legrand®

PRESS RELEASE

Limoges, November 8, 2018

Results for the first nine months of 2018

Double-digit growth in key indicators

Net sales: +11.3% (+17.2% excluding exchange-rate effect)

Adjusted operating profit: +11.4%

Net profit attributable to the Group: +21.1%

Normalized free cash flow: +24.5%

Multiple development initiatives

Success of new product launches

To date, four external growth operations announced

2018 targets confirmed[1] and specified

Legrand is aiming for:

- organic growth in sales of close to +4%, and
- adjusted operating margin before acquisitions[2] of between 20.0% and 20.5%

Benoît Coquart, Legrand Chief Executive Officer, commented:

*"**Double-digit growth in key indicators***

Over the first nine months of 2018, sales rose +11.3% in total. This good performance was driven by an increase in the scope of consolidation (+11.8%) and by a solid organic rise in sales (+4.8%) which benefited from Group growth initiatives that were partially offset by a decrease in sales in France in the third quarter due to a marked and one-off destocking in distribution.
Excluding the unfavorable exchange-rate effect (-5.1%), sales rose +17.2% in the first nine months of the year.
Compared with the first nine months of 2017, adjusted operating profit increased +11.4% and adjusted operating margin stood at 20.5%, up 0.1 points. Excluding acquisitions[2], adjusted operating margin for the first nine months was stable compared with 2017 at 20.4%, as performance in the third quarter alone was unfavorably affected by specific items.

At the same time, net profit attributable to the Group and normalized free cash flow grew sharply, increasing +21.1% and +24.5%, respectively, from the same period of 2017.

Multiple development initiatives

The innovation momentum continues, with many digital initiatives and the successful launch of many new products since the beginning of the year. These included connected offerings of the Eliot program, solutions dedicated to the buoyant digital infrastructures market, as well as several user interface ranges.

Moreover, the Group has pursued its strategy of targeted acquisitions and has already announced since the beginning of the year four external growth operations in the fields of digital infrastructures, UPS, and electrical equipment for DIY[3] activities. These acquisitions thus enable Legrand to continue to strengthen its positions on upbeat segments of its accessible market."

[1] Targets announced by Legrand on February 8, 2018: "organic growth in sales of between +1% and +4%" and "adjusted operating margin before acquisitions (at 2017 scope of consolidation) of between 20.0% and 20.5% of sales". For a complete presentation of Legrand's 2018 targets, readers are invited to consult the press release announcing full-year 2017 results.
[2] At 2017 scope of consolidation.
[3] DIY = Do-It-Yourself.

2018 targets confirmed[1] and specified

Based on its performance in the first nine months of 2018 and excluding any economic slowdown by the end of the year, Legrand is confirming and specifying its 2018 targets. Legrand is aiming for:
- organic growth in sales of close to +4%, and
- adjusted operating margin before acquisitions (at 2017 scope of consolidation) of between 20.0% and 20.5%.

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

[1] Targets announced by Legrand on February 8, 2018: “organic growth in sales of between +1% and +4%” and “adjusted operating margin before acquisitions (at 2017 scope of consolidation) of between 20.0% and 20.5% of sales”. For a complete presentation of Legrand’s 2018 targets, readers are invited to consult the press release announcing full-year 2017 results.

Key figures

Consolidated data (€ millions)(1)	9 months 2017	9 months 2018	Change
Sales	3,988.3	4,437.4	+11.3%
Adjusted operating profit	814.9	907.9	+11.4%
As % of sales	*20.4%*	*20.5%* *20.4% before acquisitions(2)*	
Operating profit	776.3	854.3	+10.0%
As % of sales	*19.5%*	*19.3%*	
Net profit attributable to the Group	474.3	574.5	+21.1%
As % of sales	*11.9%*	*12.9%*	
Normalized free cash flow	541.5	673.9	+24.5%
As % of sales	*13.6%*	*15.2%*	
Free cash flow	415.0	441.6	+6.4%
As % of sales	*10.4%*	*10.0%*	
Net financial debt at September 30	2,284.1	2,260.1	-1.1%

(1) See appendices to this press release for definitions and indicator reconciliation tables.
(2) At 2017 scope of consolidation.

Financial performance at September 30, 2018

Consolidated sales

Sales in the first nine months of 2018 stood at €4,437.4 million, up a total +11.3%.

Organic growth in sales was +4.8%, including +3.9% in mature countries and +7.1% in new economies.

The impact of the broader scope of consolidation came to +11.8% and should come to around +7.5% for full-year 2018, based on acquisitions announced and their likely dates of consolidation.

The exchange-rate effect was -5.1% in the first nine months of 2018. Based on average exchange rates for October 2018 applied to the last three months of 2018, the full-year exchange-rate effect would come to around -4%.

Changes in sales by destination at constant scope of consolidation and exchange rates broke down as follows by region:

	9 months 2018 / 9 months 2017	3rd quarter 2018 / 3rd quarter 2017
France	+0.1%	-4.3%
Italy	+5.7%	+4.0%
Rest of Europe	+10.4%	+8.6%
North and Central America	+4.1%	+4.7%
Rest of the world	+4.7%	+4.3%
Total	**+4.8%**	**+3.9%**

Changes in sales at constant scope of consolidation and exchange rates are analyzed below by geographical region:

- **France** (15.1% of Group sales)

Organic growth in sales was +0.1% in the first nine months of 2018: after a +2.0% rise in the first half of 2018, the change in sales was -4.3% in the third quarter alone due to a marked and one-off destocking in distribution. Downstream sales (sell-out) were flat overall in the third quarter compared with the previous year.

In a market that remained lackluster, Legrand has recorded good showings in energy distribution and digital infrastructures since the beginning of the year, and benefited from a very good response to its new user interface ranges Céliane with Netatmo and dooxie, partially offset by unfavorable change in sales in cable management, installation components and bulkhead lights.

- **Italy** (9.4% of Group sales)

In the first nine months of the year, sales were up +5.7% at constant scope of consolidation and exchange rates.

Legrand's very good performance since the beginning of the year has been driven in particular by the success of its Eliot program's connected offerings (including the Classe 300X connected door entry system and the Smarther intelligent thermostat), and benefited more specifically in the second quarter from the favorable one-off stocking effect of new Living Now user interface range.

- **Rest of Europe** (17.1% of Group sales)

Organic growth in sales was +10.4% in the first nine months of 2018.

Driven by commercial initiatives, the Group recorded double-digit organic growth over the first nine months of the year in the region's new economies, with good showings in Romania, Hungary and Turkey in particular.

Sales grew at a sustained pace in a number of mature countries, including Spain, Germany, the Netherlands and Greece.

Revenue was slightly up in the United Kingdom.

- **North and Central America** (36.4% of Group sales)

Sales were up +4.1% at constant scope of consolidation and exchange rates compared with the first nine months of 2017.

In the United States, organic growth in sales was +4.9% in the first nine months of 2018 and +5.9% in the third quarter alone. These good showings were driven by successes in wire-mesh cable management, intelligent PDUs, and lighting controls, as well as by Milestone's good performance.

Because of a demanding basis for comparison, Legrand's business retreated in Mexico over the first nine months of the year.

- **Rest of the World** (22.0% of Group sales)

Organic growth was up +4.7% from the first nine months of 2017.

Sales grew strongly in India, China and South Korea, as well as in many African countries such as Algeria, Egypt and Côte d'Ivoire. Legrand also turned in good showings in Australia and Malaysia.

In Latin America, sales were very slightly up in Brazil, but retreated in Colombia and Chile. Revenue also declined in Saudi Arabia.

Adjusted operating profit and margin

Adjusted operating profit rose +11.4% to stand at €907.9 million.

Adjusted operating margin came to 20.5% in the first nine months of 2018, up 0.1 points from the same period of 2017. The good performance of the acquisitions, in particular Milestone and Server Technology, has an accretive effect on Group adjusted operating margin.

Excluding acquisitions (at 2017 scope of consolidation), adjusted operating margin reached 20.4% of sales, in line with the first nine months of 2017.

More specifically, adjusted operating margin before acquisitions (at 2017 scope of consolidation) was 18.8% for the third quarter of 2018 alone, 1.6 points less than in the third quarter of 2017. This change was predominantly due:

- for around 2/3, to non-recurring items primarily related to a marked and one-off destocking in distribution in France[1], as well as the high basis for comparison in the third quarter of 2017, and
- for around 1/3, to other items mainly related to the increase in customs duties in the United States and to growth initiatives. Legrand has already launched adjustment measures aimed at offsetting the unfavorable impacts on its profitability.

Net profit attributable to the Group

Net profit attributable to the Group stood at €574.5 million in the first nine months of 2018, up +21.1% from the first nine months of 2017. This €100 million rise came primarily from (i) a €78 million strong improvement in operating profit; (ii) a favorable change in net financial expense and foreign-exchange results in an amount of €19 million; and (iii) stable corporate income tax whose rate stood at 29.0% (i.e. a four-point decline from the first nine months of 2017, reflecting the announced[2] impact of the reduction in corporate profit tax in the United States for around three points and the favorable consequences of specific one-off factors for around one point).

Cash generation

Cash flow from operations increased +20.4% to stand at €789.8 million, i.e. 17.8% of sales in the first nine months of the year.

Normalized free cash flow recorded a steep +24.5% rise to reach €673.9 million over the first nine months of 2018.

Working capital requirement remained under control at around 10% of sales at September 30, 2018.

Free cash flow stood at €441.6 million.

Multiple development initiatives

Success of new product launches

Legrand has continued to successfully enrich its offering with new products that deliver greater value in use, including the connected solutions developed under its Eliot program. In the first nine months of the year, the Group launched:

- new user interface ranges, among them Pial + in Brazil and Arteor Animation; as well as the connected offerings Céliane with Netatmo and Living Now, which benefited from a very favorable response in France and Italy, Yiyuan in China, and Valena Life and Allure in Greece;
- Practibox S distribution cabinets, XL3N 630 power enclosures, DX3 stop Arc and DMX-SP 2500 circuit breakers in energy distribution solutions;
- new solutions for building systems with WattStopper's Human Centric Lighting offerings, the UX digital management interface for hotel rooms, and Finelite's HP-4 Wet Location architectural lighting fixtures;

---

[1] For full details, readers are invited to refer to comments on page 4 concerning business developments in France in the first nine months of 2018.
[2] For more information on tax reductions in the United States announced in 2017, and their expected impacts on Legrand's accounts, readers are invited to refer to pages 14 and 15 of the press release announcing full-year 2017 results, published February 8, 2018.

- Infinium optic enclosures for spaces such as datacenters, and Milestone's TiLED Series and Impact Series screen mounts, in digital infrastructure;
- Keor Mod and Keor SP smart UPS; and
- Logix, a range of universal modular floor boxes as well as new office poles offerings.

More specifically, in Audio-Video infrastructures and power systems, Legrand's innovations garnered several awards, winning 11 times in eight *Best of Show* categories at the 2018 Infocomm tradeshow in Las Vegas.

To date, four external growth operations announced

Legrand remains active in external growth announcing four small to mid-size *bolt-on*[1] operations since the beginning of the year, which enabled the Group to strengthen its positions in upbeat segments of its accessible market.

Legrand thus announced:

- the purchase of Shenzhen Clever Electronic, Ltd., the Chinese leader in intelligent PDUs for datacenters,
- a joint-venture agreement with Modulan, the German specialist in custom cabinets for datacenters,
- the acquisition of Gemnet, a UPS specialist based in Dubai, and
- the acquisition of a majority stake[2] in Debflex, a French frontrunner in electrical equipment for DIY[3] activities, known for the quality and design of its products.

----

[1] Acquisitions that complement Legrand's activities.
[2] Subject to standard conditions precedent, this calls for Legrand to acquire 100% of R. Finances SAS, the majority shareholder of Debflex S.A., listed on Euronext Access Paris (ISIN FR0010776658). Assuming the acquisition is successfully concluded, Legrand intends to acquire Debflex's remaining equity in a second phase.
[3] DIY = Do-It-Yourself.

Consolidated financial statements for the first nine months of 2018 were adopted by the Board at its meeting on November 7, 2018. These consolidated financial statements, a presentation of results for the first nine months of 2018, and the related teleconference (live and replay) are available at www.legrand.com.

KEY FINANCIAL DATES:

- 2018 annual results: **February 14, 2019**
  "Quiet period[1]" starts January 15, 2019
- 2019 first-quarter results: **May 2, 2019**
  "Quiet period[1]" starts April 2, 2019
- General Meeting of Shareholders: **May 29, 2019**

ABOUT LEGRAND

Legrand is the global specialist in electrical and digital building infrastructures. Its comprehensive offering of solutions for commercial, industrial and residential markets makes it a benchmark for customers worldwide. Drawing on an approach that involves all teams and stakeholders, Legrand is pursuing its strategy of profitable and sustainable growth driven by acquisitions and innovation, with a steady flow of new offerings—including Eliot connected products with enhanced value in use. Legrand reported sales of more than €5.5 billion in 2017. The company is listed on Euronext Paris and is notably a component stock of the CAC 40 index.*
(code ISIN FR0010307819)
http://www.legrand.com

**Eliot is a program launched in 2015 by Legrand to speed up deployment of the Internet of Things in its offering. A result of the group's innovation strategy, Eliot aims to develop connected and interoperable solutions that deliver lasting benefits to private individual users and professionals.*
www.legrand.com/en/group/eliot-legrands-connected-objects-program

Investor relations
Legrand
François Poisson
Tel: +33 (0)1 49 72 53 53

francois.poisson@legrand.fr

Press relations
Publicis Consultants
Vilizara Lazarova
Tel: +33 (0)1 44 82 46 34
Mob: +33 (0)6 26 72 57 14
vilizara.lazarova@consultants.publicis.fr

[1] All communication suspended in the run-up to publication of results.

Appendices

Glossary

Adjusted operating profit

Adjusted operating profit is defined as operating profit adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill.

Cash flow from operations

Cash flow from operations is defined as net cash from operating activities excluding changes in working capital requirement.

CSR

Corporate Social Responsibility.

EBITDA

EBITDA is defined as operating profit plus depreciation and impairment of tangible assets, amortization and impairment of intangible assets (including capitalized development costs), reversal of inventory step-up and impairment of goodwill.

Free cash flow

Free cash flow is defined as the sum of net cash from operating activities and net proceeds from sales of fixed and financial assets, less capital expenditure and capitalized development costs.

Net financial debt

Net financial debt is defined as the sum of short-term borrowings and long-term borrowings, less cash and cash equivalents and marketable securities.

Normalized free cash flow

Normalized free cash flow is defined as the sum of net cash from operating activities—based on a normalized working capital requirement representing 10% of the last 12 months' sales and whose change at constant scope of consolidation and exchange rates is adjusted for the period considered—and net proceeds of sales from fixed and financial assets, less capital expenditure and capitalized development costs.

Organic growth

Organic growth is defined as the change in sales at constant structure (scope of consolidation) and exchange rates.

Payout

Payout is defined as the ratio between the proposed dividend per share for a given year, divided by the net profit attributable to the Group per share of the same year, calculated on the basis of the average number of ordinary shares at December 31 of that year, excluding shares held in treasury.

PDU

Power Distribution Units.

UPS

Uninterruptible Power Supply.

Working capital requirement

Working capital requirement is defined as the sum of trade receivables, inventories, other current assets, income tax receivables and short-term deferred tax assets, less the sum of trade payables, other current liabilities, income tax payables, short-term provisions and short-term deferred tax liabilities.

Calculation of working capital requirement

In € millions	**9M 2017**	**9M 2018**
Trade receivables	692.2	712.0
Inventories	751.0	855.7
Other current assets	196.9	186.3
Income tax receivables	27.8	75.5
Short-term deferred taxes assets/(liabilities)	96.3	94.6
Trade payables	(571.9)	(621.6)
Other current liabilities	(590.0)	(567.9)
Income tax payables	(63.6)	(66.3)
Short-term provisions	(69.3)	(79.3)
Working capital required	**469.4**	**589.0**

Calculation of net financial debt

In € millions	**9M 2017**	**9M 2018**
Short-term borrowings	916.9	162.9
Long-term borrowings	2,070.6	2,882.7
Cash and cash equivalents	(703.4)	(785.5)
Net financial debt	**2,284.1**	**2,260.1**

Reconciliation of adjusted operating profit with profit for the period

In € millions	**9M 2017**	**9M 2018**
Profit for the period	**475.8**	**575.0**
Share of profits (losses) of equity-accounted entities	2.1	0.3
Income tax expense	235.0	235.0
Exchange (gains) / losses	6.3	(7.0)
Financial income	(10.9)	(8.7)
Financial expense	68.0	59.7
Operating profit	**776.3**	**854.3**
Amortization & depreciation of revaluation of assets at the time of acquisitions and other P&L impacts relating to acquisitions	38.6	53.6
Impairment of goodwill	0.0	0.0
Adjusted operating profit	**814.9**	**907.9**

Reconciliation of EBITDA with profit for the period

In € millions	9M 2017	9M 2018
Profit for the period	**475.8**	**575.0**
Share of profits (losses) of equity-accounted entities	2.1	0.3
Income tax expense	235.0	235.0
Exchange (gains) / losses	6.3	(7.0)
Financial income	(10.9)	(8.7)
Financial expense	68.0	59.7
Operating profit	**776,3**	**854.3**
Depreciation and impairment of tangible assets	71.2	74.1
Amortization and impairment of intangible assets (including capitalized development costs) and reversal of Milestone inventory step-up	58.7	77.8
Impairment of goodwill	0.0	0.0
EBITDA	**906.2**	**1,006.2**

Reconciliation of cash flow from operations, free cash flow and normalized free cash flow with profit for the period

In € millions	9M 2017	9M 2018
Profit for the period	**475.8**	**575.0**
Adjustments for non-cash movements in assets and liabilities:		
Depreciation, amortization and impairment	131.1	153.8
Changes in other non-current assets and liabilities and long-term deferred taxes	39.5	54.5
Unrealized exchange (gains)/losses	9.2	3.0
(Gains)/losses on sales of assets, net	(1.4)	2.8
Other adjustments	1.9	0.7
Cash flow from operations	**656.1**	**789.8**
Decrease (Increase) in working capital requirement	(138.0)	(252.4)
Net cash provided from operating activities	**518.1**	**537.4**
Capital expenditure (including capitalized development costs)	(105.9)	(100.5)
Net proceeds from sales of fixed and financial assets	2.8	4.7
Free cash flow	**415.0**	**441.6**
Increase (Decrease) in working capital requirement	138.0	252.4
(Increase) Decrease in normalized working capital requirement	(11.5)	(20.1)
Normalized free cash flow	**541.5**	**673.9**

Scope of consolidation

2017	Q1	H1	9M	Full year
Full consolidation method				
OCL	Balance sheet only	5 months	8 months	11 months
AFCO Systems Group		Balance sheet only	5 months	8 months
Finelite		Balance sheet only	4 months	7 months
Milestone			Balance sheet only	5 months
Server technology				Balance sheet only
Equity method				
Borri		Balance sheet only	Balance sheet only	8 months

2018	Q1	H1	9M	Full year
Full consolidation method				
OCL	3 months	6 months	9 months	12 months
AFCO Systems Group	3 months	6 months	9 months	12 months
Finelite	3 months	6 months	9 months	12 months
Milestone	3 months	6 months	9 months	12 months
Server Technology	3 months	6 months	9 months	12 months
Modulan	Balance sheet only	Balance sheet only	6 months	9 months
Gemnet		Balance sheet only	Balance sheet only	7 months
Shenzhen Clever Electronic			Balance sheet only	To be determined
Debflex				To be determined
Equity method				
Borri	3 months	6 months	9 months	12 months

Disclaimer

This press release may contain forward-looking statements which are not historical data. Although Legrand considers these statements to be based on reasonable assumptions at the time of publication of this release, they are subject to various risks and uncertainties that could cause actual results to differ from those expressed or implied herein.

Details on risks are provided in the Legrand Registration Document filed with the Autorité des marchés financiers (Financial Markets Authority, AMF), which is available on-line on the websites of both AMF (www.amf-france.org) and Legrand (www.legrand.com).

No forward-looking statement contained in this press release is or should be construed as a promise or a guarantee of actual results, which are liable to differ significantly. Therefore, such statements should be used with caution, taking into account their inherent uncertainty.

Subject to applicable regulations, Legrand does not undertake to update these statements to reflect events or circumstances occurring after the date of publication of this release.

This press release does not constitute an offer to sell, or a solicitation of an offer to buy Legrand shares in any jurisdiction.