this compulsory system, some of the French companies and foreign subsidiaries share a portion of their profits with employees under arrangements separately negotiated by individual businesses. This form of profit-sharing is referred to in French as *intéressement*.

The Group total for the two kinds of profit sharing rose from €27.2 million in 2005 to €31.7 million in 2006 and €32.5 million in 2007.

In France, Legrand and its French subsidiaries entered into new profit-sharing agreements on June 28, 2006, and the ICM group became a party to the same agreements. Total charges for the two kinds of profit sharing amounted to €26.5 million in the 2007 financial year, equaling 9.82% of payroll for the year in France. The particular arrangements described below concern Legrand and its French subsidiaries, these being the most significant cases.

9.4.1 - *Participation*

All employees on the payroll of the Company or one of its French subsidiaries for more than three months are entitled to a share of the amount allocated to a *réserve spéciale de participation*, which may be calculated on the basis of total sales in accordance with company agreements or, where this to the advantage of employees, in accordance with the general, provisions of law. Entitlements of individual employees are proportional to their salaries and the portion of the year during which they were in the company's employment. Entitlements are frozen for a period of five years. In 2007, a total of €10.8 million was paid in respect of the year ended December 31, 2006.

Following a government decision authorizing the immediate payment of entitlements in respect of the 2004 and 2005 financial years, this being to the exclusion of the tax advantages attached to funds frozen for five years, the plan was amended on September 29, 2004 and September 30, 2005 to include provisions for the exercise of this option by employees who wish to.

9.4.2 - *Intéressement*

All employees on the payroll of the Company or one of its French subsidiaries for more than three months receive a fraction of profit proportional to their gross salaries. This amount, which may be paid immediately, must not, however, exceed 20% of the employee's total annual compensation. In 2007, a total of €13.5 million was paid in respect of the year ended December 31, 2006.

The current plan remains in effect until the end of 2008.

9.4.3 - Group Share Ownership/Savings Plan (*Plan d'Épargne d'Entreprise*)

On January 30, 2004, the Company and its French subsidiaries set up a new employee share ownership/savings plan (*Plan d'Épargne d'Entreprise* Groupe Legrand). In accordance with the law, this allows all employees on Group payrolls in France for over three months to build savings through an investment fund (*Fonds Commun de Placement*) managed by an accredited institution. Employees are free to choose from a selection of funds. The sums paid into employees' accounts, which are by law

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

frozen for a period of five years, may include mandatory profit-sharing (*participation légale*), company-based profit sharing (*intéressement*), and voluntary payments, which are however subject to legal limitations. Administrative costs are borne by the company.

This Group Plan is effective for a renewable term of one year.

In 2006, a special Group employee share ownership/savings plan was set up under the name Legrand *Actionnariat* to allow employees collectively to take advantage of the Company's initial public offering at a discount from the offering price.

9.4.4 - Company investment fund (*Fonds Commun de Placement d'Entreprise* - FCPE)

As explained above, employees may invest the amounts credited to them but remaining frozen in various investment funds set up in accordance with relevant provisions of the law.

In 2003, Legrand set up a new fund, in addition to those already existing under the name Legrand *Obligations Privées* (Legrand private-sector bonds), allowing employees to invest their profit-sharing payments during the period they remain frozen and earn a financial return similar to the rate of interest paid on the frozen employee accounts previously used for this purpose. In 2006, this return was set at 5.6%. At December 31, 2006, employee investments in this fund totaled €18.7 million.

On the occasion of the Company's initial public offering and the related capital increase reserved to employees, employees were allowed, as regards their participation in the savings/share-ownership plan, to choose between two compartments of the Legrand Cap 2011 fund set up for this purpose, one being Legrand Prudence and the other Legrand Performance. Units of these funds are frozen for five years from May 2, 2006, the settlement and delivery date for the capital increase reserved for employees.

10 SHAREHOLDERS

10.1 - PRINCIPAL SHAREHOLDERS

Unless otherwise indicated, the information presented in this chapter is dated December 31, 2007. A capital reduction by cancellation of own shares was decided by the Board of Directors at its meeting on March 5, 2008 and readers should thus refer to paragraph 11.6.1 of this reference document for additional information on this point.

10.1.1 - Shareholding structure

At December 31, 2007, ownership of Legrand was as follows:

Shareholder	Interest
Wendel	30%
KKR	30%
Free float	31%
Legrand Management and employees (Plan d'Épargne Entreprise)	5%
Treasury stock	4%

The 5% interest held by Legrand's management and its employees results, with respect to the main managers of the Group, from the exchange, on the occasion of the initial public offering, of the Lumina Management shares they held as investors, for Legrand shares, and, with respect to employees, from the capital increase reserved to employees in connection with the Company's initial public offering.

To the best knowledge of the Company, no other shareholder holds more than 5% of its share capital at the date of this reference document.

At December 31, 2007, the Company held 11,385,834 own shares representing 4.2% of capital stock.

Assuming that capital structure and ownership are unchanged at May 22, 2008, the date of the next General Meeting of Company shareholder, the distribution of ownership and voting rights at that date will be as shown below, allowing for the double voting rights described in paragraph 12.2.3, which will then be in force.

Shareholder	% of capital stock	% of voting rights
Wendel*	31%	37%
KKR*	31%	37%
Legrand Management and employees (Plan d'Épargne Entreprise)	5%	5%
Free float	31%	20%
Treasury stock	2%	1%

* *The Legrand shares held by these two shareholders were transferred to registered form at slightly different dates, with the result that there will be an interval of several weeks between the dates at which they separately acquire double voting rights between now and May 22, 2008.*

By its decision dated April 16, 2008 reproduced in its Décision et Information 208C0715, the *Autorité des marchés financiers* (AMF) granted Wendel and KKR, at their request, an exemption from the requirement to file a proposal for a public offering pursuant to articles 234-9, 6° and 234-7, final paragraph, of its General Regulations. In this regard, the AMF noted that the two parties, whose separate voting rights will break above the one-third threshold as a result of the acquisition of double votes for the Company shares they hold in registered form, are declared associates acting in concert and jointly control, and will continue to jointly control following the acquisition of double voting rights, the majority voting rights in the Company.

It is to be remembered that following the acquisition of the Company by the Consortium in December 2002, the Company's capital was wholly owned, with the exception of shares held by Directors, by the company Lumina Participation. In April 2006, Legrand, formerly named Legrand Holding and the parent

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

company of Legrand France since the acquisition by the Consortium, obtained the admission of the shares representing its capital stock to trading on the Eurolist market of Euronext Paris. On that occasion, the Company made a capital increase through a call on the public with the issue of 43,689,298 shares for €862.9 million. In addition, the Company allowed employees to participate in Legrand's admission to trading through a capital increase on preferred terms reserved to employee in an amount of €36.4 million (after allowance for €9.1 million in discount expense) with the issue of 2,303,439 shares. Finally, in November 2006, Goldman Sachs Capital Partners, Montagu Private Equity and WestLuxcon Holdings SA (a subsidiary of West LB AG), historical shareholders of Legrand, sold some 40 million Legrand shares on the market, following which free float rose to 35% of capital compared with 20% following market listing.

10.1.2 - Control of the Company

10.1.2.1 - CONTROL STRUCTURE

At December 31, 2007, the Company was controlled by Wendel and KKR, each holding 30%.

The Board of Directors ensures that its membership at all times includes at least two independent Directors with no interest in the Company as this is defined in the Board's internal regulations. At the registration date of this reference document, Gérard Lamarche and Thierry de La Tour d'Artaise serve as independent Directors.

A presentation of the independent Directors and the procedures for their selection appears in paragraph 8.3.1.2 of this reference document.

10.1.2.2 - MAIN DIRECT AND INDIRECT SHAREHOLDERS

Wendel

Wendel is France's largest listed investment company and one of the largest in Europe. With the support of a family shareholder, it pursues a strategy of long-term investment as a majority or leading shareholder of companies in both service and manufacturing sectors, aiming to accelerate their development and make them leaders in their sectors. Wendel backs highly committed management teams, contributes to the definition and implementation of strategies, and provides the financing needed to ensure their success. Since its foundation in 2002, Wendel has made investments totaling over €3.5 billion in companies with leading positions on their markets. In addition to the investment in Legrand in 2002, they include the acquisitions of Editis and of a majority interest in Bureau Veritas in 2004. In 2006, Wendel acquired Materis and broadened the scope of its international strategy with the acquisitions of Deutsch in the United States, and Stahl and AVR in the Netherlands. In 2007, Wendel acquired an 18% interest in Saint Gobain, making it the company's largest shareholder.

Wendel shares are traded on the Eurolist market of Euronext Paris.

Wendel's annual report can be accessed on the website of the French financial markets authority (AMF) (www.amf.org) and downloaded from the Wendel website (www.wendelgroup.com).

KKR

Over the past 32 years, KKR & Co. has invested in more than 160 private equity transactions with a total value of over $414 billion. KKR & Co.'s current private equity portfolio consists of 44 portfolio companies with over $180 billion of annual revenues and more than 800,000 employees worldwide. These companies are based in 12 countries and operate in 14 industries, providing KKR with broad and deep industry and operating expertise.

10.1.2.3 - SHARES HELD BY DIRECTORS

Each member of the Board of Directors is required to hold at least 500 Company shares.

Directors' direct interests in the capital of the Company at December 31, 2007 are shown in the table below:

Name	Position	Number of shares	% of capital and voting rights
Gilles Schnepp	Chairman and Chief Executive Officer	1,916,000	0.7
Olivier Bazil	Vice-Chairman and Chief Operating Officer	1,916,000	0.7
Mattia Caprioli	Director	500	–
Arnaud Fayet	Director	1,000	–
Jacques Garaïalde	Director	500	–
Edward A. Gilhuly	Director	500	–
François Grappotte	Director	1,916,000	0.7
Jean-Bernard Lafonta	Director	500	–
Gérard Lamarche	Director	500	–
Thierry de La Tour d'Artaise	Director	500	–
Ernest-Antoine Seillière	Director	500	–
TOTAL		**5,752,500**	**2.1**

10.2 - SHAREHOLDERS' AGREEMENT AND SPECIFIC AGREEMENTS

Wendel and KKR entered into a shareholders' agreement on March 21, 2006 (the "Shareholders' Agreement"), in the context of the initial public offering. The main provisions of the Shareholders' Agreement are described below.

10.2.1 - Basic principles

Considering the understanding between Wendel and KKR, each of them has agreed not to make any purchase of Company shares that would result in an obligation under French law to file a public tender offer for the shares of the Company unless it assumes the full consequences of such a tender offer alone. In the event that one of the parties succeeds with such an offer, the Shareholders' Agreement will be amended to (i) allow the other party (which party will have become a minority shareholder) veto rights on certain significant decisions regarding the Company for so long as this party holds at least 20% of the voting rights of the Company and (ii) grant tag-along rights in the event the party holding majority ownership of the Company sells its interest.

10.2.2 - Corporate Governance

The management of the Company is entrusted to a Board of Directors, the responsibilities and operation of which are described in chapters 8 and 12 of this reference document.

The Board of Directors is made up of three Directors proposed by Wendel, three Directors proposed by KKR, two independent Directors (currently Gérard Lamarche and Thierry de La Tour d'Artaise) and Gilles Schnepp, Olivier Bazil and François Grappotte. The Board of Directors has three committees, the missions and membership of which are described in section 8.3.1.2 of this reference document.

Without prejudice to the voting rights of the shareholders in general meetings, Wendel and KKR have agreed that, during a period of two years and three months from the date of the admission of the Company's shares to trading on the Eurolist market of Euronext Paris, i.e., until July 6, 2008, they will vote at Shareholders' Meetings in such a way that members proposed by Wendel and KKR remain in the majority on the Board of Directors. Throughout this period, the seats on the Board of Directors held by members proposed by Wendel and by KKR will represent each equally, regardless of their respective shareholdings in the Company.

At the end of this period of two years and three months, the distribution of seats on the Board held by Directors proposed by Wendel and KKR may be altered in the event that the interest of either in the Company changes.

Should the combined interests of Wendel and KKR in the Company become less than one third of the voting rights of the Company, the voting agreements between KKR and Wendel will be terminated, as explained in section 10.2.4 below.

10.2.3 - Exit mechanisms

10.2.3.1 - RESTRICTED PERIOD

Wendel and KKR have agreed that they will not dispose of any shares of the Company before April 8, 2008, with the exception of disposals to related parties and sales of limited numbers of shares (in accordance with thresholds to be defined in order to limit the impact of such disposals on the share price), it being specified that such disposals will require prior notice to the other party. This lock-up period will be terminated earlier in case of the sale of shares agreed on by Wendel and KKR before April 8, 2008.

10.2.3.2 - POST RESTRICTED PERIOD

If at any time during the term of the Shareholders' Agreement, either KKR or Wendel wish to carry out a secondary offering of its shares in the Company in an amount greater than €150 million, or if either of them wishes to dispose of a block of Company shares in an amount greater than €100 million, the other party will be entitled to tag along on such secondary offering or disposal. This right does not apply with respect to any distribution of Company shares to shareholders of Wendel or KKR, or in the event of the issuance of securities convertible into or exchangeable for Company shares (convertible bonds, etc.) or in the event that the Company's securities are used as consideration in another, more comprehensive transaction.

KKR and Wendel will have the Company undertake to take certain action in the context of any secondary offerings such as to allow orderly placement of their shares on the market.

Any sale of shares by either Wendel or KKR to a an industrial group in an amount greater than €100 million will require the prior consent of the other party.

Wendel and KKR will each have a right of first refusal in the event that the other intends to sell Company shares. This right of first refusal will not apply to the distribution of Company shares to shareholders of Wendel or KKR, or to the issuance of securities convertible into or exchangeable for shares of the Company (such as convertible bonds).

10.2.4 - Termination

The Shareholders' Agreement will terminate on the earliest of (i) the date on which the combined shareholding in the Company of Wendel and KKR represents less than one-third of the voting rights of the Company, (ii) the date on which the shareholding of either Wendel or KKR represents less than 5% of the voting rights of the Company; or (iii) the fifth anniversary of the initial public offering of the Company's shares on the Eurolist market of Euronext Paris.

10.3 - RELATED-PARTY TRANSACTIONS

Significant transactions entered into by, or continued between, the Company and related parties (see notes 14 and 25 to the consolidated financial statements included in chapter 10 of this reference document) since January 1, 2003 and which remain in effect at the date of registration of this reference document, are, to the exclusion of those relating to inter-company debt, as follows:

- the tax consolidation agreement, the scope of which includes, among others, Arnould FAE, Baco, Chessy, Distrasa, Inovac, Legrand SNC, Pammelec, Planet Watthom, Sarlam, Sofrelec, Sute, URA, Arnould Planet Watthom and, Chateaudun Developpement 3 (ICM Group);
- the supplementary pension plan for the members of the Group's Executive committee subject to the public pension régime for payroll employees in France. Supplementary pension entitlements are calculated to ensure that the beneficiaries receive a total retirement pension equal to 50% of the average of the two highest amounts of annual compensation received during the last three years of employment with Legrand. To receive the supplementary pension, the person concerned must be at least 60 years of age and must have been employed by Legrand for at least ten years. Upon such a beneficiary's death, the beneficiary's surviving spouse will receive 60% of the pension;
- the 2006 credit facility agreement (See section 7.5.2.1 and the Statutory Auditor's report on regulated agreements and commitments, reproduced in appendix 5 of this reference document).

11 FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

11.1 - CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2007, DECEMBER 31, 2006 AND DECEMBER 31, 2005

11.1.1 - Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2007, December 31, 2006 and December 31, 2005

1
2
3
4
5
6
7
8
9
10
11
12
13
CT
A

11.1.1.1 - CONSOLIDATED STATEMENT OF INCOME IN ACCORDANCE WITH IFRS STANDARDS

	Legrand 12 months ended December 31,		
(in € millions)	2007	2006	2005
Revenue (note 1 (k))	**4,128.8**	**3,736.8**	**3,247.9**
Operating expenses			
Cost of sales	(2,060.5)	(1,881.7)	(1,675.4)
Administrative and selling expenses	(1,081.8)	(977.7)	(835.6)
Research and development costs	(219.5)	(237.9)	(238.6)
Other operating income (expense) (note 20 (b))	(105.5)	(109.9)	(92.6)
Operating profit (note 20)	**661.5**	**529.6**	**405.7**
Finance costs (note 21 (b))	(152.4)	(157.4)	(206.5)
Financial income (note 21 (b))	42.5	33.7	25.4
Exchange gains and losses (note 21 (a))	44.0	40.4	(32.3)
Loss on extinguishment of debt (note 15 (a))	0.0	(109.0)	0.0
Finance costs and other financial income and expense, net	(65.9)	(192.3)	(213.4)
Share of profit of associates	2.0	0.8	1.3
Profit before tax	**597.6**	**338.1**	**193.6**
Income tax expense (note 22)	(175.0)	(82.9)	(89.8)
Profit for the period	**422.6**	**255.2**	**103.8**
Attributable to:			
■ **Legrand**	**421.0**	**252.0**	**101.4**
■ **Minority interests**	**1.6**	**3.2**	**2.4**
Basic earnings per share *(euros)* (notes 10 and 1 (s))*	1.584	1.019	0.534
Diluted earnings per share *(euros)* (notes 10 and 1 (s))*	1.573	1.009	0.527

* *Basic and diluted earnings per share for 2005 have been adjusted to reflect the impact of the 1-for-4 reverse stock-split carried out on February 24, 2006.*

Reported basic and diluted earnings per share for 2005, before the reverse stock-split, amounted to €0.134 and €0.132 respectively.

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

11.1.1.2 - CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS STANDARDS

Assets

	Legrand		
(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Current assets			
Cash and cash equivalents (note 1 (d))	221.1	178.9	133.2
Marketable securities (note 9)	0.2	0.4	0.6
Income tax receivables	12.3	14.2	6.1
Trade receivables (notes 1 (e) and 7)	646.2	620.8	563.2
Other current assets (note 8)	145.5	132.2	127.5
Inventories (notes 1 (i) and 6)	624.4	560.1	474.5
Other current financial assets (note 24)	11.8	22.2	33.4
TOTAL CURRENT ASSETS	**1,661.5**	**1,528.8**	**1,338.5**
Non-current assets			
Intangible assets (notes 1 (f) and 2)	1,784.3	1,840.0	1,861.3
Goodwill (notes 1 (g) and 3)	1,815.9	1,633.2	1,780.0
Property, plant and equipment (notes 1 (h) and 4)	756.7	789.2	833.6
Investments in associates (note 5)	14.0	10.5	9.5
Other investments (note 5)	8.3	5.0	4.1
Deferred tax assets (notes 1 (j) and 22)	64.3	124.6	61.5
Other non-current assets	4.6	4.8	4.6
TOTAL NON-CURRENT ASSETS	**4,448.1**	**4,407.3**	**4,554.6**
TOTAL ASSETS	**6,109.6**	**5,936.1**	**5,893.1**

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

FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2007, December 31, 2006 and December 31, 2005

Equity and liabilities

	Legrand		
(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Current liabilities			
Short-term borrowings (note 18)	654.7	790.7	319.3
Income tax payable	39.6	32.7	22.3
Trade payables	474.0	454.4	377.0
Short-term provisions and other current liabilities (note 19)	497.9	436.8	406.9
Other current financial liabilities (note 24)	86.9	66.6	59.9
TOTAL CURRENT LIABILITIES	**1,753.1**	**1,781.2**	**1,185.4**
Non-current liabilities			
Deferred tax liabilities (notes 1 (j) and 22)	654.9	663.9	720.3
Long-term provisions and other non-current liabilities (note 16)	81.0	109.8	134.0
Provisions for pensions and other post-employment benefits (notes 1 (q) and 17)	125.1	147.6	139.7
Long-term borrowings (note 15)	1,364.4	1,055.5	1,803.3
Subordinated perpetual Notes (note 13)	0.0	9.5	28.5
Related party borrowings (note 14)	0.0	0.0	1,334.8
TOTAL NON-CURRENT LIABILITIES	**2,225.4**	**1,986.3**	**4,160.6**
Equity			
Share capital (note 10)	1,083.9	1,078.8	759.4
Retained earnings (note 12 (a))	1,238.4	1,217.6	(157.1)
Translation reserves (note 12 (b))	(194.0)	(136.6)	(64.3)
Equity attributable to equity holders of Legrand	2,128.3	2,159.8	538.0
Minority interests	2.8	8.8	9.1
TOTAL EQUITY	**2,131.1**	**2,168.6**	**547.1**
TOTAL LIABILITIES AND EQUITY	**6,109.6**	**5,936.1**	**5,893.1**

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

11.1.1.3 - CONSOLIDATED STATEMENT OF CASH FLOWS IN ACCORDANCE WITH IFRS STANDARDS

	Legrand 12 months ended December 31,		
(in € millions)	**2007**	**2006**	**2005**
Profit for the period	**422.6**	**255.2**	**103.8**
Reconciliation of profit for the period to net cash provided by operating activities:			
■ Depreciation expense (note 20 (a))	131.5	142.0	144.0
■ Amortization expense (note 20 (a))	76.2	98.0	111.0
■ Amortization of development costs (note 20 (a))	8.2	3.4	0.4
■ Amortization of finance costs	1.4	2.1	3.2
■ Loss on extinguishment of debt	0.0	109.0	0.0
■ Changes in deferred taxes	46.1	(14.5)	12.9
■ Changes in other non-current assets and liabilities	(5.8)	0.2	16.4
■ Share of profit of associates	(2.0)	(0.8)	(1.3)
■ Exchange (gain)/loss, net	(4.0)	(0.9)	18.1
■ Other adjustments	6.9	26.1	25.3
(Gains)/losses on sales of assets, net	(12.9)	(1.1)	7.1
(Gains)/losses on sales of securities, net	(0.2)	0.0	0.1
Changes in operating assets and liabilities:			
■ Inventories	(32.6)	(74.5)	(6.6)
■ Trade receivables	(13.5)	(38.4)	(5.2)
■ Trade payables	18.3	62.4	33.9
■ Other operating assets and liabilities	45.3	13.3	(12.6)
Net cash provided by operating activities	**685.5**	**581.5**	**450.5**
Net proceeds from sales of fixed assets	38.8	27.5	10.9
Capital expenditure	(149.4)	(130.8)	(112.0)
Capitalized development costs	(22.0)	(22.1)	(21.5)
Changes in non-current financial assets and liabilities	(0.4)	(0.5)	0.0
Proceeds from sales of marketable securities	0.1	0.1	0.3
Purchases of marketable securities	0.0	0.0	40.2
Acquisitions of subsidiaries, net of the cash acquired (note 3)	(265.1)	(85.9)	(399.8)
Investments in non-consolidated entities	(5.2)	(2.0)	0.0
Net cash used in investing activities	**(403.2)**	**(213.7)**	**(481.9)**
■ Proceeds from issues of share capital (note 10)	5.1	866.2	0.0
■ Share buybacks and transactions under the liquidity contract (note 10)	(280.8)	0.0	0.0
■ Dividends paid to equity holders of Legrand	(133.1)	(110.6)	0.0
■ Dividends paid by Legrand subsidiaries	(3.0)	(3.2)	(1.2)
■ Reduction of subordinated perpetual notes	(9.5)	(19.0)	(40.5)
■ Proceeds from new borrowings and drawdowns	418.3	2,255.8	179.2
■ Repayment of borrowings	(124.5)	(3,444.9)	0.0
■ Debt issuance costs	(0.5)	(6.1)	0.0
■ Loss on extinguishment of debt	0.0	(109.0)	0.0
■ Increase (reduction) in bank overdrafts	(106.2)	258.5	(49.7)
Net cash (used in) provided by financing activities	**(234.2)**	**(312.3)**	**87.8**
Effect of exchange rate changes on cash and cash equivalents	(5.9)	(9.8)	8.5
Increase in cash and cash equivalents	**42.2**	**45.7**	**64.9**
Cash and cash equivalents at the beginning of the period	178.9	133.2	68.3
Cash and cash equivalents at the end of the period	**221.1**	**178.9**	**133.2**
Items included in cash flows from operating activities			
■ Interest paid during the period	102.0	122.1	150.7
■ Income taxes paid during the period	109.5	86.3	57.8

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

11.1.1.4 - CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN ACCORDANCE WITH IFRS STANDARDS

	Equity attributable to equity holders of Legrand					
(in € millions)	Share capital	Retained earnings	Translation reserves	Total	Minority interests	Total equity
As of December 31, 2005	**759.4**	**(157.1)**	**(64.3)**	**538.0**	**9.1**	**547.1**
Profit for the period		252.0		252.0	3.2	255.2
Income (expenses) recognized directly in equity, net		(7.6)	(72.3)	(79.9)	(0.3)	(80.2)
Total recognized income and expenses, net		244.4	(72.3)	172.1	2.9	175.0
Dividends paid		(110.6)		(110.6)	(3.2)	(113.8)
Issues of share capital (note 10)	319.4	1,257.7		1,577.1		1,577.1
IPO costs		(21.8)		(21.8)		(21.8)
Stock options		5.0		5.0		5.0
As of December 31, 2006	**1,078.8**	**1,217.6**	**(136.6)**	**2,159.8**	**8.8**	**2,168.6**
Profit for the period		421.0		421.0	1.6	422.6
Income (expenses) recognized directly in equity, net		6.7	(57.4)	(50.7)		(50.7)
Total recognized income and expenses, net		427.7	(57.4)	370.3	1.6	371.9
Dividends paid		(133.1)		(133.1)	(3.0)	(136.1)
Issues of share capital (note 10)	5.1			5.1		5.1
Share buybacks and transactions under the liquidity contract (note 10)		(280.8)		(280.8)		(280.8)
Minority interest				0.0	(4.6)	(4.6)
Stock options		7.0		7.0		7.0
As of December 31, 2007	**1,083.9**	**1,238.4**	**(194.0)**	**2,128.3**	**2.8**	**2,131.1**

Total recognized income and expenses, net

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Profit for the period	422.6	255.2	103.8
Actuarial gains and losses on pension and other post-employment benefit obligations (notes 1, 1 (q) and 17)	9.7	(12.3)	-
Deferred taxes on actuarial gains and losses	(3.0)	4.7	-
Translation reserves (note 12 (b))	(57.4)	(72.6)	80.8
TOTAL	**371.9**	**175.0**	**184.6**

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

11.1.2 - Notes to the consolidated financial statements

Detailed table of contents

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 70 countries, and sells its products in more than 180 national markets. Its key markets are France, Italy and the United States, which accounted for approximately 57% of revenue in 2007 (2006: 61%; 2005: 64%).

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

The base prospectus (*document de base*) prepared in connection with the Company's stock market flotation was registered with the French securities regulator (*Autorité des marchés financiers* – "AMF") on February 21, 2006 under no. I.06-009 and the offering circular (*note d'opération*) was approved by the AMF on March 22, 2006 under *visa* no. 06.082. Trading in Legrand shares on Eurolist by Euronext™ Paris began on April 7, 2006.

The 2006 Registration Document was registered with the AMF on April 23, 2007 under no. R.07.0038.

The consolidated financial statements were approved by the Board of Directors on February 06, 2008.

LIST OF CONSOLIDATED COMPANIES

The consolidated financial statements comprise the financial statements of Legrand and 139 subsidiaries. The largest operating subsidiary, Legrand France, is wholly owned by Legrand. All of Legrand France'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 December 31, 2007 are as follows:

French subsidiaries:

Groupe Arnould	ICM Group	Inovac	Legrand France
Legrand SNC	Planet-Wattohm	Ura	

Foreign subsidiaries:

Anam Legrand	South Korea	Bticino	Italy
Bticino de Mexico	Mexico	Bticino España	Spain
Bufer Elektrik	Turkey	Electro Andina	Chile
GL Eletro-Eletronicos Ltda	Brazil	HPM Industries	Australia
Kontaktor	Russia	Legrand Polska	Poland
Legrand	Germany	Legrand	Greece
Legrand Electric	United Kingdom	Legrand Electrica	Portugal
Legrand Électrique	Belgium	Legrand España	Spain
Legrand India	India	Legrand	Russia
Legrand	Australia	Luminex	Colombia
Ortronics	United States	Pass & Seymour	United States
Rocom	Hong Kong	TCL International Electrical	China
TCL Building Technology	China	TCL Wuxi	China
The Watt Stopper	United States	The Wiremold Company	United States
Van Geel Legrand	Netherlands	Vantage	United States
Zucchini	Italy		

The main changes in the scope of consolidation in 2007 concerned the consolidation of Alpes Technologies, TCL Wuxi, Macse, Kontaktor, UStec and HPM Industries.

These acquisitions are described below:

Alpes Technologies

In December 2007, Legrand acquired the entire capital of Alpes Technologies, a French leader in systems designed to optimize and measure the quality of electricity for commercial and industrial applications.

TCL Wuxi

In December 2007, Legrand acquired the entire capital of TCL Wuxi, a Chinese firm specializing in modular and high-current circuit breakers for residential, commercial and industrial applications.

Macse

In October 2007, Legrand acquired the entire business of metal cable trays production from Macse, leader in this area in Mexico.

Kontaktor

In September 2007, Legrand acquired 95% of the capital of Kontaktor, the Russian leader for air circuit breakers and molded case circuit breakers based in Oulianovsk, south east of Moscow.

UStec

In January 2007, Legrand acquired all the assets of UStec, an American supplier of wiring infrastructure for voice, data and video networks in residential buildings, based in New York State.

HPM Industries

In January 2007, Legrand acquired the entire capital of HPM, number two for wiring devices in Australia and New Zealand with operations in Sydney, Melbourne and Auckland.

The contributions to the 2006 and 2007 quarterly consolidated balance sheets and income statements of companies acquired since January 1, 2006 were as follows:

2006	March 31	June 30	September 30	December 31
Cemar		Balance sheet only	3 months' profit	6 months' profit
Shidean		Balance sheet only	Balance sheet only	12 months' profit
Vantage			Balance sheet only	Balance sheet only

2007	March 31	June 30	September 30	December 31
Cemar	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Shidean	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Vantage	3 months' profit	6 months' profit	9 months' profit	12 months' profit
HPM Industries	2 months' profit	5 months' profit	8 months' profit	11 months' profit
UStec	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Kontaktor			Balance sheet only	Balance sheet only
Macse				Balance sheet only
Alpes Technologies				Balance sheet only
TCL Wuxi				Balance sheet only

Entities consolidated for the first time in 2007 as shown in the table above contributed in the Group's revenue for €129.0 million.

The operating result contributed by these entities after impact due to their integration was a €3.9 million loss.

NOTE 1 - ACCOUNTING POLICIES

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

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations applicable at December 31, 2007, as adopted by the European Union without modification.

Since January 1, 2007, the Group has adopted the Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures (note 10) and IFRS 7 – Financial Instruments: Disclosures (note 24).

The new IFRS and IFRIC interpretations whose application will be compulsory as from the 2008 fiscal year are presented in note 1 (v).

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 1 (u).

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.

Until December 31, 2005, actuarial gains and losses on pension and other post-employment benefit obligations arising from experience adjustments and changes in actuarial assumptions were fully charged or credited to the income statement. Effective from January 1, 2006, the Group elected to recognize all actuarial gains and losses directly in equity, in the statement of recognized income and expense, as allowed under IAS 19, paragraph 93A s (amended). The effect of this change in accounting policy is not considered material and the comparative 2005 financial information presented with these consolidated financial statements has therefore not been adjusted to reflect the new policy.

a) Basis of presentation and acquisition of Legrand France SA

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

The acquisition price and related fees and commissions, representing a total of €3,748.0 million, were allocated primarily to trademarks and developed technology.

b) Basis of consolidation

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

The subsidiaries excluded from the scope of consolidation are all companies that were acquired or created only recently. In 2007, these companies represented combined non-current assets of less than €6.6 million and combined revenue of less than €18.0 million.

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.

c) Foreign currency translation

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

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

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 (defined as maturing in less than three months), 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.

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

e) Trade receivables

Trade receivables are measured 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 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) 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. Capitalized development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not to exceed 10 years.

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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 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 when management plans to gradually replace them by other major trademarks owned by the Group.

Amortization of developed technology is recognized in the income statement under "Research and development costs".

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

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.

Amortizable assets 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

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

For impairment testing purposes, goodwill is allocated to a cash-generating unit (CGU), corresponding to the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Within the Legrand Group, CGUs are defined as corresponding to individual countries.

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

In accordance with IAS 36, value in use is estimated based on discounted cash flows for the next three to five years and a terminal value calculated by discounting data for the final year of the projection period. The cash flow data used for the calculation is generally taken from the most recent budgets approved by the Group. Cash flows beyond the projection period are estimated by applying a stable growth rate to subsequent years.

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

An impairment loss is recognized when the carrying amount is less than the recoverable amount. In accordance with IAS 36, impairment losses recognized on goodwill are irreversible.

h) Property, plant and equipment

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

Assets acquired under lease agreements that transfer substantially 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 depreciated over the shorter of the lease period and the asset's useful life determined in accordance with Group policies (see below).

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

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

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

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

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.

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 not to apply the hedge accounting technique defined in IAS 39 but to measure all of these instruments at fair value through profit. The resulting gains and losses are recognized in "Other financial income and expense" for interest rate hedges, in "Exchange gains and losses" for hedges of foreign currency transactions and in "Other operating income and expense" 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.

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, in accordance with IFRIC 6 – Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

o) Share based payment transactions

The Group operates equity-settled, share based compensation plans.

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

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 and use of financial assets

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

q) Pension and other post-employment benefit obligations

(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 contribution and defined benefit plans.

Defined contribution plans

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

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

Defined benefit plans

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

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, as adjusted for unrecognized past service costs, less the fair value of plan assets. Past service costs are recognized in the income statement on a straight-line basis over the average remaining vesting period.

Until December 31, 2005, actuarial gains and losses on pension and other post-employment benefit obligations arising from experience adjustments and changes in actuarial assumptions were fully charged or credited to the income statement.

Effective from January 1, 2006, the Group elected to recognize all actuarial gains and losses outside profit or loss, in the statement of recognized income and expense, as allowed under IAS 19, paragraph 93A s (amended).

If this accounting method had been applied in 2005, it would have had the effect of increasing operating profit by €6.6 million and net profit by €4.7 million. The effect of this change in accounting policy is not considered material and the comparative 2005 financial information presented with these consolidated financial statements has therefore not been adjusted to reflect the new policy.

Defined benefit obligations are 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.

(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.

The related cost is determined on an actuarial basis and recognized in the income statement over employees' remaining service lives.

(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

The Group is organized by country for management purposes combined by geographical segments for internal reporting purposes. Each geographical segment is determined according to the regions of origin of invoicing which are France, Italy, Rest of Europe, United States and Canada, and Rest of the World.

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 outstanding during the period.

Diluted earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding plus the number of dilutive potential ordinary shares.

t) Borrowing 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 notes 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 recoverable amount of cash-generating units for the purposes of 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 recoverable amount of intangible assets with indefinite useful lives for annual impairment testing purposes.

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, 2007, the Group applied the impairment test required under IAS 36 for all non-amortizable intangible assets using the assumptions and parameters described in note 3.

(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 probable 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 product liabilities and capitalized development costs.

v) New IFRS Pronouncements

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

(a) Standards and interpretations adopted by the European Union whose application was optional on January 1, 2007:

IFRS 8 – Operating Segments

IFRS 8 – Operating Segments was published by the IASB in November 2006. This standard, which replaces IAS 14, aligns segment reporting requirements with US standard SFAS 131. Under IFRS 8, operating segments are determined based on the enterprise's internal Management Reporting structure, whereas under IAS 14, a business segment is defined as a distinguishable component of an entity that is subject to risks and returns that are different from those of other business segments.

Adoption of IFRS 8 is compulsory in the first annual period commencing on or after January 1, 2009.

IFRIC 11 – Group and Treasury Share Transactions

IFRIC 11 – Group and Treasury Share Transactions was published in November 2006. This interpretation considers that treasury share transactions may be qualified as either equity-settled or cash-settled transactions, as appropriate. It also describes the accounting treatment, in the individual or separate financial statements of each entity within a group that receives the related employee services, of share-based payments involving two or more entities within a group (parent company or another member of the same group).

Adoption of IFRIC 11 is compulsory in the first annual period commencing on or after March 1, 2007.

(b) Standards and interpretations published by the IASB and the IFRIC but not adopted by the European Union:

IAS 23 – Borrowing Costs (revised)

In March 2007, the IASB published a revised version of IAS 23 – Borrowing Costs. Under the revised standard, which is aligned with US standard SFAS 34, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset must be treated as forming part of the cost of that asset. The former alternative treatment, consisting of recognizing these costs as an expense, is no longer allowed.

Adoption of IAS 23 (revised) is compulsory in the first annual period commencing on or after January 1, 2009. Earlier application is permitted.

IFRIC 12 – Service Concession Arrangements

IFRIC 12 – Service Concession Arrangements was published in November 2006. This interpretation describes the accounting treatment, by a private sector operator, of its rights and obligations under a public-to-private service concession arrangement where the public sector grantor retains control of the concession assets.

Adoption of IFRIC 12 is compulsory in the first annual period commencing on or after January 1, 2008.

IFRIC 13 – Customer Loyalty Programs

IFRIC 13 – Customer Loyalty Programs was published in June 2007. This interpretation considers that an entity's obligation to provide free or discounted goods or services ("award credits") should be treated as a separately identifiable component of the sales transaction(s) in which they are granted (the "initial sale") and that part of the consideration received or receivable in respect of the initial sale should be allocated to the award credits, with the corresponding liability recognized under "Deferred revenue".

Adoption of IFRIC 13 is compulsory in the first annual period commencing on or after July 1, 2008.

IFRIC 14 –Funding Requirements and their Interaction

IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction was published in July 2007. This interpretation provides guidance as to when a defined benefit asset – in the form of refunds or reductions in future contributions – should be regarded as available and recognized as a plan surplus under IAS 19.

It also provides guidance on the allocation of assets and liabilities under post-employment benefit plans or other long-term employee defined benefit plans with a legal or contractual minimum funding requirement.

Adoption of IFRIC 14 is compulsory in the first annual period commencing on or after January 1, 2008.

The Group is currently reviewing these interpretations to assess the changes that may be necessary to its disclosures.

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NOTE 2 - INTANGIBLE ASSETS (NOTE 1 (F))

Intangible assets are as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Trademarks with indefinite useful lives	1,511.0	1,523.1	1,502.6
Trademarks with finite useful lives	54.3	49.7	48.8
Developed technology	102.7	161.4	244.6
Other intangible assets	116.3	105.8	65.3
	1,784.3	**1,840.0**	**1,861.3**

FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2007, December 31, 2006 and December 31, 2005

Trademarks can be analyzed as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
At the beginning of the period	1,593.0	1,567.1	1,536.6
■ Acquisitions	12.2	41.8	12.1
■ Disposals	0.0	0.0	0.0
■ Translation adjustments	(14.8)	(15.9)	18.4
	1,590.4	**1,593.0**	**1,567.1**
Less accumulated amortization	(25.1)	(20.2)	(15.7)
At the end of the period	**1,565.3**	**1,572.8**	**1,551.4**

Developed technology can be analyzed as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
At the beginning of the period	576.0	582.2	574.4
■ Acquisitions	0.0	0.0	0.0
■ Disposals	0.0	0.0	0.0
■ Translation adjustments	(5.7)	(6.2)	7.8
	570.3	**576.0**	**582.2**
Less accumulated amortization	(467.6)	(414.6)	(337.6)
At the end of the period	**102.7**	**161.4**	**244.6**

Amortization expense related to intangible assets, including capitalized development costs, amounted to €84.4 million in 2007 (2006: €101.4 million; 2005: €111.4 million) including amortization of trademarks and developed technology in 2007 breaks down as follows:

(in € millions)	Developed technology	Trademarks	Total
France	30.8	1.9	32.7
Italy	15.4	0.0	15.4
Rest of Europe	4.2	0.3	4.5
USA/Canada	5.2	1.9	7.1
Rest of the World	1.8	1.8	3.6
	57.4	**5.9**	**63.3**

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

(in € millions)	Developed technology	Trademarks	Total
2008	46.0	5.8	51.8
2009	28.7	5.1	33.8
2010	17.2	5.0	22.2
2011	11.5	4.5	16.0
2012	0.0	1.9	1.9

Other intangible assets can be analyzed as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Capitalized development costs	70.5	56.9	38.2
Software	15.9	14.0	11.6
Other	29.9	34.9	15.5
	116.3	**105.8**	**65.3**

NOTE 3 - GOODWILL (NOTE 1 (G))

Goodwill can be analyzed as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
France	606.5	589.1	613.2
Italy	307.6	307.6	378.9
Rest of Europe	213.3	137.7	137.6
USA/Canada	285.1	311.2	308.8
Rest of the World	403.4	287.6	341.5
	1,815.9	**1,633.2**	**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, taking into account synergies with other Group companies.

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

Changes in goodwill can be analyzed as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
At the beginning of the period	1,633.2	1,780.0	1,335.1
■ Acquisitions	197.2	58.1	392.0
■ Adjustments	22.2	(156.3)	0.0
■ Translation adjustments	(36.7)	(48.6)	52.9
At the end of the period	**1,815.9**	**1,633.2**	**1,780.0**

Adjustments to goodwill in 2006 include the reversal of a deferred tax liability that was recognized through goodwill in the balance sheet of an Italian subsidiary at the time of the Legrand acquisition in 2002.

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

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

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

In 2005 and 2006, value in use was discounted using after-tax discount rates applied to after-tax future cash flows. In 2007, pre-tax discount rates were used applied to pre-tax future cash flows, as required by IAS 36. Both methods produce equivalent present value.

The following impairment testing parameters were used in the period ended December 31, 2007:

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use: Discount rate (before tax)	Value in use: Growth rate to perpetuity
France	Value in use	606.5	849.3	12.5%	2%
Italy		307.6	414.3	13%	2%
Rest of Europe		213.3	137.3	10 to 12.5%	2 to 5%
USA/Canada		285.1	103.0	13%	2 to 5%
Rest of the World		403.4	7.1	12.5 to 19%	2 to 5%
		1,815.9	**1,511.0**		

The following impairment testing parameters were used in the period ended December 31, 2006:

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use: Discount rate (after tax)	Value in use: Growth rate to perpetuity
France	Value in use	589.1	849.3	9%	2 to 3%
Italy		307.6	414.3	9%	2 to 3%
Rest of Europe		137.7	137.3	9 to 11%	2 to 3%
USA/Canada		311.2	115.1	10%	2 to 3%
Rest of the World		287.6	7.1	9 to 14%	3 to 5%
		1,633.2	**1,523.1**		

The following impairment testing parameters were used in the period ended December 31, 2005:

	Recoverable amount	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use: Discount rate (after tax)	Value in use: Growth rate to perpetuity
France	Value in use	613.2	815.3	8%	2 to 3%
Italy		378.9	414.3	8%	2 to 3%
Rest of Europe		137.6	137.3	8 to 12%	2 to 3%
USA/Canada		308.8	128.6	8%	2 to 3%
Rest of the World		341.5	7.1	8 to 12%	2 to 5%
		1,780.0	**1,502.6**		

No goodwill impairment losses were recognized in the periods ended December 31, 2007, December 31, 2006 or December 31, 2005.

Acquisitions of subsidiaries (net of cash acquired) came to €265.1 million in 2007 (2006: €85.9 million; 2005: €399.8 million).

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

The cost of business combinations carried out in the last three years was allocated as follows:

	12 months ended		
(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
■ Trademarks	12.2	41.8	12.1
■ Deferred taxes on trademarks	(3.9)	(14.2)	(4.2)
■ Other intangible assets	-	22.5	-
■ Deferred taxes on other intangible assets	-	(7.4)	-
■ *Goodwill*	197.2	58.1	392.0

For business combinations carried out in the last 12 months, the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed are determined on a provisional basis as of December 31 of the acquisition year and goodwill recognized as of that date is therefore subject to adjustment the following year based on the final fair values.

■ NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (NOTE 1 (H))

a) Property, plant and equipment by geographic area

Property, plant and equipment, including finance leases, were as follows as of December 31, 2007:

	December 31, 2007					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Land	24.0	5.5	14.9	2.4	9.6	56.4
Buildings	124.2	83.6	43.0	20.0	18.7	289.5
Machinery and equipment	127.7	84.1	32.5	20.3	43.0	307.6
Assets under construction and other	35.0	22.8	12.5	20.0	12.9	103.2
	310.9	**196.0**	**102.9**	**62.7**	**84.2**	**756.7**

Total property, plant and equipment includes €4.7 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment, including finance leases, were as follows as of December 31, 2006:

	December 31, 2006					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Land	24.1	5.5	17.5	2.7	20.9	70.7
Buildings	131.5	86.1	44.0	21.0	26.2	308.8
Machinery and equipment	135.0	80.2	36.2	26.3	42.0	319.7
Assets under construction and other	33.7	8.3	13.5	21.8	12.7	90.0
	324.3	**180.1**	**111.2**	**71.8**	**101.8**	**789.2**

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

	December 31, 2005					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
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 can be analyzed as follows for 2007:

	December 31, 2007					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	46.0	43.4	14.4	12.9	18.8	135.5
Disposals	(2.8)	(0.2)	(0.5)	(0.9)	(21.8)	(26.2)
Depreciation expense	(54.7)	(27.0)	(18.3)	(14.6)	(16.9)	(131.5)
Transfers and changes in scope of consolidation	(1.9)	(0.3)	(2.2)	0.8	4.3	0.7
Translation adjustments	0.0	0.0	(1.7)	(7.3)	(2.0)	(11.0)
	(13.4)	**15.9**	**(8.3)**	**(9.1)**	**(17.6)**	**(32.5)**

	December 31, 2007						
(in € millions)	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.0	0.5	(10.9)	(0.5)	(2.2)	(1.2)	(14.3)
Buildings	7.4	7.9	(10.0)	(22.0)	1.0	(3.6)	(19.3)
Machinery and equipment	53.9	34.7	(4.4)	(93.3)	0.3	(3.3)	(12.1)
Assets under construction and other	74.2	(43.1)	(0.9)	(15.7)	1.6	(2.9)	13.2
	135.5	**0.0**	**(26.2)**	**(131.5)**	**0.7**	**(11.0)**	**(32.5)**

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

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

	December 31, 2006					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	48.6	22.8	15.3	14.3	17.7	118.7
Disposals	(4.2)	(0.3)	(24.8)	(1.0)	(1.3)	(31.6)
Depreciation expense	(57.8)	(27.7)	(19.2)	(20.3)	(17.0)	(142.0)
Transfers and changes in scope of consolidation	7.0	0.0	1.4	0.5	17.2	26.1
Translation adjustments	0.0	0.0	0.2	(8.9)	(6.9)	(15.6)
	(6.4)	**(5.2)**	**(27.1)**	**(15.4)**	**9.7**	**(44.4)**

	December 31, 2006						
(in € millions)	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.1	0.0	(2.6)	(1.1)	3.7	(1.3)	(1.2)
Buildings	4.5	12.5	(17.8)	(28.6)	4.6	(4.5)	(29.3)
Machinery and equipment	45.0	43.4	(9.9)	(95.1)	16.5	(5.7)	(5.8)
Assets under construction and other	69.1	(55.9)	(1.3)	(17.2)	1.3	(4.1)	(8.1)
	118.7	**0.0**	**(31.6)**	**(142.0)**	**26.1**	**(15.6)**	**(44.4)**

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

	December 31, 2005					
(in € millions)	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	38.2	21.5	15.1	15.4	13.0	103.2
Disposals	(2.3)	(0.9)	(6.5)	(7.0)	(1.0)	(17.7)
Depreciation expense	(58.1)	(31.2)	(22.1)	(19.6)	(13.0)	(144.0)
Transfers and changes in scope of consolidation	(1.0)	33.1	8.6	0.4	7.3	48.4
Translation adjustments	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						
(in € millions)	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
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:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Land	3.8	3.8	3.9
Buildings	27.3	35.9	32.6
Machinery and equipment	36.2	38.7	38.1
	67.3	**78.4**	**74.6**
Less accumulated depreciation	(40.3)	(44.3)	(41.2)
	27.0	**34.1**	**33.4**

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

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Long-term borrowings	19.2	9.3	16.1
Short-term borrowings	4.5	6.9	8.9
	23.7	**16.2**	**25.0**

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

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Due in less than one year	5.6	6.6	7.8
Due in one to two years	3.0	4.5	8.2
Due in two to three years	2.6	1.7	4.3
Due in three to four years	2.5	1.5	1.5
Due in four to five years	2.3	1.3	1.4
Due beyond five years	9.1	1.8	3.4
	25.1	**17.4**	**26.6**
Of which accrued interest	(1.4)	(1.2)	(1.6)
Present value of future minimum lease payments	**23.7**	**16.2**	**25.0**

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

NOTE 5 - INVESTMENTS IN ASSOCIATES AND OTHER INVESTMENTS

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Investments in associates (accounted for by the equity method)	14.0	10.5	9.5

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Other investments	8.3	5.0	4.1

NOTE 6 - INVENTORIES (NOTE 1 (I))

Inventories are as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Purchased raw materials and components	222.5	199.3	171.7
Sub-assemblies, work in progress	110.2	110.5	93.4
Finished products	369.4	322.5	276.7
	702.1	**632.3**	**541.8**
Less impairment	(77.7)	(72.2)	(67.3)
	624.4	**560.1**	**474.5**

NOTE 7 - TRADE RECEIVABLES (NOTE 1 (E))

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.

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Trade accounts receivable	568.5	559.7	513.4
Notes receivable	104.5	90.4	79.4
	673.0	**650.1**	**592.8**
Less impairment	(26.8)	(29.3)	(29.6)
	646.2	**620.8**	**563.2**

NOTE 8 - OTHER CURRENT ASSETS

Other current assets are as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Employee advances	3.7	4.1	4.8
Other receivables	47.8	33.0	36.4
Prepayments	18.5	18.1	18.8
Prepaid and recoverable taxes other than on income	75.5	77.0	67.5
	145.5	**132.2**	**127.5**

NOTE 9 - MARKETABLE SECURITIES

Marketable securities are measured at fair value. The carrying amount of marketable securities is close to their fair value.

NOTE 10 - SHARE CAPITAL AND EARNINGS PER SHARE

Share capital as of December 31, 2007 amounted to €1,083,902,956, represented by 270,975,739 ordinary shares with a par value of €4 each.

Changes in share capital in 2006 and 2007 were as follows:

		Number of shares	Par value *(in euros)*	Share capital *(in euros)*	Premiums *(in 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, paid up by capitalizing 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 December 31, 2006		269,693,376	4	1,078,773,504	1,257,726,503
	Exercise of options under the 2003 plan	1,282,363	4	5,129,452	
As of December 31, 2007		270,975,739	4	1,083,902,956	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 Company was floated on the Eurolist by Euronext™ Paris 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 in the second quarter of 2006.

The aggregate proceeds from these two share issues, net of transaction costs of €33.1 million, came to €866.2 million and were recognized in the December 31, 2006 accounts.

Following the share issues, the Company's two main shareholders, KKR and Wendel Investissement, each held around 30% of share capital.

In 2007, 1,282,363 shares were issued upon exercise of stock options granted under the 2003 plan (note 11), resulting in an €5.1 million capital increase.

a) Share buyback program and transactions under the liquidity contract

On March 21, 2007, the Group set up a €200.0 million share buyback program in line with the authorization given at the Shareholders' Meeting of February 24, 2006. Details of the objectives and terms are provided in the program description filed with the AMF on March 21, 2007.

The Shareholders' Meeting of May 15, 2007 authorized the Company to launch a new €650.0 million buyback program, details of which are provided in the program description filed with the AMF on May 3, 2007. The program was launched on May 15, 2007 and will end no later than November 15, 2008.

Share buyback program

As of December 31, 2007, a total of 11,269,411 shares had been bought back under the program, at a total cost of €278,331,428. These shares are being held for the following purposes:

- for allocation upon exercise of stock options (2,200,000 shares purchased at a cost of €54,750,339);
- for allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (80,000 shares purchased at a cost of €1,993,600);
- for cancellation (8,989,411 shares purchased at a cost of €221,587,489).

Liquidity contract

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

In 2007, €15.0 million were allocated to the liquidity account. As of December 31, 2007, 116,423 Legrand shares valued at €2,515,355 were held in the liquidity account.

b) Earnings per share

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

	December 31, 2007	December 31, 2006	December 31, 2005
Profit attributable to equity holders of Legrand *(in € millions)*	421.0	252.0	101.4
Number of ordinary shares outstanding: - at the period-end	270,975,739	269,693,376	189,837,725
- average for the period	265,729,265	247,218,622	189,837,725
Number of stock options and free shares	3,459,034	2,606,529	2,682,829
Share buybacks and transactions under the liquidity contract	(11,385,834)	-	-
Basic earnings per share (*euros*) (note 1 (s)) [a]	1.584	1.019	0.534
Diluted earnings per share (*euros*) (note 1 (s)) [a] [b]	1.573	1.009	0.527
Dividend per share (*euros*)	0.500	0.410	0.000

(a) Basic and diluted earnings per share for 2005 have been adjusted to reflect the impact of the 1-for-4 reverse stock-split carried out on February 24, 2006.

(b) Options granted under the 2007 Plan (1,610,563 options) have not been taken into account in the calculation of diluted earnings per share as the options were out of the money as of December 31, 2007.

Reported basic and diluted earnings per share for 2005, before the reverse stock-split, amounted to €0.134 and €0.132 respectively.

In accordance with IAS 33, the 79,855,651 shares issued in conjunction with the IPO during the second quarter of 2006 were taken into account on a pro rata basis for the purpose of computing the average number of ordinary shares outstanding during 2006. If those shares had been issued on January 1, 2006, basic earnings per share and diluted earnings per share would have amounted to €0.934 and €0.925 respectively.

Also in accordance with IAS 33, the 1,282,363 shares issued in 2007 upon exercise of stock options granted under the 2003 plan and the 11,385,834 shares bought back or transacted under the liquidity contract were taken into account on a pro rata basis for the purpose of computing the average number of ordinary shares outstanding during 2007. If those shares had been issued or bought back on January 1, 2007, basic earnings per share and diluted earnings per share would have amounted to €1.622 and €1.610 respectively.

NOTE 11 - STOCK OPTION PLANS, FREE SHARES PLAN AND EMPLOYEE PROFIT-SHARING

a) Legrand stock option plans 2003, 2004 and 2005

The Company has set up a 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. Following the IPO, outstanding options may be exercised in the coming years during the exercise periods set in the initial plans. The plans have now been closed and the 423,263 options not granted prior to the IPO will never be granted. A total of 1,282,363 stock options were exercised during 2007. Outstanding options may be exercised in the coming years during the exercise periods set in the initial plan.

Information on stock options	2003 Plan	2004 Plan	2005 Plan	Total
Date of Board of Directors Meeting	June 5, 2003	January 30, 2004	February 7, 2005	
Total number of shares that may be acquired on exercise of options	1,924,530	508,250	173,750	2,606,530
of which number of shares that may be acquired by corporate officers	*0*	*0*	*0*	*0*
Vesting/exercise conditions	■ 2/3 of the options vest 4 years after the grant date and must be exercised within 60 days of vesting ■ 1/3 of the options vest 5 years after the grant date and must be exercised within 60 days of vesting			
Exercise price	€4	€4	€5.60	
Options exercised during the period 2007	(1,282,363)	0	0	(1,282,363)
Options forfeited during the period 2007	(496)			(496)
Options outstanding as of December 31, 2007	**641,671**	**508,250**	**173,750**	**1,323,671**

As of December 31, 2007, 980,504 options will become exercisable in 2008, 285,250 in 2009 and 57,917 in 2010.

If all these options were to be exercised, the Company's capital would be diluted by 0.5%.

b) Legrand 2007 free shares and stock option plans

Free shares plan

On May 15, 2007, shareholders authorized the Board of Directors to grant free shares to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions. The total number of shares is capped at 5% of the capital including the shares to be issued on exercise of stock options.

Information on the free shares plan	2007 Plan
Date of Board of Directors Meeting	May 15, 2007
Total number of shares granted	533,494
Of which to corporate officers	*26,427*
Vesting conditions	After maximum 4 years, except in the event of resignation or termination for willful misconduct
Free shares become exercisable during the period 2007	*546*
Free shares cancelled during the period 2007	(8,695)
Total number of free shares outstanding at December 31, 2007	**524,799**

If all these shares were to be definitively granted, the Company's capital would be diluted by 0.2%.

2007 stock option plan

On May 15, 2007, shareholders authorized the Board of Directors to grant stock options to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions, entitling them to subscribe new shares or purchase existing shares representing no more than 5% of the capital including the shares to be issued on exercise of options.

Information on stock options	2007 Plan
Date of Board of Directors Meeting	May 15, 2007
Total number of options	1,638,137
Of which options granted to corporate officers	*79,281*
Vesting/exercise conditions	Options vest after maximum 4 years, except in the event of resignation or termination for willful misconduct
Option exercise price	€25.20
Options become exercisable during the period 2007	*1,637*
Options cancelled during the period 2007	(27,574)
Outstanding options at December 31, 2007	**1,610,563**

If all these options were to be exercised, the Company's capital would be diluted by 0.6%.

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €7.0 million was recorded in 2007 for all of these plans combined (notes 11 (a) and 11 (b)).

c) Legrand France stock option plans

On November 21, 2000, Legrand France established a stock subscription plan open to all Group employees in France 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 were exercisable between the fifth and seventh anniversaries of the grant date.

On November 13, 2001, Legrand France established a stock subscription plan open to all Group employees in France 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 stock options (other than options granted under the 2001 plan) were 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.

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 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 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 shares and in no event later than twelve months after such date.

Options for which the Legrand France shares were exchangeable for Schneider Electric shares were exercisable 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 for €375.0 million in 2003 and for €675.0 million at the beginning of 2004.

At its meeting on November 2, 2005, the Board of Directors decided to offer a liquidity guarantee up to May 19, 2006 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
DATE OF GRANT	**2000**	**2001**
TYPE OF SHARES UNDER OPTION	**ORDINARY**	**ORDINARY**
Number of grantees	8,999	9,122
Start date of exercise period	11/2005	11/2005
Expiry date of exercise period	11/2007	11/2008
Exercise price (*in euros*) before distribution of retained earnings	191.50	143.00
Exercise price (*in euros*) after distribution of retained earnings	140.19	104.68
Number of options granted	**124,240**	**178,766**
Options forfeited	(18)	
Balance as of December 31, 2002	124,222	178,766
New options issued on November 15, 2003 in connection with distribution of retained earnings	16,218	21,353
Options exercised		
Options forfeited	(372)	(372)
Balance as of December 31, 2003	140,068	199,747
New options issued on March 30, 2004 in connection with distribution of retained earnings	38,002	52,996
Options exercised		
Options forfeited	(9)	
Balance as of December 31, 2004	178,061	252,743
Options exercised	(38,265)	
Options forfeited	(95)	(95)
Balance as of December 31, 2005	139,701	252,648
Options exercised	(64,247)	(244,704)
Options forfeited	(240)	(465)
Balance as of December 31, 2006	75,214	7,479
Options exercised	(66,740)	(9)
Options forfeited	(8,474)	(36)
BALANCE AS OF DECEMBER 31, 2007	**0.0**	**7,434**

d) Employee profit-sharing

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

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

An accrual of €32.5 million was recorded in 2007 for statutory and discretionary profit-sharing plans (2006: €31.7 million; 2005: €27.2 million).

NOTE 12 - RETAINED EARNINGS AND TRANSLATION RESERVES

a) Retained earnings

Consolidated retained earnings of Legrand and its subsidiaries as of December 31, 2007 amounted to €1,238.4 million.

As of the same date, the parent company – Legrand – had retained earnings of €1,804.8 million available for distribution.

b) Translation reserves

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:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
US dollar	(165.0)	(132.0)	(79.5)
Other currencies	(29.0)	(4.6)	15.2
	(194.0)	**(136.6)**	**(64.3)**

The line "Other currencies" mainly concerns currencies of countries located in the "Rest of the World" and "Rest of Europe" regions as of December 31, 2007 and December 31, 2006 and currencies of countries located in the "Rest of Europe" region as of December 31, 2005.

NOTE 13 - SUBORDINATED PERPETUAL NOTES (TSDI)

In December 1990 and March 1992, Legrand France issued, at par, subordinated perpetual notes for a total of €457.0 million and €305.0 million, respectively.

The two issues were fully amortized in February 2006 and March 2007 respectively.

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

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Due within one year	0.0	9.5	19.0
Due in one to two years	0.0	0.0	9.5
Due in two to three years	0.0	0.0	0.0
Due beyond three years	0.0	0.0	0.0
	0.0	**9.5**	**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 €110.0 million reduction in the Group's tax loss carryforwards in 2005 and a further €62.5 million reduction in the first half of 2007. This has no impact on the income statement as no deferred tax assets were recognized for these tax loss carryforwards.

NOTE 14 - RELATED PARTY BORROWINGS

In February 2003, the Company signed a related party borrowing worth €1,156.0 million of subordinated bonds issued by a subsidiary of the Group's ultimate parent company.

As of December 31, 2005, the outstanding principal and interest amounted to €1,334.8 million.

On February 15, 2006, the Company repaid an amount of €177.9 million, using funds obtained under the 2006 Credit Facility.

A further €504.4 million was repaid using the proceeds from the April 2006 IPO and related employee share issue and the remaining €668.8 million was repaid in newly issued shares on April 11, 2006.

NOTE 15 - LONG-TERM BORROWINGS

Long-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Facility Agreement	642.8	668.7	731.7
High Yield Notes	0.0	0.0	574.3
8 ½ % debentures	263.0	294.5	329.6
Bank borrowings	220.0	0.0	0.0
Other borrowings	242.6	97.1	178.2
	1,368.4	**1,060.3**	**1,813.8**
Debt issuance costs	(4.0)	(4.8)	(10.5)
	1,364.4	**1,055.5**	**1,803.3**

Long-term borrowings are denominated in the following currencies:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Euro	776.8	605.1	1,457.4
US dollar	505.5	418.0	355.0
Other currencies	86.1	37.2	1.4
	1,368.4	**1,060.3**	**1,813.8**

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

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Due in one to two years	156.3	174.9	292.5
Due in two to three years	147.7	151.2	173.7
Due in three to four years	115.0	149.6	426.9
Due in four to five years	119.2	271.7	4.5
Due beyond five years	830.2	312.9	916.2
	1,368.4	**1,060.3**	**1,813.8**

Average interest rates (the rates shown for the 8 ½ % debentures – "Yankee bonds" – take into account interest rate swaps) on borrowings are as follows:

	December 31, 2007	December 31, 2006	December 31, 2005
Facility Agreement	5.10%	3.86%	2.69%
High Yield Notes	-	-	10.51%
8 ½ % debentures	4.67%	4.68%	4.52%
Bank borrowing	4.99%	-	-
Other borrowings	3.78%	3.15%	2.48%

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:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Assets mortgaged or pledged as collateral	17.8	23.1	23.1
Guarantees given to banks	155.0	63.0	63.6
Legrand France shares pledged under Facility Agreement	0.0	0.0	887.3
	172.8	**86.1**	**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 was (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, as required under the terms of the loan debenture in the event that the High Yield Notes were retired.

The 2006 Credit Facility comprised (i) a €700.0 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 due on January 10, 2011, (ii) a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns and (iii) a €300.0 million Tranche C multicurrency facility repayable upon the Group's flotation on the stock market. Tranches A and B were originally five-year loans that could be rolled over for two successive one-year periods. Tranche C was a 364-day loan, that was repaid in full in April 2006 following the IPO.

A first installment equal to 10.0% of the nominal of Tranche A was repaid in January 2007 and a second one equal to 7.78% in July 2007.

In March 2007 and November 2007, the Group exercised its option to extend the 2006 Credit Facility for two successive one-year periods. Consequently, the repayments in semi-annual installments of Tranche A will be equal to 6.22% of the original nominal amount from July 10, 2008 through July 10, 2012, with a final 20.0% installment due on January 10, 2013.

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of December 31, 2007, December 31, 2006 and December 31, 2005:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Due within one year (short-term borrowings)	87.2	138.8	155.6
Due in one to two years	85.3	137.6	155.6
Due in two to three years	87.0	137.6	155.6
Due in three to four years	87.1	138.3	420.5
Due in four to five years	92.0	255.2	0.0
Due beyond five years	291.4	0.0	0.0
	730.0	**807.5**	**887.3**

The successive Facility Agreements break down as follows:

(in € millions)	December 31, 2007	Maturity	Interest rate
Term Facility	573.8	2013	Euribor + 25 bps
Revolving Facility	156.2	2013	Euribor + 25 bps

(in € millions)	December 31, 2006	Maturity	Interest rate
Term Facility	687.6	2011	Euribor + 35 bps
Revolving Facility	119.9	2011	Euribor + 35 bps

(in € millions)	December 31, 2005	Maturity	Interest rate
Term Facility	622.3	2009	Euribor + 55 bps
Revolving Facility	265.0	2009	Euribor + 55 bps

b) High Yield Notes

In February 2003, the Company issued $350.0 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 Company 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 ½ % Debentures (Yankee bonds)

On February 14, 1995, Legrand France issued $400.0 million worth of 8 ½ % 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 be prevented by law from paying any such additional amounts, early redemption would generally be mandatory or, if such amounts could be paid, Legrand France may, at its option, redeem all – but not part – of the debentures in advance. Each debenture holder may also require Legrand France 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 also entered into an interest rate swap agreement (see Note 24 (b)).

d) Bank borrowing

On May 21, 2007, the Group obtained a €220.0 million loan from a pool of French banks. The loan is for a period of 6 years and 4 months, expiring September 21, 2013, and pays interest at the 3-month Euribor plus 45 bps.

e) Minimum additional borrowing capacity

As of December 31, 2007, a further €1,043.8 million was available for borrowing under the Facility Agreement (Revolving Facility).

NOTE 16 - LONG-TERM PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Changes in long-term provisions and other non-current liabilities are as follows:

(in € millions)	December 31, 2007
At beginning of period	109.8
Changes in scope of consolidation	5.1
Increases	30.6
Reversals	(23.9)
Transfers to current liabilities	(12.3)
Reclassifications	(27.1)
Translation adjustments	(1.2)
	81.0

As of December 31, 2007, long-term provisions and other non-current liabilities comprise in particular provisions for claims and litigation (€12.1 million), provisions for restructuring (€7.3 million), statutory and discretionary profit-sharing reserves (€11.5 million) and provisions for taxes (€18.0 million).

NOTE 17 - PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS (NOTE 1 (Q))

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Retirement benefits in France*	34.6	36.5	26.0
Termination benefits in Italy*	51.5	53.5	53.3
Other post-employment benefits*	39.0	57.6	60.4
	125.1	**147.6**	**139.7**

* *These items represent the non-current portion of pension and other post-retirement benefits for a total of €125.1 million as of December 31, 2007 (December 31, 2006: €147.6 million; December 31, 2005: €139.7 million). The current portion in the amount of €7.4 million as of December 31, 2007 (December 31, 2006: €7.7 million; December 2005, €9.6 million) is reported under "Other Current liabilities". The total amount of those liabilities is therefore €132.5 million as of December 31, 2007 (December 31, 2006: €155.3 million; December 31, 2005: €149.3 million) and is analyzed in note 17 (a), which shows total liabilities of €263.9 million as of December 31, 2007 (December 31, 2006: €290.6 million; December 31, 2005: €282.8 million) less total assets of €131.4 million (December 31, 2006: €135.1 million; December 31, 2005: €133.5 million).*

a) Analysis of pension and other post-employment benefit obligations

The aggregate current and long-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:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2003
Defined benefit obligation					
Projected benefit obligation at beginning of period	290.6	282.8	249.7	237.0	220.0
Acquisitions	0.0	0.2	3.4	0.0	0.0
Goodwill *allocation*	0.0	0.0	0.0	0.0	21.0
Service cost	16.8	18.2	17.7	17.5	22.4
Interest cost	11.7	10.3	8.8	10.4	8.3
Benefits paid	(29.5)	(23.5)	(17.2)	(25.2)	(22.6)
Employee contributions	0.0	0.4	0.6	0.4	0.0
Plan amendments	0.0	0.0	0.0	0.3	0.0
Actuarial loss/(gain)	(11.0)	13.0	6.6	6.9	4.8
Curtailments, settlements, special termination benefits	(2.4)	(0.8)	0.0	1.7	0.0
Past service cost	(0.1)	0.2	0.0	0.0	0.0
Translation adjustments	(14.5)	(10.2)	13.2	(5.3)	(16.9)
Other	2.3	0.0	0.0	6.0	0.0
PROJECTED BENEFIT OBLIGATION AT END OF PERIOD (I)	**263.9**	**290.6**	**282.8**	**249.7**	**237.0**
Unrecognized past service cost (II)	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**
Fair value of plan assets					
Fair value of plan assets at beginning of period	135.1	133.5	109.9	110.8	108.0
Acquisitions	0.0	0.0	0.5	0.0	0.0
Expected return on plan assets	9.1	10.2	13.5	7.8	18.5
Employer contributions	15.6	8.2	8.2	9.7	5.6
Employee contributions	0.3	0.3	0.3	0.4	0.0
Benefits paid	(16.3)	(13.9)	(11.3)	(15.4)	(9.5)
Actuarial (loss)/gain	(1.3)	0.7	0.0	0.0	0.0
Translation adjustments	(11.1)	(3.9)	12.4	(3.4)	(11.8)
Fair value of plan assets at end of period (III)	**131.4**	**135.1**	**133.5**	**109.9**	**110.8**
Liability recognized in the balance sheet (I) – (II) – (III)	**132.5**	**155.3**	**149.3**	**139.8**	**126.2**
Current liability	7.4	7.7	9.6	8.8	3.8
Non-current liability	125.1	147.6	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 1, 2006, the Group elected to recognize all actuarial gains and losses directly in equity, in the statement of recognized income and expense, as allowed under IAS 19, paragraph 93A s (amended). The effect of this change in accounting policy is not considered material and the comparative 2005 financial information presented with these consolidated financial statements has therefore not been adjusted to reflect the new policy.

Actuarial gains recognized in equity (Statement of Recognized Income and Expense) as of December 31, 2007 amounted to €9.7 million (€6.7 million after tax).

The impact on consolidated operating profit is as follows:

(in € millions)	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
Service cost – rights acquired during the period	(16.8)	(18.2)	(17.7)
Service cost – cancellation of previous rights	0.0	0.0	0.0
Benefits paid (net of cancellation of liability recognized in prior periods)	0.0	0.0	0.0
Interest cost	(11.7)	(10.3)	(15.4)
Other	2.5	0.2	(0.6)
Expected return on plan assets	9.1	10.2	13.5
	(16.9)	**(18.1)**	**(20.2)**

The weighted-average allocation of pension plan assets was as follows as of December 31, 2007:

(in percentage)	France	United States and United Kingdom	Weighted total
Equity instruments	0.0	55.3	48.7
Debt instruments	0.0	33.6	29.6
Insurance funds	100.0	11.1	21.7
	100.0	**100.0**	**100.0**

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 €43.4 million as of December 31, 2007 (December 31, 2006: €43.5 million; December 31, 2005: €34.7 million), corresponding to the difference between the projected benefit obligation of €58.5 million as of December 31, 2007 (December 31, 2006: €64.0 million; December 31, 2005: €57.3 million) and the fair value of the related plan assets of €15.1 million as of December 31, 2007 (December 31, 2006: €20.3 million; December 31, 2005: €22.6 million).

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 2007 calculation was based on a salary increase rate of 3.0%, a discount rate of 5.2% (2006 and 2005: 4.5% and 3.0%, respectively) and an expected return on plan assets of 4.0% (2006 and 2005: 2.5% and 2.8%, respectively). 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

The changes introduced in the Italian Act no. 296 dated December 27, 2006 came into effect on January 1, 2007.

From this date, Italian termination benefit plans (*Trattamento di fine rapporto*, TFR) are qualified as defined contribution plans under IFRS.

Termination benefit obligations arising prior to January 1, 2007 continue to be accounted for under IFRS as defined benefit plans, but based on revised actuarial estimates that exclude the effect of future salary increases. The difference compared with the previous actuarial estimate has been treated as a plan curtailment in accordance with IAS 19 paragraph 109 and has been recognized in the 2007 income statement under "Other operating income" for an amount of €2.1 million. Actuarial gains and losses previously recognized in the statement of recognized income and expense have been reclassified in retained earnings, in accordance with IAS 19 (revised), paragraph 93A.

The resulting provisions for termination benefits amount to €56.5 million as of December 31, 2007 (December 31, 2006: €58.5 million; December 31, 2005: €58.4 million).

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 €133.7 million as of December 31, 2007 (December 31, 2006: €153.6 million; December 31, 2005: €154.6 million). This amount is covered by pension fund assets estimated at €111.1 million as of December 31, 2007 (December 31, 2006: €109.4 million; December 31, 2005: €106.1 million) 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 3.3%, a discount rate of 6.1% and an expected return on plan assets of 8.0%. In the United Kingdom, the calculation was based on a salary increase rate of 4.4%, a discount rate of 5.8% and an expected return on plan assets of 6.7%.

NOTE 18 - SHORT-TERM BORROWINGS

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Facility Agreement	87.2	138.8	155.6
Commercial paper	236.5	226.9	0.0
Other borrowings	331.0	425.0	163.7
	654.7	**790.7**	**319.3**

NOTE 19 - SHORT-TERM PROVISIONS AND OTHER CURRENT LIABILITIES

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Tax liabilities	79.0	81.5	80.8
Accrued employee benefits expense	160.3	151.5	133.4
Current portion of statutory profit-sharing reserve	10.8	10.9	8.1
Payables related to fixed asset purchases	17.2	13.3	9.6
Accrued expenses	48.3	37.2	29.6
Accrued interest	36.0	33.8	48.5
Deferred revenue	8.5	4.9	1.7
Current portion of pension and other post-employment benefit obligations	7.4	7.7	9.6
Other current liabilities	130.4	96.0	85.6
	497.9	**436.8**	**406.9**

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

NOTE 20 - ANALYSIS OF CERTAIN EXPENSES

a) Analysis of operating expenses

Operating expenses include the following categories of costs:

(in € millions)	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
Raw materials and component costs	(1,253.6)	(1,120.3)	(946.7)
Salaries and payroll taxes	(1,034.4)	(975.7)	(893.1)
Employee profit-sharing	(32.5)	(31.7)	(27.2)
Total personnel costs	(1,066.9)	(1,007.4)	(920.3)
Depreciation expense	(131.5)	(142.0)	(144.0)
Amortization expense	(84.4)	(101.4)	(111.4)

As of December 31, 2007 the Group had 33,656 employees (December 31, 2006: 30,706; December 31, 2005: 30,237).

b) Analysis of other operating income and expense

(in € millions)	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
Employee profit-sharing	(32.5)	(31.7)	(27.2)
Restructuring costs	(8.2)	(23.6)	(37.8)
IPO costs	0.0	(9.1)	0.0
Other	(64.8)	(45.5)	(27.6)
	(105.5)	**(109.9)**	**(92.6)**

NOTE 21 - FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE, NET

a) Exchange gains and losses

(in € millions)	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
Exchange gains and losses	44.0	40.4	(32.3)

Exchange gains and losses mainly concern long-term borrowings. The net gain for 2007 includes a €43.3 million exchange gain realized on renewal of Tranche A of the 2006 Credit Facility and the 2006 figure includes an exceptional €30.4 million exchange gain recognized at the time of the redemption of the High-Yield Notes, in February.

b) Finance costs, net

(in € millions)	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
Interest income	42.5	33.7	25.4
Finance costs	(146.6)	(157.4)	(242.5)
Change in fair value of financial instruments	(5.8)	0.0	36.0
	(152.4)	(157.4)	(206.5)
	(109.9)	**(123.7)**	**(181.1)**

NOTE 22 - INCOME TAX EXPENSE (CURRENT AND DEFERRED)

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

(in € millions)	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
France	174.8	16.5	(47.7)
Outside France	420.8	320.8	240.0
	595.6	**337.3**	**192.3**

Income tax expense consists of the following:

(in € millions)	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
Current taxes:			
France	0.6	3.5	0.5
Outside France	(137.7)	(103.3)	(84.2)
	(137.1)	**(99.8)**	**(83.7)**
Deferred taxes:			
France	(55.6)	27.8	18.8
Outside France	17.7	(10.9)	(24.9)
	(37.9)	**16.9**	**(6.1)**
Total income tax expense:			
France	(55.0)	31.3	19.3
Outside France	(120.0)	(114.2)	(109.1)
	(175.0)	**(82.9)**	**(89.8)**

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

(in € millions)	12 months ended December 31, 2007	12 months ended December 31, 2006	12 months ended December 31, 2005
(Tax rate) Standard French income tax rate	**34.43%**	**34.43%**	**34.43%**
Increases (reductions):			
■ effect of foreign income tax rates	(0.77%)	(1.27%)	(0.80%)
■ non-taxable items	0.36%	2.44%	7.36%
■ income taxable at specific rates	1.34%	2.35%	1.82%
■ other	(1.84%)	(3.95%)	15.94%
	33.52%	**34.00%**	**58.75%**
Impact on deferred taxes of:			
■ changes in tax rates	(4.08%)	0.04%	(2.53%)
■ recognition or non-recognition of deferred tax assets	(0.05%)	(9.50%)	(9.50%)
Effective tax rate	**29.39%**	**24.54%**	**46.72%**

The impact on deferred taxes of changes in tax rates in 2007 includes principally the accounting impact of changes in tax rules in Italy, which had the effect of reducing the tax rate to 31.40% from 37.25% previously.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

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

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Deferred taxes recorded by French companies	(377.9)	(322.6)	(350.8)
Deferred taxes recorded by foreign companies	(212.7)	(216.7)	(308.0)
	(590.6)	**(539.3)**	**(658.8)**
Origin of deferred taxes:			
■ depreciation of fixed assets	(57.8)	(36.7)	(97.0)
■ tax loss carryforwards	6.1	58.3	34.1
■ statutory profit-sharing	2.7	4.5	3.9
■ pensions and other post-employment benefits	15.2	21.6	20.3
■ subordinated perpetual notes	0.0	2.2	11.1
■ developed technology	(34.6)	(57.4)	(87.0)
■ trademarks	(527.5)	(558.8)	(551.6)
■ impairment losses on inventories and receivables	19.7	21.4	20.4
■ fair value adjustments to derivative instruments	(6.9)	(10.0)	(12.7)
■ translation adjustments	0.7	0.8	4.4
■ non-deductible provisions	29.8	23.2	13.6
■ margin on inventories	13.6	10.4	7.8
■ other	(51.6)	(18.8)	(26.1)
	(590.6)	**(539.3)**	**(658.8)**
■ of which deferred tax assets	64.3	124.6	61.5
■ of which deferred tax liabilities	(654.9)	(663.9)	(720.3)

Changes in deferred tax liabilities on depreciation of fixed assets in 2006 are mainly due to reversal of a deferred tax liability that was recognized through the goodwill in the balance sheet of an Italian entity at the time of the Legrand acquisition in 2002.

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

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Deferred taxes – short term	42.6	35.1	36.1
Deferred taxes – long term	(633.2)	(574.4)	(694.9)
	(590.6)	**(539.3)**	**(658.8)**

Tax losses carried forward as of December 31, 2007 broke down as follows:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Net recognized operating losses carried forward	24.1	176.7	103.7
Recognized deferred tax assets	6.1	58.3	34.1
Net unrecognized operating losses carried forward	110.5	226.7	393.5
Unrecognized deferred tax assets[1]	32.1	76.4	131.1
Total net operating losses carried forward	134.6	403.4	497.2

(1) Including €17.2 million that will be set off against goodwill if a deferred tax asset is recognized.

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As explained in note 13, the subordinated perpetual notes issued by the Group are subject to specific tax rules, the application of which was specified in France's amended 2005 Finance Act. Application of these rules led to a €110.0 million reduction in the Group's tax loss carryforwards in 2005 and a further €62.5 million reduction in the first half of 2007.

NOTE 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 in the United States and two other major competitors in the United States alleging that one of sold products by those different companies – 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 many 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 losses 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:

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Due within one year	18.9	17.7	17.4
Due in one to two years	14.8	14.0	13.4
Due in two to three years	11.5	11.1	9.8
Due in three to four years	8.7	8.6	7.1
Due in four to five years	7.0	7.0	6.4
Due beyond five years	7.1	8.4	9.4
	68.0	**66.8**	**63.5**

Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €6.7 million as of December 31, 2007.

NOTE 24 - DERIVATIVE FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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 and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks.

a) Market risk

Market risk is the risk of losses resulting from unfavorable changes in interest rates, exchange rates and commodity prices.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

b) Interest rate risk

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Other current financial assets:	**11.8**	**22.2**	**33.4**
Mirror swaps and swaps on TSDI 2 & 3	0.0	1.6	8.2
Swaps on other borrowings	4.6	12.1	25.2
Caps[1]	7.2	8.5	0.0
Other financial liabilities:	**86.9**	**66.6**	**59.9**
Swaps on TSDI 2	0.0	8.1	26.4
Swaps on other borrowings	86.9	58.5	33.5

(1) As of December 31, 2005, caps were recorded in the consolidated balance sheet as a deduction from "Long-term provisions and other non-current liabilities" for an amount of €4.9 million.

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 December 31, 2007 the breakdown of debt (excluding debt issuance costs) by type of interest rate was as follows:

(in € millions)	December 31, 2007
Fixed rates	263.8
Variable rates	1,759.3

Interest rate risk arises mainly from variable rate financial assets and liabilities.

On the basis of its total debt outstanding at December 31, 2007, the Group estimates that a 1% increase in interest rates with respect to its floating rate debt should not result in a decrease in its annual net income before taxes of more than €13.0 million (2006: €7.0 million; 2005: €10.0 million).

Caps

Variable rate debt is hedged by interest rate instruments with maturities of no more than three years. These contracts are mainly caps, in line with the Group's policy of capping rises in interest rates while retaining the opportunity to benefit from more favorable rate changes.

The portfolio of caps on euro-denominated debt breaks down as follows:

(in € millions)	December 31, 2007		
Period covered	**Amount hedged**	**Benchmark rate**	**Average guaranteed rate including premium**
January 2008 – March 2008	1,260.0	Euribor 3 months	4.04%
April 2008 – June 2008	1,100.0	Euribor 3 months	4.41%
July 2008 – September 2008	800.0	Euribor 3 months	4.41%
October 2008 – March 2009	500.0	Euribor 3 months	4.24%

The portfolio of caps on dollar-denominated debt breaks down as follows:

(in $ millions)	December 31, 2007		
Period covered	**Amount hedged**	**Benchmark rate**	**Average guaranteed rate including premium**
January 2008 – February 2008	350.0	Libor 3 months	5.27%
March 2008	70.0	Libor 3 months	5.25%
April 2008 – March 2009	50.0	Libor 3 months	5.09%

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 €3.0 million loss in 2007 (2006: €3.0 million gain; 2005: €1.6 million gain), recognized in "Financial income and expense" (note 21 (b)).

Swaps

The Group has also entered into interest rate swaps with selected major financial institutions to hedge interest rate risks on its subordinated perpetual notes (TSDI) and 8 ½ % 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 (TSDI) (note 13)

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

The notional amount of these swaps is linked to the capitalized amount of the TSDI. The TSDI 1 notes and related swap both matured on December 19, 2005, while the TSDI 2 notes and related swap both mature on March 11, 2007.

Interest rate swaps hedging subordinated securities	December 31, 2007	December 31, 2006	December 31, 2005
Notional amount *(in € millions)*	0.0	273.2	259.5
Swaps on TSDI subordinated perpetual notes issues (liabilities) *(in € millions)*	0.0	8.1	26.4
Mirror swaps and swaps on TSDI 2 & 3 (assets) *(in € millions)*	0.0	1.6	8.2

Interest rate swap on the 8 ½ % 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 debentures' fair value.

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 4.67% as of December 31, 2007 (December 31, 2006: 4.68%).

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 $350.0 million principal amount at 4.6% per year. The remaining $50.0 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 Group will once again pay a fixed rate of 8 ½ %. Further interest rate swap arrangements may be entered into in the future, based on changes in market conditions.

Interest rate swap hedging the 8 ½ % debentures	December 31, 2007	December 31, 2006	December 31, 2005
Notional amount *(USD, in millions)*	400.0	400.0	400.0
Swaps (assets) *(in € millions)*	4.6	12.1	25.2
Swaps (liabilities) *(in € millions)*	86.9	58.5	33.5

The swaps have been measured at fair value in the balance sheet, with changes in fair value recognized through profit. The effect of changes in fair value on consolidated profit was a €2.8 million loss in 2007 (2006: €3.0 million loss; 2005: €34.4 million gain), recognized in "Financial income and expense" (note 21 (b)).

c) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Its sets up natural hedges by matching costs and operating income in each of the Group's main operating currencies.

Residual amounts are hedged to limit the Group's exposure to fluctuations in the main currencies concerned.

The Group estimates that, all other things being equal, a further 10% increase in the exchange rate of the euro against all other currencies in 2007 would have resulted in a decrease in net sales of approximately €148.0 million (2006: €131.0 million; 2005: €107.0 million) and a decrease in operating income of approximately €20.0 million for the year ended December 31, 2007 (2006: €15.0 million; 2005: €9.0 million).

The table below presents the financial assets (cash and marketable securities) and liabilities (long-term borrowings) by currency at December 31, 2007:

(in € millions)	Assets Cash and marketable securities	Liabilities Long-term borrowings
Euro	60.6	776.8
Dollar	101.3	505.5
Other currencies	59.4	86.1
	221.3	**1,368.4**

The table below presents net sales and operating expenses by currency at December 31, 2007:

(in € millions)		Net sales		Operating expenses (excluding purchase accounting adjustments relating to the acquisition)
Euro	2,471.1	60%	1,962.9	58%
Dollar	639.7	15%	560.6	16%
Other currencies	1,018.0	25%	881.3	26%
	4,128.8	**100%**	**3,404.8**	**100%**

d) Commodity risk

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

Derivative financial instruments have been set up for limited amounts and periods, to hedge part of the risk of unfavorable change in copper price.

These contracts end June 2008. Approximately €477.0 million of the Group's total purchases in 2007 (2006: €454.0 million; 2005: €327.0 million) concerned raw materials, with related market risk. While a 10% increase in the price of all of the raw materials used by the Group would result in a theoretical increase of these costs by approximately €48.0 million on an annual basis (2006: €45.0 million; 2005: €33.0 million), the Group believes that, circumstances permitting, it could increase the sales prices of its products in the short term so as to offset the impact of such increases.

e) 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 revenue is generated with two major distributors. Other revenue is essentially derived from distributors of electrical products but sales are diversified due to the large number of customers and their geographic dispersion. The Group mitigates its credit risk by establishing and performing regular reviews 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.

f) Liquidity risk

The Group considers that effective liquidity management risk depends on having access to diversified sources of financing. This concept provides the basis for control processes within the Group.

NOTE 25 - INFORMATION RELATING TO CORPORATE OFFICERS

(in € millions)	December 31, 2007	December 31, 2006	December 31, 2005
Advances and loans to corporate officers	0.0	0.0	0.0
Compensation paid to corporate officers*	1.8	1.2	1.3

* *Compensation paid to Executive Officers and members of the Board of Directors who hold operating responsibilities within the Group.*

Under the liquidity offer made to all holders of Legrand France 2001 stock options, corporate officers were paid a total amount of €2.2 million before taxes.

At the time of acquisition of Legrand France on December 10, 2002, the main corporate officers of the Group became indirect shareholders of Legrand. Amounts indirectly invested were paid at fair value.

At the time of the IPO, the main corporate officers became direct shareholders of Legrand.

Under the 2007 free shares and stock option plans, corporate officers were granted 26,427 free shares and 79 281 options.

A supplementary pension plan is available to members of the Group Executive Committee who form part of the pension plan set up for French employees. This plan provides beneficiaries with pension benefits equal to 50.0% of the average of the highest two years of compensation they received during the last three years worked with Legrand. To be eligible for the scheme the beneficiary must be at least 60 years of age and have been an employee of Legrand for at least ten years. If the beneficiary dies, 60% of the pension benefits revert to the surviving spouse.

NOTE 26 - INFORMATION BY GEOGRAPHICAL SEGMENT (NOTE 1 (R))

Legrand is 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 following information by geographical segment corresponds to the Group's consolidated reporting system.

12 months ended December 31, 2007 *(in € millions)*	Geographical segments					Items not allocated to segments	Total
	Europe						
	France	Italy	Others	USA/Canada	Rest of the world		
Total revenue	2,626.9	1,006.6	1,087.2	694.7	802.6		6,218.0
Less intra-group transfers	(1,423.7)	(237.6)	(257.4)	(55.0)	(115.5)		(2,089.2)
Revenue	**1,203.2**	**769.0**	**829.8**	**639.7**	**687.1**		**4,128.8**
Cost of sales	(489.4)	(322.1)	(529.4)	(338.0)	(381.6)		(2,060.5)
Administrative and selling expenses, R&D costs	(462.5)	(216.5)	(218.6)	(216.3)	(187.4)		(1,301.3)
Other operating income and expenses	(52.7)	(15.7)	(13.8)	(12.7)	(10.6)		(105.5)
Operating profit	**198.6**	**214.7**	**68.0**	**72.7**	**107.5**		**661.5**
■ of which depreciation expense	(54.4)	(26.6)	(18.0)	(14.6)	(16.8)		(130.4)
■ of which amortization expense	(2.7)	(6.3)	(0.9)	(2.0)	(2.9)		(14.8)
■ of which amortization of development costs	(5.3)	(2.8)	0.0	(0.1)	0.0		(8.2)
■ of which Legrand post-acquisition expenses	(33.2)	(15.7)	(4.8)	(6.5)	(2.3)		(62.5)
■ of which restructuring costs	(1.1)	(4.4)	(3.3)	(2.7)	3.3		(8.2)
Exchange gains and losses						44.0	44.0
Finance costs and other financial income and expense						(109.9)	(109.9)
Income tax expense						(175.0)	(175.0)
Minority interest and share of (loss)/profit of associates						0.4	0.4
Capital expenditure	49.5	50.4	15.3	14.9	19.3		149.4
Capitalized development costs	13.8	6.0	0.0	2.2	0.0		22.0
Total assets						6,109.6	6,109.6
Segment liabilities	373.3	233.6	139.8	96.9	128.3		971.9

12 months ended December 31, 2006 *(in € millions)*	Geographical segments					Items not allocated to segments	Total
	Europe						
	France	Italy	Others	USA/Canada	Rest of the world		
Total revenue	2,425.0	937.6	963.2	696.5	621.5		5,643.8
Less intra-group transfers	(1,316.3)	(223.8)	(214.6)	(42.8)	(109.5)		(1,907.0)
Revenue	**1,108.7**	**713.8**	**748.6**	**653.7**	**512.0**		**3,736.8**
Cost of sales	(439.8)	(326.1)	(474.7)	(363.4)	(277.7)		(1,881.7)
Administrative and selling expenses, R&D costs	(452.3)	(210.4)	(208.1)	(211.7)	(133.1)		(1,215.6)
Other operating income and expenses	(50.4)	(14.5)	(7.0)	(14.8)	(23.2)		(109.9)
Operating profit	**166.2**	**162.8**	**58.8**	**63.8**	**78.0**		**529.6**
■ of which depreciation expense	(57.3)	(27.4)	(19.0)	(20.3)	(16.8)		(140.8)
■ of which amortization expense	(2.7)	(5.3)	(0.9)	(1.0)	(2.7)		(12.6)
■ of which amortization of development costs	(1.6)	(1.8)	0.0	0.0	0.0		(3.4)
■ of which Legrand post-acquisition expenses	(45.4)	(21.9)	(6.5)	(9.5)	(3.3)		(86.6)
■ of which restructuring costs	(5.0)	(2.6)	(3.3)	(3.0)	(9.7)		(23.6)
Exchange gains and losses						40.4	40.4
Finance costs and other financial income and expense						(123.7)	(123.7)
Income tax expense						(82.9)	(82.9)
Minority interest and share of (loss)/profit of associates						(2.4)	(2.4)
Capital expenditure	50.5	30.7	16.1	15.4	18.1		130.8
Capitalized development costs	16.7	5.4	0.0	0.0	0.0		22.1
Total assets						5,936.1	5,936.1
Segment liabilities	356.6	207.8	126.2	96.8	103.8		891.2

FINANCIAL INFORMATION CONCERNING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES OF THE GROUP

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2007, December 31, 2006 and December 31, 2005

12 months ended December 31, 2005 *(in € millions)*	Geographical segments					Items not allocated to segments	Total
	Europe						
	France	Italy	Others	USA/Canada	Rest of the world		
Total revenue	2,192.8	817.8	811.6	640.7	454.7		4,917.6
Less intra-group transfers	(1,212.3)	(184.6)	(158.1)	(18.4)	(96.3)		(1,669.7)
Revenue	**980.5**	**633.2**	**653.5**	**622.3**	**358.4**		**3,247.9**
Cost of sales	(405.5)	(292.6)	(419.8)	(362.2)	(195.3)		(1,675.4)
Administrative and selling expenses, R&D costs	(401.0)	(197.1)	(183.9)	(198.5)	(93.7)		(1,074.2)
Other operating income and expenses	(42.4)	(1.4)	(17.7)	(16.5)	(14.6)		(92.6)
Operating profit	**131.6**	**142.1**	**32.1**	**45.1**	**54.8**		**405.7**
■ of which depreciation expense	(57.6)	(30.9)	(21.8)	(19.6)	(12.9)		(142.8)
■ of which amortization expense	(1.7)	(4.4)	(1.2)	(1.1)	(0.5)		(8.9)
■ of which amortization of development costs	(0.4)	0.0	0.0	0.0	0.0		(0.4)
■ of which Legrand post-acquisition expenses	(54.2)	(26.2)	(7.7)	(11.3)	(3.9)		(103.3)
■ of which restructuring costs	(15.3)	(1.6)	(5.7)	(14.4)	(0.8)		(37.8)
Exchange gains and losses						(32.3)	(32.3)
Finance costs and other financial income and expense						(181.1)	(181.1)
Income tax expense						(89.8)	(89.8)
Minority interest and share of (loss)/profit of associates						(1.1)	(1.1)
Capital expenditure	40.2	26.0	15.8	16.6	13.4		112.0
Capitalized development costs	15.1	6.4	0.0	0.0	0.0		21.5
Total assets						5,893.1	5,893.1
Segment liabilities	323.9	174.3	111.5	97.3	76.9		783.9

NOTE 27 - QUARTERLY DATA – NON-AUDITED

a) Quarterly revenue by geographical segment (billing region) – non-audited

(in € millions)	1st quarter 2007	1st quarter 2006	1st quarter 2005
France	306.0	283.6	251.8
Italy	223.5	202.9	167.7
Rest of Europe	198.7	180.5	140.6
USA/Canada	158.8	163.6	130.5
Rest of the world	145.7	110.0	75.0
TOTAL	**1,032.7**	**940.6**	**765.6**

(in € millions)	2nd quarter 2007	2nd quarter 2006	2nd quarter 2005
France	310.9	284.9	257.5
Italy	206.0	191.5	165.5
Rest of Europe	209.4	183.6	150.7
USA/Canada	168.0	176.8	158.6
Rest of the world	168.7	115.9	84.7
TOTAL	**1,063.0**	**952.7**	**817.0**

(in € millions)	3rd quarter 2007	3rd quarter 2006	3rd quarter 2005
France	276.8	253.8	226.4
Italy	170.9	159.4	139.4
Rest of Europe	205.9	181.4	144.7
USA/Canada	168.2	166.7	171.9
Rest of the world	178.0	127.1	92.5
TOTAL	**999.8**	**888.4**	**774.9**

(in € millions)	4th quarter 2007	4th quarter 2006	4th quarter 2005
France	309.5	286.4	244.8
Italy	168.6	160.0	160.6
Rest of Europe	215.8	203.1	217.5
USA/Canada	144.7	146.6	161.3
Rest of the world	194.7	159.0	106.2
TOTAL	**1,033.3**	**955.1**	**890.4**

b) Quarterly income statements – non-audited

(in € millions)	1st quarter 2007	1st quarter 2006	1st quarter 2005
Revenue	**1,032.7**	**940.6**	**765.6**
Operating expenses			
Cost of sales	(507.3)	(465.4)	(379.5)
Administrative and selling expenses	(270.0)	(246.5)	(200.1)
Research and development costs	(54.8)	(60.5)	(58.8)
Other operating income (expense)	(31.2)	(26.5)	(21.2)
Operating profit	**169.4**	**141.7**	**106.0**
Finance costs	(38.1)	(53.0)	(53.6)
Financial income	9.6	6.4	6.5
Exchange gains and losses	3.1	5.8	(11.9)
Loss on extinguishment of debt	0.0	(109.0)	0.0
Finance costs and other financial income and expense, net	(25.4)	(149.8)	(59.0)
Share of profit of associates	0.5	0.5	0.0
Profit before tax	**144.5**	**(7.6)**	**47.0**
Income tax expense	(51.6)	(27.0)	(20.5)
Profit for the period	**92.9**	**(34.6)**	**26.5**
Attributable to:			
■ **Equity holders of Legrand**	**92.4**	**(35.3)**	**26.1**
■ **Minority interests**	**0.5**	**0.7**	**0.4**

(in € millions)	2nd quarter 2007	2nd quarter 2006	2nd quarter 2005
Revenue	**1,063.0**	**952.7**	**817.0**
Operating expenses			
Cost of sales	(526.7)	(474.4)	(417.5)
Administrative and selling expenses	(276.0)	(249.7)	(213.9)
Research and development costs	(53.0)	(59.7)	(60.0)
Other operating income (expense)	(32.2)	(27.6)	(18.4)
Operating profit	**175.1**	**141.3**	**107.2**
Finance costs	(30.5)	(36.7)	(48.6)
Financial income	5.9	9.4	8.0
Exchange gains and losses	5.3	15.9	(12.1)
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(19.3)	(11.4)	(52.7)
Share of profit of associates	0.1	0.0	0.4
Profit before tax	**155.9**	**129.9**	**54.9**
Income tax expense	(52.7)	(30.7)	(20.6)
Profit for the period	103.2	99.2	34.3
Attributable to:			
■ **Equity holders of Legrand**	**102.8**	**98.6**	**33.5**
■ **Minority interests**	**0.4**	**0.6**	**0.8**

(in € millions)	3rd quarter 2007	3rd quarter 2006	3rd quarter 2005
Revenue	**999.8**	**888.4**	**774.9**
Operating expenses			
Cost of sales	(498.3)	(446.2)	(400.3)
Administrative and selling expenses	(260.5)	(232.8)	(193.6)
Research and development costs	(54.8)	(56.3)	(56.6)
Other operating income (expense)	(18.5)	(19.9)	(24.8)
Operating profit	**167.7**	**133.2**	**99.6**
Finance costs	(46.1)	(35.4)	(59.0)
Financial income	14.2	8.5	7.4
Exchange gains and losses	21.4	2.3	(4.0)
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(10.5)	(24.6)	(55.6)
Share of profit of associates	0.6	0.1	0.4
Profit before tax	**157.8**	**108.7**	**44.4**
Income tax expense	(54.2)	(24.8)	(21.3)
Profit for the period	103.6	83.9	23.1
Attributable to:			
■ **Equity holders of Legrand**	**103.3**	**83.2**	**22.5**
■ **Minority interests**	**0.3**	**0.7**	**0.6**

(in € millions)	4th quarter 2007	4th quarter 2006	4th quarter 2005
Revenue	**1,033.3**	**955.1**	**890.4**
Operating expenses			
Cost of sales	(528.2)	(495.7)	(478.1)
Administrative and selling expenses	(275.3)	(248.7)	(228.0)
Research and development costs	(56.9)	(61.4)	(63.2)
Other operating income (expenses)	(23.6)	(35.9)	(28.2)
Operating profit	**149.3**	**113.4**	**92.9**
Finance costs	(37.7)	(32.3)	(45.3)
Financial income	12.8	9.4	3.5
Exchange gains and losses	14.2	16.4	(4.3)
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(10.7)	(6.5)	(46.1)
Share of profit of associates	0.8	0.2	0.5
Profit before tax	**139.4**	**107.1**	**47.3**
Income tax expense	(16.5)	(0.4)	(27.4)
Profit for the period	122.9	106.7	19.9
Attributable to:			
■ **Equity holders of Legrand**	**122.5**	**105.5**	**19.3**
■ **Minority interests**	**0.4**	**1.2**	**0.6**

NOTE 28 - SUBSEQUENT EVENTS

No significant event occurred after the closing of December 31, 2007.

11.2 - STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

This is a free translation into English of the statutory auditors' report issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory auditors' report on the consolidated financial statements for the year ended December 31, 2007

To the Shareholders

Legrand SA
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

Ladies and Gentlemen,

In accordance with our appointment as statutory auditors by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Legrand SA for the year ended December 31, 2007, except that we have not performed any work on the quarterly information disclosed in note 27 of the consolidated financial statements.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2007 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L.823-9 of the French Commercial Law *(Code de commerce)* relating to the justification of our assessments, we bring to your attention the following matters:

- goodwill and intangible assets represent respectively €1,815.9 million and €1,784.3 million of the total assets of your Company and have been recorded as a result of the acquisition of Legrand France in 2002 and of other subsidiaries since 2005. As mentioned in notes 1 (f) and 1 (g) of the consolidated financial statements, your Company performs, each year, an impairment test of the value of goodwill and intangible assets with indefinite useful lives; and assesses whether changes or circumstances relating to long term assets, which could lead to an impairment loss, have occurred during the year. We have reviewed the methods by which the impairment tests are performed as well as the projected cash flow and assumptions used for these impairment tests and verified that information disclosed in note 2 and 3 of the consolidated financial statements is appropriate;
- as at December 31, 2007, your Company has net operating tax losses carried forward mainly from UK and Italian entities. note 1 (j) describes the accounting method used to recognize the relative deferred tax assets. We have reviewed the recoverability analysis performed by your company and verified that information disclosed in note 22 of the consolidated financial statements is appropriate.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - SPECIFIC VERIFICATION

In accordance with professional standards applicable in France, we have also verified the information given in the Group's Management Report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine, February 6, 2008
The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Deloitte & Associés
Dominique Descours
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

11.3 - FEES PAID TO STATUTORY AUDITORS

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	In euros		%		In euros		%	
	2007	2006	2007	2006	2007	2006	2007	2006
Audit								
Independent audit, certification, review of parent company and consolidated financial statements	*1,595,970*	*1,565,707*	*60%*	*58%*	*1,781,865*	*1,353,467*	*66%*	*69%*
of which:								
Issuer	201,306	170,200	8%	6%	199,306	170,200	7%	9%
Fully consolidated subsidiaries	1,394,664	1,395,507	53%	52%	1,582,559	1,183,267	59%	60%
Services directly related to the assignment	*324,313*	*479,202*	*12%*	*18%*	*881,990*	*497 061*	*33%*	*25%*
of which:								
Issuer	324,313	448,438*	12%	17%	20,000	395,000*	1%	20%
Fully consolidated subsidiaries	0	30,764	0%	1%	861,990	102,061	32%	5%
SUB-TOTAL AUDIT	**1,920,283**	**2,044,909**	**72%**	**77%**	**2,663,856**	**1,850,529**	**99%**	**94%**
Other services provided by networks to fully consolidated subsidiaries								
Legal, tax, personnel-related	732,908	611,405	28%	23%	29,680	20,561	1%	1%
Other	0	3 702	0%	0%	0	98 600	0%	5%
SUB-TOTAL, OTHERS	**732,908**	**615,107**	**28%**	**23%**	**29,680**	**119,161**	**1%**	**6%**
TOTAL	**2,653,191**	**2,660,016**	**100%**	**100%**	**2,693,535**	**1,969,690**	**100%**	**100%**

* *Non recurring expenses related to services provided as part of the initial public offering of the Company*

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

11.4 - DIVIDEND POLICY

The Company may declare dividends upon the recommendation of its Board of Directors and the approval of its shareholders at their annual general meeting. However, the Group is under no obligation to do so, and the decision of whether to recommend payment of a dividend and the amount of the dividend will depend upon, among other factors, on:

- the Company's results and cash flows;
- the Company's financial position;
- the Company's future prospects;
- the Company's shareholders' interests;
- general business conditions;
- any other factors that the Company's Board of Directors deems relevant.

Notwithstanding the factors listed above, there is no formula for determining the amount of dividend to be paid. In addition, the French Commercial Code (*Code de commerce*) and the Company bylaws (*statuts*) limit the Company's right to pay dividends in certain circumstances.

Dividends distributed for the 2004, 2005 and 2006 financial years were as follows:

Year	Number of shares on which dividends were paid	Net dividend
2004	759,350,900 shares, €1	€0.00
2005	269,693,376 shares, €4	€0.41
2006	266,241,719 shares, €4	€0.50

All dividends distributed in 2005 and 2006 were eligible the tax credit (*abattement*) provided for in article 158-3-2e of the French Tax Code (50% in 2005 and 40% in 2006).

Subject to the approval of the Shareholders' General Meeting to be held on May 22, 2008, Legrand should pay on June 3, 2008 a dividend of €0.70 per share for 2007, up 40% on the dividend paid in 2007 on 2006 business.

Dividends paid to holders of shares whose domicile for tax purposes or registered office is located outside of France will generally be subject to French withholding tax at a rate of 25%.

Corporate holders of shares whose effective headquarters are located within the European Union may benefit from the waiver of withholding tax on dividends paid by a *société anonyme* if the conditions set forth in Article 119 *ter* of the French Tax Code are met. In addition, holders who qualify for benefits under an applicable tax treaty and who comply with the procedures for claiming treaty benefits may be entitled to a reduced rate of withholding tax and, in certain circumstances, certain other benefits, under conditions provided for in the relevant treaty under French law.

11.5 - LEGAL PROCEEDINGS AND ARBITRATION

In October 2003, an action was brought against a US subsidiary of the Group and two of its major competitors in the United States, alleging that one of the Group's products sold by these companies, a quick-connect receptacle, is not suitable for use, should be withdrawn from the United States markets and all production should be discontinued.

The Group contested these allegations and filed a counterclaim. The quick-connect receptacle has been sold in the United States for many years and no accidents have been reported in connection with its use to date. In addition, management does not believe that the claimant has provided any evidence of damages, nor has the claimant alleged any damages or accidents from the use of the receptacles. This litigation is currently being considered by the Superior Court of the State of California and the United States District Court of South Carolina, Charleston Division, as to certain procedural matters. Although the Group believes the claims are unsubstantiated, it is too early to evaluate the outcome of this action.

With respect to environmental matters, and mainly because of past operations and the operations of predecessor companies, the Group is a party to various lawsuits and claims that are common to companies in the manufacturing sector, including claims relating to groundwater and soil contamination due to the disposal and release of hazardous substances and waste. For example, Sute SAS, one of the Group's French subsidiaries based in Pont-à-Mousson, is currently a party to an action relating to the discovery of hydrocarbons and toxic substances on a site that the Group operated more than 35 years ago. The Meurthe et Moselle prefecture has required Legrand to take necessary actions to decontaminate the site. In addition, Pass & Seymour, one of the Group's United States subsidiaries, is currently a party to an action relating to the discovery of hydrocarbons on a site it operates. The Group believes that these two actions represent a total of approximately €3 million. Provisions for the entire amount have been made in the Group's accounts. The Group does not expect the outcome of any such proceedings, either individually or in aggregate, to have a material adverse effect on its operations, financial condition or cash flows. New information or future developments, such as changes in law (or interpretation), environmental conditions or its operations, could nonetheless result in increased environmental costs and liabilities that could have a material effect on the Group's financial position or results.

Legrand is also involved in other litigation from time to time in the ordinary course of its business. The Group does not expect the outcome of such proceedings, either individually or in aggregate, to have a material adverse effect on its operations, financial position or cash flows.

The Company has no knowledge during the past 12 months of other governmental, legal or arbitration proceedings (including pending or threatened litigation and those proceedings of which the Group has knowledge) that might have or recently had a material impact on the financial position or profitability of the Company and/or the Group.

11.6 - SIGNIFICANT CHANGES IN FINANCIAL AND COMMERCIAL SITUATION

11.6.1 - Reduction in capital by cancellation of shares

In the period from January 1, 2008 to March 5, 2008, the Company bought back 2,754,403 of its shares (excluding buybacks made within the framework of the liquidity contract). Of these total, 148,984 were purchased for cancellation and 2,605,419 for stock options plans and free share issues.

Meeting on March 5, 2008, the Board of Directors approved the cancellation of own shares purchased for this purpose.

This cancellation concerns 9,138,395 shares (including 8,989,411 shares held on December 31, 2007 and 148,984 own shares purchased by the Company from January 1 to March 5, 2008). Following cancellation, share capital totaled €1,047,349,376 represented by 261,837,344 shares.

The difference between the buyback price of cancelled shares and their nominal value, i.e., an amount of €188,280,771, was used to reduce the issuing premium.

Following the capital reduction, share capital was held as follows at March 5, 2008:

Shareholder	Shareholding
Wendel	31%
KKR	31%
Float	31%
Legrand management and employees (Plan d'Épargne Entreprise)	5%
Treasury stock	2%

11.6.2 - Implementation of plans for options for subscription to new shares or purchase of existing shares, and free allotments

Meeting on March 5, 2008, the Board of Directors approved the implementation of stock option plans for subscription to new shares or purchase of existing shares and free share allotments, representing a total of 2,015,239 options and 654,058 free shares.

Information on options for the subscription to new shares or the purchase of existing shares	2008 Plan
Date of Board of Directors meeting	March 5, 2008
Total number of shares that may be subscribed or purchased	2,015,239
Including number of shares for subscription or purchase by corporate officers (mandataires sociaux)	*141,231*
Terms of exercise	After a period of at most 4 years after grant except in cases of resignation or grave misconduct *(faute lourde)*
Subscription/purchase price	€20.58

Information on free share allotments	2008 Plan
Date of Board of Directors meeting	March 5, 2008
Total number of free shares allotted	654,058
Including number of free shares allotted to corporate officers (mandataires sociaux)	*47,077*
Terms of exercise	After a period of at most 4 years after grant except in cases of resignation or grave misconduct *(faute lourde)*

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

12

ADDITIONAL INFORMATION

12.1 - SHARE CAPITAL

Unless otherwise indicated, the information presented in this chapter is dated December 31, 2007. A capital reduction by cancellation of own shares was decided by the Board of Directors at its meeting on March 5, 2008 and readers should thus refer to paragraph 11.6.1 of this reference document for additional information on this point.

12.1.1 - Subscribed share capital and authorized but unissued share capital

At December 31, 2007, the Company's share capital amounted to €1,083,902,956, divided into 270,975,739 shares with a par value of €4.00 each.

Company shares are fully paid-up and all of the same class. The shares may be held in registered form or in bearer form, at the option of the shareholder. They may be registered on individual shareholder accounts in accordance with applicable legislation and regulations.

On May 15, 2007, the general Meeting of shareholders authorized the Company's Board of Directors to effect the capital increases summarized in the table below subject to the provision that the total nominal value of these increases may not exceed €600 million (except as they result from authorizations to allocate options for the purchase of existing shares or subscription to new shares and to allot free shares, the total of which may not exceed 5% of share capital):

Authorization	Duration of authorization and expiration date	Maximum nominal amount *(in € millions)*
Allocation of options for the purchase of existing shares or subscription to new shares	38 months July 15, 2010	5% of share capital at the grant date
Issuances with cancellation of preferential subscription rights Issuances of any form of security	26 months July 15, 2009	450 (this maximum nominal amount to be deducted from the global cap of 600)
Issuances with preferential subscription rights maintained Issuances of any form of security	26 months July 15, 2009	600 (global cap)
Increase in issuance amounts in the event of excess demand, to be effected within 30 days from the close of the subscription period	26 months July 15, 2009	Limited to 15% of initial offering (this maximum nominal amount to be deducted from the global cap of 600)
Capital increase through incorporation of share premiums, reserves, profits or other amounts	26 months July 15, 2009	100 (this maximum nominal amount to be deducted from the global cap of 600)
Reserved issuance to employees participating in a Company or Group share ownership/savings plan	26 months July 15, 2009	25 (this maximum nominal amount to be deducted from the global cap of 600)
Free allocation of new or existing shares	38 months July 15, 2010	5% of the share capital of the Company at the grant date
Issuance of shares or other securities in consideration of contributions in kind	26 months July 15, 2009	10% of the share capital of the Company at the issuance date (this maximum nominal amount to be deducted from the global cap of 600)
Determination of issue price by call on the market	26 months July 15, 2009	10% of the share capital of the Company (this maximum nominal amount to be deducted from the global cap of 600)

12.1.2 - Acquisition by the Company of its own shares

12.1.2.1 - CURRENT BUYBACK PROGRAM

Use of the authorization granted at the Shareholders' Meeting on May 15, 2007

On May 15, 2007, the Company established a share buyback program pursuant to the authorization described below, granted to the Board of Directors at the general Meeting of shareholders on May 15, 2007:

Transaction	Term of authorization and expiration date	Maximum amount *(in € millions)*	Maximum number of shares
Share buyback program	18 months November 15, 2008	650	10% of share capital at purchase date
Cancellation of shares purchased under the program and related capital reduction	26 months July 15, 2009		10% of share capital at the cancellation date

The Company has purchased a certain number of its shares pursuant to the buyback program and as a result held 11,385,834 shares at December 31, 2007, representing a total book value of €281,050,439 and total nominal value of €45,543,336, this being 4.2% of share capital at that date.

The Board of Directors having ordered a share cancellation on March 5, 2008, readers should refer to section 11.6.1 for additional information.

Description of the current share buyback program

A full description of the current share buyback program is available on the Company's web site (www.legrandelectric.com).

12.1.2.2 - NEW BUYBACK PROGRAM TO BE SUBMITTED TO SHAREHOLDERS FOR APPROVAL

The draft resolutions adopted by the Company's Board of Directors on March 5, 2008 for submission to shareholders at their general meeting on May 22, 2008 provide for the renewal of (i) the authorization to purchase own shares referred to in section 12.1.2.1 above with upper limits of 10% of share capital and €650 million on total buybacks and €36 on the purchase price per share, and (ii) the authorization to cancel shares as described in 12.1.2.1 above, subject the upper limit of 10% of share capital in any period of 24 months.

Draft resolutions are reproduced in Appendix 4.

12.1.3 - Other securities providing access to equity

At the date of registration of this reference document, there are no securities other than shares providing access to the Company's equity.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

12.1.4 - Changes in share capital

At January 1, 2007, the share capital of the Company amounted to €1,078,773,504 represented by 269,693,376 shares with a par value of €4 each.

On November 7, 2007, 1,282,363 new shares representing a total nominal amount of €5,129,452 were issued in connection with a capital increase resulting from the exercise of stock options.

At December 31, 2007, the share capital of the Company amounted to €1,083,902,956 represented by 270,975,739 shares with a par value of €4, each, all fully paid and of the same class.

Changes in share capital since the Company's incorporation in 1998 are summarized in the table below:

Transactions	Date	Number of shares issued/ cancelled	Nominal amount *(in euros)*	Issue premium *(in euros)*	Share capital *(in euros)*	Number of shares	Nominal value *(in euros)*
Incorporation	22 Dec.1998	40,000	40,000	–	40,000	40,000	1
Capital increase	8 Dec. 2002	759,310,900	759,310,900	–	759,350,900	759,350,900	1
Reverse split, increase in nominal value and decrease in number of shares	24 Feb. 2006	569,513,175	–	–	759,350,900	189,837,725	4
Capital increase by way of public offering	11 April 2006	43,689,298	174,757,192	688,106,444	934,108,092	233,527,023	4
Capital increase reserved to GP Financière New Sub 1	11 April 2006	33,862,914	135,451,656	533,340,895	1,069,559,748	267,389,937	4
Capital increase reserved to employees	2 May 2006	2,303,439	9,213,756	36,279,164*	1,078,773,504	269,693,376	4
Capital increase relating to issuance arising from the exercise of stock options	7 Nov. 2007	1,282,363	5,129,452	–	1,083,902,956	270,975,739	4
Cancellation of shares	5 March 2008	9,138,395	36,553,580	(188,280,771)	1,047,349,376	261,837,344	4

* *The amount of the discount, i.e., €9.1 million, was accounted for as other operational expenses in the accounts presented in accordance with IFRS.*

12.1.5 - Pledges, guarantees and security interests

As at the date of registration of this reference document and to the best knowledge of the Company, no share of the Company has been pledged or made subject to a guarantee or a security interest.

12.1.6 - Number of voting rights

Attention is drawn to the fact that the provision for double voting rights described in section 12.2.3 of this reference document came into force on February 24, 2008 and will thus apply at the General Meeting of shareholders on May 22, 2008.

12.2 - ARTICLES OF INCORPORATION AND BY-LAWS

12.2.1 - Corporate purpose

The Company's corporate purpose is, directly or indirectly, in all countries, as follows:

- the purchase, subscription, holding or contribution of shares or other securities in any companies;
- providing any services in connection with, *inter alia*, human resources, IT, management, communications, finance, legal affairs, marketing and purchases to its subsidiaries and companies in which it has direct or indirect interests;
- and, in general, all financial, commercial, industrial, civil, real estate or movable asset transactions directly or indirectly connected with the above objects or with any similar or connected objects, or which are likely to support directly or indirectly the purposes of the Company, its growth, its development or its corporate assets.

12.2.2 - Administration and management

12.2.2.1 - BOARD OF DIRECTORS

Membership

The Company is managed by a Board of Directors made up of a minimum of three members and of a maximum of eighteen members, subject to the exception provided by law in the event of a merger.

Subject to legal exceptions, each Director must hold (in registered form) at least 500 ordinary shares of the Company while a Director of the Company.

Members of the Board are appointed to serve six-year terms, which expire at the end of the ordinary general Shareholders' Meeting that considers on the accounts of the past financial year, and which is held during the year of expiry of each member's term of office. They may be reappointed for consecutive terms.

When the legal conditions are satisfied, the Board of Directors may appoint provisional members of the Board for the remaining term of office of their predecessor. In accordance with the law, provisional appointments are subject to ratification at the closest Shareholders' Meeting.

No individual exceeding the age of 70 may be appointed as a member of the Board of Directors if his/her appointment results in more than one-third of the number of members of the Board of Directors having exceeded such age. If during their term of office, the number of members of the Board of Directors having exceeded the age of 70 exceeds one-third of the total number of members of the board, the oldest member of the Board of Directors will be deemed to have resigned at the end of the general ordinary Shareholders' Meeting which considers the accounts of the past financial year, and which is held during the year in which the age limit is reached.

Chairman of the Board of Directors

The Board of Directors appoints from among its members a Chairman who will be an individual aged, at the time of his/her appointment, less than 65 years. When the Chairman reaches such age limit, he/she is automatically deemed to have resigned at the end of the general ordinary Shareholders' Meeting which considers accounts of the past financial year, and which is held during the year in which the age limit is reached.

The Chairman may be reelected.

The Chairman of the Board of Directors organizes and leads the work of the board, on which he/she reports to the Shareholders' Meeting. He/she monitors the proper operation of the bodies of the Company and ensures, in particular, that the members of the board are in a position to exercise their duties.

The compensation of the Chairman is determined by the Board of Directors.

The Board may appoint from among its members a Vice-Chairman who will replace the Chairman in case of unavailability of the latter. The Vice-Chairman is subject to the same age limits as the Chairman.

Convening of meetings of the Board of Directors

The Board of Directors may convene as often as required in the best interest of the Company.

Members of the Board of Directors are convened to the meetings by the Chairman of the Board of Directors, or in case of unavailability, by the Vice-Chairman.

The Chief Executive Officer (*Directeur général*) may also call on the Chairman to convene the Board of Directors on a specific agenda.

When the Board of Directors has not met for over two months, at least one-third of the members of the Board of Directors may call on the Chairman to convene the Board of Directors on a specific agenda.

The Chairman is bound by the requests made under the two paragraphs above.

Subject to the provisions of the three paragraphs above, the agenda is determined by the Chairman and may also be determined, as needed, at the time of the meeting.

Notices are given by any means, including orally, with meetings convened at the registered office or in any other location indicated on the notice, in France or abroad.

Meetings of the Board of Directors

Deliberations take place subject to the conditions of quorum and majority provided for by law. In the event of a tie, the Chairman has a casting vote.

Subject to any contrary provision of the law, the Board of Directors may provide in its internal regulations that, for the purposes of the calculation of the quorum and majority, members be deemed present if they participate by videoconference or by other means of telecommunication, provided that the means used ensure such members' identification and effective participation in the Board meeting, in accordance with the applicable regulatory provisions.

The Board of Directors may appoint a secretary of the meeting, who need not be a shareholder or a member of the Board of Directors.

Powers of the Board of Directors

The Board of Directors determines the broad lines of the Group's business activities and ensures their implementation. Save for powers expressly reserved to the general Meeting of shareholders and within the limits resulting from the Company's corporation purpose, the Board considers all matters concerning the proper operation of the Company's businesses and settles the matters with which it is concerned by deliberative process.

The Board of Directors decides on the management structure of the Company.

The Board of Directors is competent to authorize the Chairman to grant particular security interests in connection with the issuance of bonds.

The Board of Directors may decide to establish committees to assist the Board in its work and in the preparation of its deliberations. It determines the composition and powers of the committees, which operate under its responsibility, without prejudice to the powers proper to the Board, which may in no case be delegated to such committees.

12.2.2.2 - GENERAL MANAGEMENT *("DIRECTION GÉNÉRALE")*

Choice relating to exercise of executive powers

The Board of Directors decides, in accordance with the relevant provisions of Company articles, whether the general management (*Direction générale*) is to be conducted by the Chairman of the Board of Directors or by another person appointed by the Board of Directors and bearing the title of *Directeur général* (Chief Executive Officer).

Shareholders and third parties are to be informed of this decision in accordance with applicable laws and regulations. Responsibility for the exercise of the powers of general management (*Direction générale*) can be changed at any time. The Board of Directors must consider this whenever the term of office of the Chairman or Chief Executive Officer expires.

The provisions concerning the Chief Executive Officer (*Directeur général*) set forth below also apply when general management is exercised by the Chairman of the Board of Directors.

Chief Executive Officer *(Directeur général)*

The Chief Executive Officer (*Directeur général*) may not be no more than 65 years of age when appointed. The Chief Executive Officer is deemed to have resigned at the close of the general Meeting of shareholders held in the calendar year in which he/she reaches this age and called to consider accounts for the previous financial year.

The Chief Executive Officer is always eligible for reelection.

The Chief Executive Officer can be chosen from among the Directors or from outside their number. If the Chief Executive Officer is not a Director, he/she attends meetings of the Board of Directors in an advisory capacity, except if the Board decides otherwise by a simple majority.

If the Chief Executive Officer is temporarily prevented from exercising his/her duties, the Board of Directors may delegate the powers of Chief Executive Officer to a Director.

The Chief Executive Officer has the widest powers to act on behalf of the Company in all circumstances and regarding all matters, subject to such limitations as the Board of Directors may include in its internal regulations, which are without legal effect in relationships with third parties. These powers are to be exercised within the limits resulting from the Company's corporate purpose and the powers expressly reserved by law to Shareholders' Meetings and to the Board of Directors.

The Board of Directors determines the Chief Executive Office's term of office and compensation. If the Chief Executive Officer is a Director, this term of office may not extend beyond his/her term of office as a Director.

Chief Operating Officers *(Directeurs généraux délégués)*

At the proposal of Chief Executive Officer, the Board of Directors may appoint up to five (5) Chief Operating Officers (*Directeurs généraux délégués*), who must be individuals and may be chosen from among the Directors or from outside their number.

In agreement with the Chief Executive Officer, the Board of Directors determines the scope and duration of the Chief Operating Officer's powers. These powers and their duration may not exceed those of the Chief Executive Officer. The Board of Directors determines the compensation of each Chief Operating Officer.

If the Chief Executive Officer's office terminates, Chief Operating Officers remain in office unless the Board determines otherwise and continue to exercise their powers until the appointment of the new Chief Executive Officer.

Chief Executive Officers are eligible and subject to the same age limit as the Chief Executive Officer.

12.2.2.3 - COMMITTEES

The Board of Directors may decide to set up internal committees charged with considering the matters submitted to them by the Board of Directors or its Chairman. The Board of Directors determines the membership and scope of the committees, which exercise their duties under the Board's responsibility, without prejudice to the authority of the Board of Directors, which may in no case be delegated to such committees.

For a detailed description of the committees, readers should refer to section 8.3.1.2 of this reference document.

12.2.3 - Rights, privileges and restrictions attached to the shares

Shares may be traded without restriction and may be transferred from and to shareholders' accounts in accordance with applicable laws and regulations.

Subject to the applicable legal and regulatory provisions, each member of a Shareholders' Meeting is entitled to one vote per share owned or represented.

However, double voting rights are attached (in proportion to the fraction of capital held) to all shares held in registered form in the name of the same shareholder for at least two years following February 24, 2006.

In addition, in the event of a capital increase by the capitalization of reserves, profits or share premiums, those shares distributed in respect of shares with double voting rights will also benefit from double voting rights upon their issuance.

All shares held in registered form which are transferred or become held in bearer form lose double voting rights. However, transfers resulting from inheritance, the liquidation of joint property between spouses or the granting of an *inter vivos* gift for the benefit of a spouse or certain relatives do not affect the double voting rights attached to the shares and do not interrupt the vesting period for double voting rights.

The merger or breakup of the Company will not affect double voting rights, which may be exercised within the Company or companies benefiting resulting from the merger or breakup if the articles of such company or companies provide for double voting rights.

If any new shares are fully paid up on issuance, the payment calls, at the dates determined by the Board of Directors, will be made by way of notices inserted, two weeks prior to the payment call, in one of the official gazettes (*journaux d'annonces légales*) of the location of the registered office, or sent by registered mail with acknowledgement of receipt. Each payment on a subscribed share will be recorded by an entry on the account opened under the name of the holder. All late payments will automatically bear interest in favor of the Company, starting from the date payment was due, without formal command or application to a court, at the legal interest rate, notwithstanding the personal proceeding the Company may initiate against the failing shareholder and forced execution measures provided for by the law.

Each share accords the right to an identical share of ownership in the corporate assets, in the distribution of profits and in the liquidation premium (*boni de liquidation*), subject to the creation of preferred shares (*actions de préférence*).

The shares are indivisible with regard to the Company, which recognizes one owner for each share. The co-owners of undivided shares must be represented to the Company by a single representative. In case of dismantling, voting rights attached to shares belong to the usufructuary at ordinary meetings and to the bare owner at extraordinary meetings.

The heirs, creditors, legal beneficiaries and other representatives of a shareholder may not place liens on the property or securities of the Company, nor request the division or public sale, nor interfere in the administration of the Company.

For the proper exercise of their rights, they are to refer to the corporate records and to the decisions of the shareholders' meeting.

Whenever more than one share is required to exercise a particular right, in the event of a share exchange, consolidation or allotment, or as a result of an increase or reduction in share capital, or in the event of a merger or other transaction involving the share capital, shareholders who own only one share or who do not own the minimum number required have no rights against the Company; each shareholder may then at their own initiative consolidate their shares for the purpose of exercising said right, or buy or sell the requisite number of shares.

The Company monitors ownership of its shares in accordance with applicable laws. In this respect, the Company may avail itself of all legal provisions, for the identification of the holders of shares conferring immediate or future voting rights at the Company's shareholders' meetings.

12.2.4 - Amendment of rights attached to shares

As Company articles and by-laws do not make any specific provisions, amendment of the rights attached to the shares is subject to the general provisions of law.

12.2.5 - Shareholders' meetings

ATTENDANCE AT SHAREHOLDERS' MEETINGS

The rules set out below result from the articles and by-laws in force at the date of registration of this reference document.

Subject to legal and regulatory restrictions, all shareholders may attend shareholders' meetings and participate in deliberations, personally or through a proxy, independently of the number of shares held.

The right to participate personally or through a proxy is established by book entry of the shares in the name of the holder or the intermediary registered on the shareholder's behalf (in accordance with relevant provisions of the law) no later than at zero hour, Paris time, on the third business day preceding the general meeting:

- in the case of registered shares on the registered accounts kept by the Company;
- in the case of bearer shares, on the bearer securities accounts kept by intermediaries empowered for this purpose in accordance with applicable regulations.

Any shareholder wishing to vote by mail or by proxy must deliver a mailing vote, proxy form, or similar single document, to the Company's registered office, or at any other address indicated on the notice convening the meeting (*avis de réunion et de convocation*), at least three days prior to the date of the meeting. The Board of Directors may, for any general meeting, set a later deadline by a decision in favor or all shareholders. Upon decision of the Board of Directors referred to in the notice (*avis de réunion et de convocation*), shareholders may, in accordance with the law, send their voting and proxy forms by any means of including electronic communications. In such case, the electronic signature my take the form of a procedure satisfying the conditions defined in the first sentence of the second paragraph of article 1316-4 of the *Code civil*.

CONVENING OF SHAREHOLDERS' MEETINGS

Shareholders' meetings are convened in accordance with general legal requirements. Meetings are held at the registered office or any other location, in France or abroad, indicated in the notice of meeting.

ORGANIZATION OF SHAREHOLDERS' MEETINGS

Shareholders' meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman or by a Director appointed for this purpose by the Board of Directors; failing which, the meeting itself elects a Chairman.

Shareholders may, if the Board of Directors has allowed it in the notice of meeting (*avis de réunion et de convocation*), participate *via* video-conferencing or other means of telecommunications in accordance with applicable laws and regulations. Such shareholders are deemed present for the calculation of quorum and majority of shareholders' meetings.

An attendance sheet is kept for each meeting as required by law.

DECISIONS AND POWERS OF GENERAL MEETINGS

The ordinary and extraordinary general meeting exercise the powers respectively assigned to them by law, and subject to legal requirements of quorum and majority requirements for each type of meetings.

12.2.6 - Provisions of a nature to delay, defer or prevent a change in the control of the Company

There are no stipulations in Company articles and by-laws of a nature to delay, defer or prevent a change of control.

12.2.7 - Thresholds for ownership disclosures

In addition to the general requirements of law, any individual or legal person, acting alone or in concert, coming into possession, directly or indirectly within the meaning of the law (and in particular, of article L.233-3 of the French *Code de commerce*), in any manner, of a number of shares representing two percent (2%) of the share capital or voting rights, is required to disclose to the Company the total number of shares and voting rights held (the percentage of voting rights being calculated relative to the total number of shares to which voting rights are attached, including those for which voting rights are suspended) in a notice sent by registered mail with acknowledgment of receipt to the registered office within 5 trading days from the date this threshold is exceeded, this being without regard to the date at which the shares may be registered on a shareholder account. This notice is to state the total number of shares and securities giving future access to equity and the number of related voting rights held, directly or indirectly, singly or in concert. The downward breach of this 2% threshold is be disclosed in the same manner.

Above this 2% threshold, disclosure must be made in the same manner for any rise or fall representing a multiple of one percent (1%) of the share capital or voting rights.

Should required disclosure not be made, voting rights on the shares in excess of the threshold for disclosure will, at the request of one or more shareholders separately or together owning at least one percent (1%) of the share capital or voting rights, as duly recorded in the minutes of the general meeting, be suspended and the shareholder or shareholders at fault may not exercise or delegate these at any general meetings until the expiration of a two-year period following the date notification is supplied for.

12.2.8 - Changes to share capital

The Company's share capital may be increased or reduced in accordance with the general provisions of law. The extraordinary general meeting of shareholders may also decide to carry out stock splits or reverse splits.

13

MATERIAL AGREEMENTS

MATERIAL AGREEMENTS

Taking into account its business, the Company has not entered into, at the date or registration of this reference document, any material agreements, other than the agreements entered into in the ordinary course of business, with the exception of the 2006 Credit Facility described in section 7.5.2.1 of this reference document.

CONCORDANCE TABLES

CONCORDANCE TABLE – ANNUAL FINANCIAL REPORT (ARTICLE 222-3 OF THE GENERAL REGULATIONS OF THE FRENCH *"AUTORITÉ DES MARCHÉS FINANCIERS"*)

General regulations of the French *Autorités des marchés financiers* (AMF) – Article 222-3		Annual financial report	
N°	Paragraph	Reference	Page(s)
I.1°	Annual accounts	Appendix 1	200
I.2°	Consolidated accounts prepared in accordance with Regulation (EC) 1606/2002 of July 19, 2002 on the application of international accounting standards	Chapter 11	127
I.3°	Management report containing at least the information referred to in articles L.225-100, L.255-100-3 and the second sub-paragraph of article L.225-211 of the French Commercial Code	Appendix 2	213
	Management report containing information referred to in article L.225-100-2 of the French Commercial Code	Chapter 7	63
I.4°	Statement made by the natural persons taking responsibility for the annual financial report	1.1	4
I.5°	Report of the statutory auditors on the annual accounts	Appendix 3	237
	Report of the statutory auditors on the consolidated accounts	11.2	176

CONCORDANCE TABLE – EUROPEAN COMMISSION REGULATION (EC) NO. 809/2004 OF APRIL 29, 2004

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
1	Persons responsible	1.1	4
1.1	Person responsible for the information given in the reference document	1.1.1	4
1.2	Declaration by the persons responsible for reference document	1.1.2	4
2	Statutory Auditors	1.2	5
2.1	Names and addresses of the issuer's auditors	1.2.1 and 1.2.2	5
2.2	Statutory auditors having resigned, been removed or not been re-appointed during the period covered by the historical financial information	N/A	-
3	Selected financial information	2.5	14 at 17
3.1	Selected historical financial information	2.5	14 at 17
3.2	Selected financial information for interim periods	N/A	-
4	Risk factors	Chapter 3	19 at 25
5	Information about the issuer	Chapter 4	27 at 34
5.1	History and Development of the Issuer	4.1	28
5.1.1	Legal and commercial name of the issuer	4.1.1	28
5.1.2	Place of registration of the issuer and its registration number	4.1.2	28
5.1.3	Date of incorporation and the length of life of the issuer	4.1.3	28

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
5.1.4	Domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	4.1.4 and 4.1.5	28
5.1.5	Important events in the development of the issuer's business	4.1.6	29
5.2	Investments	4.2 and 7.6	29-30 and 82
5.2.1	Description of the issuer's principal investments for each financial year for the period covered by the historical financial information up to the date of the registration document	4.2.1 and 7.6	29-30 and 82
5.2.2	Description of the issuer's principal investments that are in progress	4.2.2	30
5.2.3	Information concerning the issuer's principal future investments on which its management bodies have already made firm commitments	4.2.3 and 7.6	30 and 82
6	Business overview	Chapter 5	35 at 54
6.1	Principal activities	5.2	45 at 54
6.1.1	Nature of the issuer's operations and its principal activities	5.2	45 at 54
6.1.2	Significant new products and/or services that have been introduced	5.2.2	46 at 48
6.2	Principal markets	5.1.2, 5.2.1	37-38 and 45
6.3	Exceptional factors that have influenced information given to items 6.1 and 6.2	N/A	-
6.4	Summary information regarding the extent to which the issuer is dependent, on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	2.2.2.1, 5.1.2.1, 5.1.4.5 and 5.2.6	10, 37, 40 and 51
6.5	Basis for any statements made by the issuer regarding its competitive position	5.1.4	39 at 41
7	Organizational structure	4.3	31
7.1	Description of the Group and the issuer's position within the Group	4.3, 4.3.1	31
7.2	List of the issuer's significant subsidiaries	4.3.2	32-33
8	Property, plants and equipment	5.2.7	52
8.1	Information regarding any existing or planned material tangible fixed assets	5.2.7	52
8.2	Description of any environmental issues that may affect the issuer's utilisation of the tangible fixed assets	Chapter 3, 5.2.8 and Chapter 6	19 54 55
9	Operating and financial review	Chapter 7	63
9.1	Financial condition	7.3 and 7.4	65 at 79
9.2	Operating results	7.3 and 7.4	65 at 79
9.2.1	Significant factors, including unusual or infrequent events or new developments, materially affecting the issuer's income from operations	7.3 and 7.4	65 at 79
9.2.2	Discussion of the reasons for material changes in net sales or revenues	7.3 and 7.4	65 at 79
9.2.3	Information regarding any governmental, economic, fiscal, monetary or political policies or factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	Chapter 3, 5.1.5, 7.9 and 7.10	19 41, 83 84
10	Capital resources	7.5	79 at 81
10.1	Information concerning the issuer's capital resources (both short and long term)	7.5	79 at 81
10.2	Explanation of the sources and amounts of and a narrative description of the issuer's cash flows	7.5.1, 11.1.1.3	80 and 131
10.3	Information on the borrowing requirements and funding structure of the issuer	7.5.2	81
10.4	Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations	7.5	79 at 81
10.5	Information regarding the anticipated sources of funds needed to fulfil commitments referred to in items 5.2.3. and 8.1.	N/A	-

CONCORDANCE TABLES

Concordance table – European commission regulation (EC) no. 809/2004 of April 29, 2004

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
11	Research and development, patents and licences	5.1.6.1.2, 5.2.3, 7.3.2.4 and 7.4.1.4	44 48, 67 72
12	Trend information	7.13	86
12.1	The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year to the date of the registration document	7.13	86
12.2	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year	N/A	-
13	Profit forecasts or estimates	N/A	-
13.1	Statement setting out the principal assumptions upon which the issuer has based its forecast or estimate	N/A	-
13.2	Report prepared by independent accountants or auditors	N/A	-
13.3	Profit forecast or estimate prepared on a basis comparable with the historical financial information	N/A	-
13.4	Statement setting out whether or not profit forecast is still correct as at the time of the registration document, and an explanation of why such forecast is no longer valid	N/A	-
14	Administrative, management, and supervisory bodies and senior management	Chapter 8	89
14.1	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies; b) partners with unlimited liability, in the case of a limited partnership with a share capital; c) founders, if the issuer has been established for fewer than five years; and d) any senior manager who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business.	8.1.1	90
14.2	Administrative, Management, and Supervisory bodies and Senior Management conflicts of interests	8.1.3	96
15	Remuneration and benefits	8.2	97
15.1	The amount of remuneration paid (including any contingent or deferred compensation), and benefits in kind granted to persons referred to in item 14.1 by the issuer and its subsidiaries	8.2.1 to 8.2.5	97 at 99
15.2	The total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits	8.2.6	99
16	Board practices	8.3	99
16.1	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office	8.1.1	90 at 96
16.2	Information about members of the administrative, management or supervisory bodies' service contracts with the issuer or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement	8.1.4	96
16.3	Information about the issuer's audit committee and remuneration committee	8.3.1.2.1 and 8.3.1.2.2	103
16.4	Statement as to whether or not the issuer complies with its country's of incorporation corporate governance regime	8.3.1	99
17	Employees	Chapter 9	113 at 120

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
17.1	The number of employees at the end of the period or the average for each financial year for the period covered by the historical financial information up to the date of the registration document	9.1	114
17.2	Shareholdings and stock options	8.2.3, 8.2.4 and 9.2	98 and 114 at 118
17.3	Description of any arrangements for involving the employees in the capital of the issuer	9.4	119
18	Major shareholders	Chapter 10	121 at 126
18.1	The name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights	10.1.1	122
18.2	Whether the issuer's major shareholders have different voting rights, or an appropriate negative statement	12.2.3	187
18.3	State whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control and describe the measures in place to ensure that such control is not abused	Chapter 8 and 10.1.2	89 and 123
18.4	Description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	10.2	124
19	Related party transactions	10.3	126
20	Financial information concerning the issuer's assets and liabilities, financial position and profits and losses	Chapter 11	127 at 180
20.1	Historical financial Information	11.1	128 at 175
20.2	Pro forma financial information	N/A	-
20.3	Financial statements	11.1	128 at 175
20.4	Auditing of historical annual financial information	11.2	176
20.4.1	Statement that the historical financial information has been audited	11.2	176
20.4.2	Indication of other information in the registration document which has been audited by the auditors	N/A	-
20.4.3	Where financial data in the registration document is not extracted from the issuer's audited financial statements state the source of the data and state that the data is unaudited	N/A	-
20.5	Age of latest financial information	11.1	128
20.6	Interim and other financial information	N/A	-
20.6.1	Quarterly or half yearly financial information published since the date of the issuer's last audited financial statements and the related audit or review report	N/A	-
20.6.2	Interim financial information, which may be unaudited, covering at least the first six months of the financial year if the registration document is dated more than nine months after the end of the last audited financial year	N/A	-
20.7	Dividend policy	11.4	178
20.7.1	Dividend per share	N/A	-
20.8	Legal and arbitration proceedings	11.5	179
20.9	Significant change in the issuer's financial or trading position	11.6	180
21	Additional information	Chapter 12	181 at 190
21.1	Share Capital	12.1	182
21.1.1	The amount of issued capital, and for each class of share capital: (a) the number of shares authorised; (b) the number of shares issued and fully paid and issued but not fully paid; (c) the par value per share, or that the shares have no par value; and (d) a reconciliation of the number of shares outstanding at the beginning and end of the year. If more than 10% of capital has been paid for with assets other than cash within the period covered by the historical financial information, state that fact	12.1.1	182
21.1.2	Shares not representing capital	N/A	-
21.1.3	Number, book value and face value of shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer	12.1.2	183

CONCORDANCE TABLES

Concordance table – European commission regulation (EC) no. 809/2004 of April 29, 2004

European Commission Regulation (EC) no. 809/2004 of April 29, 2004 – Annex I		Reference document	
N°	Paragraph	Reference	Page(s)
21.1.4	Amount of any convertible securities, exchangeable securities or securities with warrants	12.2.3	187
21.1.5	Information about and terms of any acquisition rights and or obligations over authorised but unissued capital or an undertaking to increase the capital	N/A	-
21.1.6	Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option and details of such options including those persons to whom such options relate	N/A	-
21.1.7	A history of share capital, highlighting information about any changes, for the period covered by the historical financial information	12.1.4	184
21.2	Memorandum and Articles of Association	12.2	185 at 190
21.2.1	Description of the issuer's objects and purposes	12.2.1	185
21.2.2	Summary of any provisions of the issuer's articles of association, statutes, charter or bylaws with respect to the members of the administrative, management and supervisory bodies	12.2.2	185-186
21.2.3	Description of the rights, preferences and restrictions attaching to each class of the existing shares	12.2.3	187
21.2.4	Description of what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law	12.2.4	188
21.2.5	Description of the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are called including the conditions of admission	12.2.5	188
21.2.6	Brief description of any provision of the issuer's articles of association, statutes, charter or bylaws that would have an effect of delaying, deferring or preventing a change in control of the issuer	12.2.6	189
21.2.7	Indication of the articles of association, statutes, charter or bylaw provisions, if any, governing the ownership threshold above which shareholder ownership must be disclosed.	12.2.7	189
21.2.8	Description of the conditions imposed by the memorandum and articles of association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law	12.2.8	189
22	Material contracts	Chapter 13	191
23	Third party information and statement by experts and declarations of any interest	N/A	-
23.1	Information relating to the expert having drawn up a statement or report	N/A	-
23.2	Confirmation that information sourced from a third party has been accurately reproduced and that no facts have been omitted which would render the reproduced information inaccurate or misleading	N/A	-
24	Documents on display	1.3.2	6 at 8
25	Information on holdings	4.3.2	32-33

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APPENDIX

APPENDIX 1

Annual accounts for the financial year ended December 31, 2007 (Company's accounts)

Statement of income

(in € thousands)	2007	2006
Operating income		
Revenue	17,335	14,778
Other operating income	656	4,477
	17,991	**19,255**
Operating expenses		
Change in goods inventory		
Change in supplies inventory		
Purchases and external charges	(7,795)	(11,631)
Taxes other than on income	(738)	(195)
Employee benefits expense	(7,196)	(5,775)
Amortization and provision expense	(2,078)	(1,447)
	(17,807)	**(19,048)**
Operating profit	**184**	**207**
Financial income		
Dividend income	351,924	229,834
Interest income from marketable securities and receivables, net		21,753
Net gains on disposal of non-current assets		
Exchange gains	43,576	49,129
Other *(note 3.1)*		381,041
	395,500	**681,757**
Financial expense		
Amortization and provision expense	(2,279)	
Exchange losses	(184)	(592)
Loss on extinguishment of debt *(note 3.1)*		(106,128)
Finance costs and other	(38,648)	(55,580)
	(41,111)	**(162,300)**
Financial income and expense, net	**354,389**	**519,457**
Recurring profit before tax	**354,573**	**519,664**
Non-recurring income and expense, net	**(2,863)**	**6,609**
Profit before tax and employee profit-sharing	351,710	526,273
Employee profit-sharing	(121)	(85)
Income tax benefit	97,539	68,050
PROFIT FOR THE PERIOD	**449,128**	**594,238**

Assets – Net

(in € thousands)	December 31, 2007	December 31, 2006
Non-current assets		
Intangible assets	75	150
Property and equipment		
Investments	4,010,105	3,761,926
TOTAL NON-CURRENT ASSETS	**4,010,180**	**3,762,076**
Current assets		
Inventories		
Receivables	47,492	57,289
Other current assets		
Marketable securities	54,465	100
Cash	59	1
TOTAL CURRENT ASSETS	**102,016**	**57,390**
Accruals	**3,054**	**3,489**
TOTAL ASSETS	**4,115,250**	**3,822,955**

Equity and liabilities – Before appropriation of profit

	December 31, 2007	December 31, 2006
Equity		
Share capital	1,083,903	1,078,774
Additional paid-in capital, reserves and retained earnings	1,695,383	1,234,420
Profit for the period	449,128	594,238
Untaxed provisions and government grants	0	99
TOTAL EQUITY	**3,228,414**	**2,907,531**
Provisions	**5,061**	**927**
Debt		
Other debt	871,194	870,955
TOTAL DEBT	**871,194**	**870,955**
Other liabilities	**8,670**	**30,937**
Accruals	**1,911**	**12,605**
TOTAL EQUITY AND LIABILITIES	**4,115,250**	**3,822,955**

Cash flow statement (years ended December 31)

(in € thousands)	2007	2006
Cash and cash equivalents at beginning of period *(note 1.12)*	**(538)**	**7**
Cash flows from operating activities		
Profit for the period	449,128	594,238
Adjustments to reconcile profit for the period to net cash provided by operating activities:		
Merger premium		(380,821)
Amortization expense	7,591	(4,750)
Other	(10,694)	(13,620)
CASH FLOW	**446,025**	**195,047**
Cash flows from changes in operating assets and liabilities:		
Trade and other receivables (including group relief receivables)	9,797	(20,485)
Trade and other payables	(22,267)	(4,620)
Other operating assets and liabilities	(514)	(4,726)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**433,041**	**165,216**
Cash flows from investing activities		
Proceeds from the sale of assets	0	0
Investments:		
Acquisitions of intangible assets	(153)	(343)
Acquisitions of investments, net	(11,178)	(57,003)
NET CASH USED IN INVESTING ACTIVITIES	**(11,331)**	**(57,346)**
Cash flows from financing activities		
Proceeds from issues of share capital	4,975	866,483
Share buybacks and transactions under the liquidity contract	(293,745)	
Dividends paid	(133,121)	(110,574)
Net (decrease) increase in debt (including intra-group loans and borrowings)	644	(864,324)
NET CASH USED IN FINANCING ACTIVITIES	**(421,247)**	**(108,415)**
Net change in cash and cash equivalents *(note 1.12)*	**463**	**(545)**
Cash and cash equivalents at period-end *(note 1.12)*	**(75)**	**(538)**

Significant events of the year

None.

Legrand became a combined holding and operating company in March 2006, following the merger with its subsidiary, Legrand SAS. Consequently, Legrand's results for 2006 only include the income and expenses generated by the employees transferred from Legrand SAS for a 10-month period.

Subsequent events

None.

Summary of significant accounting policies

1.1 Accounting principles and policies

The financial statements have been prepared in accordance with French generally accepted accounting principles, applied consistently from one year to the next, under the historical cost convention.

1.2 Intangible assets

Intangible assets correspond to software, which is amortized over three years.

The difference between book amortization and amortization calculated over 12 months for tax purposes is recorded in equity under "Excess tax amortization".

1.3 Investments in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at the lower of cost and fair value.

Fair value is determined by reference to Legrand's equity in the investee's revalued net assets, as adjusted to reflect its earnings performance and growth outlook.

1.4 Liquidity contract and share buybacks

Legrand shares acquired under share buyback programs are classified in accordance with recommendation 98-D released by the Urgent Issues Task Force of the French National Accounting Board *(Comité d'Urgence du Conseil National de la Comptabilité)*, based on the purpose for which they were purchased. Shares acquired specifically for allocation to employees are classified as treasury shares under marketable securities, and those purchased for cancellation or for any other purpose are classified as "treasury shares held for cancellation" or "treasury shares" under other investments.

Legrand shares purchased in connection with the Company's liquidity contract are also recorded as treasury shares under other investments, and cash and short-term investments held in the liquidity account are classified as "Other long-term receivables" within other investments.

Shares purchased under share buyback programs are stated at the lower of cost and fair value, except for treasury shares held for cancellation which are stated at cost. Fair value corresponds to the average share price for the last month of the fiscal year.

A provision is recorded for shares purchased for allocation on exercise of stock options or for share grants, to cover the difference between the price of share grants and stock options granted to employees and the shares' carrying amount. This provision – which is only recorded for stock options if it is probable that the options will be exercised – is recognized on a straight-line basis over the vesting periods of the share grants or stock options concerned.

1.5 Receivables and payables

Receivables and payables are stated at nominal value.

A provision for doubtful accounts is recorded when necessary, to write down receivables to their estimated recoverable amount.

1.6 Foreign currency receivables and payables

Foreign currency receivables and payables are converted into euros at the exchange rate on the balance sheet date.

1.7 Deferred charges

Deferred charges correspond to debt issuance costs which are written off to the income statement over the life of the debt.

1.8 Provisions for retirement benefits and supplementary pension benefits in France

Legrand employees receive a statutory length-of-service award on retirement, calculated at the rates specified in the collective bargaining agreements applicable to the electrical manufacturing industry.

The related defined benefit obligation is calculated each year by 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 denominated in euros that have terms to maturity approximating the period to payment of the related benefit liability.

The liability recognized in the balance sheet 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. Service cost is recognized in the income statement on a straight-line basis over the average remaining service lives of employees.

The defined benefit obligation is partly funded by contributions to an insured plan. Legrand has not made any additional payments to the plan since 2002.

Employees in the higher pay brackets are also covered by a supplementary pension plan. The plan provides for the payment of defined benefits corresponding to the theoretical pension rights of the employees concerned on the portion of their salary that exceeds a certain level (the "tranche D" used to calculate graduated Social Security contributions) assuming that they are still on the Company's payroll at retirement.

A provision is booked for the difference between the projected benefits payable to plan participants and the discounted present value of payments made to date.

1.9 Provisions for statutory and discretionary profit-sharing

Legrand's statutory profit-sharing agreement is an *"accord dérogatoire"*. Under this type of agreement, the Company applies a more generous profit-sharing formula in exchange for the right to record a tax-deductible "investment provision" covering future investment costs. The latest agreement was signed in 2006 and applies for the calculation of the special statutory profit-sharing reserve for the years 2006 to 2010. The plan covers employees of Legrand and also those of Legrand France, Legrand SNC, Groupe Arnould, Baco, Serd, Cofrel, Inovac, Sute, Sarlam, Ura, Planet-Wattohm, Distrasa and ICM Group.

A new discretionary profit-sharing agreement has also been signed, covering the years 2006 to 2008. It applies to employees of the same companies as the statutory profit-sharing agreement.

1.10 Forward purchases and sales of foreign currencies

A provision is booked at each year-end for the difference between the forward purchase or sale price of the foreign currencies and their exchange rate at the balance sheet date, when this is an unrealized loss. Unrealized gains are not recognized in the accounts, but are added back to profit for tax purposes.

1.11 Marketable securities

This item includes:

- Legrand shares purchased for allocation to employees as described in 1.4 above;
- premiums paid on interest rate hedges and written off to the income statement over the life of the hedge.

1.12 Cash flow statement

In the cash flow statement, which is presented after the balance sheet in these financial statements, cash and cash equivalents includes all financial assets and liabilities that are realizable or payable within three months.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

Notes to the balance sheet

2.1. Intangible assets

(in € thousands)	Gross value December 31, 2006	Additions/ Amortization for the period	Disposals	Gross value December 31, 2007
Software at cost	325	154	0	479
Amortization of software	(175)	(229)	0	(404)
INTANGIBLE ASSETS, NET	**150**	**(75)**	**0**	**75**

2.2. Investments

(in € thousands)	Net as of December 31, 2006	Additions	Disposals	Net as of December 31, 2007
Shares in subsidiaries and affiliates				
Legrand France SA	3,761,926	11,178		3,773,104
	3,761,926	**11,178**	**0**	**3,773,104**
Other investments				
■ treasury shares held for cancellation		221,587		221,587
■ other treasury shares		2,719		2,719
■ other long-term receivables		12,695		12,695
	0	**237,001**	**0**	**237,001**
TOTAL INVESTMENTS	**3,761,926**	**248,179**	**0**	**4,010,105**

a) Shares in subsidiaries and affiliates

The increase in this item reflects purchases of Legrand France shares from Group employees that were acquired upon exercise of stock options during the year. No impairment provision has been recorded in relation to these shares.

b) Other investments

This item primarily includes shares purchased under share buyback programs or in connection with the liquidity contract (see note 1.4).

On March 21, 2007, Legrand set up a €200 million share buyback program in line with the authorization given at the Shareholders' Meeting of February 24, 2006. Details of the objectives and terms of this program are provided in the program description filed with the AMF on March 21, 2007.

The Shareholders' Meeting of May 15, 2007 authorized the Company to launch a new €650 million buyback program, details of which are provided in the program description filed with the AMF on May 3, 2007. The program was launched on May 15, 2007 and will end no later than November 15, 2008.

Share buyback program

As of December 31, 2007, a total of 11,269,411 shares had been bought back under the program at a total cost of €278,331,428. These shares are being held for the following purposes:

- for allocation upon exercise of stock options (2,200,000 shares purchased at a cost of €54,750,339, recorded under marketable securities);
- for allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (80,000 shares purchased at a cost of €1,993,600, recorded under marketable securities);
- for cancellation (8,989,411 shares purchased at a cost of €221,587,489, recorded under other investments).

In accordance with the applicable accounting standards no impairment provision has been recorded for treasury shares held for cancellation. If the value of these shares had been measured based on the average share price for the last month of the fiscal year Legrand would have been required to record a €6,848.439 provision for the period.

Shares purchased under the share buyback program that are recorded under marketable securities in accordance with the accounting principles defined in note 1.4 are disclosed in note 2.4 below.

Liquidity contract

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the Eurolist by Euronext™ Paris market under a liquidity contract complying with the AFEI Code of Conduct approved by the AMF on March 22, 2005.

In 2007, €15 million were allocated to the liquidity account. As of December 31, 2007, 116,423 Legrand shares valued at €2,719,010 were held in the liquidity account. All of the assets held in this account are classified under investments.

No impairment provisions were recorded at the balance sheet date for Legrand shares bought back in connection with the liquidity contract.

Other long-term receivables correspond to cash and short-term investments held in the liquidity account. As of December 31, 2007 no impairment provisions were recorded in relation to this item.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

2.3 Receivables

(in € thousands)	Net as of December 31, 2007	Maturities Within one year	Beyond one year
Current receivables			
Trade accounts receivable	6,739	6,739	
Recoverable value-added tax	405	405	
Prepaid and recoverable taxes	8,254	8,254	
Group relief receivables	31,966	31,966	
Other receivables	128	128	
	47,492	**47,492**	**0**
TOTAL AS OF DECEMBER 31, 2007	**47,492**	**47,492**	**0**
Total as of December 31, 2006	57,289	49,372	7,917

As of December 31, 2007, prepaid and recoverable taxes included €12 million in tax credits generated by subsidiaries that had been transferred to Legrand under the Group relief agreement and had not been fully offset against income tax expense accrued within the tax group.

2.4 Marketable securities

(in € thousands)	December 31, 2007 Cost	Impairment	Net	December 31, 2006 Net
Marketable securities				
Treasury shares *(notes 1.4 and 2.2)*	56,744	(2,279)	54,465	0
Other investments	0		0	100
TOTAL	**56,744**	**(2,279)**	**54,465**	**100**

The carrying amount of Legrand shares bought back by the Company at an average purchase price of €24.89 has been written down to their fair value of €23.88.

During 2007, 34,845 treasury shares (representing €863,295) held for allocation to employees were transferred to the corporate savings plan.

As of December 31, 2006 "Other investments" corresponded to the unamortized balance of premiums paid on interest rate hedges.

2.5 Accruals

(in € thousands)	December 31, 2007	December 31, 2006
Prepaid expenses	27	3
Deferred charges *(note 1.7)*	3,027	3,486
TOTAL	**3,054**	**3,489**

2.6 Equity

a) Share capital

The following table shows changes in share capital in 2007:

	Number of shares	Par value	Share capital *(in euros)*
As of December 31, 2006	269,693,376	4	1,078,773,504
Issuance of shares on exercise of options under the 2003 stock option plan	1,282,363	4	5,129,452
As of December 31, 2007	270,975,739		1,083,902,956

Share capital consists exclusively of ordinary shares. On February 24, 2006, the par value of the shares was increased to €4.

The 11,385,834 shares purchased by the Company either under share buyback programs or in connection with the liquidity contract do not carry dividend or voting rights.

Legrand's two main shareholders, KKR and Wendel Investissement, each held around 30% of the share capital at the balance sheet date.

At the time of Legrand's IPO in 2006, certain shareholders gave an undertaking to keep their shares for periods ranging from 6 to 18 months, expiring on April 8, 2008 (see description of the lock-up agreement in the offering circular *(note d'opération)* filed under no. 06.082 with the French securities regulator (AMF) on March 22, 2006).

b) Additional paid-in capital, reserves and retained earnings

(in € thousands)	December 31, 2007	December 31, 2006
Before appropriation of profit		
Additional paid-in capital	1,248,664	1,248,664
IPO costs charged to additional paid-in capital	(33,206)	(33,052)
Legal reserve	36,181	6,469
Other reserves and retained earnings	443,744	12,339
Profit for the period	449,128	594,238
	2,144,511	**1,828,658**

"Other reserves and retained earnings" includes €281,050,000 in reserves that are unavailable as a result of share buybacks.

c) Changes in equity

(in € thousands)	
Equity as of December 31, 2006	2,907,531
Movements for the year	
■ Share capital	5,129
■ Additional paid-in capital	(154)
■ Reserves and retained earnings	
■ Profit for the period	449,128
■ Dividends paid	(133,121)
■ Other	(99)
Equity as of December 31, 2007 before appropriation of profit	**3,228,414**

On May 15, 2007, the Annual Shareholders' Meeting approved the payment of a total dividend of €133,120,859, representing €0.50 per share.

d) Stock option plans and share grant plans

2003, 2004 and 2005 stock option plans

Stock option plans	2003 Plan	2004 Plan	2005 Plan	Total
Grant date	June 5, 2003	January 30, 2004	February 7, 2005	
Total number of options granted	1,924,530	508,250	173,750	2,606,530
Of which, options granted to corporate officers	0	0	0	0
Exercise period	■ Two-thirds of the options in the 60 days following the fourth anniversary of the grant date ■ One-third of the options in the 60 days following the fifth anniversary of the grant date			
Exercise price	€4	€4	€5.60	
Options exercised in 2007	(1,282,363)	0	0	(1,282,363)
Options forfeited in 2007	(496)			(496)
Stock options outstanding as of December 31, 2007	**641,671**	**508,250**	**173,750**	**1,323,671**

None of the outstanding options were exercisable as of December 31, 2007. A total of 980,504 options will become exercisable in 2008, 285,250 in 2009 and 57,917 in 2010.

2007 share grant plan and stock option plans

Share grant plan

The Shareholders' Meeting of May 15, 2007 authorized the Company's Board of Directors to grant shares representing up to 5% of the Company's capital (including shares to be issued upon exercise of stock options) to certain employees or officers of the Company and its subsidiaries.

Share grant plan	2007 Plan
Grant date	May 15, 2007
Total number of shares granted	533,494
Of which, shares granted to corporate officers	*26,427*
Vesting conditions	After maximum 4 years, except in the event of resignation or termination for willful misconduct
Share grants vested in 2007	*546*
Share grants forfeited in 2007	(8,695)
Share grants outstanding as of December 31, 2007	**524,799**

As described in note 1.4 a provision is being recognized on a straight-line basis over the related vesting period for Legrand shares bought back by the Company to be allocated under the 2007 share grant plan. As of December 31, 2007 this provision amounted to €3.4 million.

2007 stock option plan

The Shareholders' Meeting of May 15, 2007 authorized the Company's Board of Directors to grant stock options representing up to 5% of the Company's capital (including shares to be issued upon exercise of stock options) to certain employees or officers of the Company and its subsidiaries.

Stock option plan	2007 Plan
Grant date	May 15, 2007
Total number of options granted	1,638,137
Of which, options granted to corporate officers	*79,281*
Exercise period	Options vest after maximum 4 years, except in the event of resignation or termination for willful misconduct
Exercise price	€25.20
Options that vested in 2007	*1,637*
Options forfeited in 2007	(27,574)
Stock options outstanding as of December 31, 2007	**1,610,563**

2.7 Provisions

(in € thousands)	Amount as of December 31, 2006	Charges	Reversals	Amount as of December 31, 2007
Untaxed provisions				
Excess tax amortization	99		99	0
TOTAL	**99**	**0**	**99**	**0**
Provisions				
Provisions for pensions and other post-retirement benefit obligations	821	894	41	1,674
Other provisions	106	3,387	106	3,387
	927	**4,281**	**147**	**5,061**
Provisions for impairment				
On marketable securities *(note 2.4)*		2,279		2,279
	0	**2,279**	**0**	**2,279**
TOTAL	**1,026**	**6,560**	**246**	**7,340**
Charges to and reversals from provisions are recorded under the following income statement captions:				
■ operating income and expense		901	147	
■ financial income and expense		2,279		
■ non-recurring income and expense		3,380	99	
TOTAL		**6,560**	**246**	

"Other provisions" primarily includes the provision for treasury shares allocated to the 2007 share grant plan, as described in note 2.6 (d).

2.8 Debt and other liabilities

(in € thousands)	Amount as of December 31, 2007	Maturity: Due within one year	Maturity: Due in one to five years	Maturity: Due beyond five years
Debt				
Bank borrowings with:				
■ Original maturities of less than two years	134	134		
■ Original maturities of more than two years	583,905	790	363,115	220,000
Other borrowings	287,155	3,320	283,835	
TOTAL DEBT	**871,194**	**4,244**	**646,950**	**220,000**
Other liabilities				
Trade payables	2,563	2,563		
Accrued taxes and employee benefits expense	4,588	4,588		
Other	1,519	1,519		
Deferred revenue				
TOTAL OTHER LIABILITIES	**8,670**	**8,670**	**0**	**0**
TOTAL LIABILITIES AS OF DECEMBER 31, 2007	**879,864**	**12,914**	**646,950**	**220,000**
TOTAL LIABILITIES AS OF DECEMBER 31, 2006	**901,892**	**77,359**	**824,533**	**0**

a) 2006 Credit Facility

On January 10, 2006, the Company signed a new €2.2 billion Credit Facility – the 2006 Credit Facility – with five mandated arrangers.

The 2006 Credit Facility comprised (i) a €700.0 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

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

due on January 10, 2011, (ii) a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns and (iii) a €300.0 million Tranche C multicurrency facility repayable upon the Company's flotation on the stock market. Tranches A and B were originally five-year loans that could be rolled over for two successive one-year periods. Tranche C was a 364-day loan, which was repaid in full in April 2006 following the IPO.

Legrand exercised its option to extend the Credit Facility by a one-year period on March 12, 2007 and again on November 12, 2007. As a result the Facility now expires on January 10, 2013 and the repayment schedule has been revised accordingly. The maturities set out in the above table take into account this revised repayment schedule.

In February 2006, the Company borrowed €365 million under Tranche A of the 2006 Credit Facility. In September 2006 the nominal amount of the debt was converted into a dollar-denominated portion (equivalent to €300 million at the drawdown date) and a euro-denominated portion (€65 million).

As of December 31, 2007, Tranche A of the 2006 Credit Facility totaled $439.05 million and €65 million. The dollar portion of the debt was converted into euros at the exchange rate on December 31.

b) Bank borrowings

On May 21, 2007, Legrand obtained a €220.0 million loan from a pool of French banks. The loan is for a period of 6 years and 4 months, expiring September 21, 2013, and bears interest at the 3-month Euribor plus 45 bps.

c) Related party debt

Borrowings include a €287 million revolving line of credit with Legrand France. This five-year facility was originally obtained on July 5, 2004. It bears interest at Euribor plus 40 bps and is repayable at any time without penalty.

d) Other liabilities consist mainly of the €1.4 million due to subsidiaries under the group relief agreement

2.9 Accruals

Accruals include the €1.9 million unrealized exchange gain on dollar-denominated debt.

Notes to the statement of income

3.1 Financial income and expense, net

a) Dividends

On April 2, 2007, the Company received €351.9 million in dividends from Legrand France.

b) Exchange gains

Exchange gains arose primarily on conversion of the dollar portion of the 2006 Credit Facility (see note 2.8 (a)).

c) Other financial income

On March 20, 2006, Legrand SAS was merged into Legrand, generating a €380.8 million merger premium.

d) Loss on extinguishment of debt

The €106.1 million recorded under this item in 2006 corresponded to amounts paid on retirement of the High Yield Notes including a €98.5 million early redemption premium.

3.2 Non-recurring income and expense, net

(in € thousands)	2007	2006
Non-recurring income		
Revenue transactions		
Capital transactions	887	
Provision reversals and expense transfers	99	6,627
	986	**6,627**
Non-recurring expenses		
Revenue transactions	(2)	(1)
Capital transactions	(467)	(17)
Amortization and provision expense *(note 2.7)*	(3,380)	
	(3,849)	**(18)**
Non-recurring income and expense, net	**(2,863)**	**6,609**

Provision reversals and expense transfers recorded in 2007 included a €6.2 million reversal of a provision recognized in relation to a tax audit.

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

Other information

4.1 Income tax

a) Unrecognized deferred tax assets and liabilities

	Base: income or (expense)				Unrecognized deferred tax benefit (charge)*		
		Movements for the period					
(in € thousands)	December 31, 2006	Increase	Decrease	December 31, 2007	December 31, 2006	Change	December 31, 2007
Timing differences between the recognition of income and expenses for financial reporting and tax purposes:							
Income taxed in current year not recognized in the income statement							
■ Unrealized exchange gains	12,604	1,911	(12,604)	1,911	(4,340)		(658)
Expenses recognized in the income statement deductible in future years							
■ Employee profit-sharing	(94)		(27)	(121)	32	9	42
■ Pension and other post-retirement benefit costs	(821)	(888)	41	(1,668)	283	292	574
■ Taxes and other	2	3,407		3,409	(1)	(1,173)	(1,174)
TOTAL	**11,691**	**4,430**	**(12,590)**	**3,531**	**(4,025)**	**(872)**	**(1,216)**

* *Calculated by the liability method, based on the standard French tax rate and the 3.3% contribution sociale surtax.*

The tax rate used is the rate applicable since 2006.

b) Group relief

The Company is the parent of the tax group comprising all qualifying French subsidiaries of the Legrand Group. The tax group was set up on January 1, 2003. Under the terms of the group relief agreement, each subsidiary calculates its income tax expense on a stand-alone basis and pays the tax due to the parent company of the Group, which is responsible for paying tax for the entire tax group.

Income tax in Legrand's statement of income corresponds to the difference between the tax due by the profitable companies in the tax group and the benefit arising from the use of the tax losses of loss-making companies.

4.2. Related party transactions

	2007		2006	
(in € thousands)	Related party transactions	Total in the financial statements	Related party transactions	Total in the financial statements
a) Investments	**3,773,104**	**4,010,105**	**3,761,926**	**3,761,926**
b) Inventories				
c) Receivables				
Trade receivables	6,733	6,739	7,342	7,342
Other receivables	31,966	40,753	40,429	49,947
	38,699	**47,492**	**47,771**	**57,289**
d) Liabilities				
Debt	287,071	871,194	512,181	870,955
Trade payables	873	2,563	354	2,993
Other liabilities	1,410	6,107	21,808	27,944
	289,354	**879,864**	**534,343**	**901,892**
e) Financial expense	**12,476**	**41,111**	**32,282**	**162,300**
f) Financial income	**351,924**	**395,500**	**632,408**	**681,757**

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

4.3 Market risks (interest rate, currency and credit risks)

a) Management of financial risks

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 and the investment of available cash. The Group does not conduct any trading in financial instruments, in line with its policy of not carrying out any speculative transactions. All transactions involving financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks.

Market risk is the risk of losses resulting from unfavorable changes in interest rates and exchange rates.

As of December 31, 2007 no hedges were set up at the level of the Company.

b) 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.

Legrand monitors its level of exposure with each financial institution concerned on an ongoing basis.

c) Liquidity risk

Legrand considers that managing liquidity risk depends primarily on having access to diversified sources of financing. This represents the basis of Group-level control processes.

4.4 Contingencies and commitments

In January 2006, Legrand was a signatory of a refinancing agreement between its direct and indirect subsidiaries and its banks (see note 2.8 (a)). Legrand has guaranteed the proper execution of the agreement.

4.5 Employees

	2007	2006
Average number of employees:		
Management	35	32
Administrative staff	8	8
Apprentices	2	2
TOTAL	**45**	**42**

4.6 Management compensation

The compensation paid to executive directors in 2007 amounted to €1.8 million, compared with €1.2 million in 2006.

4.7 Subsidiaries and affiliates

(Euros, in thousands)	Share capital		Reserves and retained earnings	Percent interest	Carrying amount of the shares		Out-standing loans	Gua-rantees given	2007 revenue	2007	Dividends received in 2007
	Currency	Euros			Cost	Net				Profit (loss)	
French companies											
Legrand France	EUR	54,907	297,959	100	3,773,104	3,773,104	0	0	893,406	242,416	114,262

APPENDIX 2

Management Report on Company's financial statements for the year ended December 31, 2007

Legrand

A French business corporation (*société anonyme*) with capital of €1,083,902,956
Registered at 128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges, France
421 259 615 RCS Limoges

("the Company")

Management Report of the Board of Directors on February 6, 2008 to the Annual General Meeting on May 22, 2008

1 - BUSINESS IN THE YEAR ENDED DECEMBER 31, 2007

1.1 Highlights of the year

The activity of the Company consists in supplying management and financial services in order to manage the activities of Legrand group. Shareholders are reminded that since March 2006, when it assumed the assets and liabilities of subsidiary Legrand SAS, Legrand has combined the functions of a holding and operating company.

Results for the 2006 financial year thus cover only 10 months as regards the income and charges generated by employees transferred in connection with this asset merger.

On March 21, 2007 Legrand implemented a share buyback program pursuant to the authorization granted at the General Meeting of shareholders on February 24, 2006. This program, the purposes and terms of which are set out in the description of the buyback program, was for an amount not exceeding €200 million.

The General Meeting of May 15, 2007 authorized a new share buyback program. This was for an amount not exceeding €650 million. It opened on May 15, 2007 and will close on November 15, 2008 at the latest.

In the period to December 31, 2007, 11,269,411 shares were acquired pursuant to this program for an amount of €278,331,428 (€276,052,129 net provision for depreciation).

On May 29, 2007 Legrand contracted with a financial institution to act as liquidity provider for its ordinary shares listed on the Eurolist market of Euronext Paris, this being in accordance with the code of ethics issued by AFEI, the association of French financial institutions, and approved by market supervisor AMF on March 22, 2005.

For the performance of this contract, a sum of €15 million was appropriated to the liquidity account in 2007. At December 31, 2007, Legrand held 116,423 own shares for an amount of €2,719,010 in connection with the liquidity contract.

On May 21, 2007, the Company took out a loan for an amount of €220 million with French financial institutions. This bank loan is for a period of six years and four months expiring on September 21, 2013. Interest is charged at a variable rate of 45 basis points above the 3-month Euribor.

1.2 Revenues and earnings in 2007

Revenues for 2007 amounted to €18 million, of which the bulk was made up of supply of services within the Group. Other income mainly concerned an amount of €0.5 million relating to the incorporation of 2007 debt issuance costs into deferred charges, recorded through a specific account of revenues for the transfer of charges, together with recoveries of provisions in an amount of €0.1 million. At December 31, 2006, issuance expense incorporated through transfer of charges amounted to €4.4 million as a result of the credit facility agreement taken out in the course of the year 2006.

Operating expense amounted to €17.8 million compared with €19 million in the year to December 31, 2006, when external charges included €4.4 million in expense relating to loan issuance.

Net operating income for the year to December 31, 2007 thus came to €0.2 million.

Net interest and other financial items for 2007 represented income amounting to €354.4 million, compared with €519.5 million in the previous year.

Net interest and other financial items for the year to December 31, 2006 included the following non-recurring items:

- a surplus of €380.8 million on full asset merger following the dissolution of subsidiary Legrand SAS with the transfer of all its assets and liabilities;
- income in an amount of €21.8 million relating to an inter-company loan with Legrand SAS, this having arisen prior to the latter's dissolution;
- expense in an amount of €106.1 million for early redemption of high-yield bonds;
- expense in an amount of €16.3 million relating to the loan taken out with GP Financière Sub1, which was redeemed in April 2006 in connection with the Company's stock-market listing.

Excluding these items, the difference between financial income for the 2006 and 2007 financial years is mainly attributable to the dividends received from Legrand France SA, the Company's only direct subsidiary. In 2007, these dividends amounted to €351.9 million compared with €229.8 million in 2006.

Net exceptional items represented a charge of €2.9 million compared with a profit of €6.6 million in 2006, included an appropriation to provisions for the future costs the Company will incur in connection with the free share allocations decided on during the year. This appropriation is calculated on the basis of the net book value at December 31, 2007 of Legrand shares purchased under the buyback programs, spread over the period during which employees will acquire shares.

Employee profit-sharing amounted to €0.1 million.

Tax income booked in an amount of €97.5 million represents the surplus of tax paid by subsidiaries within the tax consolidation group, less the tax payable in connection with this consolidation. At December 31, 2007 all loss carryforwards were used and taxable income after deduction of these carryforwards amounted to €12 million.

Net income for the year to December 31, 2007 amounted to €449.1 million.

1.3 Debt

The Company's debt position is summarized in Appendix 1.

1.4 Management of financial risk

Financial risk management at Legrand mainly concerns the major areas of market risk, credit risk and liquidity risk.

The general aim of treasury policies is to identify, evaluate and cover financial risk. Legrand aims to minimize the adverse impact of financial risk on the profitability of underlying business and thus on the Company's financial performance.

Treasury management policies are based on the principle of pooled management of financial risk with specific operational strategies in areas such as interest-rate risk, exchange-rate risk, commodity market risk and placement of cash surpluses. Legrand does not hold any speculative financial derivatives, it being Company policy not to engage in any transactions for purposes of speculation. All transactions in financial instruments are thus exclusively for the purpose of covering interest-rate risk, exchange-rate risk and commodity-price risk.

As counterparties for the financial instruments set up by the Legrand group are financial institutions of the highest standing, the related counterparty risk is negligible, which by the same token significantly reduces credit risk relating to these instruments. Legrand monitors exposure with each of these institutions closely.

At Company level, credit contracts are at variable rates defined by a margin above the benchmark rate for the currency concerned.

In this area, Company policy is generally to take out interest-rate caps to limit risk and at the same time benefit from potential for favorable rate changes. Cover is generally taken out by the Group treasury department of Legrand France.

The same approach applies to exchange-rate risk. Where management considers this appropriate, natural cover is sought by matching operating expense and income in each of the main currencies for Legrand's business. This concerns in particular the denomination of debt.

At December 31, 2007, the Company was not directly party to any specific cover arrangement.

1.5 Business of subsidiaries

Firm sales growth

Legrand reported 2007 sales of €4,128.8 million, up 10.5% from those reported for the previous year and up 8.6% at constant scope of consolidation and exchange rates.

Consolidation of recent acquisitions added 3.6% and variations in exchange rates, mainly the euro value of the dollar, had a negative impact of 1.8%.

Sales growth at constant scope and exchange rates broke down as follows by geographical region:

	2007/2006	4th quarter 2007/ 4th quarter 2006
France	+6.3%	+3.7%
Italy	+8.2%	+9.3%
Rest of Europe	+12.8%	+7.9%
USA/Canada	+1.6%	+4.4%
Rest of the World	+13.2%	+15.4%
TOTAL	**+8.6%**	**+8.2%**

- **France**: The success of new wiring-device ranges Celiane, Mosaic and Batibox confirms the sound basis of our strategy for trading up the market and contributed to a record 6.3% rise in sales despite the high level achieved in the fourth quarter of 2006.
- **Italy**: The 8.2% rise in sales was driven by continued strong pace for the Axolute range, robust performances in the industrial sector, and strong demand from distributors in the fourth quarter.
- **Rest of Europe:** Growth remained very firm, reaching 12.8% despite comparison with very strong results at the end of 2006. This reflected in particular double-digit growth in Greece and Turkey and continued remarkable performances in Eastern Europe, where sales were up 24% overall. In particular sales in Russia, Romania and Slovakia rose more than 31%.
- **United States/Canada:** The Group confirmed its remarkable resilience and increasing share of business in fast growing market segments. Legrand thus posted a 4.2% rise in sales in the second half to set the full-year increase at 1.6%. This reflected the continuation of moderate growth in the commercial sector and the vigorous performances of high value-added businesses. In particular, sales of Vantage, no. 1 for top-of-the-range lighting controls, OnQ, specialized in home automation, and The Watt Stopper, no. 1 for energy-saving lighting controls, were up by more than 22% in 2007.
- **Rest of the World**: Growth accelerated in the closing months to reach 13.2% for the year as a whole, with all countries making excellent overall contributions. This was particularly the case for the Middle East and Latin America.

Vigorous earnings growth

Adjusted operating income was up 17.5% from 2006 to 2007, standing at 17.5% of sales compared with 16.5% in the previous year. Adjusted operating margin was thus up 100 basis points. Excluding the impact of recent acquisitions, the rise in operating margin amounts to 170 basis points. Thanks to strong market positions, Legrand has continued to fully offset rising raw material costs with increased sales prices.

Net income excluding minorities rose 67% to €421 million, equaling 10.2% of sales. This reflects a combination of excellent operational performance and a reduction in net interest and other financial expense.

Sharp increases in free cash flow and dividend

Vigorous earnings growth and tight control of capital employed made for a 21.2% rise in free cash flow to €553 million, or 13.4% of sales.

Free cash flow was thus well over 10% of sales for the fourth year running, compared with an historical average of 6%. This demonstrates the structural improvement in Legrand's capacity to consistently generate high levels of free cash flow.

2 - RESEARCH AND DEVELOPMENT

No research and development activities were carried out directly through Legrand SA.

3 - ENVIRONMENTAL AND SOCIAL RESPONSIBILITY INFORMATION

Not applicable for Legrand SA.

4 - SIGNIFICANT EVENTS SINCE THE CLOSE OF THE FINANCIAL YEAR

Nil.

5 - FORESEEABLE DEVELOPMENTS AND OUTLOOK

Operating conditions in 2008 should be much the same as in 2007.

As regards finances, debt should remain at the same level as in December 2007.

6 - CHANGES IN THE PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

Nil.

7 - APPROPRIATION OF EARNINGS

We propose that earnings in an amount of €449,127,557.11 be appropriated as follows:

Appropriation to legal reserve	€22,456,377.86
Dividend distribution (€0.70 per share)	€181,712,933.50*
Appropriation of the remaining to retained earnings, amounting to	€244,958,247.75 €688,702,623.55 after this appropriation

* *Calculated on the basis of the number of own shares held on December 31, 2007, this amount being likely to be adjusted according to the number of own shares held at the date of payment.*

Dividends are eligible in full for the 40% income-tax exemption provided for under article 158-3.2* of the French *Code général des impôts* where this is applicable to the shareholders concerned.

We remind shareholders that the Company is legally required to hold an inappropriable reserve in an amount equal to that of shares bought back, this being €281.1 million.

8 - EARNINGS OVER THE PAST FIVE YEARS

We inform you of our company's earnings over the past five years as required under article 148 of the Ministerial Decree dated March 23, 1967.

For the sake of clarity, this information is presented in a table (Appendix 2).

9 - DIVIDENDS

In compliance with the provisions of article 245 of the French *Code général des impôts* we inform you of the dividends made payable over the past three years.

Dividends distributed in respect of the 2004, 2005 and 2006 financial years were as follows.

Year	Number of shares	Net dividend
2004	759,350,900 shares, €1	€0.00
2005	269,693,376 shares, €4	€0.41
2006	266,241,719 shares, €4	€0.50

All dividends distributed in 2005 and 2006 were eligible for income-tax exemption under 158-3-2 of the French *Code général des impôts,* these exemptions being 50% in 2005, then 40% from 2006 on.

10 - MANDATES AND OTHER FUNCTIONS OF CORPORATE OFFICERS

As provided in the French Commercial Code, this information is set out in Appendix 3.

11 - MANAGEMENT

As provided under article L.223-51-1 of the French Commercial Code, we inform you that Gilles Schnepp held the positions of Chairman and Chief Executive Officer at December 31, 2007.

12 - SUBSIDIARIES AND ACQUISITIONS OF EQUITY INTERESTS

There were no significant acquisitions of equity interests or control.

13 - SHAREHOLDERS

a) At December 31, 2007, ownership of Legrand shares broke down as follows:

Wendel group	30%
KKR group	30%
Treasury shares	4%
Free float	31%
Legrand management and employees	5%

b) Employee share ownership

In connection with the admission of Legrand shares to trading on the Eurolist market of Euronext Paris, the Company offered its employees and those of its French subsidiaries in which its interest, direct or indirect, exceeds 50%, preferred terms for the purchase of Legrand shares by means of a capital increase reserved to employees. This offer, available only in France, was open to all participants in the *Plan d'Épargne Groupe Legrand Actionnariat (PEG Actionnariat)* employee share ownership program, which supplements the employee share ownership plan launched on January 30, 2004.

On May 2, 2006, a total of 2,303,439 shares representing 0.85% of capital stock were issued and paid up at a 20% discount to the IPO price, setting the price paid by employees at €15.80 per share, which included the par value of €4 each plus an issuing premium of €11.80.

Participants received units of the Company investment fund *(Fonds Commun de Placement Entreprise* or *FCPE)*, the vehicle for employee share ownership, in quantities proportionate to their individual investments.

At December 31, 2007, shares held by employees in this way totaled 2,300,446.

14 - COMPENSATION OF CORPORATE OFFICERS

Information concerning compensation of corporate officers is provided in compliance with the French Commercial Code in Appendix 4.

15 - STOCK OPTIONS AND FREE SHARE ALLOTMENTS

Stock options subscriptions to new shares or purchases of existing shares

On June 6, 2003, the Company adopted a stock-option plan, under which options may be granted for the purchase of a defined number of ordinary shares at a price initially set at €1 per share for options granted in 2003 and 2004, and at €1.40 for those granted in 2005. At their General Meeting on February 24, 2006, shareholders voted to combine shares, with one new share replacing four existing shares, simultaneously raising the nominal value per share from €1 to €4. As a result, exercise prices for options were raised to €4 per share in the case of those granted in 2003 and 2004, and to €5.60 for those granted in 2005. Available options remaining unallotted at the date of Legrand's market listing, of which there were 423,263, will not be allotted.

In 2007, 1,282,383 options were exercised, these having been allocated in the course of the 2003 financial year. Of the remaining options, 980,504 may be exercised in 2008, 285,250 in 2009 and 57,917 in 2010.

On May 15, 2007, the Company initiated a new stock option plan for subscription to new shares or purchase of existing shares benefiting staff members and/or certain corporate officers. The exercise price for a new or existing share is set at €25.20. A total of 1,638,137 options have been allotted.

The corporate officers concerned will be required to hold at least 30% of the shares resulting from the exercised options on the registered form until the expiration of their term of office, once these options will have been exercised.

As provided under article L.225-184 of the French Commercial Code, a special report on this subject will be presented to the General Meeting of Shareholders on May 22, 2008.

Free share allotments

On May 15, 2007, the Company adopted a free-shares plan, under which free shares may be allotted to staff members and/or certain corporate officers. The total number of free shares allotted is 533,494.

The corporate officers concerned will be required to hold at least 30% of the shares allotted to them on the registered form until the expiration of their term of office.

As provided under article L.225-197-4 of the French Commercial Code, a special report on this subject will be presented to the General Meeting of Shareholders on May 22, 2008.

For the sake of clarity, options granted and free shares alloted, exercised and canceled in connection with the various plans adopted are listed in Appendix 5.

16 - DELEGATION OF POWERS IN CONNECTION WITH CAPITAL INCREASES

Information concerning delegation of powers in connections with capital increases is provided in compliance with articles L.225-129-1 and L.225-129-2 of the French Commercial Code in Appendix 6.

17 - SHARE BUYBACKS

On May 29, 2007 the Company entered into a liquidity provider contract with Crédit Agricole Cheuvreux, the terms of this contract being in accordance with the Charter of Ethics adopted by the French Association of Investment Firms (*Association française des entreprises d'investissement* – AFEI) and approved by financial market supervisor AMF *(Autorité des marchés financiers)* in its decisions dated March 22, 2005.

In the course of 2007, the Company purchases a total of 12,831,616 own shares and sold 1,410,937 in connection with the liquidity provider contract, and appropriated 34,845 to the Company fund collecting employees' profit-sharing entitlements.

The average price for purchases was €24.64 per share and the average price for sales €24.50 per share.

Related trading costs totaled €77,520.

At December 31, 2007, the Company held 11,385,834 own shares with a nominal value of €4 each, representing 4.2% of capital stock. Valued at cost, they represented a total amount of €281,050,439.

Excluding transactions under the liquidity contract, 11,269,411 shares were purchased for a total of €278,331,428. These shares were appropriated as follows:

- 2,200,000 shares valued at €54,750,339 were appropriated for the implementation of such stock-option plans as necessary;
- 80,000 shares valued at €1,993,600 were allocated to Company investment funds serving as vehicles for employee profit-sharing;
- 8,989,411 shares valued at €221,587,489 were allocated to cancellation purpose.

The balance on the liquidity contract stood at 116,423 shares at December 31, 2007.

In accordance with article L.225-209 of the French Commercial Code, a special report on this subject will be presented to the General Meeting of Shareholders on May 22, 2008.

18 - MANAGERS' TRANSACTIONS IN COMPANY SHARES (ARTICLES L.621-18-2 AND R.621-43-1 OF THE MONETARY AND FINANCIAL CODE)

Transactions reported to market supervisor AMF during 2007 were as follows:

Declarer	Date 2007	Transaction	Nature of Securities	Price *(in euros)*	Amount *(in euros)*
John Selldorff	June 8	Subscription	Shares	04.00	380,068
	June 8	Sale	Shares	25.29	2,431,485
Antoine Burel	June 11	Subscription	Shares	04.00	62,660
	June 11	Sale	Shares	26.21	117,945
	June 18	Sale	Shares	26.76	48,186
	June 21	Sale	Shares	26.90	45,730

19 - FACTORS THAT MAY BE RELEVANT IN THE EVENT OF A TENDER OFFER

19.1 Ownership of capital

The ownership of Legrand shares is mentioned in paragraph 13 above.

19.2 Restrictions on the exercise on voting rights and transfers of shares provided for in Company articles or agreements brought to the notice of the Company pursuant to article L.233-11 of the French Commercial Code

Company shares are freely negotiable and are transferred from account to account in accordance with applicable legislation and regulations.

Within the limits imposed by legislation and regulation, members of the General Meeting in principle have as many votes as shares they own or hold proxies for.

However, voting rights attached to shares, in proportion to the share of capital stock represented, are doubled in the case of fully-paid shares for which it is shown that they have been held on a registered account in the same owner's name for at least two years since February 24, 2006.

In addition, in the event of a capital increase through incorporation of reserves, earnings or issue premiums, the double voting right is attached, on issue, to the registered shares allocated free of charge in this respect to the holders of shares to which this right is already attached.

Any shares converted from registered to bearer form or the ownership of which is transferred cease to carry double voting rights. However, if the transfer of ownerships results from succession, the dissolution of the joint property of spouses, or gift to a spouse or person in line of succession, the double voting rights do not lapse and there is no interruption in the required period of two years.

The merger or division of the Company is without effect on double voting rights, which may be exercised within the successor company or companies provided this is allowable under the articles of this company or these companies.

19.3 Direct and indirect equity interests of which the Company has been apprized by virtue of articles L.233-7 and L.233-12 of the French Commercial Code

No direct or indirect equity interests of a nature to affect a tender offer were acquired in the 2007 financial year.

19.4 Owners of any securities conferring special rights of control and description of these securities

Nil.

19.5 Control procedures provided for employee share-ownership plans when the employees do not exercise this control themselves

As provided in the regulations of Company investment funds "Actions Legrand" and "Legrand Cap 2011", the voting rights attached to Company shares are exercised by the Supervisory Board of these funds.

19.6 Shareholders' agreements of which the Company is aware and that are of a nature to restrict transfers of shares and exercise of voting rights

On March 21, 2006, Wendel and KKR entered into a shareholders' agreement (the "Shareholders' Agreement"), in the context of the initial public offering. The main provisions of the Shareholders' Agreement are described below.

Principles

Given the existing concert between Wendel and KKR, each of them has agreed not to acquire any shares of the Company which, under French law, would result in the obligation to register a public tender offer for the shares of the Company, except where the acquiring party solely bears the consequences of such a tender offer. In the event that one of the parties pursues such an offering, the Shareholders' Agreement will be amended to (i) allow the non-offering party (which party will have become a minority shareholder) veto rights on certain material decisions regarding the Company for so long as such party holds at least 20% of the voting rights of the Company; and (ii) grant tag-along rights in the event the party holding majority ownership of the Company sells its shareholding in the Company.

Exercise of voting rights

Without prejudice to the voting rights of the shareholders in general Shareholders' Meetings, Wendel and KKR agreed that, during a period of two years and three months as from the date of the admission for trading of the shares of the Company on the Eurolist market of Euronext Paris, i.e., until July 6, 2008, they will, by means of their votes at Shareholders' Meetings and those of the Directors they have nominated, ensure that the Board of Directors continues to be composed of a majority of members proposed by Wendel and KKR. Throughout this period, the seats of the Board of Directors will be shared on an equal basis between members proposed by Wendel and by KKR, without considering their respective shareholdings in the Company.

At the end of this period of two years and three months, the allocation of seats on the Board occupied by Directors proposed by each of Wendel and KKR may be adjusted in the event of a change in the respective shareholding in the Company of Wendel or KKR.

Should the combined shareholding of Wendel and KKR in the Company become less than one-third of the voting rights of the Company, the voting agreements between KKR and Wendel would be terminated (see below).

Exit mechanisms

Restricted period

Until April 8, 2008, Wendel and KKR have agreed that they will not dispose of any shares of the Company, with the exception of disposals to related parties and sales of limited numbers of shares (in accordance with thresholds to be defined in order to limit the impact of such disposals on the stock price), it being specified that such disposals require prior information of the other party. This lock-up period will be terminated before the normal date of expiration in the event of an agreed sale of shares between Wendel and KKR prior to April 8, 2008.

Post-restricted period

If at any time during the term of the Shareholders' Agreement either KKR or Wendel wishes to carry out a secondary offering of its shares in the Company in an amount greater than €150 million, or if either of them wishes to dispose of a block of shares of the Company in an amount greater than €100 million, the other party will be entitled to tag along on such secondary offering or disposal. This right does not apply with respect to distributions of shares of the Company to shareholders of Wendel or KKR, or in the event of the issuance of securities convertible or exchangeable for shares of the Company (convertible bonds, etc.) or in the event of securities of the Company being used as consideration in another, more extended transaction.

KKR and Wendel will have the Company undertake to carry out certain actions in the context of any secondary offerings, in order to allow for an orderly placement with the public of the shares they hold.

All share sales by either Wendel or KKR to a trade buyer in an amount greater than €100 million requires the prior consent of the other party.

In the event of a proposed sale by Wendel or KKR of a portion of their shares in the Company, the non-selling party will have a right of first offer to purchase the shares proposed for sale. This right of first offer will not apply to the distribution of shares of the Company to shareholders of Wendel or KKR, or to the issuance of securities convertible or exchangeable for shares of the Company (such as convertible bonds).

Termination

The Shareholders' Agreement will terminate on the earliest of (i) the date on which the combined shareholding in the Company of Wendel and KKR represents less than one-third of the voting rights of the Company; (ii) the date on which the shareholding of either Wendel or KKR represents less than 5% of the voting rights of the Company; and (iii) the fifth anniversary of the initial public offering of the Company's shares on the Eurolist market of Euronext Paris.

19.7 Appointment and replacement of members of the Board of Directors and amendment of Company articles and by-laws

Appointment and replacement of members of the Board of Directors

As indicated in section 6 (***Shareholders' agreements of which the Company is aware and that are of a nature to restrict transfers of shares and exercise of voting rights***) above, the Shareholders' Agreement between Wendel and KKR includes provisions pertaining to the appointment and replacement of members of the Board of Directors (under the heading **"Exercise of voting rights"**).

Otherwise, the Company's constitutional documents provide that it is managed by a Board of Directors made up of a minimum of three members and of a maximum of eighteen members, subject to the exception provided by law in the event of a merger. The regulations of the Board of Directors further provide that the Board is to ensure that at least two of its members are independent directors.

Subject to legal exceptions, each Director must hold (in registered form) at least 500 ordinary shares of the Company while a Director of the Company.

Members of the Board are appointed to serve six-year terms, which expire at the end of the ordinary general meeting of shareholders called to consider accounts for the financial year preceding the year in which their term of office expires. They may be reappointed for consecutive terms without limit.

When the legal conditions are satisfied, the Board of Directors may appoint provisional members of the Board for the remaining term of office of their predecessor. As provided by law, provisional appointments are subject to ratification at the first Shareholders' Meeting thereafter.

No individual exceeding the age of 70 may be appointed to the Board of Directors if his/her appointment results in more than one-third of the number of members of the Board of Directors having exceeded such age. If, during their term of office, the number of members of the Board of Directors having exceeded the age of 70 exceeds one-third of their total number, the oldest member will be deemed to have resigned at the end of the ordinary general meeting of shareholders called to consider accounts for the previous financial year, and which is held during the year in which the age limit is reached.

Amendment of Company articles and by-laws

Since the Company's constitution documents make no specific provisions, such amendments are subject the general provisions of law.

19.8 Powers of the Board of Directors – share issuance and buybacks

Information on this subject is provided in Appendix 6. It should be noted that the resolutions of the general meeting authorizing the share buyback program do not provide for continued purchases of the Company's own shares in the event of a tender offer for Company's shares.

19.9 Agreements to which the Company is a party and which are altered or lapse in the event of a change of control

The following contracts may be altered or lapse if control of the Company changes:

- the credit contract in an amount of €2.2 billion taken out with five mandated lead arrangers on January 10, 2006;
- the credit contract in an amount of €220 million taken out with a number of French financial institutions on May 21, 2007;
- contract for the issuance of bonds on the US market by the Company's subsidiary Legrand France in amount of $400 million in the event that control changes as a result of a hostile offer.

19.10 Agreements providing for the payment of indemnities to employees or members of the Board of Directors in the event of resignation, or of dismissal without real and serious cause, or of termination of employment as consequence of a tender offer

Nil as regards corporate officers and members of the Board of Directors.

February 6, 2008

The Board of Directors

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

Appendix 1 to the Management Report

Legrand SA Debt position *(€ millions)*	31/12/2007	31/12/2006
Bank borrowings		
Amount		
Bank loan *(EUR)*	220.0	-
Credit facility *(USD)*	298.1	287.6
Credit facility *(EUR)*	65.0	65.00
TOTAL BANK BORROWINGS	**583.1**	**352.6**
Accrued interest	**0.8**	**5.4**
Interest expense		
Bank loan (EUR)	6.7	-
Credit facility	19.3	22.7
TOTAL INTEREST ON BANK BORROWINGS	**26.0**	**22.7**
%	4.5%	6.5%
Debts to affiliated companies		
Amount		
Legrand France loan	283.8	505.6
Accrued interest		
Legrand France loan	3.3	6.5
Interest expense (loan outstanding at Dec. 31)		
Legrand France loan	12.5	15.9
%	4.4%	3.2%
TOTAL DEBT	**871.0**	**870.2**
TOTAL SHAREHOLDERS' EQUITY	**3,228.7**	**2,907.5**
% Debt/shareholders' equity	**27%**	**30%**
Past debt		
High-yield bonds redeemed before maturity in 2006		
Interest expense in 2006		106.1
PIK bonds, redeemed and capitalized on market listing		
Interest expense in 2006		16.3

1 2 3 4 5 6 7 8 9 10 11 12 13 CT A

Appendix 2 to the Management Report

(in € thousands)	31/12/2003 17 months	31/12/2004 12 months	31/12/2005 12 months	31/12/2006 12 months***	31/12/2007
Capital stock at year end					
Share capital	759,351	759,351	759,351	1,078,774	1,083,903
Ordinary shares outstanding	759,350,900	759,350,900	759,350,900	269,693,376	270,975,739
Total shares issued	759,350,900	759,350,900	759,350,900	269,693,376	270,975,739
*of which, number held by the Company**	-	-	-	-	11,385,834
Result of operations					
Net sales				14,778	17,335
Profit before tax, amortization, depreciation and provisions**	455	1,927	4,067	520,888	359,080
Tax on profit	42,087	39,201	42,011	68,050	97,539
Employee profit sharing				(85)	(121)
Profit after tax, amortization, depreciation and provisions	42,256	41,052	46,092	594,238	449,128
Distributed earnings				110,574	133,121
Result of operations per share (divided by total number)					
Profit before tax, amortization, depreciation and provisions	0.00	0.00	0.01	1.93	1.33
Profit after tax, amortization, depreciation and provisions	0.06	0.05	0.06	2.20	1.66
Dividend paid on each ordinary share	0.00	0.00	0.00	0.41	0.50
Workforce					
Number of employees at year end	0	1	1	43	50
Total salaries and wages		220	220	4,005	5,058
Payments relating to employee benefits (social security, other benefits, etc.)		64	76	1,769	2,137

* *No dividend entitlement or voting rights can be attached to own shares held by the Company.*

** *In 2006 includes gain of €380,820,955 on dissolution of Legrand SAS and pooling of assets and liabilities.*

*** *The financial year was over 12 months but as a result of the merger of Legrand SAS into the Company in March 2006, payroll and employee benefit expenses were over 10 months.*

Appendix 3 to the Management Report

Mandates held by Gilles Schnepp, Chairman of the Board of Directors and Chief Executive Officer

Company	Position
BACO	Permanent representative of LEGRAND FRANCE Chairman
CHATEAUDUN DEVELOPPEMENT 3	Member of the Supervisory Board
COFREL	Permanent representative of LEGRAND FRANCE Chairman
DISTRASA	Permanent representative of LEGRAND FRANCE Chairman
GROUPE ARNOULD	Permanent representative of LEGRAND FRANCE Chairman
ICM GROUP	Director
INOVAC	Permanent representative of LEGRAND FRANCE Chairman

Company	Position
LEGRAND	Director, Chairman and Chief Executive Officer
LEGRAND FRANCE	Director, Chairman and Chief Executive Officer
LEGRAND SNC	Permanent representative of LEGRAND FRANCE Managing Partner
SARLAM	Permanent representative of LEGRAND FRANCE Chairman
SERD	Chairman and Chief Executive Officer
SUTE	Permanent representative of LEGRAND FRANCE Chairman
URA	Permanent representative of LEGRAND FRANCE Chairman
ANAM	Director, Chairman of the Board of Directors
BTICINO DE MEXICO	Director
BTICINO CORPORATIVO	Director and Chairman of the Board of Directors
BTICINO ESPAÑA SLU	Director
BTICINO OPERACIONAL SA DE CV	Director and Chairman of the Board of Directors
BTICINO PHILIPPINES	Director and Chairman of the Board of Directors
BTICINO SPA	Director and Chairman of the Board of Directors
CLARLY LTD	Director
DESMAG	Director
ELTAS	Director
FIDELEC	Director and Chairman of the Board of Directors
FIRELEC	Chairman of the Board of Directors
KIMBE	Director
KRUPKA OTTO	Managing Partner
LEGRAND AUSTRALIA	Director
LEGRAND (BEIJING) ELECTRICAL COMPANY	Director
LEGRAND CHINA HOLDING	Director and Chairman of the Board of Directors
LEGRAND ELECTRICA	Chairman of the Board of Directors
LEGRAND ELECTRIQUE	Director
LEGRAND ELEKTRIK SANAYI	Director
LEGRAND ESPAÑA SL	Director and Chairman of the Board of Directors
LEGRAND HELLINKI	Director
LEGRAND HOLDING	Director
LEGRAND (HK) LTD	Director
LEGRAND IRELAND LTD	Director
LEGRAND NZ	Director
LEGRAND AUSTRIA	Managing Partner
LEGRAND POLSKA	Member of the Supervisory Board
LEGRAND ROMANIA	Director
LEGRAND ZRT	Director and Chairman of the Board of Directors
LEGRAND SHANGHAI TRADING	Director
LEGRAND SKANDINAVISKA	Director
LEGRAND SLV d.o.o	Director and Managing Partner
LEGRAND (S) PTE LTD	Director and Chairman of the Board of Directors
LETEN	Chairman of the Board of Directors
LUMINEX	Director
PASS & SEYMOUR	Director
PT SUPREME ELECTRO KONTAK	Director

Company	Position
ROCOM ELECTRIC COMPANY LTD	Director
SHENZHEN SHIDEAN LEGRAND ELECTRONIC PRODUCTS	Director
SIMAPEL	Director and Chairman of the Board of Directors
TENBY ELECTRICAL ACCESSORIES	Director and Chairman of the Board of Directors
TCL LEGRAND BUILDING TECHNOLOGIES (TIB)	Chairman of the Board of Directors
TCL LEGRAND INTERNATIONAL ELECTRICAL (TIE)	Chairman of the Board of Directors
THE WIREMOLD COMPANY	Director
VAN GEEL LEGRAND BV	Director
VAN GEEL SLOVAKIA	Director

Mandates held by Olivier Bazil, Vice-Chairman and Chief Operating Officer

Company	Position
AE CHESSY	Permanent representative of LEGRAND FRANCE Chairman
CHATEAUDUN DEVELOPPEMENT 3	Member of the Supervisory Board
ICM GROUP	Director
LEGRAND	Director and Chief Operating Officer
LEGRAND France	Director and Chief Operating Officer
PAMMELEC	Permanent representative of LEGRAND FRANCE Chairman
PLANET WATTOHM	Permanent representative of AE CHESSY Managing Partner
SERD	Permanent representative of AE CHESSY Director
ANAM	Director
BTICINO	Director
BTICINO CORPORATIVO	Director
BTICINO OPERACIONAL	Director
DESMAG	Chairman and Chief Executive Officer
ELTAS	Director
LEGRAND ELECTRICA	Director
LEGRAND ELEKTRIK SANAYI	Director
LEGRAND ESPAÑA SL	Director
LEGRAND (India) Private	Director
LEGRAND (HK) LTD	Director
LEGRAND HOLDING	Director
LEGRAND POLSKA	Member of the Supervisory Board
LEGRAND SNC FZE	Director
LEGRAND ZRT	Member of the Supervisory Board
LUMINEX	Director
PARKFIELD HOLDINGS LIMITED	Director
PASS & SEYMOUR	Director
PB FINELECTRIC	Director and Chief Executive Officer
RHEIN VERMOGENSVERWALTUNG	Managing Partner
SHENZHEN SHIDEAN LEGRAND ELECTRONIC PRODUCTS	Chairman of the Board of Directors
TCL LEGRAND BUILDING TECHNOLOGIES	Director
TCL LEGRAND ELECTRICAL TECHNOLOGY	Chairman of the Board of Directors
TCL LEGRAND INTERNATIONAL ELECTRICAL (TIE)	Director

Company	Position
TCL LEGRAND INTERNATIONAL ELECTRICAL (HOHHOT)	Chairman of the Board of Directors
THE WIREMOLD COMPANY	Director
VAN GEEL LEGRAND BV	Director
VANTAGE EMEA	Chairman of the Board of Directors

Mandates held by Mattia Caprioli, Director

Company	Position
LEGRAND	Director
ALLIANCE BOOTS LTD	Director
FL SELENIA SPA	Director
AVR BEDRIJVEN BV	Director
PAGES JAUNES GROUPE SA	Director

Mandates held by Arnaud Fayet, Director

Company	Position
LEGRAND	Director
STALLERGENES SA	Director
GUALA CLOSURES SPA	Director
VAUCRAINS PARTICIPATIONS	Director

Mandates held by Jacques Garaïalde, Director

Company	Position
MEDIANNUAIRE HOLDING	Chairman and Chief Executive Officer, Director
PAGES JAUNES GROUPE	Chairman of the Board of Directors
SOCIETE D'INVESTISSEMENT FAMILIALE	Member of the Executive Committee
LEGRAND	Director
NEXANS	Director
TARKETT	Director

Mandates held by Edward Gilhuly, Director

Company	Position
WINCOR NIXDORF AG	Member of the Supervisory Board
DEMAG HOLDING SARL	Member of the Supervisory Board
SAGEVIEW CAPITAL LLC	Member
LEGRAND	Director
MEDCATH CORPORATION	Director
DUKE MANAGEMENT COMPANY	Director
CALIFORNIA ACADEMY OF THE SCIENCES	Director
VENDEX	Director
MTU AERO ENGINES	Director

Mandates held by François Grappotte, Director and Honorary Chairman of the Board of Directors

Company	Position
LEGRAND	Director and Honorary Chairman of the Board of Directors
LEGRAND FRANCE	Director and Honorary Chairman of the Board of Directors
BNP PARIBAS	Director
MICHELIN	Member of the Supervisory Board

Mandates held by Jean-Bernard Lafonta, Director

Company	Position
WENDEL INVESTISSEMENT	Chairman of the Management Board
EDITIS HOLDING	Chairman of the Supervisory Board
BUREAU VERITAS	Chairman of the Supervisory Board
WINVEST INTERNATIONAL SA (Luxembourg)	Chairman of the Board of Directors
LEGRAND	Director
VALEO	Director
GRANIT (SARL)	Managing Partner
JB MAC NORTANCE (Luxembourg)	Managing Partner
WINVEST CONSEIL (Luxembourg)	Managing Partner
ORANJE-NASSAU GROEP BV (Netherlands)	Member of the Supervisory Board
MATERIS PARENT SARL (Luxembourg)	Member of the Management Council

Mandates held by Gérard Lamarche, Director

Company	Position
LEGRAND	Director
AGUAS DE BARCELONA	Director
COSUTREL	Chairman of the Board of Directors
DISTRIGAZ(S)	Director
ELECTRABEL	Director
GENFINA	Chairman of the Board of Directors
LEO HOLDING COMPANY	Director
SUEZ ENERGIE SERVICES - SES	Director
SUEZ ENVIRONNEMENT	Director
SUEZ ENVIRONMENT NORTH AMERICA	Director
SUEZ-TRACTEBEL	Director
KKR GUERNSEY GP LIMITED	Director

Mandates held by Thierry de La Tour D'Artaise, Director

Company	Position
SEB SA	Chairman of the Board of Directors and Chief Executive Officer
Seb Internationale	Chairman of the Board of Directors
LEGRAND	Director
Plastic Omnium	Director
Club Méditerranée	Director
CIC Lyonnaise de Banque	Permanent representative of Sofinaction, Director

Mandates held by Ernest-Antoine Seillière, Director

Company	Position
SOCIETE LORRAINE DE PARTICIPATIONS SIDERURGIQUES – SLPS	Chairman of the Board of Directors and Chief Executive Officer
WENDEL INVESTISSEMENT	Chairman of the Supervisory Board
WENDEL PARTICIPATIONS	Chairman of the Board of Directors
ORANJE-NASSAU GROEP BV (Pays-Bas)	Chairman of the Supervisory Board
GRAS SAVOYE & CIE (SCA)	Member of the Supervisory Board
HERMES INTERNATIONAL (SCA)	Member of the Supervisory Board
PEUGEOT SA	Member of the Supervisory Board
EDITIS HOLDING	Member of the Supervisory Board
BUREAU VERITAS	Member of the Supervisory Board
LEGRAND	Director

Appendix 4 to the Management Report

Gross compensation paid to corporate officers in 2007

(in euros)	Fixed salary 2007	Bonus 2007	Total compensation 2007	Benefits in kind note A	Director's fees note B	Profit sharing	Total 2007	Traveling expenses
Mr. Gilles Schnepp	498,000	416,294	914,294	3,808	20,000	15,534	953,636	64,397
Mr. Olivier Bazil	471,000	393,375	864,375	3,667	25,200	15,534	908,776	82,477

***Note A:** includes benefits in kind relating to car, telephone and other items.*

***Note B:** fees received from Italy and Legrand.*

Gilles Schnepp and Olivier Bazil also benefit from a **supplementary pension contract.**

Reserved to certain members of the Legrand Executive Committee, this entitles beneficiaries who have been employed by the Company for at least ten years and have reached an age of at least 60 on retirement to a supplementary pension calculated in such a way that, when added to their pension provided for under compulsory contributions, it ensures that the total pension they receive is equal to 50% of the average total compensation (including bonuses and benefits) received in the two of the three years preceding their retirement in which this total was the highest. In the event of their decease, their surviving spouses will be entitled to 60% of this pension.

Appendix 5 to the Management Report

Stock option plan

2003, 2004 and 2005 stock option plans				
Information on stock options	**2003 Plan**	**2004 Plan**	**2005 Plan**	**Total**
Date of Board meeting approving grant	06/05/2003	01/30/2004	02/07/2005	
Total number of shares available for purchase or subscription	1,924,530	508,250	173,750	2,606,530
of which, shares available under options granted to corporate officers	*0*	*0*	*0*	*0*
Vesting and exercise	■ Two-thirds 4 years after grant, exercise being allowed in the 60 days after vesting; ■ One-third 5 years after grant, exercise being allowed in the 60 days after vesting.			
Exercise price	€4	€4	€5.60	
Options exercised in the 2007 financial year	(1,282,363)	0	0	(1,282,363)
Options cancelled in the 2007 financial year	(496)			(496)
Options outstanding at Dec. 31, 2007	**641,671**	**508,250**	**173,750**	**1,323,671**

2007 stock option plan	
Information on stock options	**2007 Plan**
Date of Board meeting approving grant	05/15/2007
Total number of options granted	1,638,137
of which, options attributed to corporate officers	*79,281*
Vesting and exercise	At the close of a period of at most 4 years except in the event of resignation or dismissal for grave misconduct (faute lourde)
Exercise price	€25.20
Options vested in 2007	*1,637*
Options cancelled in 2007	*(27,574)*
Options outstanding at Dec. 31, 2007	**1,610,563**

2007 free share plan	
Information on the free share plan	**2007 Plan**
Date of Board meeting approving grant	05/15/2007
Total number of shares allotted	533,494
of which, shares allotted to corporate officers	*26,427*
Vesting	At the close of a period of at most 4 years except in the event of resignation or dismissal for grave misconduct (faute lourde)
Free shares vested in 2007	*546*
Free shares cancelled in 2007	*(8,695)*
Free shares outstanding at Dec. 31, 2007	**524,799**

Appendix 6 to the Management Report

Table and report on delegations of authority relating to capital increases

- **Authorization granted by the General Meeting of June 6, 2003 empowering the Board of Directors to issue options for subscription to new shares.**

  At its meeting on November 7, 2007, the Board of Directors recognized the capital increase resulting from the exercise of 1,282,363 options representing a first lot of the options for subscription to new shares granted by the Board of Directors at its meeting on June 5, 2003.

  At its meeting on November 7, 2007, the Board of Directors thus approved the issue of 1,282,363 new shares in the Company under the following terms:

  - the nominal value of the capital increase is €5,129,452 through the issue of 1,282,363 shares of €4 each;
  - the subscription price was set at €4 per share;
  - setting the total amount of the capital increase at €5,129,452;
  - the 1,282,363 new shares, which carry dividend rights from the date of reception of the subscription form and payment by Société Générale, the bank appointed to manage the plan, are considered as existing shares and enjoy the same rights, in particular the right to any dividend to be distributed in respect of the financial year ending December 31, 2007.

- **Authorization granted by the General Meeting of February 24, 2006 empowering the Board of Directors, in accordance with the provisions of articles L.225-209 and following of the French Commercial Code and chapter II of the European Commission's regulation no. 2273/2003 dated December 22, 2003, to purchase shares representing at most 10% of the Company's share capital on the basis of share capital at the time of purchase.**

  The maximum allowable purchase price was set at 150% of the opening price of Company shares on the Eurolist market of Euronext Paris, which is to say €29.62.

  The maximum allowable amount allocated to the implementation of the share buyback program was set at €200 million.

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Use of this authorization was subject to the condition that it could not result in the Company holding, at any time, a number of own shares representing more than 10% of its share capital.

The authorization was valid for a period of 18 months ending August 24, 2007.

The Board of Directors made use of this authorization at its meeting on March 19, 2007, deciding:

(i) to implement a share buyback program;

(ii) that this program was to be for the following purposes:

- implementing any Company stock option plan established in accordance with the provisions of articles L.225-177 and following of the French Commercial Code, any allotment of free shares in connection with any Company or group employee share ownership/savings plan established in accordance with the provisions of articles L.443-1 and following of the Code du Travail, any allotment of free shares in accordance with the provisions of articles L.225-197-1 and following of the French Commercial Code and any allotment of shares for the purposes of profit sharing and effecting any hedging transaction in connections with such plans and allotments,
- holding shares and presenting them at some later date in exchange for shares or otherwise as consideration for acquisitions, subject to the limits resulting from applicable regulations,
- delivery of shares on the exercise of rights attached to securities providing access, by whatever means, immediately or at some later date, to the Company's equity, and
- cancellation of all or some of the shares so purchased;

(iii) that the number of shares so purchased could not exceed 10% of the Company's share capital at the time of purchase;

(iv) that the total amount allocated to the share buyback program could not exceed €200 million;

(v) that the program would be implemented up to August 24, 2007 at the latest.

A description of the program was circulated to the market and published on the Company website on March 21, 2007, the commencement date for the program. The program was terminated on May 10, 2007.

Pursuant to this program, the Company purchased, in the period up to May 10, 2007, a total of 3,486,502 shares, representing 1.29% of share capital at that date, for an amount of €86,985,397.

The Company at no time held more than 10% of its own share capital.

- **Authorizations granted by the General Meeting of May 15, 2007.**

These are summarized in the table and detailed below.

a) Authorization empowering the Board of Directors, in accordance with the provisions of articles L. 225-209 and following of the French Commercial Code and chapter II of the European Commissions regulation no 2273/2003 dated December 22, 2003, to purchase shares representing at most 10% of the Company's share capital on the basis of share capital at the time of purchase (which is to say at present 27,097,573 shares).

The shares may be bought, sold or transferred subject to the provisions of the law referred to above and in accordance with the practices allowed by the *Autorité des marchés financiers* for a certain number of purposes.

Use of this authorization is subject to the condition that it may not result in the Company holding, at any time, a number of own shares representing more than 10% of its share capital.

The maximum allowable purchase price was set at €36 per share.

The maximum allowable amount allocated to the implementation of the share buyback program is €650 million.

The authorization is valid for a period of 18 months from May 15, 2007 and thus ending on November 15, 2008. It deprives of effect all prior authorization for the same purpose to the extent not already used.

The Board of Directors made use of this authorization at its meeting on May 2, 2007:

- deciding to continue implementation of the program then current until May 10, 2007 and to implement a new share buyback program to commence at the close of the General Meeting on May 15;
- deciding that the share buyback program would be implemented for the following purposes:
  - providing for liquidity and active trading in Company shares though a provider of investment services acting on a fully independent basis within the framework of a liquidity contract complying with the Code of Ethics approved by the *Autorité des marchés financiers,*
  - implementing any Company stock option plan established in accordance with the provisions of articles L.225-177 and following of the French Commercial Code, any allotment of free shares in connection with any Company or group employee share ownership/savings plan established in accordance with the provisions of articles L.443-1 and following of the *Code du travail,* any allotment of free shares in accordance with the provisions of articles L.225-197-1 and following of the French Commercial Code, and any allotment of shares for the purposes of profit-sharing and effecting any hedging transaction in connections with such plans and allotments,
  - holding shares and presenting them at some later date in exchange for shares or otherwise as consideration for acquisitions, subject to the limits resulting from applicable regulations,
  - delivery of shares on the exercise of rights attached to securities providing access, by whatever means, immediately or at some later date, to the Company's equity, and
  - cancellation of all or some of the shares so purchased;
- deciding that the number of shares so purchased may not exceed 10% of the Company's share capital at the time of purchase;

- deciding that the total amount allocated to the share buyback program could not exceed €650 million;
- deciding that the program would be implemented up to November 15, 2008.

A description of the program was circulated to the market and published on the Company website on May 2, 2007, the commencement date for the program being May 15, 2007. The program remains in force at the present time.

Pursuant to this program, the Company purchased, in the period up to December 31, 2007, a total of 9,345,104 shares, representing 3.44% of share capital at that date, for an amount of €229,205,361.

The Company has at no time held more than 10% of its own share capital.

b) Authorization empowering the Board of Directors to cancel, at its sole discretion, on one or several occasions, all or some of the Company shares purchased pursuant to the authorization described above and to reduce share capital by the total nominal amount of the shares so canceled, subject to the condition that this may not exceed, in any period of 24 months, 10% of share capital at the date of the cancellation decision.

In the event of a capital increase, the maximum number of shares that may be cancelled is to be adjusted on the basis of a coefficient equal to the proportion existing between share capital before the increase and share capital after the increase.

This authorization is for a period of 26 months from May 15, 2007 to July 15, 2009.

The Board of Directors did not make any use of this authorization in 2007.

c) Authorization empowering the Board of Directors to grant, on one or several occasions, certain staff members and/or corporate officers of the Company and affiliated companies, in accordance with the provisions of article L.225-180 of the French Commercial Code, options for subscription to new shares issued through a capital increase or purchase of existing shares of the Company in accordance with the provisions of articles L.225-177 to L.225-185 of the French Commercial Code.

Options for subscription to new shares or purchase of existing shares will be granted as follows:

- the authorization granted to the Board of Directors is for a period of 38 months from May 15, 2007 and the Board of Directors may make use of it on one or several occasions;
- the resulting stock option plans will be for periods of at most ten years from the date of grant by the Board of Directors;
- the total number of options granted pursuant to this resolution may not give rise to the subscription to or purchase of shares representing more than 5% of the Company's share capital at the date of grant, subject to the exception of regulatory adjustments required to preserve the rights of beneficiaries;
- the price for subscription to or purchase of shares under each such plan will be determined by the Board of Directors in accordance with the laws and regulations applicable at the date it is so determined.

Under this authorization, shareholders expressly waive, in favor of the beneficiaries of options for subscription to new shares, their preferred subscription rights in respect of the shares to be issued as options are exercised.

At its meeting on May 15, 2007, held at the close of the Combined Ordinary and Extraordinary General Meeting of Shareholders on the same day, the Board of Directors decided to implement a plan for the grant of options for the subscription to new shares and purchase of existing shares in favor of certain employees and/or corporate officers, determining that:

- the exercise price of an option carrying entitlement to a new or existing share would be €25.20, this price having been calculated in accordance with the stipulations of the Combined Ordinary and Extraordinary General Meeting of May 15, 2007 and the relevant provisions of the French Commercial Code and thus being equal to the average opening price of the shares in the 20 trading days immediately preceding May 15, 2007;
- the total number of options to be granted would be 1,638,137, representing 0.6% of the Company's share capital at May 15, 2007, the date of the decision to make the grant.

Other terms and conditions related to this plan for the grant of options for the subscription to new shares and purchase of existing shares are set out in the plan regulations adopted by the Board of Directors.

The Board of Directors further determined the number of shares resulting from the exercise of options that corporate officers would be required to hold in registered form until the termination of their functions as provided under article L.225-185 (options) of the French Commercial Code.

The Chairman and Chief Executive Officer and the Vice-Chairman and Chief Operating Officer will thus be required to hold, in registered form and until the termination of their functions, a number of shares at least equal to 30% of the number of shares resulting from their exercise of options, once these have in fact been exercised. This obligation to hold shares in registered form was extended to 30% of all shares acquired by these corporate officers, by whatever means, during their mandates.

d) Delegation of powers to the Board of Directors for the purpose of deciding to undertake, by means of a public call or calls on the market, on one or several occasions at such times and in such proportions as it considers appropriate, whether in France or elsewhere, in euros or another currency or composite currency unit, the issue of shares and securities providing access, whether immediately or at some later date, to the equity of the Company or of a

company in which it has a direct or indirect equity interest exceeding 50%, or entitling holders to receive fixed-income securities, subscription to which may be in cash or by way of offsets for liquid and payable debts, it being provided that this delegation of powers may allow one or more issues pursuant to article L.228-93 of the French Commercial Code.

Any capital increase effected pursuant to this delegation of powers, whether immediately or at some later date, may not exceed a nominal amount of €450 million and the amount of any such increase will be ascribed to the total nominal limit of €600 million provided for under section e) of these authorizations and delegations, these limits being adjusted by the number of shares necessary for adjustments that may be made pursuant to applicable legislation and regulation or, as may be the case, contract, for the purpose of preserving the rights of the holders of securities providing access to the Company's share capital.

Such a capital increase may result from the exercise of a right to allocation of shares, from the conversion, exchange or redemption of securities, from the presentation of a coupon or by any other means relating to securities of any kind issued by any company in which the Company holds, whether directly or indirectly, an equity interest exceeding 50%, and with the agreement of the Company concerned.

The nominal amount of the bonds and debt securites that may be issued pursuant to this delegation of powers may not exceed €1 billion or the equivalent thereof, at the date of issue, if the securities are issued with another currency denomination.

The preferred rights of shareholders to the subscription to shares and other securities to be issued is waived, it being understood that the Board of Directors may grant shareholders priority subscription rights in proportion to the number of shares held, and, if appropriate, priority rights to the subscription of any remainder, these rights being for all or part of the issue and being exercisable for at least three trading days, pursuant to the provisions of paragraph 2 of article L.225-135 of the French Commercial Code. Such priority may not give rise to the creation of negotiable subscription rights.

If an issue of shares or other securities is not taken up in full by shareholders and the public, the Board of Directors may take one or other or both of the following measures, in the order it determines:

- limit the issue to the amount of subscriptions, provided that this reaches at least three-quarters of the issue amount initially provided for;
- freely allocate all or some of the unsubscribed securites among the persons of its choice.

This delegation of powers entails, without further process, the waiver, in favor of the holders of securities providing access to the Company shares that may be issued pursuant to this resolution, of shareholders' preferred rights to the new shares to which these securities provide entitlement.

The issue price will be at least equal to the weighted average market price for Company shares over the three trading days immediately preceding the date on which this issue price is determined, subject to a possible discount of at most 5%, as provided under regulations in force.

The issue price of securities providing access to the Company's share capital will be such that the amount received by the Company immediately, together with any amount that it may receive later, represents, for each share issued in connection with these securities, an amount at least equal to the issue price for shares described in the previous paragraph.

The Board of Directors may, subject to the limit referred to in the first paragraph above, undertake the issue of shares, other equity securities or other securities proving access, either immediately or at some later date, to the Company's share capital, or carrying entitlement to allocations of debt securities, as consideration for the shares tendered in response to any public tender offer presented by the Company for the shares of another company listed on any of the regulated markets within the scope of article L.225-148 of the French Commercial Code, and may further decide, as far as may be necessary, to waive, in favor of the holders of such securities, the preferred subscription rights of shareholders in respect of these shares or other securities.

The Board of Directors is to have all necessary powers, which it may in turn delegate as it sees fit in accordance with applicable law, to put this delegation into effect, in particular to determine the schedule and methods of issuance, the nature and features of the securities, the related price and terms (including exchange parities where the tender offers made by the Company are in whole or in part for the exchange of securities), the amounts to be issued (where applicable, as this results from the number of shares tendered in response to a public offer by the Company), the date from which securities to be issued carry rights, which may be retroactive, and, where applicable, the conditions for their redemption, as well as to suspend, for a period not exceeding three months, the rights to the allocation of Company shares attached to the securities to be issued, to determine as necessary the means for the preservation of the rights of the holders of securities providing access to Company shares at some later date, this being in accordance with all applicable legal, regulatory and contractual requirements, to determine the manner in which amounts may be charged to the issue premium or premiums, such amounts including in particular issuing expense, and, in a general way, to take all appropriate action and enter into all appropriate agreements for the effective conduct of the issues envisaged, recognize the capital increase or increases resulting from issues made pursuant to this delegation of powers, and make the related amendments to Company articles.

In the event of the issue of loan securities, the Board of Directors will have all necessary powers, which it may in turn delegate, to determine whether they are to be subordinated or not and to set the rate of interest, the maturity and the redemption price, which may be fixed or variable, with or without a redemption premium, as well as to determine the amortization schedule in accordance with market conditions and the conditions under which the securites will carry entitlement to Company shares.

This delegation of authority is conferred on the Board of Directors for a period of 26 months from May 15, 2007 to July 15, 2009.

The Board of Directors made no use of this authority in respect of the 2007 financial year.

e) Delegation of powers to the Board of Directors for the purpose of deciding to undertake, on one or several occasions at such times and in such proportions as it considers appropriate, whether in France or elsewhere, in euros or another currency or composite currency unit, the issue, with shareholders' preferred subscription rights maintained, of shares and securities providing access, whether immediately or at some later date, to the equity of the Company or of a company in which it has a direct or indirect equity interest exceeding 50%, or entitling holders to receive debt securities, subscription to which may be in cash or by way of offsets for liquid and payable debts, it being provided that this delegation of powers may allow one or more issues pursuant to article L.228-93 of the French Commercial Code.

The nominal amount of capital increases effected pursuant to this delegation of powers, whether immediately and/or at some later date, may not exceed €600 million, this limit being increased by the number of shares necessary for adjustments that may be made pursuant to applicable legislation and regulation or, as may be the case, contractual provisions for other forms of adjustments, for the purpose of preserving the rights of the holders of securities providing access to the Company's share capital.

The nominal amount of the bonds and debt securities that may be issued pursuant to this delegation of powers may not exceed €1 billion or the equivalent thereof if the securities are denominated in another currency or composite currency unit.

Shareholders will be entitled to exercise their preferred subscription rights in full proportion to their interests. The Board of Directors may also allow shareholders preferred rights to any remaining securities in proportion to their total subscription rights and insofar as they apply.

If subscriptions with preferred rights, including the rights to securities initially not taken up, do not cover the full amount of an issue of shares or other securities made pursuant to the above, the Board of Directors may take one or more of the following measures, in the order it determines:

- limit the issue to the amount of subscriptions, provided that this reaches at least three quarters of the issue amount initially provided for;
- freely allocate all or some of the unsubscribed securities among the persons of its choice;
- make a public offer of some or all of the securities not taken up.

Any issue of equity warrants may be made in accordance with the conditions described above or by free allotments to holders of existing shares.

The amount received or receivable by the Company for each of the shares issued pursuant to this delegation of powers must be at least equal to its nominal value, this amount being understood to include, in the case of an issue of equity warrants, the price received for the warrants.

This delegation of powers entails, without further process, the waiver, in favor of the holders of securities providing access to the Company shares that may be issued pursuant to this resolution, of shareholders' preferred rights to the new shares to which these securities provide entitlement.

The Board of Directors is to have all necessary powers, which it may in turn delegate as it sees fit in accordance with applicable law, to put this delegation into effect, in particular to determine the schedule and methods of issuance, the nature and features of the securities, the related price and terms (including exchange parities where the tender offer made by the Company is in whole or in part for the exchange of securities), the amounts to be issued, the date from which securities to be issued carry rights, which may be retroactive, and, where applicable, the conditions for their redemption, as well as to suspend, for a period not exceeding three months, the rights to the allocation of Company shares attached to the securities to be issued, to determine as necessary the means for the preservation of the rights of the holders of securities providing access to Company shares at some later date, this being in accordance with all applicable legal, regulatory and contractual requirements, to determine the manner in which amounts may be charged to the issue premium or premiums, such amounts including in particular issuing expense, and, in a general way, to take all appropriate action and enter into all appropriate agreements for the effective conduct of the issues envisaged, recognize the capital increase or increases resulting from issues made pursuant to this delegation of powers, and make the related amendments to Company articles.

In the event of the issue of loan securities, the Board of Directors will have all necessary powers to determine whether they are to be subordinated or not and to set the rate of interest, the maturity and the redemption price, which may be fixed or variable, with or without a redemption premium, as well as to determine the amortization schedule in accordance with market conditions and the conditions under which the securities will carry entitlement to Company shares.

This delegation of authority is conferred on the Board of Directors for a period of 26 months from May 15, 2007 to July 15, 2009.

The Board of Directors made no use of this authority in respect of the 2007 financial year.

f) Authorization for the Board of Directors to increase the number of shares or other securities to be issued with or without preferred rights at the same price as for the initial issue, within 30 days from the close of subscriptions and

subject to the conditions that the additional securities represent no more 15% of the initial issues and that the overall limit described in section e) above is complied with.

This authorization is conferred on the Board of Directors for a period of 26 months from May 15, 2007 to July 15, 2009.

The Board of Directors made no use of this authority in respect of the 2007 financial year.

g) Delegation of powers to the Board of Directors to decide on a capital increase by incorporation of reserves, profits, premiums or other items or by the combination of such incorporation with a cash increase effected in accordance with the provisions of sections d) and e) above, and taking the form of free share allotments or an increase in the nominal value of existing shares, or through a combination of both.

The nominal amount of any capital increase pursuant to this delegation of powers may not exceed €100 million, it being understood that the amount of any such increase will be ascribed to the total nominal limit of €600 million provided for under section e) above, these limits being adjusted by the number of shares necessary for adjustments that may be made pursuant to applicable legislation and regulation or, as may be the case, contract, for the purpose of preserving the rights of the holders of securities providing access to the Company's share capital.

The Board of Directors is to have all necessary powers, which it may in turn delegate as it sees fit in accordance with applicable law, to put this delegation into effect, in particular:

- to determine the terms and conditions for the transactions authorized, including the amount and nature of reserves and premiums to be incorporated, the number of new shares to be issued or the amount by which the nominal value of existing shares is to be increased, and the date from which securities to be issued carry rights, which may be retroactive, or from which the increase in nominal value is to take effect, as well as to make any appropriate charges to the issuing premium or premiums, in particular for issuing expenses;
- to decide, in accordance with the provisions of article L.225-130 of the French Commercial Code, that rights in respect of a fraction of a whole share will not be negotiable and that the shares they represent are to be sold and the proceeds distributed to the holders of these rights no later than 30 days after the whole number of shares allotted to them has been entered on their account;
- to take all appropriate action and enter into all appropriate agreements for the effective conduct of the transaction or transactions envisaged and, in a general way, take all necessary measures and effect all formalities necessary to the proper recognition of the capital increase or increases carried out pursuant to this delegation of powers and make the related amendments to Company articles.

This delegation of authority is conferred on the Board of Directors for a period of 26 months from May 15, 2007 to July 15, 2009.

The Board of Directors made no use of this authority in respect of the 2007 financial year.

h) Delegation of powers to the Board of Directors for the purposes of issuing on one or several occasions following May 15, 2007, shares and/or other securities proving access to share capital for the benefit of the employees of the Company and of French and foreign companies to which it is related within the meaning of article L.444-3 of the Labor Code *(Code du travail)*, **provided that these employees participate in an employee share ownership/savings plan** *(plan d'épargne)* **of the Company or group.**

The General Meeting authorized the Board of Directors, in connection with such capital increase or increases, to allot shares or other securities providing access to share capital free of charge, in particular in lieu of the discount provided for below, within the limits defined in article L.443-5 of the Labor Code.

Any capital increase effected pursuant to this delegation of powers may not exceed a nominal amount of €25 million and the amount of any such increase will be ascribed to the total nominal limit of €600 million provided for under section e) above, these limits being subject to adjustment by the number of shares necessary for adjustments that may be made pursuant to applicable legislation and regulation or, as may be the case, a contract providing for other adjustments, for the purpose of preserving the rights of the holders of securities carrying entitlement to Company shares.

The issue price for the new shares will be determined by the Board of Directors in accordance with the provisions of article L.443-5 du *Code du travail*.

Shareholders' preferred subscription rights to the new shares or other securities that may issued pursuant to this authorization will be suppressed in favor of participation in the plans referred to, and the same shareholders waive all rights to any shares that may be allotted free of charge on the basis of this resolution.

The Board of Directors is to have all necessary powers, which it may in turn delegate as it sees fit, in accordance with the law, in particular for the purposes of:

- determining the companies whose employees may benefit from the subscription offer;
- deciding that the subscriptions may be effected through an investment fund or directly;
- granting employees time to pay up their shares;

- determining the procedures and conditions for participation in the Company share ownership/savings plan (*plan d'épargne d'entreprise*) or voluntary employee savings partnership (*plan partenarial d'épargne salariale volontaire*), and defining or amending the regulations of such plans;
- determining the opening and closing dates for subscription and the issue price of shares;
- determining the nature and features of securities providing access to share capital;
- determining the number of shares or other new securities to be issued;
- recognizing capital increases;
- effecting, directly or through a duly empowered person, all related procedures and formalities;
- amending in consequence Company articles and, in a general way, taking all useful or necessary steps within the framework of applicable laws and regulations.

This delegation of authority is conferred on the Board of Directors for a period of 26 months from May 15, 2007 to July 15, 2009.

The Board of Directors made no use of this authority in respect of the 2007 financial year.

i) Delegation of powers to the Board of Directors for the purposes of making free allotments of existing Company shares or shares to be issued.

Beneficiaries of such allotments may be employees or certain categories of employees and/or corporate officers of the Company and/or companies or groups of companies that are directly or indirectly attached to it within the meaning of article L.225-197-2 of the French Commercial Code.

The Board of Directors is to determine the identity of the beneficiaries of allotments, the related terms and conditions and, as necessary, criteria for the allotment of shares that may include, among other things, criteria relating to the continuity of contracts of employment or mandates as corporate officers throughout the vesting period and any other criteria.

The number of shares that may be the object of free allotments may not exceed 5% of the Company's share capital on the date of the decision to make the allotment, subject to any regulatory adjustments necessary to preserve the rights of beneficiaries, this limit being distinct and independent from the overall limit defined in e) above.

Allotment of shares to beneficiaries will become unconditional at the expiration of a vesting period of between two and four years (inclusive), depending on the beneficiaries concerned.

The period for which beneficiaries are required to hold shares is at least two years after the allotment becomes unconditional if the vesting period is less than four years, it being noted that the Board of Directors may amend or suppress this obligation to hold shares for a defined period in the case of beneficiaries for whom the vesting period referred to in the previous paragraph is equal to four years.

The Board of Directors may, as an exception to the above, decide that in the event of the disability of the beneficiary, this disability being in the second or third category of the categories of disability defined in article L.341-4 of the French Social Security Code (*Code de la sécurité sociale*) or being recognized as total disability under the applicable law of a country other than France, the allotment will become unconditional before the expiration of the vesting period, in which case the related shares will be freely negotiable.

During the vesting period, the Board of Directors may, where necessary, adjust the number of free shares allotted to preserve the rights of beneficiaries in the event of transactions affecting the Company's share capital.

The Board of Directors determines the length of the vesting period within the limits defined by the General Meeting, sets conditions for the holding of shares during the compulsory holding period, and makes necessary withdrawals from reserves, profits or premiums that the Company may freely dispose of for the purpose of paying up shares to be issued in favor of beneficiaries.

Where allotments are of new shares to be issued, the present authorization will entail, at the end of the vesting period, a capital increase by incorporation of reserves, profit or issue premiums in favor of the beneficiaries of the said share allotments and a related waiver of shareholders' preferred subscription rights and of their entitlements to the reserves, profits and premiums incorporated in this way, the capital increase being fully realized by sole virtue of the unconditional allotment of shares to beneficiaries.

This authorization is granted for a period of 38 months from May 15, 2007, to July 15, 2010. It supersedes the previous authorization for free share allotments granted by the General Meeting of February 24, 2006.

The Board of Directors may also adopt measures to comply with any changes in the law that may occur during the validity of this authorization and the application of which does not require an express decision from a General Meeting.

At its meeting held on May 15, 2007 following the close of the Combined Ordinary and Extraordinary Meeting held on the same day, the Board of Directors decided for the implementation of a plan for free share allotments and adopted the list of the beneficiaries of these allotments. The Board of Directors determined that the total number of shares to be so allotted would be 533,494, representing 0.2% of the Company's share capital at the date of the decision to make the allotment, which is to say May 15, 2007.

Other terms and conditions of the plan for the free allotment of shares are set forth in the plan regulations adopted by the Board of Directors.

The Board of Directors further determined the number of shares resulting from free allotments that the Company's corporate offices will be required to hold in registered form until the termination of their mandates as provided article L.225-197-1 II of the French Commercial Code.

The Chairman and Chief Executive Officer and the Vice-Chairman and Chief Operating Officer will thus be required to hold, in registered form and until the termination of their mandates, a number of shares at least equal to 30% of those allotted once they have vested. This obligation to hold shares in registered form was also extended to 30% of all shares acquired by these corporate officers, by whatever means, during their mandates.

j) **Delegation of powers to the Board of Directors for the purposes of issuing shares and other securities up to a limit of 10% of share capital to be offered in consideration of contributions in kind to the Company in the form of shares or securities providing access to share capital in cases where the provisions of article L.225-148 of the French Commercial Code do not apply.**

The total nominal amount of capital increases resulting from the use of this delegation of powers will be ascribed to the overall limit defined in e) above.

As required by law, the Board of Directors will, if use is made of this delegation of powers, consider the report of one or several contribution auditors as provided in article L.225-147 of the French Commercial Code.

The Board of Directors is to have all necessary powers for these purposes, in particular to approve appraisals of contributions, to recognize the realization of contributions, charge all expense, charges and fees to premiums, to increase the Company's capital and to make related amendments to Company articles.

This delegation of powers to the Board of Directors is for a period of 26 months from May 15, 2007 to July 15, 2009.

The Board of Directors made no use of this authorization in 2007.

k) **Delegation of powers to the Board of Directors to set, in accordance with the conditions established by the General Meeting, the issue price by a call on the market, without preferred subscription rights, for shares or securities providing access to the Company's share capital, subject to an upper limit of 10% of share capital in any period of 12 months, to derogate from the conditions for the establishment of prices set forth in d) above and to determine the price of equity securities and/or other securities to be issued, without preferred subscription rights by market call, in a manner ensuring that:**

- the issue price of shares is at least equal to the average market price, weighted for trading volumes, of Company shares at the date the price is set, subject, where appropriate, to a discount of at most 10%;
- the issue price of securities providing access to share capital is such that the sum immediately received by the Company, where applicable with the addition of that receivable at a later date, is, for each share to be issued as a consequence of the issue of these securities, at least equal to the issue price for shares as defined in the paragraph above.

The total nominal amount of capital increases pursuant to this authorization is ascribable to the overall limit defined in e) above.

This delegation of powers to the Board of Directors is for a period of 26 months from May 15, 2007 to July 15, 2009.

The Board of Directors made no use of this delegation of powers in 2007.

Authorization	Duration and expiration of authorization	Maximum nominal amount *(€ millions)*	2007 financial year *(€ millions)*
Purchase of shares representing no more than 10% of share capital	18 months November 15, 2008	650	229
Cancellation of shares so purchased and capital reduction	26 months July 15, 2009	650, limited to 10% of share capital at the date of the cancellation decision	Nil
Allotment of stock options or shares in favor of certain employees or corporate officers	38 months July 15, 2010	5% of share capital at the date of the allotment decision	0.6 % of share capital at the date of the allotment decision, i.e., May 15, 2007
Issues without preferred subscription rights Issue of securities of all kinds	26 months July 15, 2009	450 (this maximum nominal amount being ascribed to the overall maximum of 600)	Nil
Issues with preferred subscription rights Issue of securities of all kinds	26 months July 15, 2009	600 (overall maximum amount)	Nil
Increase of issue amounts in the event of excess demand within 30 days of the subscription closing date	26 months July 15, 2009	Up to 15% of the initial issue (this nominal amount being ascribed to the overall maximum of 600)	Nil

Authorization	Duration and expiration of authorization	Maximum nominal amount *(€ millions)*	2007 financial year *(€ millions)*
Capital increase by incorporation of premiums, reserves, profit or other amounts	26 months July 15, 2009	100 (this maximum nominal amount being ascribed to the overall maximum of 600)	Nil
Issues reserved to employees participating in a group or Company share ownership/savings plan	26 months July 15, 2009	25 (this maximum nominal amount being ascribed to the overall maximum of 600)	Nil
Free allotment of existing shares or shares to be issued	38 months July 15, 2010	5% of share capital at the date of the allotment decision	0.2% of share capital at the date of the allotment decision, i.e., May 15, 2007
Issue of shares and other securities as consideration for contributions in kind	26 months July 15, 2009	10 of share capital at the issue date (this maximum nominal amount being ascribed to the overall maximum of 600)	Nil
Determination of issue price by call on the market	26 months July 15, 2009	10 % of share capital (this maximum nominal amount being ascribed to the overall maximum of 600)	Nil

APPENDIX 3

Report of the Statutory Auditors on Company's financial statements for the year ended December 31, 2007

Statutory Auditors' report on the financial statements for the year ended December 31, 2007

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not.

This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the financial statements. 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,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you, for the year ended December 31, 2007, on:

- the audit of the accompanying financial statements of Legrand (the "Company");
- the justification of our assessments;
- the specific procedures and disclosures required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities, as at December 31, 2007, and of the results of its operations for the year then ended in accordance with accounting rules and principles applicable in France.

II - Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matter:

Note 1.3 to the financial statements sets forth the accounting policies related to the valuation of investments in participating interests. As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting methods.

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

III - Specific procedures and disclosures

We have also performed the other procedures required by law in accordance with professional standards applicable in France.

We have no matters to report regarding:

- the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the financial statements;
- the fair presentation of the information given in the management report of the Board of Directors in respect of remuneration and benefits granted to certain company officers and any other commitments made in their favour in connection with, or subsequent to, their appointment, termination or change in current function.

Pursuant to the law, we have verified that the management report of the Board of Directors contains the appropriate disclosures to the percentage interests and votes held by shareholders.

Neuilly-sur-Seine, April 7, 2008
The Statutory Auditors

PricewaterhouseCoopers Audit
Gérard Morin
63, rue Villiers
92208 Neuilly-sur-Seine Cedex

Deloitte & Associés
Dominique Descours
185, avenue Charles-de-Gaulle
92524 Neuilly-sur-Seine Cedex

APPENDIX 4

Text of resolutions for the Combined General Meeting of shareholders on 22 May 2008

Ordinary resolutions

First Resolution (Approval of the Company's financial statements at December 31, 2007)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprized of the Board of Directors' management report on the activity and general situation of the Company in the 2007 financial year together with the Chairman of the Board's report, of the auditor's report on the annual financial statements, and of the auditor's report on the Chairman's report, shareholders approve the Company's financial statements at December 31, 2007 as presented, which show a net profit of €449,127,557.11, together with the transactions reflected in these financial statements or summarized in the reports referred to.

Second Resolution (Approval of the consolidated financial statements at December 31, 2007)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprized of the Board of Directors' management report on the activity and general situation of the Company in the 2007 financial year together with the Chairman of the Board's report, of the auditor's report on the consolidated financial statements, and of the auditor's report on the Chairman's report, shareholders approve the Company's consolidated financial statements at December 31, 2007 as presented, which show a net profit of €420,955,000 excluding minority interests, together with the transactions reflected in these financial statements or summarized in the reports referred to.

Third Resolution (Appropriation of earnings)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the Board of Directors' report and of the auditor's report on the annual financial statements, the shareholders:

1. Observe that the net book profit for the financial year ended December 31, 2007 amounts to €449,127,557.11;
2. Decide to appropriate €22,456,377.86 of this net profit to the legal reserve;
3. Decide to distribute a dividend to shareholders amounting to €0.70 per share, making a total amount of €181,712,933.50 on the basis of the number of shares making up capital stock at December 31, 2007, this dividend being eligible in full for the 40% income-tax exemption provided for under article 158-3.2e of the French *Code général des impôts* (although shareholders who opt for a flat rate of taxation at source on dividends received (*prélèvement forfaitaire libératoire*) under article 117-4 of the French *Code général des impôts* will not benefit from this exemption);
4. Decide to appropriate the distributable income remaining to retained earnings, which amount to €688,702,623.55 following this appropriation.

The dividend of €0.70 per share referred to in paragraph 3 above will be made payable on June 3, 2008.

The amount of any dividends payable in respect of any shares which may be held by the Company itself or have been cancelled at the payment date will be appropriated to retained earnings.

Shareholders note that dividends paid in respect of 2004, 2005 and 2006 financial years were as follows:

Financial year	Shares with dividend entitlement	Net dividend per share
2004	759,350,900 shares with a par value of €1	€0.00
2005	269,693,376 shares with a par value of €4	€0.41
2006	266,241,719 shares with a par value of €4	€0.50

All dividends distributed in 2005 and 2006 were eligible for income-tax exemption under 158-3-2 of the French *Code général des impôts*, these exemptions being 50% in 2005, and 40% in 2006.

Shareholders further empower the Board of Directors to withdraw from retained earnings any amount necessary to pay the dividend as determined above in respect of any shares which may result from the exercise of options prior to the payment date.

Fourth Resolution (Agreements within the scope of article L.225-38 of the French Commercial Code)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the auditor's special report, shareholders take due note of the conclusions of this report and of the agreements to which it refers, these having been entered into and authorized in previous financial years.

Fifth Resolution
(Commitments within the scope of article L.225-42-1 of the French Commercial Code)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the auditor's special report, shareholders take due note of this report and approve the commitments to which it refers.

Sixth Resolution
(Ratification of the cooption of Mr. Mattia Caprioli to the Board of Directors)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders ratify the cooption of Mr. Mattia Caprioli to the Board of Directors, his cooption having resulted from the decision taken by the Board of Directors at its meeting on July 25, 2007 for the replacement of Mr. Henry Kravis, who resigned.

Seventh Resolution
(Renewal of the term of office of Mr. Olivier Bazil)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. Olivier Bazil as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Eighth Resolution
(Renewal of the term of office of Mr. Mattia Caprioli)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. Mattia Caprioli as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Ninth Resolution
(Renewal of the term of office of Mr. Arnaud Fayet)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. Arnaud Fayet as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Tenth Resolution
(Renewal of the term of office of Mr. Jacques Garaïalde)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. Jacques Garaïalde as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Eleventh Resolution
(Renewal of the term of office of Mr. Edward Gilhuly)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. Edward Gilhuly as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Twelfth Resolution
(Renewal of the term of office of Mr. François Grappotte)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. François Grappotte as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Thirteenth Resolution
(Renewal of the term of office of Mr. Jean-Bernard Lafonta)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. Jean-Bernard Lafonta as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Fourteenth Resolution
(Renewal of the term of office of Mr. Gilles Schnepp)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. Gilles Schnepp as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Fifteenth Resolution
(Renewal of the term of office of Mr. Ernest-Antoine Seillière)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders renew, as proposed by the Board of Directors, the term of office of Mr. Ernest-Antoine Seillière as a member of the Board of Directors for a period of six years ending at the close of the General Meeting called to consider financial statements for the 2013 financial year in 2014.

Sixteenth Resolution
(Approval of a share buyback program)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the Board of Directors' report, shareholders:

Authorize the Board of Directors, in accordance with articles L.225-209 and following of the French Code of Commerce and chapter II of the European Commission Regulation *(EC)* no. 2273/2003, dated December 22, 2003, to purchase, or to have purchased, Company shares representing at most 10% of the Company's capital stock at the date of this Meeting.

Provide that shares may be bought, sold or transferred in accordance with the legal texts referred to above, and with the practices allowed by France's Financial Markets Authority, for the purposes of:

- ensuring the liquidity and active operation of the market in Company shares by the intermediary of an investment services provider, acting independently under a liquidity contract in compliance with the Code of Practice recognized by France's Financial Markets Authority;
- implementing any and all Company stock-option plans in accordance with articles L.225-177 and following of the French Code of Commerce, any and all free share allotments pursuant to a Company or group employee share-ownership program in accordance with articles L.443-1 and following of the French Labor Code (*Code du travail)*, any and all free share allotments pursuant to articles L.225-197-1 and following of the French Code of Commerce, and any and all share allotments for the purpose of profit-sharing, as well as providing cover for such transactions in accordance with the conditions established by market authorities and at such times as the Board of Directors or the person acting on its behalf takes action;
- holding and subsequently transferring shares by way of exchange or payment relating to business acquisitions, subject to the limits established under applicable regulations;
- delivering shares on the exercise of rights attached to securities providing immediate or future access to the equity of the Company;
- canceling all or some of the shares so purchased, subject to the adoption of the Seventeenth Resolution presented to this Meeting;
- carrying out such other practices as may be permitted or recognized by law or by the Financial Markets Authority, or pursuing any other objective in compliance with applicable law and regulation.

The purchase, sales and transfer of shares may be effected, on one or several occasions by any means, whether on the market or through a private transaction, including in particular trading in blocks of shares or public tender offers, the use of option–based mechanisms, the use of derivatives, and the purchase of options or other securities in compliance with applicable regulations. The price paid for purchases may not exceed €36 per share and the maximum amount allowed for the implementation of the share buy-back program is €650 million.

The application of this resolution may not at any time result in the number of own shares held by the Company rising above 10% of the total number making up capital stock.

Shareholders empower the Board of Directors to adjust the maximum purchase price per share indicated above in order to take into account the impact on the value of shares of any change in the nominal value per share, capital increase by incorporation of reserves, free-share allotments, share split or reverse split, distribution of reserves or other assets, amortization of capital, or any other operation affecting shareholders' equity.

This authorization is valid for eighteen months from the date of this general meeting of shareholder and deprives previous authorization for the same purpose of their effect to the extent not used.

Shareholders confer on the Board of Directors all powers, and the right to delegate those powers, to decide on the use of authorizations under this Resolution, to place orders on the stock exchange, to enter into any agreements, make any declarations to the Financial Markets Authority or any other body, to effect any formalities, and in a general way to do all that may be necessary.

Extraordinary resolutions

Seventeenth Resolution (Authorization to cancel shares purchased pursuant to the share buyback program)

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprized of the Board of Directors' report and the auditor's special report, shareholders, having noted the adoption of the Sixteenth Resolution put to this meeting, authorize the Board of Directors, in accordance with article L.225-209 of the French Code of Commerce, to cancel, at its sole initiative and on one or several occasions, all or some of the Company shares purchased pursuant to the Sixteenth Resolution of this general meeting or to previous or subsequent share buyback programs and to reduce the capital stock of the Company by the total nominal amount of the shares thus cancelled, within a limit of 10% of the share capital at the date of this meeting in any period of 24 months.

Shareholders confer on the Board of Directors all powers, and the right to delegate those powers, to effect and recognize such reduction of capital and to declare that the reduction has been carried out, to allocate the difference between the price paid for the cancelled shares and their nominal amount to any reserves or premiums, to effect the related amendment of Company articles, to make all necessary declarations to the Financial Markets Authority, to effect all other formalities and in a general way to do all that may be necessary.

This authorization is granted for a period of twenty-six months from the date of this general meeting of shareholders and deprives previous authorizations for the same purpose of their effect to the extent not used.

Eighteenth Resolution (Powers relating to formalities)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders confer on holders of an original, an official extract or a copy of the minutes of the present meeting all powers necessary to effect all legally required filing, formalities and publications.

APPENDIX 5

Statutory Auditors' special report on regulated agreements and commitments with third parties

For the Year ended December 31, 2007

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with third parties.

Our responsibility does not include identifying any undisclosed agreements and commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of the agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article R.225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

Agreements and commitments authorized during the year

We hereby advise you that we were not informed of any agreements or commitments entered into during the year, pursuant to article L.225-38 of the French Commercial Code *(Code de commerce)*.

Agreements and commitments authorized during previous years and having continuing effect during the year

Pursuant to the French Commercial Code, we were informed that the following agreements and commitments approved in prior years remained in force during the year.

I - Tax Consolidation Agreement

The consolidated tax group headed by the Company was amended to retroactively incorporate as from January 1, 2003 Legrand France and the companies in Legrand France's consolidated tax group prior to the acquisition of over 95% of Legrand France's capital by Legrand. These companies include Chessy, Distrasa, Groupe Arnould, Inovac, Legrand SNC, Pammelec, Planet Wattohm, Sarlam, Sofrelec, Sute and Ura. In addition, Châteaudun Développement 3, ICM Group and Metal Deployé – which were acquired in 2005 – joined the consolidated tax group in 2006.

Tax savings made by the Group through using tax losses of loss-making members of the consolidated tax group are not paid back to the companies concerned by Legrand when they return to profit.

II - Facility Agreement

The Facility Agreement was entered into between BNP Paribas, Crédit Mutuel – CIC, Natexis Banque Populaire, the Royal Bank of Scotland Plc, and Société Générale acting as lenders and Legrand France, Van Geel Legrand B.V. and Legrand acting as borrowers. BNP Paribas acted as Facility Agent and Swingline Agent and the Company was party to the agreement in the capacity of Guarantor.

Under this agreement, the lenders provided Legrand France, Van Geel Legrand BV and Legrand with a maximum borrowing facility of €2,200,000,000.

Issuance costs paid by the Company during 2006 are deferred over the contractual term of the loan; the amortization of these costs is charged to income for an amount of €0.9 million in 2007. Moreover, interest costs recorded by Legrand during 2007 in connection with this Facility Agreement totaled €19.3 million.

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