Consolidated financial statements as of December 31, 2006

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LEGRAND SA
(formerly LEGRAND HOLDING SA)

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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.

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Statutory auditors' report on the consolidated financial statements
For the year ended 31 December 2006

To the Shareholders

LEGRAND SA (formerly LEGRAND HOLDING SA)
128, Avenue du Maréchal de Lattre de Tassigny
87000 Limoges

Dear Sirs,

In accordance with our appointment as statutory auditors by your Annual General Meeting, we have audited the accompanying consolidated financial statements of Legrand SA (formerly Legrand Holding SA) for the year ended 31 December 2006, 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 31 December 2006 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 1.633 millions euros and 1.840 millions euros 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, 2006, your company has net operating tax losses carried forward mainly from French and US 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 7, 2007

The Statutory Auditors

PricewaterhouseCoopers Audit	Deloitte & Associés
Edouard Sattler	Dominique Descours

LEGRAND *

CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2006

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* ex Legrand Holding SA

Consolidated Statement of Income

	Legrand 12 months ended December 31		
	2006	2005	2004
		(Euros, in millions)	
Revenue (note 1 (k))	**3,736.8**	**3,247.9**	**2,926.3**
Operating expenses			
Cost of sales	(1,881.7)	(1,675.4)	(1,505.7)
Administrative and selling expenses	(977.7)	(835.6)	(760.9)
Research and development costs	(237.9)	(238.6)	(233.9)
Other operating income (expense) (note 20 (b))	(109.9)	(92.6)	(77.5)
Operating profit (note 20)	**529.6**	**405.7**	**348.3**
Finance costs (note 21 (b))	(157.4)	(206.5)	(257.5)
Financial income (note 21 (b))	33.7	25.4	26.1
Exchange gains and losses (note 21 (a))	40.4	(32.3)	5.8
Loss on extinguishment of debt (note 15 (a))	(109.0)	0.0	(50.7)
Finance costs and other financial income and expense, net	(192.3)	(213.4)	(276.3)
Share of profit of associates	0.8	1.3	2.6
Profit before tax	**338.1**	**193.6**	**74.6**
Income tax expense (note 22)	(82.9)	(89.8)	(46,6)
Profit for the period	**255.2**	**103.8**	**28.0**
Attributable to:			
– Equity holders of Legrand	**252.0**	**101.4**	**26.8**
– Minority interests	**3.2**	**2.4**	**1.2**
Basic earnings per share (euros) (notes 10 and 1 (s))*	1.019	0.534	0.141
Diluted earnings per share (euros) (notes 10 and 1 (s))*	1.009	0.527	0.139

The accompanying notes on pages 7 to 57 are an integral part of these financial statements.

* Basic and diluted earnings per share for 2005 and 2004 have been adjusted for the 1-for-4 reverse stock-split carried out on February 24, 2006.

Reported 2005 basic and diluted earnings per share, before the reverse stock-split, amounted to €0.134 and €0.132 respectively.

Reported 2004 basic and diluted earnings per share, before the reverse stock-split, amounted to €0.035 and €0.035 respectively.

Consolidated Balance Sheet

	Legrand		
	December 31, 2006	December 31, 2005	December 31, 2004
		(Euros, in millions)	
ASSETS			
Current assets			
Cash and cash equivalents (note 1 (d))	178.9	133.2	68.3
Marketable securities (note 9)	0.4	0.6	13.1
Restricted cash	0.0	0.0	27.0
Income tax receivables	14.2	6.1	1.9
Trade receivables (notes 1 (e) and 7)	620.8	563.2	495.7
Other current assets (note 8)	132.2	127.5	130.3
Inventories (notes 1 (i) and 6)	560.1	474.5	422.0
Other current financial assets (note 24)	22.2	33.4	66.2
Total current assets	**1,528.8**	**1,338.5**	**1,224.5**
Non-current assets			
Intangible assets (notes 1 (f) and 2)	1,840.0	1,861.3	1,903.3
Goodwill (notes 1 (g) and 3)	1,633.2	1,780.0	1,335.1
Property, plant and equipment (notes 1 (h) and 4)	789.2	833.6	816.0
Investments in associates (note 5)	10.5	9.5	12.5
Other investments (note 5)	5.0	4.1	5.9
Deferred tax assets (notes 1 (j) and 22)	124.6	61.5	62.9
Other non-current assets	4.8	4.6	4.3
Total non-current assets	**4,407.3**	**4,554.6**	**4,140.0**
Total Assets	**5,936.1**	**5,893.1**	**5,364.5**

The accompanying notes on pages 7 to 57 are an integral part of these financial statements.

	Legrand		
	December 31, 2006	December 31, 2005	December 31, 2004
		(Euros, in millions)	
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings (note 18)	790.7	319.3	203.6
Income tax payable	32.7	22.3	17.7
Trade payables	454.4	377.0	311.3
Short-term provisions and other current liabilities (note 19)	436.8	406.9	362.8
Other financial liabilities (note 24)	66 .6	59.9	159.1
Total current liabilities	**1,781.2**	**1,185.4**	**1,054.5**
Non-current liabilities			
Deferred tax liabilities (notes 1 (j) and 22)	663.9	720.3	697.4
Long-term provisions and other non-current liabilities (note 16)	109 .8	134.0	99.8
Provisions for pensions and other post-employment benefits (notes 1 (q) and 17)	147.6	139.7	131.0
Long-term borrowings (note 15)	1,055.5	1,803.3	1,674.4
Subordinated perpetual notes (note 13)	9.5	28.5	68.9
Related party borrowings (note 14)	0.0	1,334.8	1,275.8
Total non-current liabilities	**1,986.3**	**4,160.6**	**3,947.3**
Equity			
Share capital (note 10)	1,078.8	759.4	759.4
Retained earnings (note 12 (a))	1,217.6	(157.1)	(259.5)
Translation reserves (note 12 (b))	(136.6)	(64.3)	(144.7)
Equity attributable to equity holders of Legrand	2,159.8	538.0	355.2
Minority interests	8.8	9.1	7.5
Total equity	**2,168.6**	**547.1**	**362.7**
Total Liabilities and Equity	**5,936.1**	**5,893.1**	**5,364.5**

The accompanying notes on pages 7 to 57 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

	Legand 12 months ended December 31		
	2006	2005	2004
	(Euros, in millions)		
Profit for the period	**255.2**	**103.8**	**28.0**
Reconciliation of profit for the period to net cash provided by operating activities:			
–Depreciation expense (note 20 (a))	142.0	144.0	141.8
–Amortization expense (note 20 (a))	98.0	111.0	133.6
–Amortization of development costs (note 20 (a))	3.4	0.4	0.0
–Amortization of finance costs	2.1	3.2	0.6
–Loss on extinguishment of debt	109.0	0.0	50.7
–Changes in deferred taxes	(14.5)	12.9	(24.4)
–Changes in other non-current assets and liabilities	0.2	16.4	2.5
–Share of profit of associates	(0.8)	(1.3)	(2.6)
–Exchange (gain)/loss, net	(0.9)	18.1	(1.8)
–Other adjustments	26.1	25.3	47.2
(Gains)/losses on sales of assets, net	(1.1)	7.1	(5.6)
(Gains)/losses on sales of securities, net	0.0	0.1	0.3
Changes in operating assets and liabilities:			
–Inventories	(74.5)	(6.6)	(40.8)
–Trade receivables	(38.4)	(5.2)	9.8
–Trade payables	62.4	33.9	60.9
–Other operating assets and liabilities	13.3	(12.6)	29.2
Net cash provided by operating activities	**581.5**	**450.5**	**429.4**
Net proceeds from sales of fixed assets	27.5	10.9	45.4
Capital expenditure	(130.8)	(112.0)	(95.7)
Development costs capitalized during the period	(22.1)	(21.5)	(17.1)
Changes in non-current financial assets and liabilities	(0.5)	0.0	0.0
Proceeds from sales of marketable securities	0.1	0.3	138.4
Purchases of marketable securities	0.0	40.2	(18.5)
Acquisitions of subsidiaries, net of the cash acquired (note 3)	(85.9)	(399.8)	0.0
Investments in non-consolidated entities	(2.0)	0.0	(0.1)
Net cash (used in) provided by investing activities	**(213.7)**	**(481.9)**	**52.4**
–Proceeds from issues of share capital (note 10)	866.2	0.0	0.0
–Dividends paid to equity holders of Legrand	(110.6)	0.0	0.0
–Dividends paid by Legrand subsidiaries	(3.2)	(1.2)	(0.8)
–Reduction of subordinated perpetual notes	(19.0)	(40.5)	(39.9)
–Proceeds from new borrowings and drawdowns	2.255.8	179.2	929.7
–Repayment of borrowings	(3,444.9)	0.0	(1,324.1)
–Debt issuance costs	(6.1)	0.0	(6.3)
–Loss on extinguishment of debt	(109.0)	0.0	0.0
–Increase (reduction) in bank overdrafts	258.5	(49.7)	(40.2)
Net cash provided by (used in) financing activities	**(312.3)**	**87.8**	**(481.6)**
Effect of exchange rate changes on cash and cash equivalents	(9.8)	8.5	0.2
Increase in cash and cash equivalents	45.7	64.9	0.4
Cash and cash equivalents at the beginning of the period	133.2	68.3	67.9
Cash and cash equivalents at the end of the period	**178.9**	**133.2**	**68.3**
Items included in cash flows from operating activities			
–Interest paid during the period	122.1	150.7	182.9
–Income taxes paid during the period	86.3	57.8	45.5

The accompanying notes on pages 7 to 57 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

(Euros, in millions)	Equity attributable to equity holders of Legrand				Minority interests	Total equity
	Share capital	Retained earnings	Translation reserves	Total		
As of December 31, 2004	**759.4**	**(259.5)**	**(144.7)**	**355.2**	**7.5**	**362.7**
Profit for the period		101.4		101.4	2.4	103.8
Dividends paid				0.0	(1.2)	(1.2)
Issue of share capital				0.0		0.0
Stock options		1.0		1.0		1.0
Net income (expense) recognized directly in equity			80.4	80.4	0.4	80.8
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
Dividends paid		(110.6)		(110.6)	(3.2)	(113.8)
Issue 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
Net income (expense) recognized directly in equity		(7.6)	(72.3)	(79.9)	(0.3)	(80.2)
As of December 31, 2006	**1,078.8**	**1,217.6**	**(136.6)**	**2,159.8**	**8.8**	**2,168.6**

Net income (expense) recognized directly in equity

(Euros, in millions)	**December 31, 2006**	**December 31, 2005**	**December 31, 2004**
Actuarial gains and losses (notes 1 and 1 (q))	(12.3)	-	-
Deferred taxes on actuarial gains and losses	4.7	-	-
Translation reserves (note 12 (b))	(72.6)	80.8	(43.1)
Total	**(80.2)**	**80.8**	**(43.1)**

The accompanying notes on pages 7 to 57 are an integral part of these financial statements.

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General information

Legrand (formerly Legrand Holding SA) ('the Company') and its subsidiaries (together 'Legrand' or 'the Group') represent one of the world's leading international manufacturers of products and systems for low-voltage electrical installations and data networks used in residential, commercial and industrial buildings.
The Group has manufacturing and/or distribution subsidiaries and offices in more than 60 countries, and sells its products in more than 160 national markets. Its key markets are France, Italy and the United States, which accounted for approximately 61% of revenue (by customer location) in 2006 (2005: 64%; 2004: 66%).
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 consolidated financial statements were approved by the Board of Directors on February 7, 2007.

List of consolidated companies

The consolidated financial statements comprise the financial statements of Legrand and its 134 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, 2006, all of which are over 99%-owned, are as follows:

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

legrand®

Foreign subsidiaries:

Anam Legrand	South Korea
Bticino	Italy
Bticino de Mexico	Mexico
Bticino Quintela	Spain
Bufer Elektrik	Turkey
Electro Andina	Chile
GL Eletro-Eletronicos Ltda	Brazil
Legrand Polska	Poland
Legrand	Germany
Legrand	Italy
Legrand	Greece
Legrand Electric	United Kingdom
Legrand Electrica	Portugal
Legrand Electrique	Belgium
Legrand Espanola	Spain
Legrand India	India
Legrand	Russia
Legrand	Australia
Luminex	Colombia
Ortronics	United States
Pass & Seymour	United States
Rocom	Hong Kong
TCL International Electrical	China
TCL Building Technology	China
The Watt Stopper	United States
The Wiremold Company	United States
Van Geel Legrand	Netherlands
Zucchini	Italy

The subsidiaries excluded from the scope of consolidation are all companies that were acquired or created only recently. In 2006, these companies represented combined non-current assets of less than €2 million and combined revenue of less than €11 million.

The main changes in the scope of consolidation 2006 compared with the previous year were the addition of Zucchini, the ICM Group, TCL International Electrical, TCL Building Technology, Cemar, Shidean and Vantage.

These acquisitions are described below:

Vantage

Vantage, the USA's second largest manufacturer of high-end lighting control and home automation equipment, was acquired in September 2006. Based in Orem, Utah, the company reported 2005 revenue of some $20 million. Vantage was consolidated as of December 31, 2006 based on estimated data. It had no impact on the 2006 consolidated income statement.

Cemar

In April 2006, Legrand acquired Cemar, Brazil's leading manufacturer of consumer units and industrial enclosures. Based in Caxias, in southern Brazil, Cemar had 2005 revenue of some €28 million with 400 employees. It was consolidated for the first time as of June 30, 2006 and contributed to consolidated income in the second half of the year.

Shidean

In January 2006, Legrand acquired 51% of the capital of Shidean, China's leading manufacturer of audio and video door entry systems. Based in Shenzen, the company reported 2005 revenue of some €15 million with over 900 employees. Shidean was consolidated as of December 31, 2006 and contributed to consolidated income over the full year.

TCL International Electrical and TCL Building Technology

TCL International Electrical, China's leading wiring devices manufacturer, and TCL Building Technology, specialist of VDI (Voice-Data-Image) products and systems, were acquired in December 2005. The two companies, which are based in Huizhou, southeast China, had revenue of over €60 million in 2005, with more than 3,000 employees. They were consolidated as of December 31, 2005 and contributed to consolidated income as from 2006.

ICM Group

In November 2005, Legrand acquired ICM Group, the leading manufacturer of wire cable trays with several well-known brands including *Cablofil©*. Based in Montbard in France, ICM Group reported 2005 revenue of over €100 million, including 40% in France and 60% in international markets. It has around 500 employees and six plants, located in Europe and the United States. ICM Group was consolidated as of December 31, 2005 and contributed to consolidated income as from 2006.

Zucchini

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

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 (IFRSs) and International Accounting Standards (IASs) and the related IFRIC interpretations, as adopted by the European Union without modification.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 1u.

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

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, as allowed under IAS 19, paragraph 93A s (amended). This effect is not considered material and the comparative 2005 financial information presented with the 2006 consolidated financial statements has therefore not been adjusted to reflect the new method.

a) Basis of presentation and acquisition of Legrand France

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

The acquisition price and related fees and commissions, representing a total of €3,748 million, were allocated primarily to trademarks and developed technology.

b) Consolidation

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

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

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

c) 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 (the Company’s functional currency” and the ‘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 companies 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, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Marketable securities are not considered as cash equivalents.
Similarly, bank overdrafts are not considered as cash equivalents and are included in short-term borrowings.

e) Trade receivables

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

f) Intangible assets

In accordance with IAS 36 - Impairment of Assets, when events or changes in market environment indicate that an intangible asset or item of property, plant and equipment may be impaired, the item concerned is tested for impairment to determine whether its carrying amount is greater than its recoverable amount, defined as the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the use and subsequent sale of the asset.

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

Other development expenditures are recognized as an expense as incurred.

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

Trademarks with finite useful lives are amortized:

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

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

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

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

Since the transition to IFRS, goodwill is no longer amortized but 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.

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. 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. A separate discount rate is applied for each country.

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 recoverable amount is less than the carrying 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 or the asset's useful life determined in accordance with Group policies (see below).

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

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

The depreciable amount of assets is determined after deducting their residual value when the amounts involved are material.
Each part of an item of property, plant and equipment with a useful life that is significantly different to the useful lives of other parts is depreciated separately.

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

i) Inventories

Inventories are 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 in the balance sheet, with changes in fair value recognized in the income statement. 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.

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

o) Share based payment transactions

The Group operates equity-settled, share based compensation plans.

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, and is recognized in the income statement 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 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 plan
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 plan
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 cost is recognized in the income statement on a straight-line basis over the average remaining service lives of employees.

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 net income (expense) recognized directly in equity , as allowed under IAS 19, paragraph 93A s (amended). If this accounting option 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. This effect is not considered material and the comparative 2005 financial information presented with the 2006 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 grouped together in geographical segment for internal consolidated reporting purposes. Each geographical segment is determined according to the region of production and not where the products are sold. The five geographical segments are France, Italy, Rest of Europe, United States and Canada, and Rest of the World.

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 computed by dividing profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding plus the number of dilutive potential ordinary shares.

t) Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
Other borrowing costs are recognized as an expense for the period in which they were incurred.

u) Use of estimates

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

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

(a) Impairment of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually in accordance with the accounting policy described in 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 in connection with annual impairment tests of goodwill;
- Estimating the future discounted cash flows to be used for the purposes of periodic impairment tests of intangible assets with indefinite useful lives; and
- Determining the recoverable amount of intangible assets with indefinite useful lives for the purposes of annual impairment tests.

The recoverable amount of an asset is based either on the asset's quoted market price in an active market, if available, or, in the absence of an active market, on discounted future cash flows from operations less investments.

The determination of recoverable amount requires the use of certain assumptions and estimates. Other estimates using different, but still reasonable, assumptions could produce different results.

As of December 31, 2006, 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 probable that some of them will not 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 adjust the value of deferred tax assets carried in the balance sheet.

(c) Other assets and liabilities based on estimates

Other assets and liabilities based on estimates include provisions for pensions and other post-employment benefits, impairment of trade receivables, inventories and financial assets, stock options, provisions for warranty costs and capitalized development costs.

v) New IFRS Pronouncements

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

IFRS 7 – Financial Instruments: Disclosures

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

IAS 1 – Capital disclosures

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

IFRIC 7 – Applying the restatement approach under IAS 29

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

IFRIC 8 – Scope of IFRS 2

In May 2006, the IFRIC published IFRIC 8, which confirms that share-based payments whose fair value appears to be greater than the consideration received should be accounted for in accordance with IFRS 2.

IFRIC 9 – Reassessment of embedded derivatives

In June 2006, the IFRIC published IFRIC 9 which stipulates that reassessment of embedded derivatives following the occurrence of certain events is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

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

2) Intangible assets (Note 1 (f))

Intangible assets are as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Trademarks with indefinite useful lives	1,523.1	1,502.6	1,477.4
Trademarks with finite useful lives	49.7	48.8	48.9
Developed technology	161.4	244.6	337.7
Other intangible assets	105.8	65.3	39.3
	1,840.0	**1,861.3**	**1,903.3**

Trademarks can be analyzed as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
At the beginning of the period	1,567.1	1,536.6	1,549.1
- Acquisitions	41.8	12.1	0.0
- Disposals	0.0	0.0	0.0
- Translation adjustment	(15.9)	18.4	(12.5)
	1,593.0	1,567.1	1,536.6
Less accumulated amortization	(20.2)	(15.7)	(10.3)
	1,572.8	**1,551.4**	**1,526.3**

Developed technology can be analyzed as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
At the beginning of the period	582.2	574.4	578.3
- Acquisitions	0.0	0.0	0.0
- Disposals	0.0	0.0	0.0
- Changes in scope of consolidation	0.0	0.0	0.0
- Translation adjustment	(6.2)	7.8	(3.9)
	576.0	582.2	574.4
Less accumulated amortization	(414.6)	(337.6)	(236.7)
	161.4	**244.6**	**337.7**

Amortization expense related to intangible assets (including capitalized development costs) for 2006 amounted to €101.4 million (2005: €111.4 million, 2004: €133.6 million). Amortization of trademarks and developed technology in 2006 breaks down as follows:

	Developed technology	Trademarks	Total
		Euros, in millions	
France	43.2	1.9	45.1
Italy	21.6	0.0	21.6
Rest of Europe	5.8	0.5	6.3
USA/Canada	7.9	1.5	9.4
Rest of the world	2.5	1.5	4.0
	81.0	**5.4**	**86.4**

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

	Developed technology	Trademarks	Total
		Euros, in millions	
2007	57.7	5.0	62.7
2008	46.1	4.8	50.9
2009	28.8	4.5	33.3
2010	17.3	4.0	21.3
2011	11.5	3.6	15.1

Other intangible assets can be analyzed as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Capitalized development costs	56.9	38.2	17.1
Software	14.0	11.6	11.5
Other	34.9	15.5	10.7
	105.8	**65.3**	**39.3**

3) Goodwill (note 1 (g))

Goodwill can be analyzed as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Total	**1,633.2**	**1,780.0**	**1,335.1**
of which:			
- France	589.1	613.2	475.7
- Italy	307.6	378.9	350.4
- Rest of Europe	137.7	137.6	111.7
- USA/Canada	311.2	308.8	243.1
- Rest of the world	287.6	341.5	154.2
	1,633.2	**1,780.0**	**1,335.1**

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

In the 'Rest of Europe' and 'Rest of the World' segments, no goodwill allocated to a cash-generating unit exceeds 10% of the total.

Changes in goodwill can be analyzed as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
At the beginning of the period	1,780.0	1,335.1	1,378.6
- Acquisitions	58.1	392.0	0.0
- Adjustments	(156.3)	0.0	0.0
- Translation adjustment	(48.6)	52.9	(43.5)
At the end of the period	**1,633.2**	**1,780.0**	**1,335.1**

Adjustments on goodwill include reversal of a deferred tax liability which was recognized through the goodwill in the balance sheet of an Italian entity at the Acquisition of Legrand 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 cash-generating units are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing the unit's carrying amount, including goodwill, to its recoverable amount, defined as the higher of fair value less costs to sell and value in use.

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

Goodwill impairment tests were performed using the following assumptions and parameters:

- Weighted average cost of capital by country ranging from 9.0% to 14.0% in 2006 (2005: 8.0% to 12.0%; 2004: 8.5% to 12.0%)
- A growth rate beyond the specific projection period by country ranging from 2.0% to 5.0% per year in 2006 (2005: 2.0% to 5.0%; 2004: 2.5% to 3.0%)

The following impairment testing parameters are used for December 31, 2006 :

	Methodology for recoverable amount determination	Carrying amount of goodwill	Carrying amount of trademarks with an indefinite useful life	Value in use	
				Discount rate	Growth rate to perpetuity
France		589.1	849.3	9%	2 to 3%
Italy		307.6	414.3	9%	2 to 3%
Rest of Europe	Value in use	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**		

No impairment loss was recognized in the period ended December 31, 2006.

Acquisitions of subsidiaries (net of cash acquired) came to €85.9 million for the period (2005: €399.8 million).

Purchase price allocation :

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
- Trademarks	41,8	12,1	-
- Deferred taxes on trademarks	(14,2)	(4,2)	-
- Other intangible assets	22,5	-	-
- Deferred taxes on other intangible assets	(7,4)	-	-
- Goodwill	58,1	392,0	-

The final fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed have possibly not been determined for acquisition carried out the last twelve months. Therefore goodwill on these acquisitions could have been calculated on a provisional basis at year-end of acquisition and would be adjusted the following year based on final fair values.

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

a) Property, plant and equipment by geographical segment

Property, plant and equipment, including finance leases, were as follows as of December 31, 2006:

	December 31, 2006 *Euros, 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**

Total property, plant and equipment includes €20.3 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, 2005:

	December 31, 2005 *Euros, 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**

Property, plant and equipment, including finance leases, were as follows as of December 31, 2004:

	December 31, 2004 *Euros, in millions*					
	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Land	23.6	5.4	20.5	3.3	16.9	69.7
Buildings	144.7	68.8	60.0	24.7	19.1	317.3
Machinery and equipment	157.7	85.1	43.9	36.1	26.3	349.1
Assets under construction and other	27.9	3.5	17.6	21.9	9.0	79.9
	353.9	**162.8**	**142.0**	**86.0**	**71.3**	**816.0**

b) Analysis of changes in property, plant and equipment

Changes in property, plant and equipment can be analyzed as follows for 2006:

	December 31, 2006 *Euros, in millions*					
	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Capital expenditures	48.6	22.8	15.3	14.3	17.7	118.7
Disposals (carrying amount)	(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 adjustment	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 *Euros, in millions*						
	Capital expenditures	Transfers from 'Assets under construction'	Disposals (carrying amount)	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustment	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 *Euros, in millions*					
	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Capital expenditures	38.2	21.5	15.1	15.4	13.0	103.2
Disposals (carrying amount)	(2.3)	(0.9)	(6.5)	(7.0)	(1.0)	(17.7)
Depreciation for the period	(58.1)	(31.2)	(22.1)	(19.6)	(13.0)	(144.0)
Transfers and changes in scope of consolidation	(1.0)	33.1	8.6	0.4	7.3	48.4
Translation adjustment	0.0	0.0	1.2	12.0	14.5	27.7
	(23.2)	**22.5**	**(3.7)**	**1.2**	**20.8**	**17.6**

	December 31, 2005 *Euros, in millions*						
	Capital expenditures	Transfers from 'Assets under construction'	Disposals (carrying amount)	Depreciation for the period	Transfers and changes in scope of consolidation	Translation adjustment	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**

Changes in property, plant and equipment in 2004 can be analyzed as follows:

	December 31, 2004 *Euros, in millions*					
	France	Italy	Rest of Europe	USA/Canada	Rest of the world	Total
Capital expenditures	31.0	20.0	14.7	10.8	10.5	87.0
Disposals (carrying amount)	(18.4)	(0.2)	(20,8)	(1.3)	(4.4)	(45.1)
Depreciation for the period	(62.3)	(25.9)	(21.2)	(22.0)	(10.4)	(141.8)
Transfers and changes in scope of consolidation	1.9	(0.1)	2.3	0.0	(0.2)	3.9
Translation adjustment	0.0	0.0	3.1	(5.8)	(0.2)	(2.9)
	(47.8)	**(6.2)**	**(21.9)**	**(18.3)**	**(4.7)**	**(98.9)**

	December 31, 2004 *Euros, in millions*						
	Capital expenditures	Transfers from 'Assets under construction'	Disposals (carrying amount)	Depreciation for the period	Transfers and changes in scope of consolidation	Translation adjustment	Total
Land	0.0	0.0	(2.3)	0.0	0.0	0.5	(1.8)
Buildings	4.6	11.6	(22.0)	(21.8)	0.1	(0.6)	(28.1)
Machinery and equipment	43.7	22.9	(15.4)	(101.4)	(1.6)	(1.8)	(53.6)
Assets under construction and other	38.7	(34.5)	(5.4)	(18.6)	5.4	(1.0)	(15.4)
	87.0	**0.0**	**(45.1)**	**(141.8)**	**3.9**	**(2.9)**	**(98.9)**

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

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Land	3.8	3.9	3.9
Buildings	35.9	32.6	36.7
Machinery and equipment	38.7	38.1	35.4
	78.4	74.6	76.0
Less accumulated depreciation	(44.3)	(41.2)	(37.2)
	34.1	**33.4**	**38.8**

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

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Long-term borrowings	9.3	16.1	18.5
Short-term borrowings	6.9	8.9	7.3
	16.2	**25.0**	**25.8**

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

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Due within one year	6.6	7.8	7.3
Due in one to two years	4.5	8.2	8.1
Due in two to three years	1.7	4.3	7.1
Due in three to four years	1.5	1.5	3.2
Due in four to five years	1.3	1.4	0.9
Due beyond five years	1.8	3.4	1.8
	17.4	26.6	28.4
Of which accrued interest	(1.2)	(1.6)	(2.6)
Present value of future minimum lease payments	**16.2**	**25.0**	**25.8**

5) Investments in associates and other investments

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Investments in associates (accounted for by the equity method)	10.5	9.5	12.5

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Other investments	5.0	4.1	5.9

6) Inventories (note 1 (i))

Inventories are as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Purchased raw materials and components	199.3	171.7	143.6
Sub-assemblies, work in progress	110.5	93.4	93.2
Finished products	322.5	276.7	246.9
	632.3	541.8	483.7
Less impairment	(72.2)	(67.3)	(61.7)
	560.1	**474.5**	**422.0**

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 approximately 25% of consolidated net revenue.

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Trade accounts receivable	559.7	513.4	433.4
Notes receivable	90.4	79.4	94.8
	650.1	592.8	528.2
Less impairment	(29.3)	(29.6)	(32.5)
	620.8	**563.2**	**495.7**

8) Other current assets

Other current assets are as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Employee advances	4.1	4.8	4.2
Other receivables	33.0	36.4	42.6
Prepayments	18.1	18.8	11.9
Prepaid and recoverable taxes other than on income	77.0	67.5	71.6
	132.2	**127.5**	**130.3**

9) Marketable securities

Marketable securities are measured at fair market value. The carrying amount of marketable securities is close to their fair value.

10) Share capital and earnings per share

Changes in share capital in 2006:

		Number of shares	Par value	Share capital (euros)	Premiums (euros)
As of December 31, 2005		759,350,900	1	759,350,900	
February 24, 2006	Reverse stock-split	189,837,725	4	759,350,900	
April 11, 2006	Public placement of new shares	43,689,298	4	174,757,192	688,106,444
April 11, 2006	Share issue underwritten by GP Financière New Sub 1 SCS, 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

Share capital consists exclusively of ordinary shares. On February 24, 2006, the par value of the shares was increased to €4.

On April 7, 2006, the Group was floated on the 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.

The aggregate proceeds from the share issues, net of transaction costs of €33.1 million, came to €866.2 million.

Following the share issues, the Company's two main shareholders, KKR and Wendel Investissement, each held around 30% of share capital.

At the time of the IPO, certain shareholders gave an undertaking to keep their shares for periods ranging from 6 to 18 months (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).

Earnings per share, calculated on the basis of the average number of shares outstanding during the year, are as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
Profit attributable to equity holders of Legrand (euros, in millions)	252.0	101.4	26.8
Number of ordinary shares outstanding at the period-end	269,693,376	189,837,725	189,837,725
Average number of ordinary shares outstanding during the period	247,218,622	189,837,725	189,837,725
Number of options outstanding at the period-end	2,606,529	2,682,829	2,663,629
Basic earnings per share (euros) (note 1 (s))*	1.019	0.534	0.141
Diluted earnings per share (euros) (note 1 (s))*	1.009	0.527	0.139
Dividend per share (euros)	0.410	0.000	0.000

*Basic and diluted earnings per share for 2005 and 2004 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, before the reverse stock-split, amounted to €0.134 and €0.132 respectively in 2005 and €0.035 and €0.035 respectively in 2004.

In accordance with IAS 33, the 79,855 thousand shares issued in conjunction with the IPO during the second quarter of 2006 were taken into account on a pro rata temporis basis in the computation of the average number of ordinary shares outstanding during the period. If those shares had been issued January 1st, 2006 basic earnings per share and diluted earnings per share would have amounted respectively to €0.934 and €0.925.

11) Stock options and employee profit-sharing

a) Legrand stock option plans

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 plan. The plan has now been closed and the 423,263 options not granted prior to the IPO will not now be granted.
In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €5 million was recorded in 2006.

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

Stock subscription plan	
Balance at December 31, 2002	0
Options granted	9,555,516
Options exercised	0
Options forfeited	-597,000
Balance at December 31, 2003	8,958,516
Options granted	2,298,200
Options exercised	0
Options forfeited	-602,200
Balance at December 31, 2004	10,654,516
Options granted	810,000
Options exercised	0
Options forfeited	-733,200
Balance at December 31, 2005	10,731,316
Options granted	0
Options exercised	0
Options forfeited	-77,200
Balance at February 24, 2006	10,654,116
Options canceled following the reverse stock-split decided at the Shareholders' Meeting of February 24, 2006	-7,990,587
Canceled options adjusted for the effects of the stock-split	-57,000
Balance at December 31, 2006	**2,606,529**

None of the outstanding options were exercisable as of December 31, 2006. A total of 1,283,019 options will be exercisable in 2007, 980,343 in 2008, 285,250 in 2009 and 57,917 in 2010.

b) Legrand France stock-option plans

In May 1999, the shareholders gave the Company a five-year authorization expiring in May 2004 to issue up to 700,000 options to purchase or subscribe to ordinary shares or preferred, non-voting shares. This option plan was open to all Group employees in France.

On December 13, 1999, the Company established a new plan for the purchase of ordinary shares, open to all employees in France who had completed the required period of service. The exercise price was equal to the average of the opening market prices quoted for the shares on the Paris stock exchange over the twenty trading days preceding the grant date. The options had a five-year vesting period and were exercisable between the fifth and seventh anniversaries of the grant date. Options were forfeited if the employee was dismissed for willful misconduct.

On November 21, 2000, the Company established a stock subscription plan open to all 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 are exercisable between the fifth and seventh anniversaries of the grant date.

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

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

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 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 are exchangeable for Schneider Electric shares have exercise periods that continue through and until November 2007.

The value and number of stock options were adjusted for the effects of the shareholder-approved distributions of retained earnings by Legrand France for €375 million in 2003 and for €675 million at the beginning of 2004.

At its meeting on November 2, 2005, the Board of Directors decided to offer a liquidity guarantee to holders of the 2001 stock options in the event that the Company was floated on the stock exchange. Following Legrand's flotation, the liquidity guarantee came into effect in the second quarter of 2006.

Type of plan	Subscription		Purchase
Date of grant	2000	2001	1999
Type of shares under option	Ordinary	Ordinary	Ordinary
Number of grantees	8,999	9,122	8,814
Starting date of exercise period	11-2005	11-2005	12-2004
Expiry date of exercise period	11-2007	11-2008	12-2006
Option price (in euros) before distribution of retained earnings	191.50	143.00	222.00
Option price (in euros) after distribution of retained earnings	140.19	104.68	162.51
Number of options granted	**124,240**	**178,766**	**85,708**
Options forfeited	(18)		(4,508)
Balance as of December 31, 2002	124,222	178,766	81,200
New options issued on Nov. 15, 2003 through distribution of retained earnings	16,218	21,353	11,998
Options exercised			
Options forfeited	(372)	(372)	(376)
Balance as of December 31, 2003	140,068	199,747	92,822
New options issued on March 30, 2004 through distribution of retained earnings	38,002	52,996	28,963
Options exercised			
Options forfeited	(9)		(7)
Balance as of December 31, 2004	178,061	252,743	121,778
Options exercised	(38,265)		(30,779)
Options forfeited	(95)	(95)	(66)
Balance as of December 31, 2005	139,701	252,648	90,933
Options exercised	(64,247)	(244,704)	(74,929)
Options forfeited	(240)	(465)	(16,004)
Balance as of December 31, 2006	75,214	7,479	0

c) Employee profit-sharing

Under French law, the French entities in the Group are required to pay profit shares to employees when their after-tax profit exceeds a certain level. Amounts accrued are generally payable to employees after a period of five years and bear interest at negotiated rates ranging from 5% to 6%.

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

An accrual of €31.7 million was recorded in 2006 for statutory and discretionary profit-sharing plans (2005: €27.2 million; 2004: €27.7 million).

12) Retained earnings and translation reserves

a) Retained earnings

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

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Distributable reserves	576.9	122.9	79.1
Other reserves	640.7	(280.0)	(338.6)
Share of post-acquisition earnings of consolidated companies	0.0	0.0	0.0
	1,217.6	**(157.1)**	**(259.5)**

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:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
US dollar	(132.0)	(79.5)	(134.5)
Other currencies	(4.6)	15.2	(10.2)
	(136.6)	**(64.3)**	**(144.7)**

The line ‘Other currencies’ mainly concerns currencies of countries located in the ‘Rest of the World’ and ‘Rest of Europe’ segments as of December 31, 2006, the ‘Rest of Europe’ segment as of December 31, 2005 and the ‘Rest of World’ segment as of December 31, 2004.

13) Subordinated perpetual notes (TSDIs)

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

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

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Due within one year	9.5	19.0	40.5
Due in one to two years	0.0	9.5	19.0
Due in two to three years	0.0	0.0	9.4
Due beyond three years	0.0	0.0	0.0
	9.5	**28.5**	**68.9**

The subordinated perpetual notes are subject to specific tax rules, the application of which was specified in the amended 2005 Finance Act voted by the French parliament in the fall of 2005. Under these rules, the total amount of interest provided for in the loan debenture is deductible only up to the amount of interest paid in the first twelve years on the principal issued by the Group.

Application of these rules led to a €110 million reduction in the Group's tax loss carryforwards in 2005 and will lead to a further €62.5 million reduction in 2007. This has no impact on the income statement as no deferred tax asset was recognized for these tax loss carry forwards.

14) Related party borrowings

In February 2003, a subsidiary of the Group's ultimate parent obtained a €1,156.0 million subordinated shareholder loan. As of December 31, 2005, the outstanding principal and interest amounted to €1,334.8 million.

On February 15, 2006, the Group repaid an amount of €177.9 million, using funds obtained under the 2006 Credit Facility.

A further €504.4 million was repaid using the proceeds from the IPO and related employee share issue and the remaining €668.8 million was repaid in newly issued shares on April 11, 2006.

15) Long-term borrowings

Long-term borrowings can be analyzed as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Facility Agreement	668.7	731.7	847.5
High-Yield Notes	0.0	574.3	535.7
8 ½% debentures	294.5	329.6	285.2
Other borrowings	97.1	178.2	18.4
	1,060.3	**1,813.8**	**1,686.8**
Debt issuance costs	(4.8)	(10.5)	(12.4)
	1,055.5	**1,803.3**	**1,674.4**

Long-term borrowings are denominated in the following currencies:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Euro	605.1	1,457.4	1,390.7
US dollar	418.0	355.0	295.2
Other currencies	37.2	1.4	0.9
	1,060.3	**1,813.8**	**1,686.8**

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

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Due in one to two years	174.9	292.5	162.7
Due in two to three years	151.2	173.7	161.4
Due in three to four years	149.6	426.9	158.1
Due in four to five years	271.7	4.5	381.7
Due beyond five years	312.9	916.2	822.9
	1,060.3	**1,813.8**	**1,686.8**

Interest rates on long-term borrowings are as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Average interest rate after swaps	
Facility Agreement	3.86%	2.69%	2.80%
High-Yield Notes	-	10.51%	10.45%
8.5% debentures	4.68%	4.52%	4.24%
Other borrowings	3.15%	2.48%	2.50%

The figures above correspond to average interest rates. The rates shown for the 8.5% debentures (Yankee bonds) take into account interest rate swaps. With the exception of the 8.5% debentures, management considers that the carrying amount of borrowings is close to their fair value.

These borrowings are secured as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Assets mortgaged or pledged as collateral	23.1	23.1	3.5
Guarantees given to banks	63.0	63.6	52.2
Legrand France shares pledged under Facility Agreement	0.0	887.3	925.2
	86.1	974.0	980.9

a) Credit Facility

2004 Credit Facility

As of December 31, 2005, the Group owed €887.3 million on the €1.4 billion syndicated facility contracted in December 2004 (‘the 2004 Credit Facility’). In January 2006, the 2004 Credit Facility was refinanced through a new €2.2 billion syndicated facility.
Upon repayment of the 2004 Credit Facility, the €10.5 million unamortized balance of related debt issuance costs was written off. This amount is reported under ‘Loss on extinguishment of debt’ in the consolidated income statement.

2006 Credit Facility

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

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

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of December 31, 2006, December 31, 2005 and December 31, 2004:

	December 31, 2006	**December 31, 2005**	**December 31, 2004**
		Euros, in millions	
Due within one year (short-term borrowings)	138.8	155.6	77.7
Due in one to two years	137.6	155.6	155.6
Due in two to three years	137.6	155.6	155.6
Due in three to four years	138.3	420.5	155.6
Due beyond four years	255.2	0.0	380.7
	807.5	**887.3**	**925.2**

The successive Facility Agreements break down as follows:

	December 31, 2006		
	Euros, in millions	Maturity	Interest rate
Term Facility	687.6	2011	Euribor + 0.35
Revolving Facility	119.9	2011	Euribor + 0.35

	December 31, 2005		
	Euros, in millions	Maturity	Interest rate
Term Facility	622.3	2009	Euribor + 0.55
Revolving Facility	265.0	2009	Euribor + 0.55

	December 31, 2004		
	Euros, in millions	Maturity	Interest rate
Term Facility	700.0	2009	Euribor + 0.60
Revolving Facility	225.2	2009	Euribor + 0.60

b) High Yield Notes

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

c) 8.5% Debentures (Yankee bonds)

On February 14, 1995, Legrand France issued $400 million of 8.5% 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 24a).

d) Further borrowing capacity

As of December 31, 2006, a further €1,080.1 million was available for borrowing under the Facility Agreement (Revolving Facility).

16) Long-term provisions and other non-current liabilities

Long-term provisions and other non-current liabilities are as follows:

	December 31, 2006
	Euros, in millions
At beginning of period	134.0
Changes in scope of consolidation	1.1
Increases	28.3
Reversals	(30.8)
Transfers to current liabilities	(5.2)
Reclassifications	(14.0)
Translation adjustment	(3.6)
	109.8

As of December 31, 2006, long-term provisions and other non-current liabilities comprise in particular provisions for claims and litigation (€9.8 million), provisions for restructuring (€13.1 million), statutory and discretionary profit-sharing reserves (€17.4 million) and provisions for taxes (€23.6 million).

17) Pension and other post-employment benefit obligations (note 1(q))

	December 31, 2006	**December 31, 2005**	**December 31, 2004**
		Euros, in millions	
Retirement benefits in France *	36.5	26.0	22.1
Termination benefits in Italy *	53.5	53.3	47.4
Other post-employment benefits *	57.6	60.4	61.5
	147.6	**139.7**	**131.0**

* These items represent the non-current portion of pension and other post-retirement benefits for a total of €147.6 million (2005: €139.7 million; 2004: €131.0 million). The current portion of €7.7 million (2005: €9.6 million; 2004: €8.8 million) is reported under 'Other current liabilities'. The total net liability recognized in the balance sheet is therefore €155.3 million (2005: €149.3 million; 2004: €139.8 million) and is analyzed in note 17 (a), which shows total liabilities of €290.6 million (2005: €282.8 million; 2004: €249.7 million) less total assets of €135.1 million (2005: €133.5 million; 2004: €109.9 million) and unrecognized past service costs of €0.2 million.

a) Pension and other post-employment benefit obligations

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

	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2003
		Euros, in millions		
Defined benefit obligation				
Projected benefit obligation at beginning of period	282.8	249.7	237.0	220.0
Acquisitions	0.2	3.4	0.0	0.0
Goodwill allocation	0.0	0.0	0.0	21.0
Service cost	18.2	17.7	17.5	22.4
Interest cost	10.3	8.8	10.4	8.3
Benefits paid	(23.5)	(17.2)	(25.2)	(22.6)
Employee contributions	0.4	0.6	0.4	0.0
Plan amendments	0.0	0.0	0.3	0.0
Actuarial loss/(gain)	13.0	6.6	6.9	4.8
Curtailments, settlements, special termination benefits	(0.8)	0.0	1.7	0.0
Past service cost	0.2	0.0	0.0	0.0
Translation adjustment	(10.2)	13.2	(5.3)	(16.9)
Other	0.0	0.0	6.0	0.0
Projected benefit obligation at end of period (I)	**290.6**	**282.8**	**249.7**	**237.0**
Unrecognized past service cost (II)	**0.2**	**0.0**	**0.0**	**0.0**
Fair value of plan assets				
Fair value of plan assets at beginning of period	133.5	109.9	110.8	108.0
Acquisitions	0.0	0.5	0.0	0.0
Actual return on plan assets	10.2	13.5	7.8	18.5
Employer contributions	8.2	8.2	9.7	5.6
Employee contributions	0.3	0.3	0.4	0.0
Benefits paid	(13.9)	(11.3)	(15.4)	(9.5)
Actuarial (loss) gain	0.7	0.0	0.0	0.0
Translation adjustment	(3.9)	12.4	(3.4)	(11.8)
Fair value of plan assets at end of period (III)	**135.1**	**133.5**	**109.9**	**110.8**
Pension liability recognized in balance sheet (I) – (II) – (III)	**155.3**	**149.3**	**139.8**	**126.2**
Current liability	7.7	9.6	8.8	3.8
Non-current liability	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 outside profit or loss, in the net income (expense) recognized directly in equity, 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 the 2006 consolidated financial statements has therefore not been adjusted to reflect the new policy.

Actuarial gains recognized in the statement of recognized income and expense as of December 31, 2006 amounted to €12.3 million (€7.6 million after tax).

The impact on consolidated operating profit is as follows:

	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
		Euros, in millions	
Service cost – rights acquired during the period	(18.2)	(17.7)	(17.5)
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	(10.3)	(15.4)	(17.3)
Other	0.2	(0.6)	(2.4)
Expected return on plan assets	10.2	13.5	7.8
	(18.1)	**(20.2)**	**(29.4)**

The weighted-average allocation of pension plan assets was as follows as of December 31, 2006:

	France	United States and United Kingdom	Weighted total
		%	
Equity instruments	0.0	57.8	48.7
Debt instruments	2.2	33.0	28.3
Insurance funds	97.8	9.2	23.0
	100.0	**100.0**	**100.0**

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

b) Provisions for retirement benefits and supplementary pension benefits in France

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

In France, provisions recorded in the consolidated balance sheet amount to €43.5 million (2005: €34.7 million; 2004: €34.0 million), corresponding to the difference between (a) the projected benefit obligation of €64.0 million (2005: €57.3 million; 2004: €59.0 million), and (b) the fair value of the related plan assets of €20.3 million (2005: €22.6 million; 2004: €25.0 million) and unrecognized past service costs of €0.2 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 calculation was based on a salary increase rate of 3.0% and a discount rate of 4.5% in 2006 (2005 and 2004: 3.0% and 4.5%, 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

In accordance with employment legislation in force in Italy, provisions for termination benefits payable to employees when they leave the Group have been established in the accounts of the Italian companies in an amount of €58.5 million as of December 31, 2006 (2005: €58.4 million; 2004: €52.0 million). The cumulative benefit is fixed by law and represents approximately one month's salary per year of service. Amounts attributed to each employee are revalued each year in accordance with a specific index published by the government. They are fully vested and are paid when an employee leaves the Group. The companies have no further liability toward the employee once the payment is made.

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In Italy, the calculation was based on a salary increase rate of 3.0% and a discount rate of 4.3% in 2006 (2005: 2.5% and 4.1%; 2004: 2.5% and 4.4%).

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 €153.6 million as of December 31, 2006 (2005: €154.6 million; 2004: €136.0 million). This amount is covered by pension fund assets estimated at €109.4 million as of December 31, 2006 (2005: €106.1 million; 2004: €86.0 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 4.3%, a discount rate of 5.8% and an expected return on plan assets of 7.0%. In the United Kingdom, the calculation was based on a salary increase rate of 4.1% and a discount rate of 5.1%.

18) Short-term borrowings

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Facility Agreement	138.8	155.6	77.8
8.5% debentures	0.0	0.0	0.0
Commercial paper	226.9	0.0	0.0
Other short-term borrowings	425.0	163.7	125.8
	790.7	**319.3**	**203.6**

19) Short-term provisions and other current liabilities

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Tax liabilities	81.5	80.8	80.2
Accrued employee benefits expense	151.5	133.4	139.9
Current portion of statutory profit-sharing	10.9	8.1	3.0
Payables related to fixed asset purchases	13.3	9.6	16.0
Accrued expenses	37.2	29.6	18.9
Accrued interest	33.8	48.5	39.2
Deferred revenue	4.9	1.7	1.8
Current portion of pension and other post-employment benefit obligations	7.7	9.6	8.8
Other	96.0	85.6	55.0
	436.8	**406.9**	**362.8**

20) Analysis of certain expenses

a) Analysis of operating expenses

Operating expenses include the following categories of costs:

	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
		Euros, in millions	
Raw materials and component costs	(1,120.3)	(946.7)	(807.0)
Salaries and payroll taxes	(975.7)	(893.1)	(832.9)
Employees profit-sharing	(31.7)	(27.2)	(27.7)
Total personnel costs	**(1,007.4)**	**(920.3)**	**(860.6)**
Depreciation expense	(142.0)	(144.0)	(141.8)
Amortization expense	(101.4)	(111.4)	(133.6)

As of December 31, 2006 the Group had 30,706 employees (2005: 30,237; 2004: 24,775).

b) Analysis of other operating income and expense

	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
		Euros, in millions	
Employee profit-sharing	(31.7)	(27.2)	(27.7)
Restructuring costs	(23.6)	(37.8)	(22.4)
IPO costs	(9.1)	0.0	0.0
Other	(45.5)	(27.6)	(27.4)
	(109.9)	**(92.6)**	**(77.5)**

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

a) Exchange gains and losses

	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
		Euros, in millions	
Exchange gains and losses	40.4	(32.3)	5.8

Exchange gains and losses mainly concern long-term borrowings. The net gain for 2006 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

	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
		Euros, in millions	
Interest income	33.7	25.4	26.1
Finance costs	(157.4)	(242.5)	(270.1)
Change in fair value of financial instruments	0.0	36.0	12.6
	(157.4)	(206.5)	(257.5)
	(123.7)	**(181.1)**	**(231.4)**

22) Income tax expense (current and deferred)

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

	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
		Euros, in millions	
France	16.5	(47.7)	(88.8)
Outside France	320.8	240.0	160.8
	337.3	**192.3**	**72.0**

Income tax expense consists of the following:

	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
		Euros, in millions	
Current taxes:			
France	3.5	0.5	0.5
Outside France	(103.3)	(84.2)	(68.0)
	(99.8)	(83.7)	(67.5)
Deferred taxes:			
France	27.8	18.8	26.7
Outside France	(10.9)	(24.9)	(5.8)
	16.9	(6.1)	20.9
Total income tax expense:			
France	31.3	19.3	27.2
Outside France	(114.2)	(109.1)	(73.8)
	(82.9)	**(89.8)**	**(46.6)**

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

	Twelve months ended December 31, 2006	Twelve months ended December 31, 2005	Twelve months ended December 31, 2004
		Tax rate	
Standard French income tax rate	**34.43%**	**34.43%**	**34.93%**
Increases (reductions):			
- Effect of foreign income tax rates	(1.27%)	(0.80%)	(1.35%)
- Non taxable items	2.44%	7.36%	11.17%
- Income taxable at specific rates	2.35%	1.82%	(0.68%)
- Other	(3.95%)	15.94%	(12.08%)
	34.00%	58.75%	31.99%
Impact on deferred taxes of:			
- Changes in tax rates	0.04%	(2.53%)	(7.98%)
- Recognition or non-recognition of deferred tax assets	(9.50%)	(9.50%)	40.72%
Effective tax rate	**24.54%**	**46.72%**	**64.73%**

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:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Deferred taxes recorded by French companies	(322.6)	(350.8)	(372.2)
Deferred taxes recorded by foreign companies	(216.7)	(308.0)	(262.3)
	(539.3)	**(658.8)**	**(634.5)**
Origin of deferred taxes:			
- Depreciation of fixed assets	(36.7)	(97.0)	(91.7)
- Tax loss carryforwards	58.3	34.1	21.3
- Statutory profit-sharing	4.5	3.9	2.8
- Pensions and other post-employment benefits	21.6	20.3	22.2
- Subordinated perpetual notes	2.2	11.1	33.5
- Developed technology	(57.4)	(87.0)	(121.0)
- Trademarks	(558.8)	(551.6)	(546.4)
- Impairment losses on inventories and receivables	21.4	20.4	12.8
- Fair value adjustments to derivative instruments	(10.0)	(12.7)	13.3
- Translation adjustments	0.8	4.4	16.7
- Non-deductible provisions	23.2	13.6	8.4
- Margin on inventories	10.4	7.8	7.6
- Other	(18.8)	(26.1)	(14.0)
	(539.3)	**(658.8)**	**(634.5)**
- of which deferred tax assets	124.6	61.5	62.9
- of which deferred tax liabilities	(663.9)	(720.3)	(697.4)

Changes on deferred tax liabilities on depreciation of fixed assets in 2006 are mainly due to reversal of a deferred tax liability which was recognized through the goodwill in the balance sheet of an Italian entity at the Acquisition of Legrand in 2002.

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

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Deferred taxes – short term	35.1	36.1	26.5
Deferred taxes – long term	(574.4)	(694.9)	(661.0)
	(539.3)	**(658.8)**	**(634.5)**

As of December 31, 2006, net operating losses carried forward break down as follows:

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Net recognized operating losses carried forward	176.7	103.7	62.1
Recognized deferred tax assets	58.3	34.1	21.3
Net unrecognized operating losses carried forward	226.7	393.5	466.2
Unrecognized deferred tax assets (1)	76.4	131.1	156.9
Total net operating losses carried forward	403.4	497.2	528.3

(1) Including €20 million that will be set off against goodwill if a deferred tax asset is recognized.

As explained in note 13, the subordinated perpetual notes are subject to specific tax rules, the application of which was specified in the amended 2005 Finance Act.

Application of these rules led to a €110 million reduction in the Group's tax loss carryforwards in 2005 and will lead to a further €62.5 million reduction in 2007.

23) Contingencies and commitments

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

Legal proceedings

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

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

Operating leases

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

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Due within one year	17.7	17.4	18.3
Due in one to two years	14.0	13.4	16.1
Due in two to three years	11.1	9.8	13.1
Due in three to four years	8.6	7.1	6.5
Due in four to five years	7.0	6.4	4.1
Due beyond five years	8.4	9.4	11.7
	66.8	**63.5**	**69.8**

Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €9.4 million as of December 31, 2006.

24) Derivative financial instruments

The Group's cash management strategy is based on overall risk management principles and involves taking specific measures to manage the risks associated with interest rates, exchange rates, commodity prices 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) Interest rate risk

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Other current financial assets:	**22.2**	**33.4**	**66.2**
Mirror swaps and swaps on TSDI 2 & 3	1.6	8.2	25.7
Swaps on other borrowings	12.1	25.2	40.5
Caps (1)	8.5	0.0	0.0
Other financial liabilities:	**66.6**	**59.9**	**159.1**
Swaps on TSDI 2	8.1	26.4	80.8
Swaps on other borrowings	58.5	33.5	78.3

(1) As of December 31, 2005, caps were recorded 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, 2006 the breakdown of gross debt (debt issuance costs omitted) was as follows:

	December 31, 2006 *Euros, in millions*
Fixed rates	293.8
Variable rates (1)	1,566.8

(1) 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 breaks down as follows:

December 31, 2006 *Euros, in millions*			
Period covered	Amount covered	Benchmark rate	Average guaranteed rate including premium
January 2007 – March 2007	960	3-month Euribor	3.26%
April 2007 - June 2007	860	3-month Euribor	3.28%
July 2007 - March 2008	660	3-month Euribor	3.59%
April 2008 – March 2009	300	3-month Euribor	3.94%

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 million gain (2005: €1.6 million gain; 2004: €1.9 million loss), recognized in 'Financial income'.

The Group has also entered into interest rate swaps with selected major financial institutions to hedge interest rate risks on its subordinated perpetual notes (TSDIs) and 8 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 (note 13)

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

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

	December 31, 2006	December 31, 2005 *Euros, in millions*	December 31, 2004
Interest rate swaps hedging subordinated securities			
Notional amount	273.2	259.5	730.0
Swaps on TSDI 2 subordinated perpetual notes issues (liabilities)	8.1	26.4	80.8
Mirror swaps and swaps on TSDI 2 & 3 (assets)	1.6	8.2	25.7

Interest rate swap on the 8.5 % debentures (Yankee bonds) (note 15)

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

As a result of this swap agreement, the effective interest rate of the debentures after the swap agreement is LIBOR plus 53 basis points, representing a rate of 4.68% as of December 31, 2006 (2005: 4.52%).
At the beginning of February 2003, the Group entered into a cross currency swap with respect to the 8.5% debentures fixing the interest rate payable on the $350 million principal amount at 4.6% per year. The remaining $50 million in principal continues to be at a variable rate (LIBOR plus 53 basis points).
In April 2003, a new agreement was signed through which the Group sold the tranche related to the 2008–2025 maturities. As a result, from February 2008 onwards, the Group will once again pay a fixed rate of 8.5%. Further interest rate swap arrangements may be entered into on variable rate debt in the future, based on changes in market conditions.

	December 31, 2006	December 31, 2005	December 31, 2004
Interest rate swap hedging the 8 ½% debentures Notional amount (USD, in millions)	400.0	400.0	400.0
Swaps on other borrowings (assets) (Euros, in millions)	12.1	25.2	40.5
Swaps on other borrowings (liabilities) (Euros, in millions)	58.5	33.5	78.3

b) Currency hedges

The Group hedged certain currency risks by purchasing a three-month contract on a notional amount of $11 million. The contract expires in March 2007.

c) Commodity hedges

During the period, the Group signed collar contracts for limited amounts and periods, to hedge part of its exposure to copper price risk. The contracts expire in June 2007.

d) Concentration of credit risk

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

As explained in note 7, a substantial portion of Group sales is with two major distributors. Other sales are also essentially with distributors of electrical products but are diversified due to the large number of customers and their 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.

25) Information relating to corporate officers

	December 31, 2006	December 31, 2005	December 31, 2004
		Euros, in millions	
Advances and loans to corporate officers	0.0	0.0	0.0
Compensation paid to corporate officers (*)	1.2	1.3	1.2

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

As of December 31, 2006, corporate officers no longer held any stock options of Legrand France granted under the 1999 and 2001 plans.
Under the liquidity offer made to all holders of 2001 stock options of Legrand France, corporate officers were paid a total amount of €2.2 million before taxes.

At the Acquisition of Legrand France on December 10, 2002, main corporate officers of the Group became indirectly shareholders of Legrand. Amounts indirectly invested were paid at fair value.
At the time of the IPO, main corporate officers became directly shareholders of Legrand.

26) Information by geographical segment (note 1 (r))

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

Twelve months ended December 31, 2006 *Euros, in millions*	Geographical segments					Items not allocated to segments	Total
		Europe					
	France	Italy	Other	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 distribution costs, R&D	(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

Twelve months ended December 31, 2005	Geographical segments					Items not allocated to segments	Total
		Europe					
Euros, in millions	France	Italy	Other	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 distribution costs, R&D	(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

Twelve months ended December 31, 2004	Geographical segments					Items not allocated to segments	Total
		Europe					
Euros, in millions	France	Italy	Other	USA/ Canada	Rest of the World		
Total revenue	1,790.8	764.9	702.6	558.9	349.3		4,166.5
Less intra-group transfers	(855.4)	(168.4)	(138.5)	(19.6)	(58.3)		(1,240.2)
Revenue	**935.4**	**596.5**	**564.1**	**539.3**	**291.0**		**2,926.3**
Cost of sales	(392.1)	(279.9)	(366.1)	(312.0)	(155.6)		(1,505.7)
Administrative and distribution costs, R&D	(396.2)	(185.7)	(161.0)	(176.8)	(75.1)		(994.8)
Other operating income and expenses	(48.6)	(2.9)	(5.0)	(15.3)	(5.7)		(77.5)
Operating profit	**98.5**	**128.0**	**32.0**	**35.2**	**54.6**		**348.3**
- of which depreciation expense	(61.9)	(25.7)	(20.9)	(21.7)	(10.3)		(140.5)
- of which amortization expense	(2.7)	(4.8)	(0.9)	(1.2)	(0.4)		(10.0)
- of which amortization of development costs	0.0	0.0	0.0	0.0	0.0		0.0
- of which Legrand post-acquisition expenses	(69.7)	(29.5)	(8.8)	(12.6)	(4.3)		(124.9)
- of which restructuring costs	(14.2)	(0.8)	3.9	(10.4)	(0.9)		(22.4)
Exchange gains and losses						5,8	5.8
Finance costs and other financial income and expense						(231,4)	(231.4)
Income tax expense						(46,6)	(46.6)
Minority interest and share of (loss)/profit of associates						1,4	1.4
Capital expenditure	32.6	23.8	15.6	13.0	10.7		95.7
Capitalized development costs	12.6	4.5	0.0	0.0	0.0		17.1
Total assets						5,364.5	5,364.5
Segment liabilities	312.1	143.8	95.4	64.1	58.7		674.1

27) Quarterly data – non audited

a) Quarterly revenue by geographical segment – non audited

	Legrand		
	1st quarter 2006	1st quarter 2005	1st quarter 2004
		Euros, in millions	
France	283.6	251.8	242.5
Italy	202.9	167.7	167.4
Rest of Europe	180.5	140.6	129.7
USA/Canada	163.6	130.5	122.4
Rest of the World	110.0	75.0	68.4
Total	**940.6**	**765.6**	**730.4**

	Legrand		
	2nd quarter 2006	2nd quarter 2005	2nd quarter 2004
		Euros, in millions	
France	284.9	257.5	239.2
Italy	191.5	165.5	160.1
Rest of Europe	183.6	150.7	142.3
USA/Canada	176.8	158.6	143.8
Rest of the World	115.9	84.7	70.4
Total	**952.7**	**817.0**	**755.8**

	Legrand		
	3rd quarter 2006	3rd quarter 2005	3rd quarter 2004
		Euros, in millions	
France	253.8	226.4	217.7
Italy	159.4	139.4	138.1
Rest of Europe	181.4	144.7	145.3
USA/Canada	166.7	171.9	144.4
Rest of the World	127.1	92.5	71.5
Total	**888.4**	**774.9**	**717.0**

	Legrand		
	4th quarter 2006	4th quarter 2005	4th quarter 2004
		Euros, in millions	
France	286.4	244.8	236.0
Italy	160.0	160.6	130.9
Rest of Europe	203.1	217.5	146.8
USA/Canada	146.6	161.3	128.7
Rest of the World	159.0	106.2	80.7
Total	**955.1**	**890.4**	**723.1**

b) Quarterly income statements – non audited

	Legrand		
	1st quarter 2006	1st quarter 2005	1st quarter 2004
		Euros, in millions	
Revenue	**940.6**	**765.6**	**730.4**
Operating expenses			
Cost of sales	(465.4)	(379.5)	(370.5)
Administrative and selling expenses	(246.5)	(200.1)	(189.6)
Research and development costs	(60.5)	(58.8)	(58.6)
Other operating income (expenses)	(26.5)	(21.2)	(17.4)
Operating profit	**141.7**	**106.0**	**94.3**
Financial expense	(53.0)	(53.6)	(64.5)
Financial income	6.4	6.5	6.5
Exchange gains and losses	5.8	(11.9)	(1.3)
Loss on extinguishment of debt	(109.0)	0.0	0.0
Finance costs and other financial income and expense, net	(149.8)	(59.0)	(59.3)
Share of profit of associates	0.5	0.0	0.3
Profit before tax	**(7.6)**	**47.0**	**35.3**
Income tax expense	(27.0)	(20.5)	(10.8)
Profit for the period	**(34.6)**	**26.5**	**24.5**
Attributable to:			
- Equity holders of Legrand	**(35.3)**	**26.1**	**24.2**
- Minority interests	**0.7**	**0.4**	**0.3**

	Legrand		
	2nd quarter 2006	2nd quarter 2005	2nd quarter 2004
		Euros, in millions	
Revenue	**952.7**	**817.0**	**755.8**
Operating expenses			
Cost of sales	(474.4)	(417.5)	(385.1)
Administrative and selling expenses	(249.7)	(213.9)	(192.5)
Research and development costs	(59.7)	(60.0)	(58.6)
Other operating income (expenses)	(27.6)	(18.4)	(13.8)
Operating profit	**141.3**	**107.2**	**105.8**
Financial expense	(36.7)	(48.6)	(65.3)
Financial income	9.4	8.0	6.4
Exchange gains and losses	15.9	(12.1)	(7.8)
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(11.4)	(52.7)	(66.7)
Share of profit of associates	0.0	0.4	1.0
Profit before tax	**129.9**	**54.9**	**40.1**
Income tax expense	(30.7)	(20.6)	(24.8)
Profit for the period	**99.2**	**34.3**	**15.3**
Attributable to:			
- Equity holders of Legrand	**98.6**	**33.5**	**14.8**
- Minority interests	**0.6**	**0.8**	**0.5**

	Legrand		
	3rd quarter	3rd quarter	3rd quarter
	2006	2005	2004
	Euros, in millions		
Revenue	**888.4**	**774.9**	**717.0**
Operating expenses			
Cost of sales	(446.2)	(400.3)	(367.5)
Administrative and selling expenses	(232.8)	(193.6)	(182.4)
Research and development costs	(56.3)	(56.6)	(56.5)
Other operating income (expenses)	(19.9)	(24.8)	(21.4)
Operating profit	**133.2**	**99.6**	**89.2**
Financial expense	(35.4)	(59.0)	(61.4)
Financial income	8.5	7.4	6.6
Exchange gains and losses	2.3	(4.0)	2.0
Loss on extinguishment of debt	0.0	0.0	0.0
Finance costs and other financial income and expense, net	(24.6)	(55.6)	(52.8)
Share of profit of associates	0.1	0.4	0.9
Profit before tax	**108.7**	**44.4**	**37.3**
Income tax expense	(24.8)	(21.3)	(19.6)
Profit for the period	**83.9**	**23.1**	**17.7**
Attributable to:			
- Equity holders of Legrand	**83.2**	**22.5**	**17.5**
- Minority interests	**0.7**	**0.6**	**0.2**

	Legrand		
	4th quarter	4th quarter	4th quarter
	2006	2005	2004
	Euros, in millions		
Revenue	**955.1**	**890.4**	**723.1**
Operating expenses			
Cost of sales	(495.7)	(478.1)	(382.6)
Administrative and selling expenses	(248.7)	(228.0)	(196.4)
Research and development costs	(61.4)	(63.2)	(60.2)
Other operating income (expenses)	(35.9)	(28.2)	(24.9)
Operating profit	**113.4**	**92.9**	**59.0**
Financial expense	(32.3)	(45.3)	(66.3)
Financial income	9.4	3.5	6.6
Exchange gains and losses	16.4	(4.3)	12.9
Loss on extinguishment of debt	0.0	0.0	(50.7)
Finance costs and other financial income and expense, net	(6.5)	(46.1)	(97.5)
Share of profit of associates	0.2	0.5	0.4
Profit before tax	**107.1**	**47.3**	**(38.1)**
Income tax expense	(0.4)	(27.4)	8.6
Profit for the period	**106.7**	**19.9**	**(29.5)**
Attributable to:			
- Equity holders of Legrand	**105.5**	**19.3**	**(29.7)**
- Minority interests	**1.2**	**0.6**	**0.2**

28) Subsequent events

In January 2007, the Group announced:

- The acquisition of HPM, the second largest electrical products supplier in Australia and New Zealand. With operations in Sydney, Melbourne and Auckland, HPM reported 2006 revenue of some €100 million with 875 employees. The transaction is subject to approval by the anti-trust authorities.

- The acquisition of UStec, a supplier of wiring infrastructure for home voice, data and video networks. Based in the state of New-York, UStec reports annual revenues of some $12 million.

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