



LEGRAND INVESTOR DAY

July 3, 2014 – Morning

INVESTOR DAY – AGENDA

- **Introduction** **10:30 AM – 10:50 AM**
Gilles Schnepp, Chairman and CEO
- **Further enhancing Legrand’s growth potential** **10:50 AM – 11:35 AM**
Benoît Coquart, Executive Vice President—Strategy and Development
- **Megatrends boosting growth and innovation** **11:35 AM – 12:20 PM**
Fabrizio Fabrizi, Executive Vice President—Innovation and Systems
- **Towards a multipolar organization** **12:20 PM – 1:05 PM**
Patrice Soudan, Deputy CEO and COO
- **Value creation management** **1:05 PM – 1:15 PM**
Antoine Burel, Executive Vice President—CFO
- Lunch break** **1:15 PM – 2:15 PM**
- **Legrand’s international development model** **2:15 PM – 3:00 PM**
Frédéric Xerri, Executive Vice President—Export
- **Business innovations in France** **3:00 PM – 3:45 PM**
Bruno Barlet, Executive Vice President—France
- **North America** **3:45 PM – 4:30 PM**
John Selldorff, President and CEO—Legrand North America
- **Final Q&A and wrap-up** **4:30 PM – 4:55 PM**



Investor Day – July 3, 2014

INTRODUCTION

Gilles Schnepf - Chairman & CEO



2003-2008

2009-2013

From 2014

Reshaping Legrand

- **Growth:** enhance geographical growth profile by expanding in new economies and the USA
- **Productivity:** globalize back office through industrial divisions and global purchasing
- **Measure:** implement new KPI (Economic Income) to manage operating performance, including cost of capital employed

Pursue growth profile and performance enhancement during crisis

- **Growth:** enhance product growth profile by boosting new business segments
- **Productivity:** create platforms and revamp SG&A
- **Measure:** manage performance through Financial Performance Contract and Quarterly Performance Review
- **CSR:** start 2nd sustainable development roadmap (2011-2013)

Next steps

IMPROVED **GROWTH** PROFILE EXPANSION IN NEW ECONOMIES (1/3)

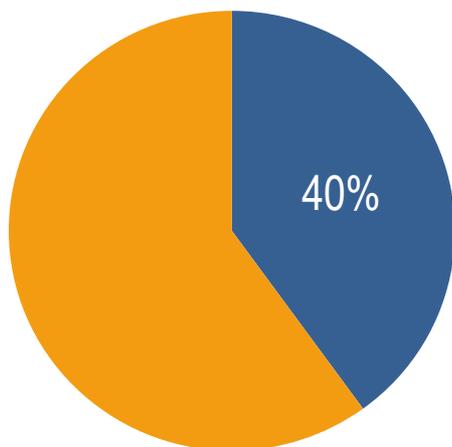
- **+10 points organic growth differential between new economies and mature countries from 2009 to 2013**
- **16 acquisitions in new economies from 2003 to 2013**

	<u>From 2003</u>	<u>To 2013</u>
% of total group sales	17%	40%
# of countries ⁽¹⁾	44	63
% of sales with #1 or #2 positions	< 50%	65%

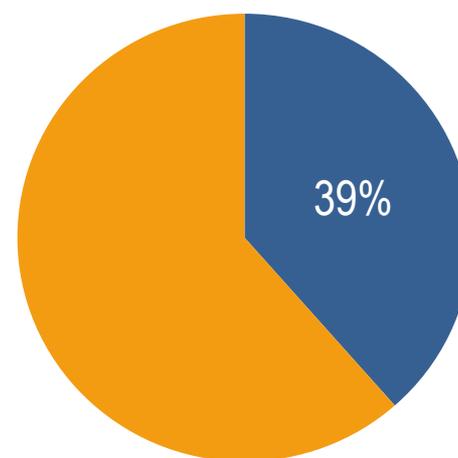
(1) Countries in which Legrand has a commercial and/or industrial presence

IMPROVED **GROWTH** PROFILE EXPANSION IN NEW ECONOMIES (2/3)

Breakdown of **Legrand sales**
by main geographical regions
(2013)



Breakdown of **world GDP**
by main geographical regions⁽¹⁾
(2013)

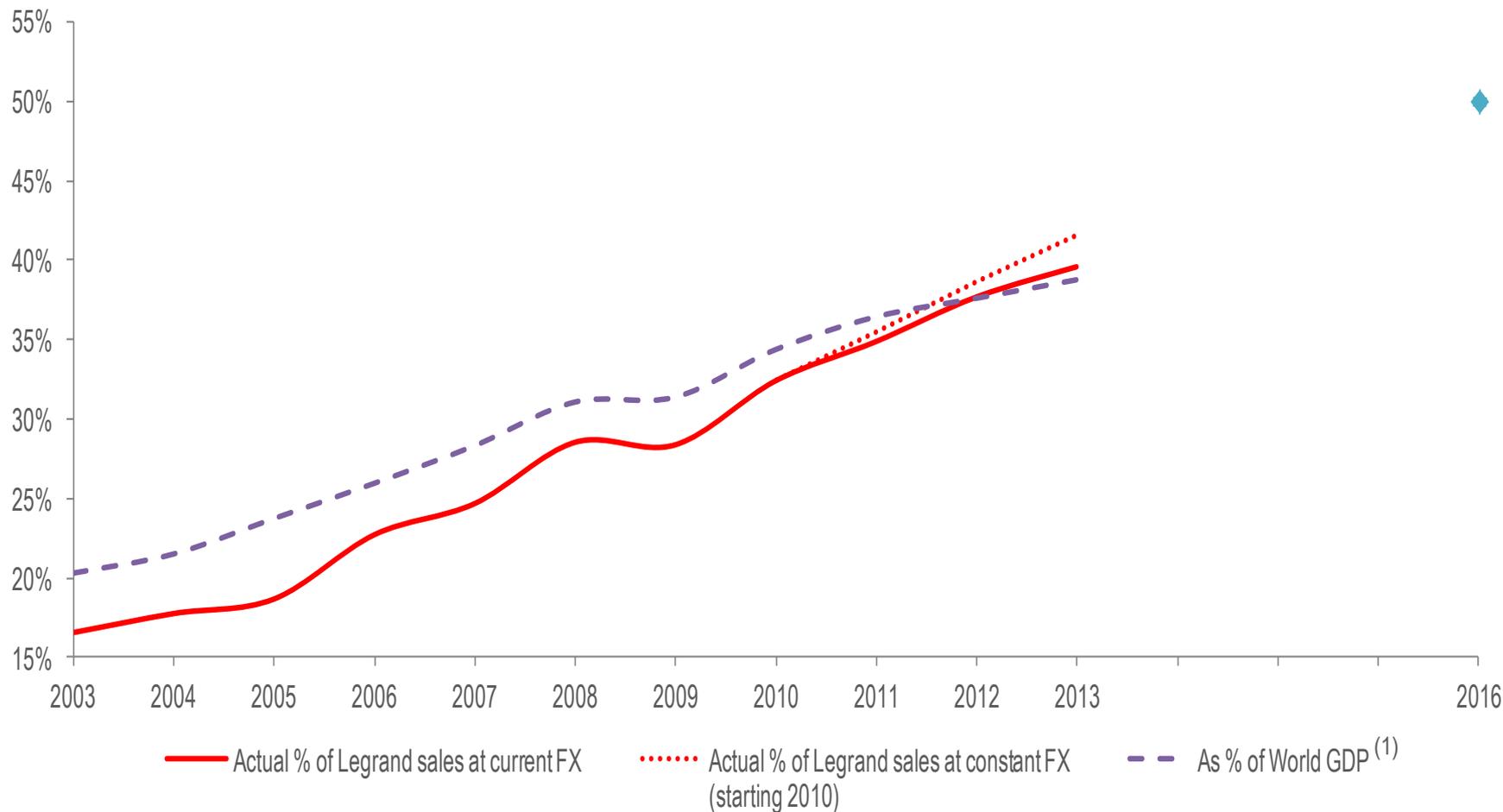


■ New economies

(1) Source: IMF World Economic Outlook April 2014

IMPROVED **GROWTH** PROFILE EXPANSION IN NEW ECONOMIES (3/3)

Change in the contribution of new economies to Legrand sales and world GDP



(1) Source: IMF

IMPROVED **GROWTH** PROFILE EXPANSION IN USA/CANADA

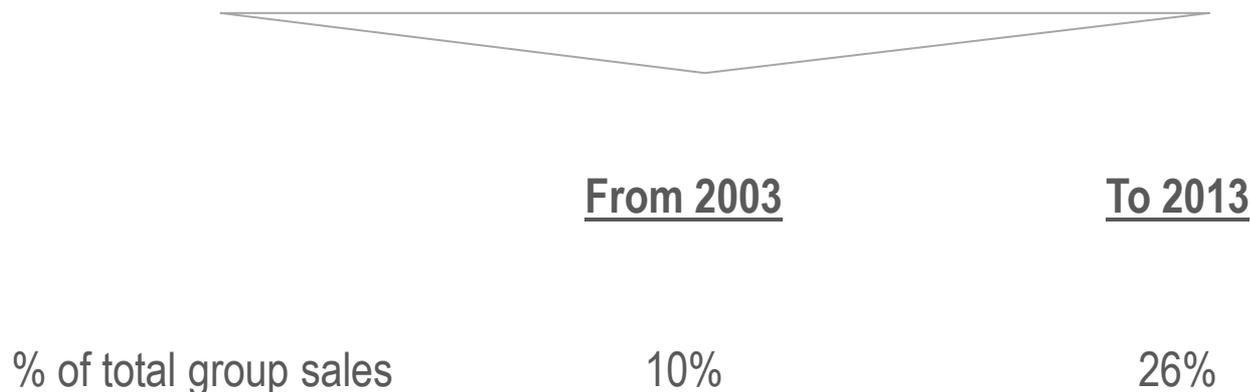
- +7 points organic growth differential between USA/Canada and other mature countries from 2009 to 2013
- 7 acquisitions from 2003 to 2013



	<u>From 2003</u>	<u>To 2013</u>
Sales in \$ (rounded figures)	600m	1,000m
Number of product families	17	32

IMPROVED **GROWTH** PROFILE EXPANSION IN NEW BUSINESS SEGMENTS⁽¹⁾

- **+3.5 points organic growth differential between new business segments and traditional activities from 2009 to 2013**
- **18 acquisitions in new business segments from 2003 to 2013**



(1) Energy efficiency, home systems, digital infrastructures and wire-mesh cable management

IMPROVED **GROWTH** PROFILE STRONGER FRONT-OFFICE FIRE POWER

	<u>From 2003</u>	<u>To 2013</u>
Sales & marketing headcount		
as % of group total	14%	19%
number of employees	3,700	6,900
# of showrooms and “concept stores”	< 20	> 90
# of trainees per year (example of France)	~1,000	> 6,000

IMPROVED **GROWTH** PROFILE ENLARGED ACCESSIBLE MARKET

Accessible
market
in €

From 2003

To 2013

< 50bn + > 80bn

Busbars



VDI
for data centers

UPS



VDI
for audio/audio

Wire-mesh cable
management



Energy quality



Assisted living

Etc.

IMPROVED **GROWTH** PROFILE EXPANSION OF LEADERSHIP POSITIONS

	<u>From 2003</u>	<u>To 2013</u>
% of sales with #1 or #2 positions	52%	68%
# of countries with at least a #1 or a #2 position	25	45

IMPROVED **GROWTH** PROFILE

□ **New business segments**

- New business segments shifted to 26% of group sales in 2013 from 10% in 2003
- 3.5 points of organic growth differential between traditional and new business segments sales, based on differential observed over 2009-2013

$$\begin{array}{r}
 (26\%-10\%) \\
 \times \\
 3.5 \text{ points} \\
 = \\
 \mathbf{+0.6 \text{ point}}
 \end{array}$$

□ **Geography**

- New economies shifted to 40% of group sales in 2013 from 17% in 2003
- 3 points of organic growth differential expected between new economies and mature countries, based on IMF expectations of 3 points of GDP growth differential on average between new economies and mature markets over the period 2014-2018

$$\begin{array}{r}
 + \\
 (40\%-17\%) \\
 \times \\
 3 \text{ points} \\
 = \\
 \mathbf{+0.7 \text{ point}}
 \end{array}$$

□ **From 2003 to 2013, Legrand enhanced its potential annual organic growth by**

+1.3 point

BACK OFFICE ORGANIZATION TO FINANCE AND FUEL IMPROVED GROWTH PROFILE

	<u>From 2003</u>	<u>To 2013</u>
Production and R&D	Local	Global Platform concept ⁽¹⁾ Lean manufacturing Site consolidation Move to low cost Make or buy approach
Purchasing	Local	Global IPOs ⁽²⁾
Logistics	Local	Global ILHs ⁽³⁾

(1) Wiring devices only

(2) International Purchasing Offices

(3) International Logistics Hubs

BACK OFFICE PERFORMANCE TO FINANCE AND FUEL IMPROVED GROWTH PROFILE

Rounded figures	<u>From 2003</u>	<u>To 2013</u>
% of production headcount in new economies	32%	67%
% of R&D headcount in new economies	9%	30%
Capex as % of sales	4%	3%
WCR as % of sales	16%	≤10%

MEDIUM-TERM TARGETS (1/2)

□ **Reminder**

- **10%** CAGR in total sales including organic and acquisition-driven growth, excluding exchange-rate effects or major economic downturn
- **20%** average adjusted operating margin including small and mid-size bolt-on acquisitions

MEDIUM-TERM TARGETS (2/2)

□ Achievements

- 2011: normal economic conditions

Growth in sales excluding FX: +11.2%

Adjusted operating margin as % of sales: 20.2%

↳ Medium-term growth and margin targets achieved

- 2012-2013: double dip

Growth in sales excluding FX: +3.0%

Adjusted operating margin as % of sales: 19.7%

↳ Focus on margin

□ Take-aways

- Medium-term targets confirmed
- When economic downturn: focus on margin



Includes both continuation of existing initiatives + next steps

STRONG **CSR**⁽¹⁾ ACHIEVEMENTS

- **CSR roadmaps**
 - 1st roadmap from 2007 to 2010
 - 2nd roadmap from 2011 to 2013

- **Legrand included in significant SRI**⁽²⁾ **indices**
 - Dow Jones Global Sustainability Index (DJSI) Europe and World
 - FTSE4Good
 - ESI Excellence Europe
 - ECPI EMU Ethical Equity

- **Latest achievements**
 - Launch of Legrand Foundation
 - 86% of 2011-2013 CSR roadmap objectives achieved
 - Strategy Committee becomes Strategy and Social Responsibility Committee

(1) CSR: Corporate Social Responsibility

(2) SRI: Socially Responsible Investment

NEW 2014-2018 CSR ROADMAP AT THE CORE OF LEGRAND'S BUSINESS MODEL



- 4 Axes – 21 priorities over 5 years
- More staff involved
- Stronger commitment of managers

2003-2008

2009-2013

From 2014

Reshaping Legrand

- **Growth:** enhance geographic growth profile by expanding in new economies and the USA
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Pursue growth profile and performance enhancement during crisis

- **Growth:** enhance product growth profile by boosting new business segments
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Next steps

- **Growth:** expand in complementary channels and business models
- **Productivity:** deploy a multipolar back office organization
- **Measure:** introduce new KPI such as NEPAT
- **CSR:** start 3rd sustainable development roadmap (2014-2018)

INVESTOR DAY - AGENDA

- **Further enhancing Legrand's growth potential**
Benoît Coquart, Executive Vice President—Strategy and Development
- **Megatrends boosting growth and innovation**
Fabrizio Fabrizi, Executive Vice President—Innovation and Systems
- **Towards a multipolar organization**
Patrice Soudan, Deputy CEO and COO
- **Value creation management**
Antoine Burel, Executive Vice President—CFO

Lunch break

- **Legrand's international development model**
Frédéric Xerri, Executive Vice President—Export
- **Business innovations in France**
Bruno Barlet, Executive Vice President—France
- **North America**
John Selldorff, President and CEO—Legrand North America
- **Final Q&A and wrap-up**



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FURTHER ENHANCING LEGRAND'S GROWTH POTENTIAL

Benoît Coquart – Executive VP Strategy and Development



2003-2008

2009-2013

From 2014

Expansion

Expand into new markets

- Go for new economies and North America
- Move into complementary segments
- Reinforce leaderships in mature markets: pricing, mix, innovation
- Leverage traditional B2B channels

Managing growth in a challenging environment

Find growth opportunities despite market downturns

- Manage crisis
- Reshuffle front office and branding organizations
- Initiate system / solution approach
- Deploy CRM and digital communication

Multipolar Approach

Deploy new business models

- Create additional growth poles in new economies and North America
- Create additional growth poles in new business segments
- Deploy into complementary channels and business models
- Leverage web and end-user intimacy

AGENDA

1 CREATE ADDITIONAL GROWTH POLES IN NEW ECONOMIES AND NORTH AMERICA

2 CREATE ADDITIONAL GROWTH POLES IN NEW BUSINESS SEGMENTS

3 DEPLOY INTO COMPLEMENTARY CHANNELS AND BUSINESS MODELS

4 LEVERAGING WEB AND END-USER INTIMACY

5 PURSUE AN ACTIVE BOLT-ON ACQUISITION STRATEGY

1

**CREATE
ADDITIONAL GROWTH POLES
IN NEW ECONOMIES
AND NORTH AMERICA**

A SUCCESSFUL MOVE INTO NEW ECONOMIES

- **% of sales in new economies**
 - From 17% in 2003 to 40% in 2013

- **Number of countries with Legrand offices**
 - From 62 in 2003 to 82 in 2013
 - Including rise from 44 to 63 in new economies

- **% of sales with #1 or #2 market positions**
 - Group total: from 52% in 2003 to 68% in 2013
 - In new economies: from < 50% in 2003 to 65% in 2013

EXAMPLE OF BUILD-UP IN NEW ECONOMIES (1/2)

□ Malaysia

- JV with Megapower in 2011, providing market leadership and channel intimacy
 - #1 in plastic cable management
- Synergies through leverage of local network to launch complementary products
 - Launch of wiring devices: achieved #3 market position in 18 months
 - Strategy to be duplicated with other product families
- Sales growth
 - from €1 million (2008) to €26 million (2013)

EXAMPLE OF BUILD-UP IN NEW ECONOMIES (2/2)

□ India

- Historical #1 position in miniature circuit breakers from 1996 (acquisition of MDS)
- Leverage market leadership to launch additional products
 - Steady growth in wiring devices to build #2 position, with progressive extension of market coverage (5 ranges in 2013 : Axolute, Arteur, Myrius, Mylink, Glint)
 - From 33 product families in 2008 to 51 in 2013 e.g. Home Systems with MyHome, VDI with LCS2 and Linkeo, door entry systems, busbars, wire-mesh, etc.
- 3 acquisitions over 4 years
 - Gain further channel access in retail 
 - Add product leadership with UPS 
 - Offer solution package in energy distribution 
- Sales from €59 million (2008) to €223 million (2013)

CREATE NEW GROWTH POLES IN NEW ECONOMIES

□ Open market access to new geographies

- On average, 2 new countries per year opened in the last 10 years
- Pursue openings in order to broaden the coverage of new economies
 - From 63 new economies in 2013 to at least 75 and up to 80 by 2020
 - Special focus on Africa and Southeast Asia

□ Further expand business reach by deploying best practices

- Deploying retail approach in core market segments
- Deploying “holistic approach” to tackle projects on key verticals
 - Recent examples of significant projects include: Sofitel (UAE)⁽¹⁾, Al-Mafraq Hospital (UAE), Dar-Al-Fouad Hospital (Egypt), Polcom data center (Poland), Microsoft data center (South Korea), San Juan Plaza (Colombia), Nestlé factory (Vietnam) and King Abdul Aziz university (KSA)⁽²⁾, etc.



(1) United Arab Emirates

(2) Kingdom of Saudi Arabia

CREATE NEW GROWTH POLES IN NORTH AMERICA...

- **See in J. Selldorff's presentation on how we fuel growth**
 - By differentiating through innovation
 - By expanding into complementary channels
 - By cross-selling into specific verticals
 - By complementing with M&A ...

... WHILE MAKING THE MOST OF GROWTH POTENTIAL IN EUROPE

- **Market fundamentals remain strong in Europe**
 - High wealth/standard of living, high labor cost, large installed base, etc.
 - New opportunities arising from social and technological mega trends, prompting additional long term potential: aging of population, energy savings, data communication, measure, etc.

- **In many European countries, construction market is well below historical average**

- **Continuous investments made by Legrand in Europe despite crisis**
 - New products: 30% of sales renewed since 2009 (power, LivingLight, LCS2, Hospitality, etc.)
 - New markets: UPS, structured cabling for datacenters, electronic security, audio/video, assisted living, etc.
 - Acquiring new growth drivers: Intervox, Tynetec, Neat, Minkels, S2S, etc.
 - Reshuffling of many local sales organizations to further capture market share

CREATE ADDITIONAL GROWTH POLES: OUR OBJECTIVES

- **Maintain the best geographical balance to best benefit from market opportunities**
 - E.g. % of sales made in new economies and North America from 42% to 57% in the past 5 years

- **Increase the number of countries with Legrand offices**
 - From 82 in 2013 to at least 95 and up to 100 in 2020
 - See “4 steps” Legrand model for international growth in F. Xerri’s presentation

- **Maintain the % of sales with #1 or #2 market positions**
 - Maintain at least current 68% rate at group level
 - While continuing to enlarge our scope of business (geographies, products, business models, channels)

2

**CREATE
ADDITIONAL GROWTH POLES
IN NEW BUSINESS
SEGMENTS**

CREATE ADDITIONAL GROWTH POLES IN NEW BUSINESS SEGMENTS

- **Regular increase in number of product families**
 - Up from 57 in 2003 to 78 in 2013
 - Targeted additions to traditional business achieved in the last 10 years include: capacitors, busbars, electronic security, energy efficiency devices across various ranges (e.g., wiring devices sensors, energy management, incorporation of LED into our products and LED control, etc.), electric vehicle, assisted living, UPS, wire-mesh, etc.

- **Significant increase in our accessible market**
 - Growing from < €50 billion in 2003 to > €80 billion in 2013

- **Increase in the % of sales made in “new business segments”⁽¹⁾**
 - Growing from 10% in 2003 to 26% in 2013

(1) Energy efficiency, home systems, digital infrastructures and wire-mesh cable management

ADDITIONAL GROWTH POLES : EXAMPLES (1/2)

□ Assisted living

- Sales growth from 0 to > €40 million in the last 5 years
- #2 in Europe with front-runner positions in main markets (UK, France, Spain, Germany)
- Build-up strategy:
 - Geographical expansion
 - Construction of a complete offer, including lighting path, easy-fit sockets, safety and security, nurse-call, antibacterial products, telehealth, etc.
 - Synergy opportunities among 3 businesses acquired and with Legrand
- Medium-term growth driven by:
 - Aging population in mature countries (people > 80 = x3.3 worldwide from 2010 to 2050)⁽¹⁾
 - Government policies and initiatives to save on healthcare expenses
 - Technological changes
 - Telehealth (chronic disease diagnosis)

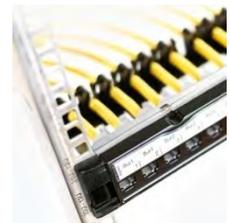


(1) Source: United Nations Organization

ADDITIONAL GROWTH POLES : EXAMPLES (2/2)

□ Structured cabling

- Legrand amongst top 5 players worldwide
- Build-up strategy:
 - Geographical expansion
 - Deploy multiple technology offering incl. copper, fiber, wireless
 - RJ45 leveraging on wiring devices
 - Complete certified system with connector + patch cord + cable
 - Racks and enclosures for premium / standard and low-end markets
 - Move to complete structured cabling systems
 - Move from LAN (local area network) to LAN + Data Centers
- Medium term growth driven by:
 - IP convergence (more applications using structure cabling infrastructure)
 - Cloud and Big Data
 - Need for larger bandwidth in new economies (upgrades in offices, hotels, etc.)
 - New applications requiring residential networks



LEVERAGING GROWTH POLES : GROW SYSTEM / SOLUTION APPROACH

□ Residential

- Legrand's historical stronghold
- Ability to provide complete systems up to fully automated homes
- Strong worldwide relationships with distributors, contractors and end users
- Portfolio regularly upgraded and expanded, for example :
 - Products dedicated to end users (e.g. high-end finishes) including specific customer groups (e.g. "seniors")
 - New innovative functions (e.g. USB sockets, multimedia sockets, LED signaling, all-loads dimmers, etc.)
 - Mode 2 sockets for electric vehicle
 - Smart-grid ready products (energy measurement devices with graphic user interfaces)

□ Mid-sized commercial

- High potential = 90% of total non-residential market in m² (small offices, retail, schools, restaurants, etc.)
- Close to Legrand's "DNA" : i.e. traditional channels, flow business, local specifiers, mid-size contractors, simple-to-install products with limited back office support, etc.
- Construction of complete systems to manage the entire project with addition of structured cabling, energy efficiency, etc.

□ Large commercial and industrial

- Lower Legrand penetration
- ~50% of needs covered by Legrand's offering in 2013 vs ~30% in 2003 (excluding lighting and cables)
- Focus on specific verticals:
 - Datacenters => dedicated solutions including UPS, server racks, power, wire-mesh, etc.
 - Shopping malls and multi-dwellings => lighting controls, VDI, etc.
 - Hospitality => room controllers, dedicated sockets, power protection, VDI, lighting control, etc.
 - Health: bed head units, nurse call systems, antimicrobial wiring devices, "connected room", etc.
 - Oil and gas => highly specialized products : cable ladders

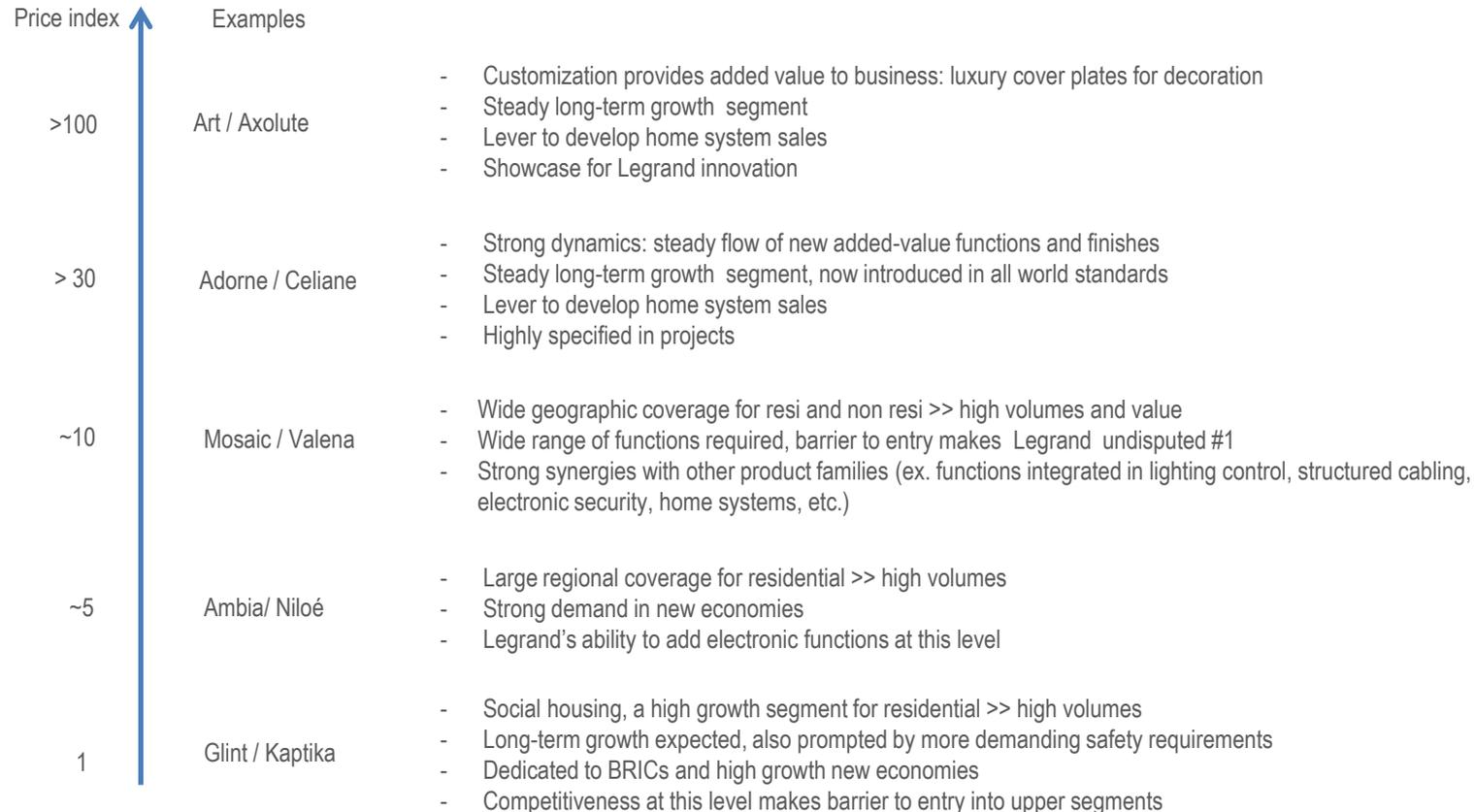
Core competency and access

Selective approach

LEVERAGING GROWTH POLES : SEGMENTED APPROACH

- **Aim: deploy segmented approach to main product segments**
 - VDI, power, cable management, etc.

- **Example : wiring devices**



ADDITIONAL GROWTH POLES IN NEW BUSINESS SEGMENTS: OUR OBJECTIVES

- **Add new growth poles by increasing product coverage**
 - From 78 product families in 2013 to > 100 in 2020

- **Increase our accessible market**
 - From > €80 billion in 2013 to > €100 billion in 2020

- **Grow faster in new business segments**
 - Maintain a higher growth rate in new business segments vs traditional activities (3.5 pts on average per year)
 - Identify and expand into additional business segments with higher growth potential

3

**DEPLOY INTO
COMPLEMENTARY
CHANNELS
AND BUSINESS MODELS**

MOVING TO COMPLEMENTARY⁽¹⁾ CHANNELS AND BUSINESS MODELS (1/2)

- **Electrical distribution (ED) channel is and will remain our preferred channel**
 - Represents ~70% of our sales
 - At the heart of Legrand's business model

- **Legrand will actively pursue its strategy of supporting the ED channel to progressively handle a larger product perimeter**
 - Structured cabling
 - Home automation
 - Lighting controls
 - UPS
 - Etc.

(1) Non ED channels = Datacom, IT, DIY, Retail, Direct to customers such as contractors and panel builders, e-commerce, etc.

MOVING TO COMPLEMENTARY⁽¹⁾ CHANNELS AND BUSINESS MODELS (2/2)

- **Complementary channels already represent ~30% of group's sales in 2013**
 - Vs ~20% of sales in 2003
 - As high as 40/45% in some geographies, such as the US

- **ED will increasingly be rounded out by additional channels and business models, along with the gradual extension of the group perimeter**
 - Reach additional client base, today fueled by multiple channels: network integrators, multi-specialist contractors, panel builders, maintenance teams, IT managers, etc.
 - Addressing these complementary channels often allows Legrand to enrich its business model with specific services such as: manufacturer services, logistics, communication, after-sales, etc.

- **With significant new growth opportunities for Legrand**
 - These complementary channels represent ~50% of Legrand's accessible market
 - Moreover, ED is expected to gain market share in these channels over time

(1) Non ED channels = Datacom, IT, DIY, Retail, Direct to customers such as contractors and panel builders, e-commerce, etc

COMPLEMENTARY BUSINESS MODELS

□ **B2B complementary channels and services**

- Datacom/IT/Audio-video channels
- Manufacturer services
- Multi-specialist channels
- Etc.

□ **Retail initiatives**

- Lighting showrooms
- DIY
- Small retail outlets
- Etc.

DEPLOY INTO COMPLEMENTARY CHANNELS AND BUSINESS MODELS: OUR OBJECTIVES

- ❑ **Retain ED as preferred channel partner and play active role to expand ED business into additional categories**
- ❑ **“Saturate” existing channels**
- ❑ **Open 1 to 3 new channels by 2020**

4

LEVERAGING WEB AND END-USER INTIMACY

A NEW HIGH POTENTIAL CHANNEL: E-BUSINESS

- **E-business is growing fast on our markets**
 - Sales of electrical products on the web are expected to grow from 3 to 5% of the electrical market in 2013 to 9 to 15% in 2018 in key countries and up to 30 to 40% for best performing countries
 - Electrical distributors becoming omni-channel distributors will predominate, rounded-out by pure players and DIY (and limited manufacturers' websites)

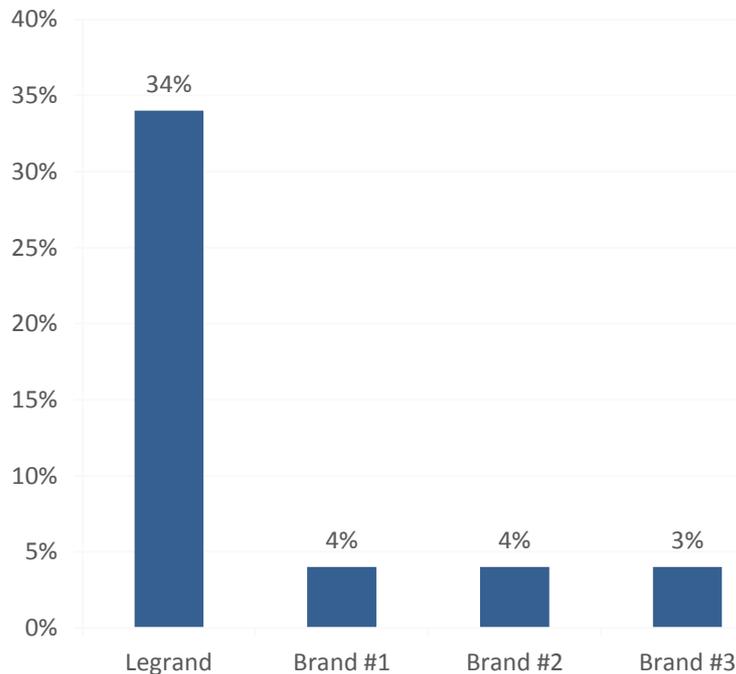
- **First initiatives driving positive results**
 - France: omni-channel approach driving up product mix through long-tail effect
 - See Celiane example in B. Barlet's presentation
 - Other initiatives in the US, China, Russia, etc.

- **Initiatives supported by state-of-the-art customer management tools**
 - Customer satisfaction analysis and brand equity surveys
 - CRM
 - State-of-the-art CRM deployed in 25 countries
 - 70% of sales covered (compared with 50% in 2010)

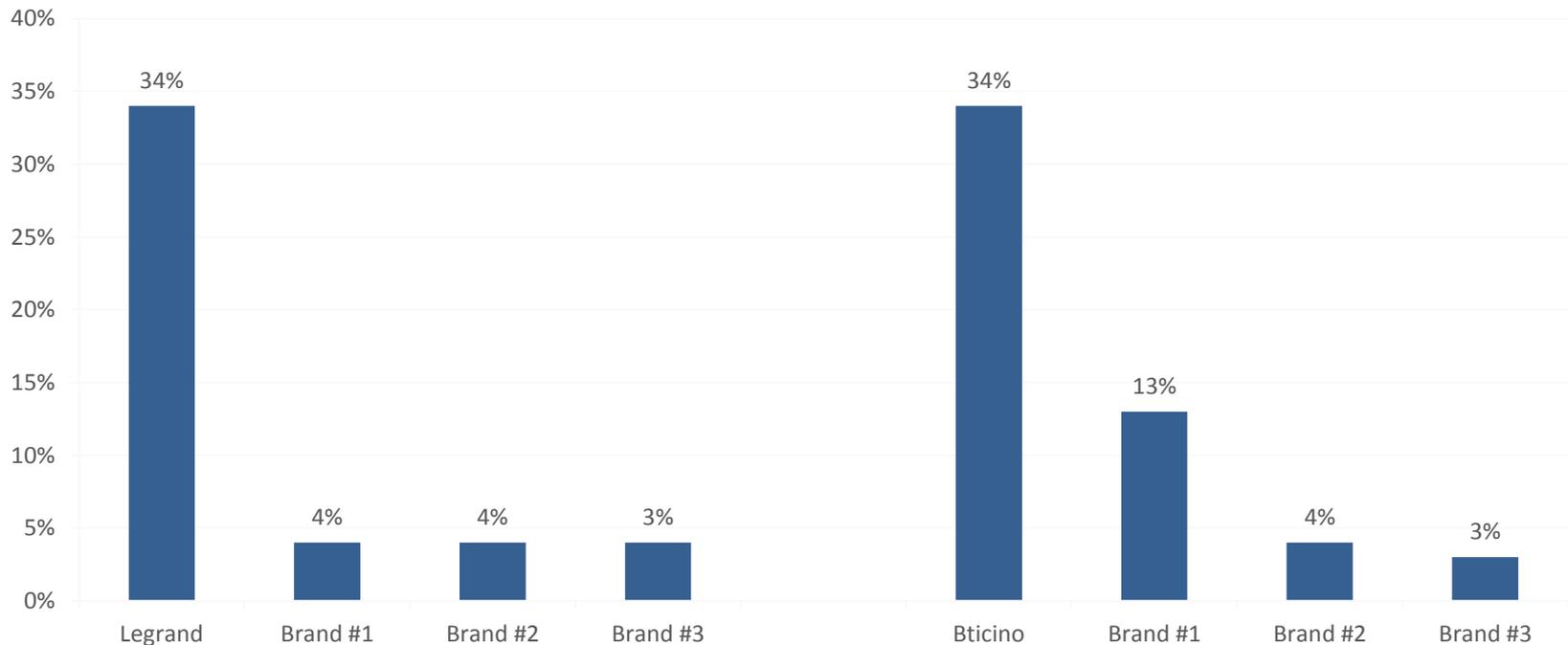
A KEY ASSET: OUR RELATIONSHIP WITH END CONSUMERS (1/2)

- **Strongest brand awareness among end users in our industry – a strong proprietary asset compared to our peers**

Spontaneous awareness – FRANCE
(wiring devices, people > 15, source: IPSOS)



Spontaneous awareness – ITALY
(wiring devices, people > 15, source: ASTAREA)



A KEY ASSET: OUR RELATIONSHIP WITH END CONSUMERS (2/2)

- **Deployment of conventional communication tools for end users**
 - Le Lab by Legrand
 - Showrooms
 - Point-of-sale advertising
 - Sample display tools
 - Etc.

- **Increasingly complemented by digital**
 - E.g. : % of digital in marketing expenses from 7% in 2010 to 17% in 2013

- **Countries actively working on plans to monetize traffic**

OUR OBJECTIVES

- **Strong growth in our key digital metrics**
 - E.g. % of digital in marketing expenses targeted to reach rapidly at least 25%
- **Deployment of successful business models to monetize traffic**
- **Covering 90% of our sales with up-to-date CRM**

5

**PURSUE
AN ACTIVE BOLT-ON
ACQUISITION STRATEGY**

REMINDER OF KEY FACTS

- **More than 140 acquisitions made to date**
 - Contributing approximately half of group growth (excluding FX)

- **37 acquisitions since 2004⁽¹⁾**
 - With sales of €1.3 billion at the time of the acquisitions

- **A “bolt-on strategy”**
 - Strengthen market share in traditional fields with a focus on new economies (> 40% of acquired sales since 2004⁽¹⁾)
 - Deploy into new business segments (~60% of acquired sales since 2004⁽¹⁾)

- **> 80% of acquired sales over the past 3 years bring new channel / business model capabilities to Legrand**
 - Numeric, Aegide, NuVo, Daneva, S2S, Adlec, Tynetec, Lastar, Neat, SJ Manufacturing

(1) Including Lastar, Neat and SJ manufacturing

PIPELINE MANAGEMENT

- **While the current economic environment is not the most favorable to transactions...**
 - Sellers waiting for market recovery (mature), expectations not adjusted to recent trends (new economies)

- **... a large number of potential opportunities remain...**
 - ~50% of the market made of small and medium-size companies
 - On average 1 opportunity reviewed each week

- **... with a strict selection process – example of India since 2010:**
 - > 30 opportunities reviewed and not pursued
 - 3 acquisitions achieved, for total sales (at the time of the acquisition) of > €130 million



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MEGATRENDS BOOSTING GROWTH & INNOVATION

Fabrizio Fabrizi – Executive VP Innovation and Systems



SOCIAL MEGATRENDS

- Data communication
- Energy saving
- Security
- Aging
- Y generation
- Eco friendly
 - Electric vehicles
 - Photovoltaic
 - Air quality
- Development of new economies
- Etc.



TECHNOLOGY MEGATRENDS



- Big data
- Fiber optics
- Wireless
- Internet of things
- LED lighting
- Solar panels
- Batteries
- Apps
- Measure
- Sensors
 - Presence
 - Air quality
 - Actimetry

SOCIAL MEGATRENDS

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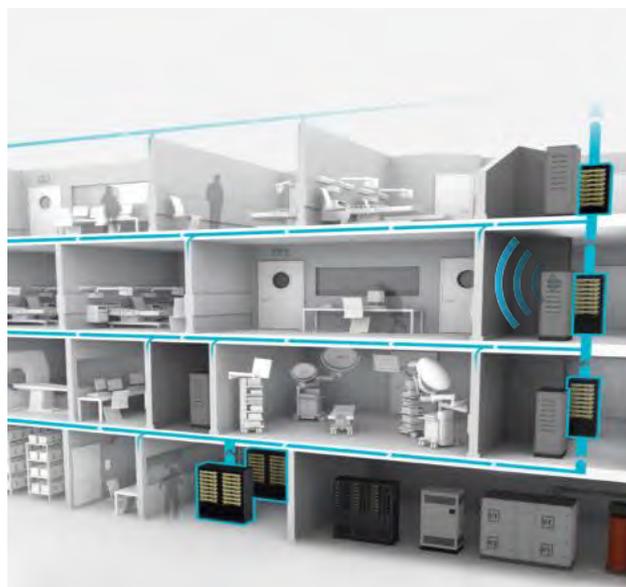
TECHNOLOGY MEGATRENDS

- Big data
- Fiber optics
- Wireless
- Internet of things
- LED lighting
- Solar panels
- Batteries
- Apps
- Measure
- Sensors
 - Presence
 - Air quality
 - Actimetry

Acceleration of Innovation & Growth

2 CONSEQUENCES FOR LEGRAND

- More and enriched infrastructures in building, both existing and new
- Infrastructures become smarter and more connected



Energy quality



Energy management



Energy Distribution



Electric vehicle

FOUR EXAMPLES

1/ ENERGY SAVING & COMFORT

2/ AGING

3/ ECO FRIENDLY

4/ DATA COMMUNICATION



An opportunity to increase market size

ENERGY SAVING & COMFORT (1/4)

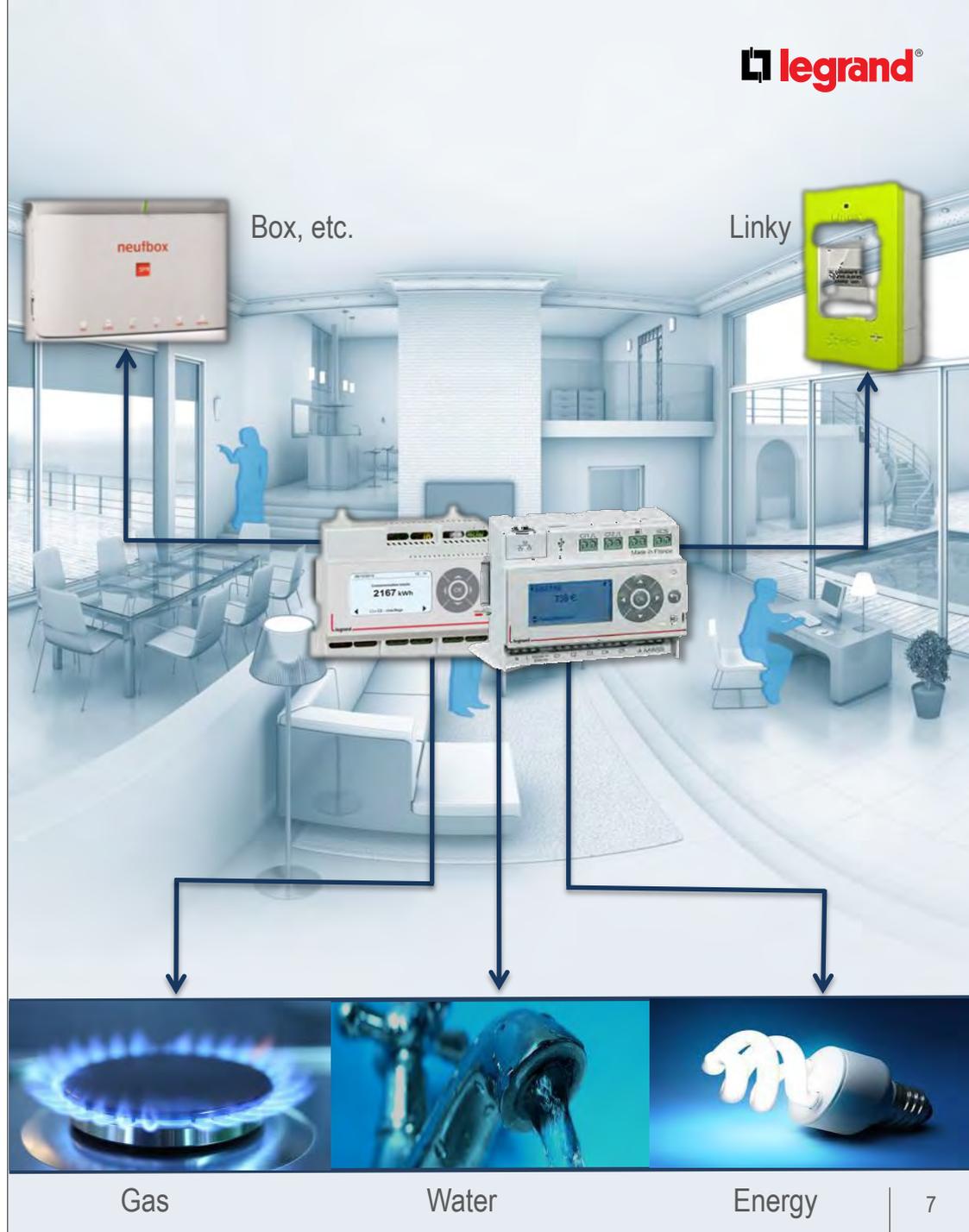
- Ecompteur
- Smart shedder
- Contactors and breakers motor-operated to control energy
- Energy measure



ECOCOMPTEUR

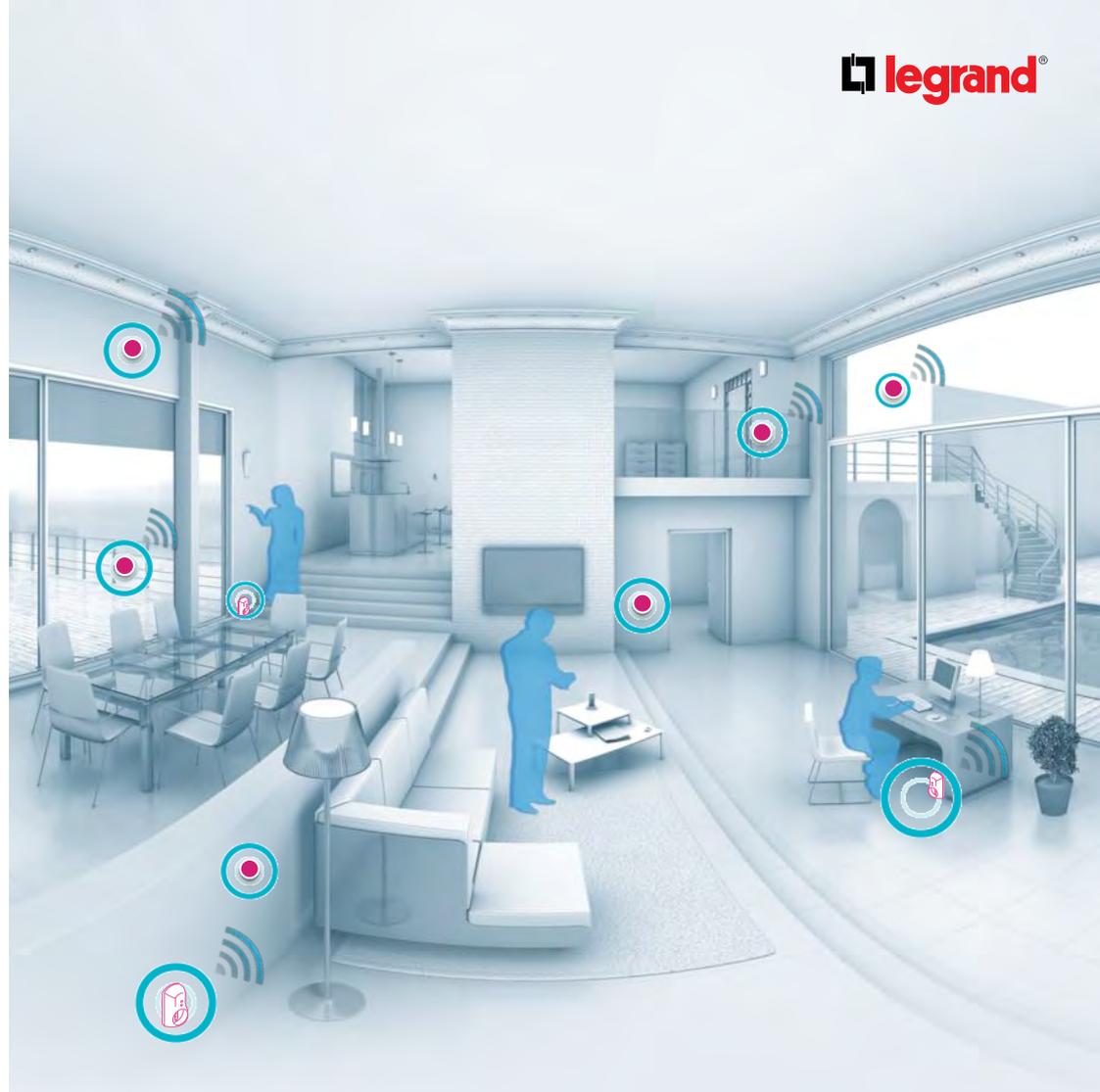


SMART SHEDDER



ENERGY SAVING & COMFORT (1/4)

- Lighting & presence detectors
- Sockets fix and plug-in with measure inside, wired and wireless
- Dimmers
- Thermostats



ENERGY SAVING & COMFORT (1/4)

- Supervision
- Screens
- Apps
- Web servers and connection to utilities and services

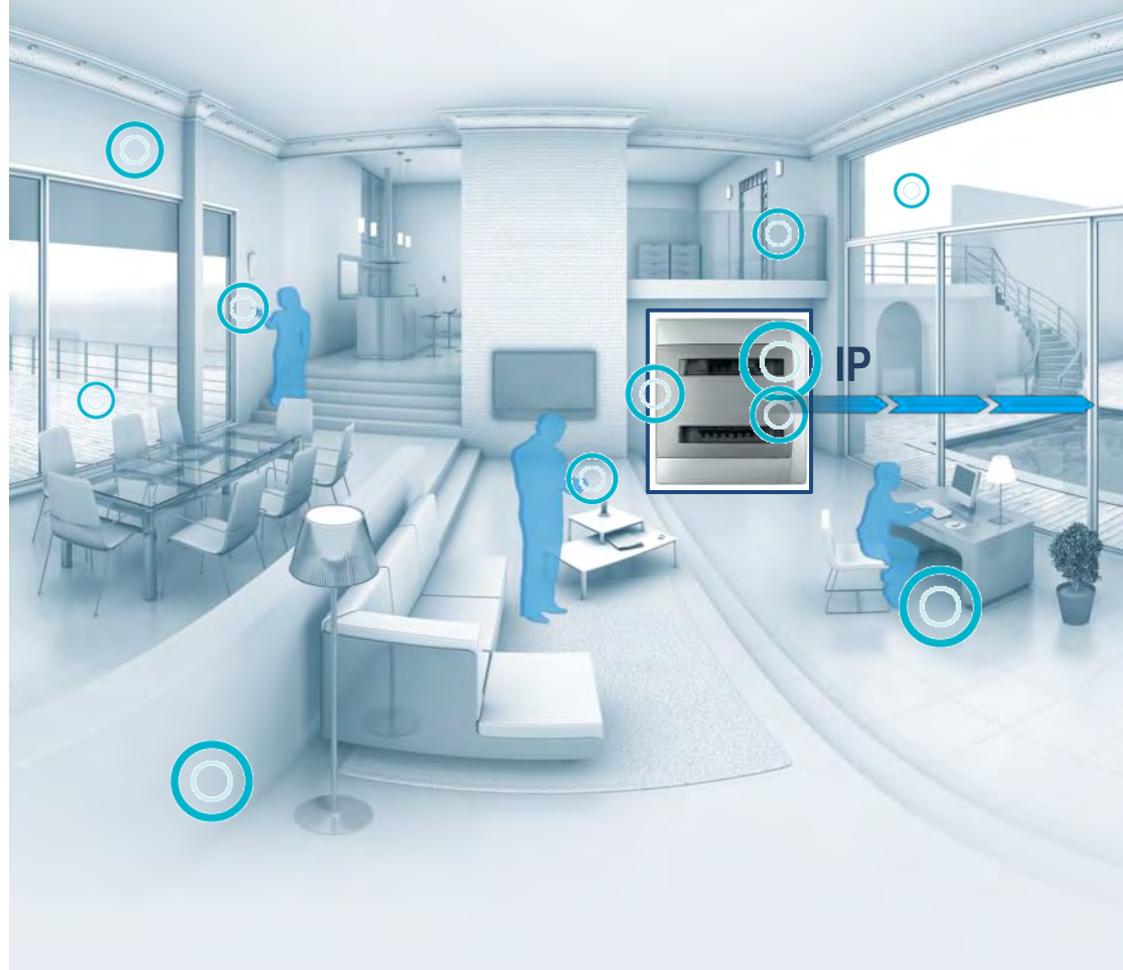


IP



ENERGY SAVING & COMFORT (1/4)

- Ecocompteur
- Smart shedder
- Contactors and breakers motor-operated to control energy
- Energy measure
- Lighting & presence detectors
- Dimmers
- Sockets fix and plug-in with measure inside, wired and wireless
- Thermostats
- Screens
- Supervision
- Apps
- Web servers and connection to utilities and services



About **€6,000**
additional solutions installed

AGING (2/4)

ASSISTED LIVING

- Alarm call
- Bracelets for alarms & actimetry
- Sensor for blood pressure, temperature, heart beat



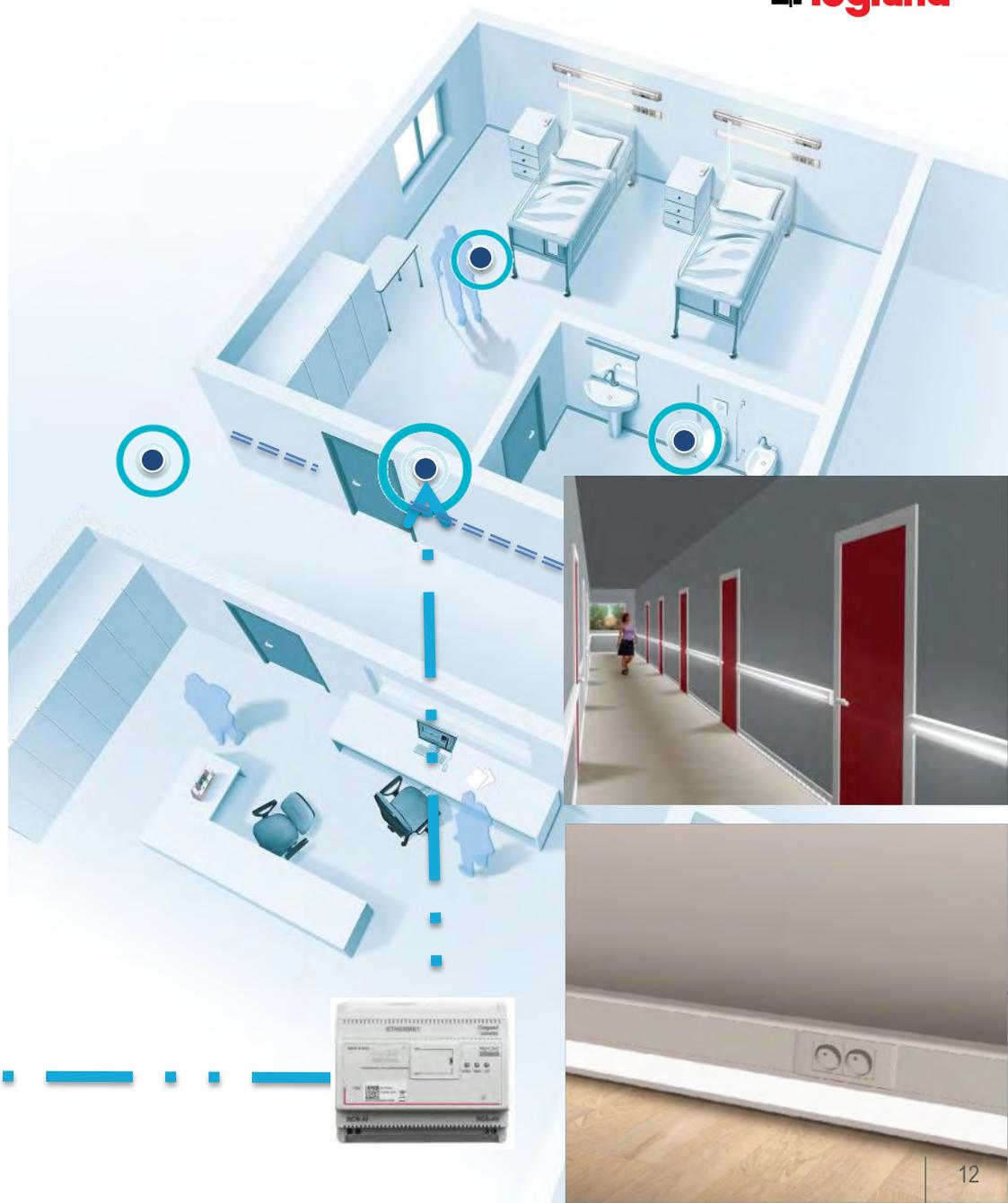
IP



AGING (2/4)

ASSISTED LIVING

- Interphones in every room, activated by alarms
- Cameras
- Lighting paths



IP



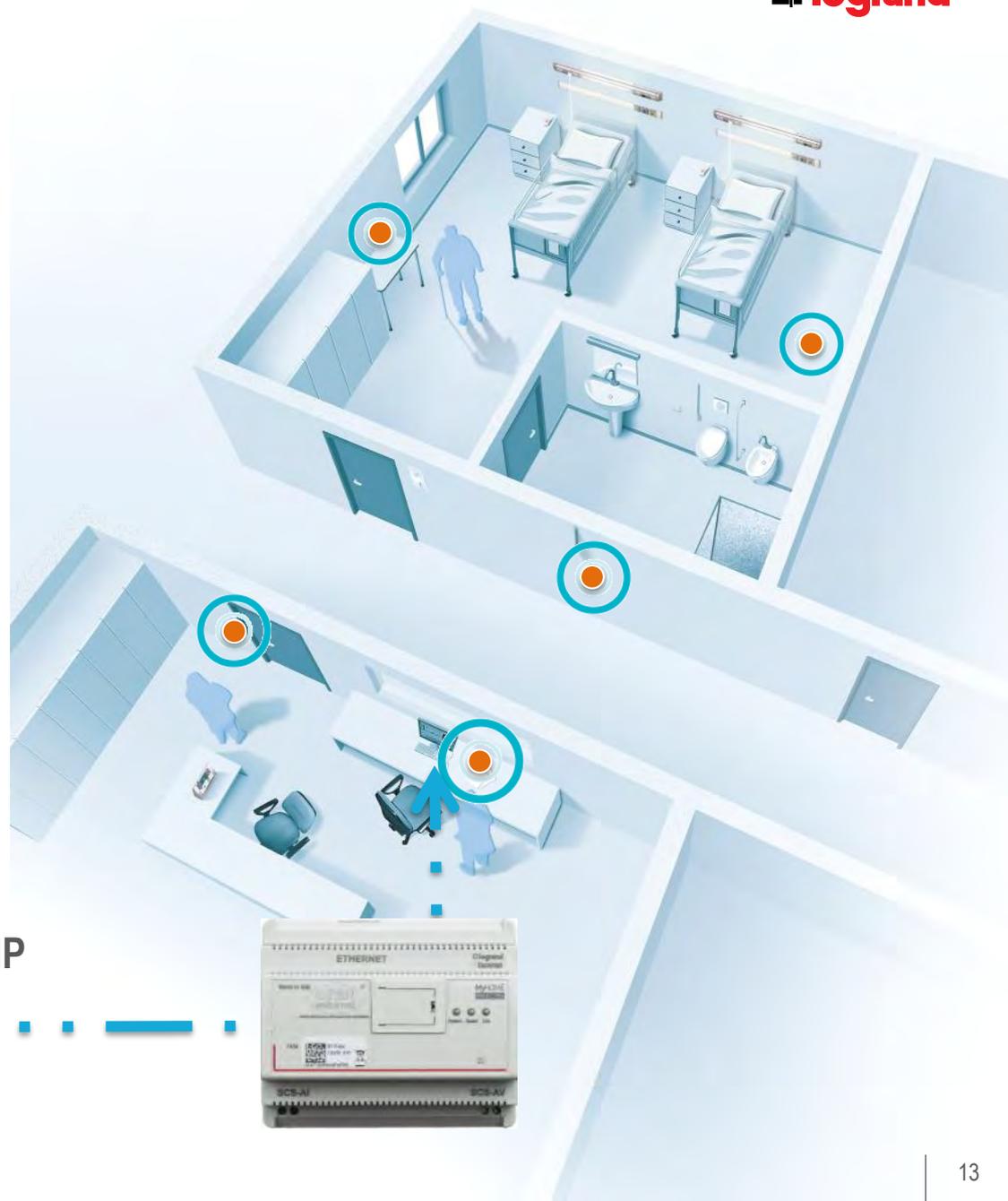
AGING (2/4)

ASSISTED LIVING

- Infrastructure VDI & WiFi
- Web server
- Screens
- Connection to services



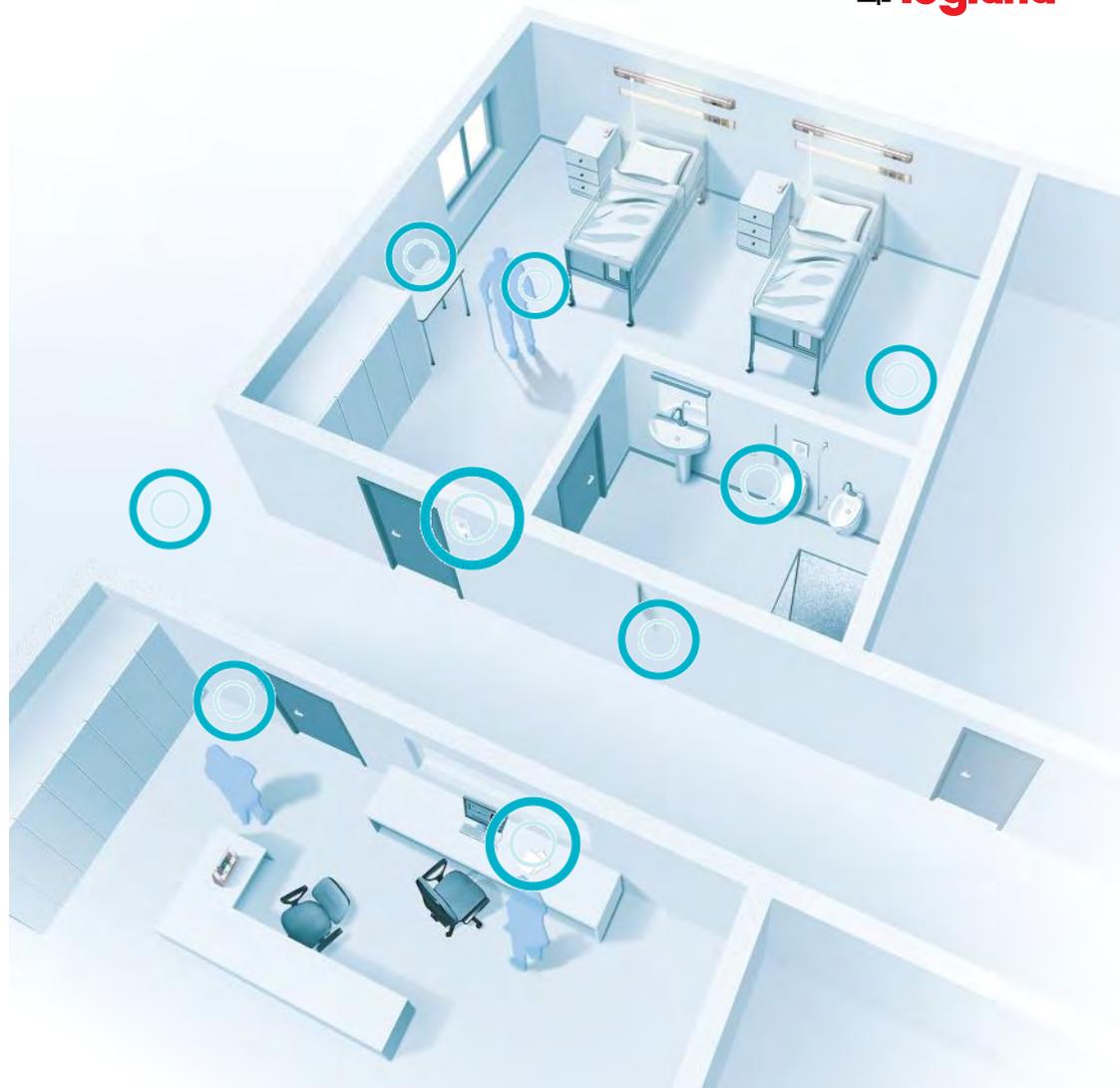
IP



AGING (2/4)

ASSISTED LIVING

- Bracelets for alarms & actimetry
- Alarm call
- Interphones in every room, activated by alarms
- Infrastructure VDI & WiFi
- Web servers
- Videos
- Sensors (blood pressure, temperature, heart beat)
- Cameras
- Lighting paths
- Screens
- Connection to services



About **€5,000**
additional solutions installed

ECO FRIENDLY (3/4)

RESIDENTIAL

- Solar panels
- Inverter
- Electric vehicle charging unit
- Green'Up sockets
- Screens to manage energy
- Apps
- Smart grid
- Energy storage



About **€ 10,000**
additional solutions installed

ECO FRIENDLY (3/4)

NON-RESIDENTIAL

- Electric vehicle charging unit
- Increase of power
- MV/LV transformer
- Switchboard

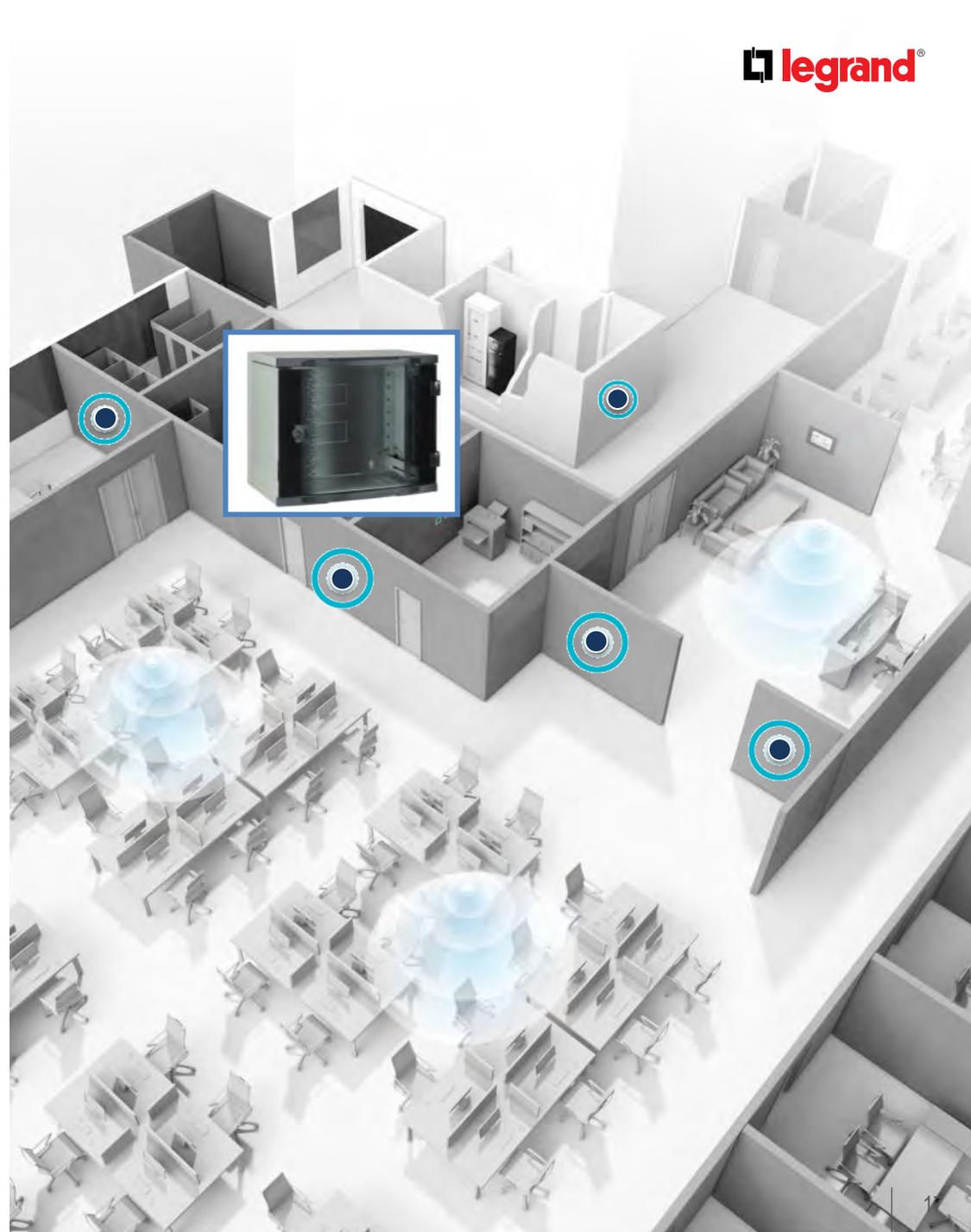


Additional **€ 5,000-15,000**
per recharging point

DATA COMMUNICATION (4/4)

MORE DATA

- Fiber-optic connection
- Switch fiber / copper
- LAN⁽¹⁾ products

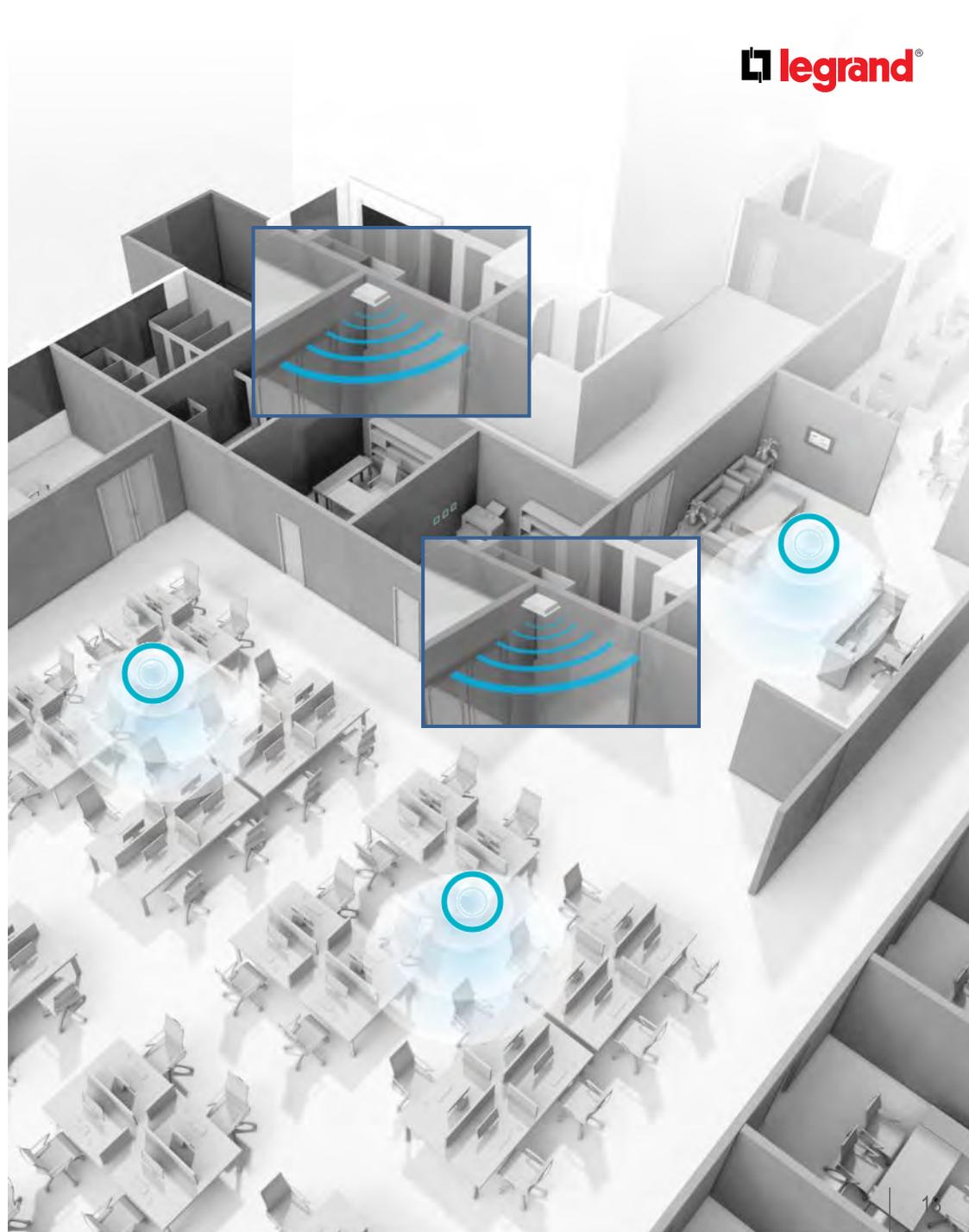


(1) LAN) = Local Area Network

DATA COMMUNICATION (4/4)

MORE DATA EVERYWHERE

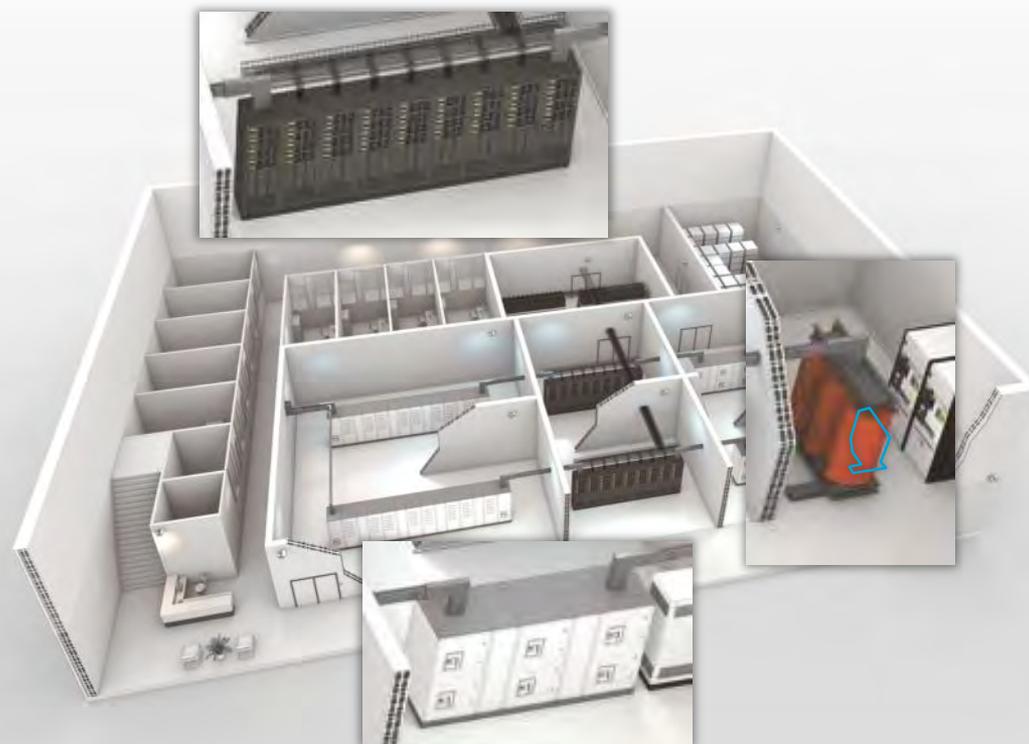
- WiFi “in room”
- Audio-video systems



DATA COMMUNICATION (4/4)

MORE DATA CENTERS

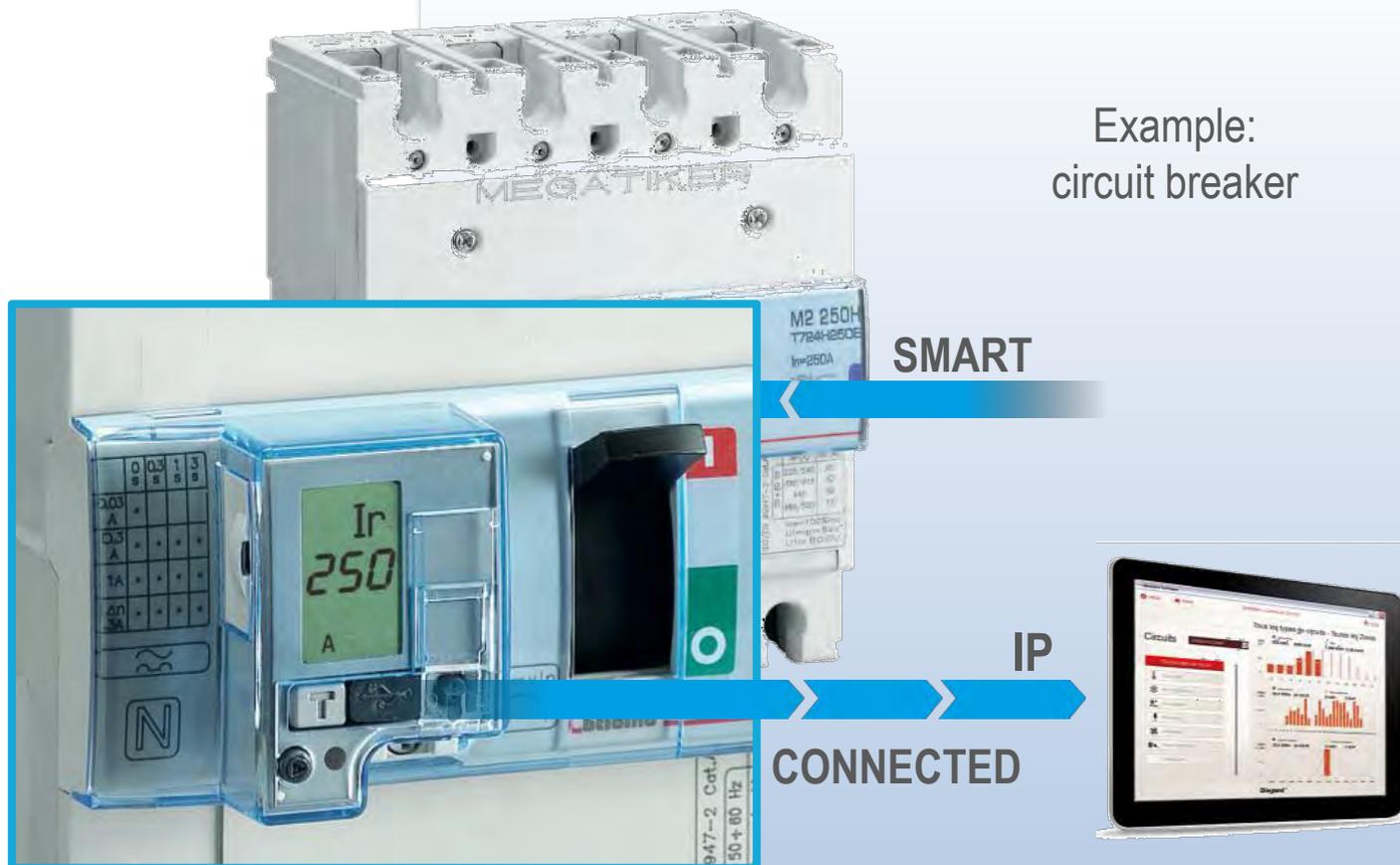
- Power
- Busbars
- Transformers
- UPS
- Cable management
- Cabinets
- Connectivity



ALL FUNCTIONS

- Protection
- Lighting control
- Measure
- Safety
- Etc.

Example:
circuit breaker



are moving from **STAND ALONE** to
SMART & CONNECTED.

MAKE SIMPLE

- **Easy** for installers
- **Ready** to service
- **Friendly** for end users



Commissioning software



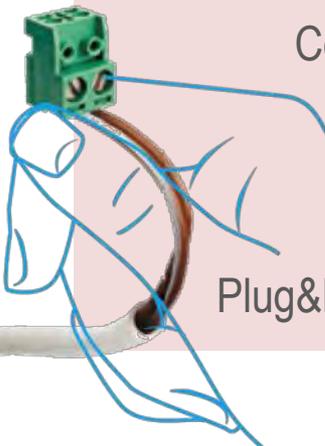
Smart & easy



Commissioning tool



Plug&Play

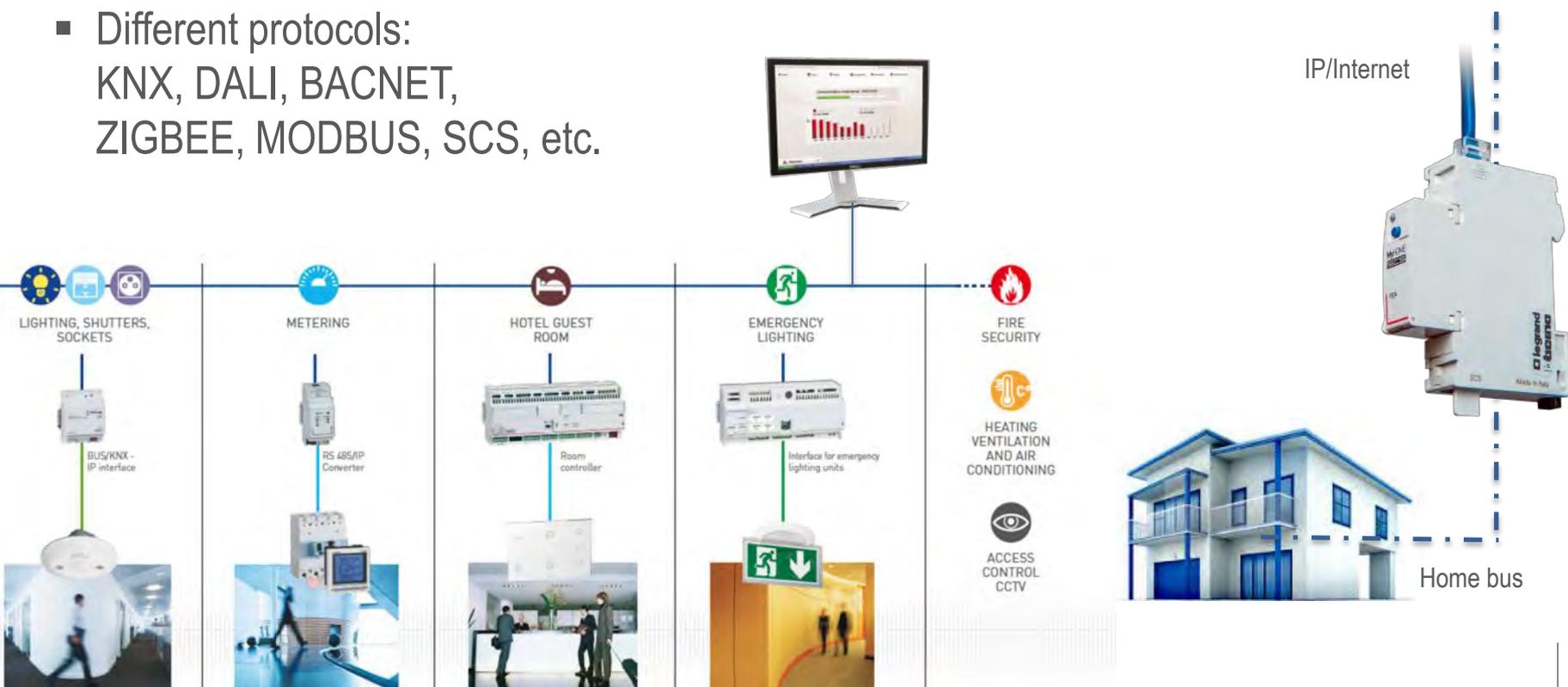


BE OPEN

- Wired and wireless



- Different protocols: KNX, DALI, BACNET, ZIGBEE, MODBUS, SCS, etc.

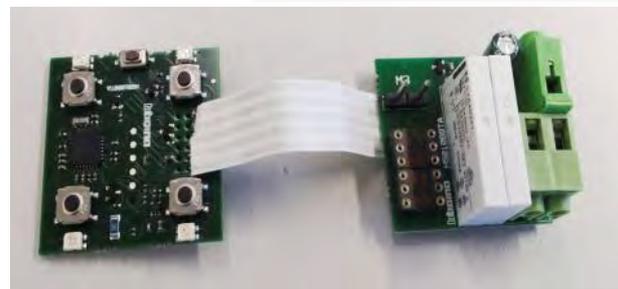


BE COMPETITIVE

- Modular approach
 - Stand alone
 - Small system
 - Integrated and total systems

- Optimize technology bricks
 - Standard platforms

- Productivity for:
 - Facility manager
 - End user
 - Installer
 - and Legrand



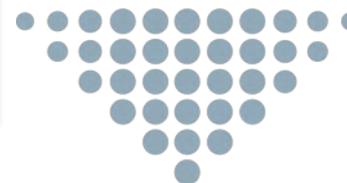
Zigbee



Zigbee +
WiFi



Zigbee +
WiFi +
TCP-IP



Over 3,000,000
“connected” products
sold in 2013

INTEROPERABILITY

- Functions, Messages, Actions between:

- TV
- Air conditioning
- Shutters
- Electrical appliances
- Etc.

- Consortia

- Confluens
- HomeLab

- Open Community



LEGRAND

- AT THE CROSSROADS OF SOCIAL & TECHNOLOGY MEGATRENDS
- AT THE HEART OF ELECTRICAL & DIGITAL INSTALLATION
- WITH ALL OF THE TECHNOLOGIES NEEDED TO DEVELOP INNOVATION
- ABLE TO « ORGANIZE » INFRASTRUCTURES, PRODUCTS, FUNCTIONS

**An excellent opportunity for growth
now and in the years ahead**



Investor Day – July 3, 2014

TOWARDS A MULTIPOLAR ORGANIZATION

Patrice Soudan - Deputy CEO and COO



AGENDA

- 1 INTRODUCTION
- 2 NEW ORGANIZATION BY SBU
- 3 EXTEND PLATFORM CONCEPT
- 4 PUSH THE INDUSTRIAL MODEL TO SUPPORT BUSINESS INITIATIVES
- 5 ENHANCE PERFORMANCE IN NEW ECONOMIES
- 6 GROW FROM A MULTIPOLAR ORGANIZATION
- 7 CONCLUSION

1

INTRODUCTION

2003-2008

2009-2013

From 2014

Globalization

Setting up Divisions 1.0

- Streamline industrial footprint
- Go to low cost
- Globalize purchasing
- Deploy make vs. buy
- Integrate downstream logistics

Rationalization

Setting up Divisions 2.0

- Implement wiring devices platforms
- Enhance sites performance
- Upgrade low cost footprint (resources, technologies, practices)
- Implement lean supply chain

Multipolar organization

Setting up SBUs

- Extend platform concept
- Push the industrial model to support business initiatives
- Enhance performance in new economies
- Grow from a multipolar organization

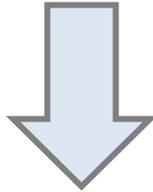
2

NEW ORGANIZATION BY SBU

FROM DIVISIONS TO SBUS AS AN ACCELERATOR TOWARDS A MULTIPOLAR ORGANIZATION

Three targets for improvement

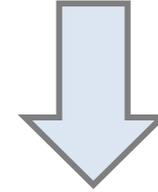
- Enhance business focus
- Increase coordination
- Promote innovation



7 SBUs

under a single management

- Wiring Devices
- Building Systems
- Cable Management
- Digital Infrastructures
- Energy Distribution
- Installation Components
- UPS



Dedicated structure for Innovation & Systems

3

**EXTEND
PLATFORM CONCEPT**

EXTEND
PLATFORM
CONCEPT

PLATFORM CONCEPT STATE OF THE ART / WIRING DEVICES PIONEER (1/2)



From 30 platforms down to 11

EXTEND
PLATFORM
CONCEPT

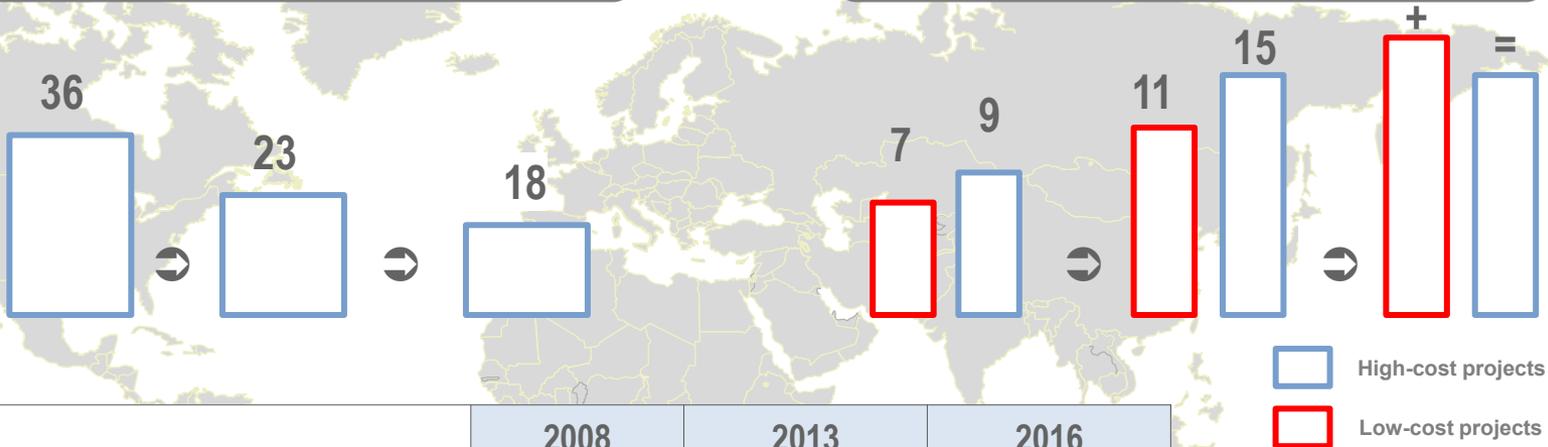
PLATFORM CONCEPT

STATE OF THE ART / WIRING DEVICES PIONEER (1/2)

Development cycle in months
(2008 → 2013 → 2016)

Number of projects
(2008 → 2013 → 2016)

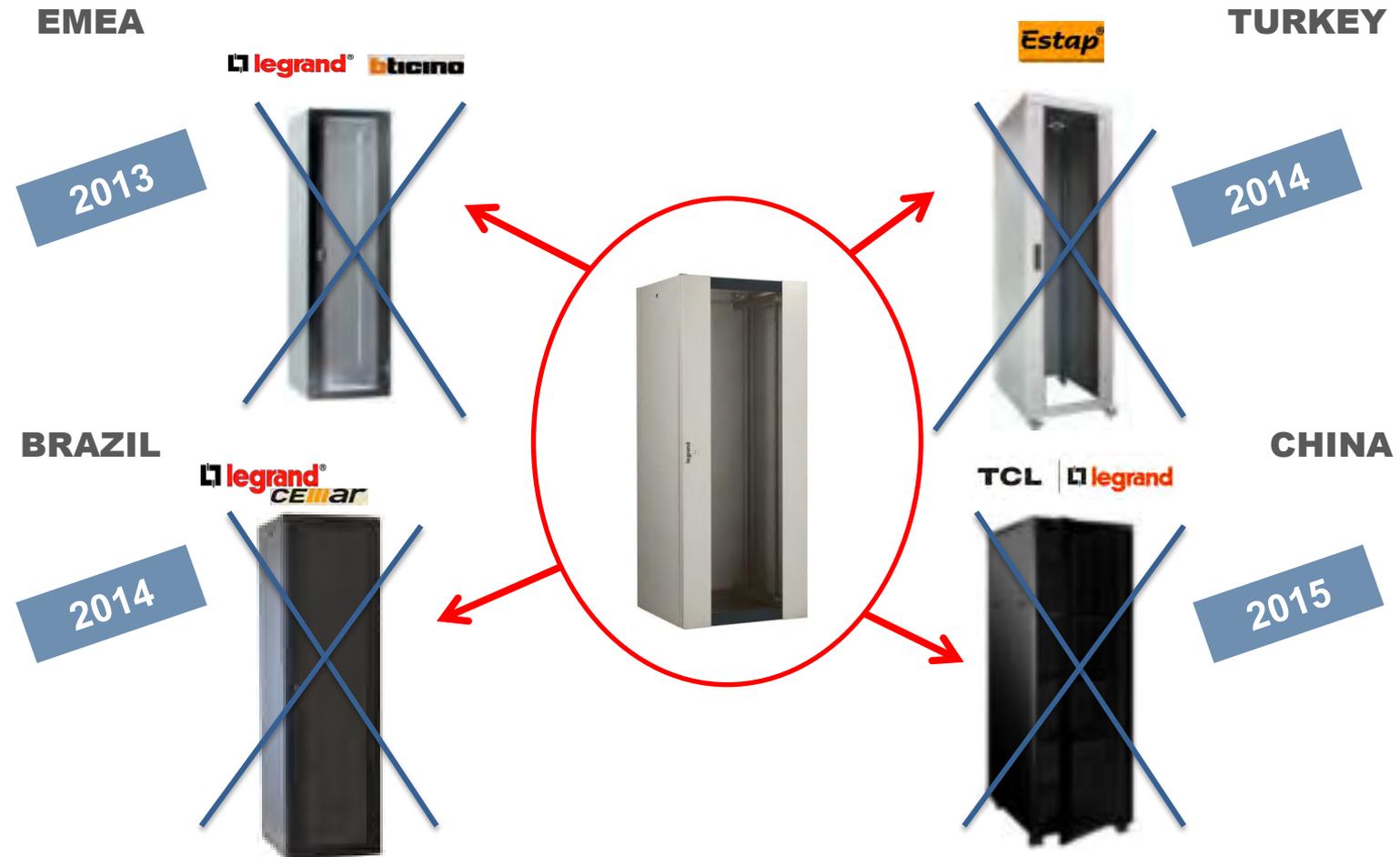
Wiring devices



	2008	2013	2016
Part numbers	52,000	47,000	45,000
Number of metallic components (base 100)	100	79	58
Unit cost price (base 100)	100	~90	~85
Capital employed ⁽¹⁾ (% of production cost)	49%	43%	~40%

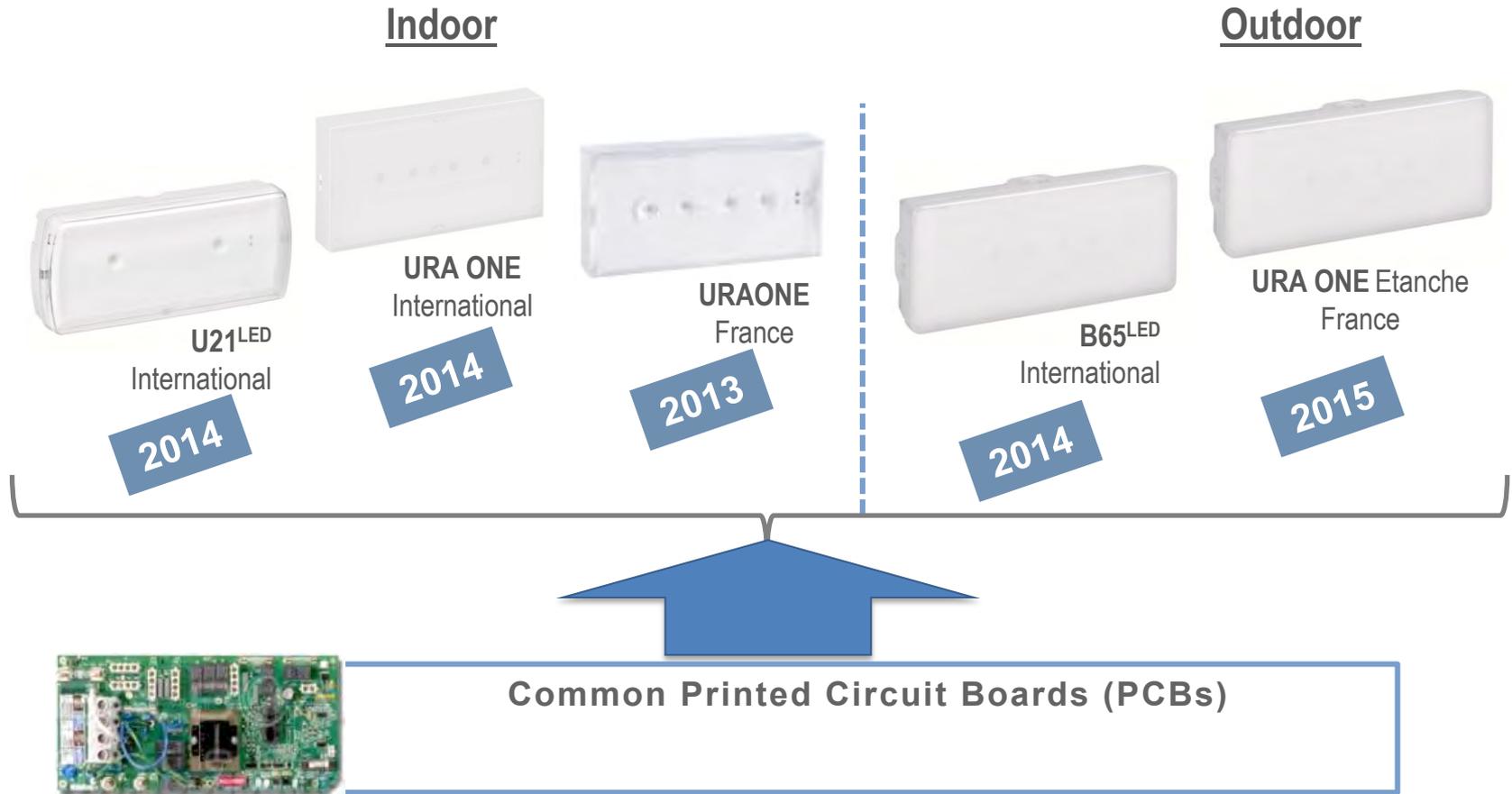
⁽¹⁾ Capital employed = net fixed assets + inventories

Reduce time to market and fuel innovation
Decrease production cost and capital employed

PLATFORM CONCEPT
VDI CABINETS

One common group solution to replace and improve 4 historical ranges:
a unique international range as entry offer

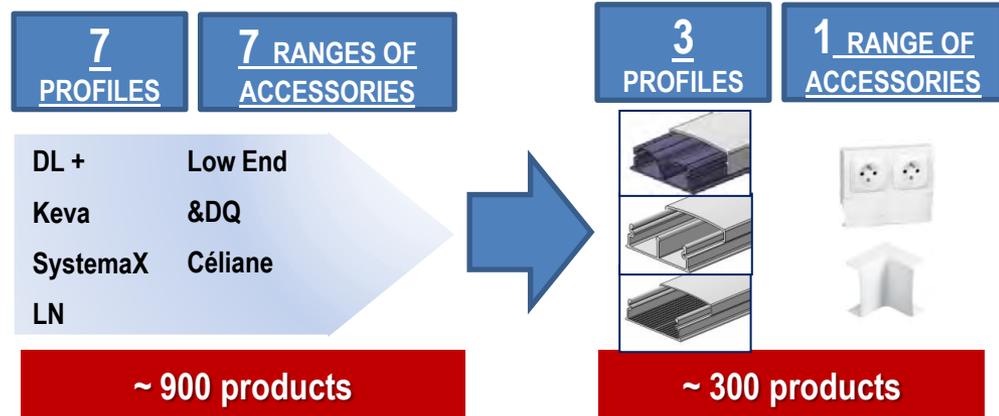
PLATFORM CONCEPT EMERGENCY LIGHTING



An extended international offer redesigned with common engines:
number of PCBs divided by 5

PLATFORM CONCEPT TRUNKING

- Minitrunking platforms: from 7 to 3 ranges



- Trunking platforms: from 9 to 6 ranges



Increase competitiveness
Reduce capex and time to market

4

**PUSH THE INDUSTRIAL
MODEL TO SUPPORT
BUSINESS INITIATIVES**

ADDITIONAL GAINS FROM SBU COORDINATION

- **Increase saturation rate and pooling of technology workshops**
 - Metallic components
 - Electronic products
 - Technocenters

- **On average, improvement of saturation rate by ~10/15 points**

ADDITIONAL GAINS FROM SBU COORDINATION GLOBAL DEPLOYMENT OF INDUSTRIAL BEST PRACTICES

Legrand Way

PEOPLE

PROCESS

FLOW

Improved direct and indirect labor efficiency	Group	2009	2013	2016-2020
	Indirect labor / Direct labor		0.46	0.34

Higher flexibility for a better service	~10 point improvement in average efficiency rate in workshops after implementation
---	--

Lower work in progress inventory	WD ⁽²⁾ WIP inventory		Group WIP inventory	
	2009	2013	2016-2020	Vs 2013
	14 days	10 days	<10 days ⁽¹⁾	~ -20%

(1) At comparable structure

(2) Wiring Devices

ADDITIONAL GAINS FROM SBU COORDINATION TOWARDS A MORE FINE-TUNED SUPPLY CHAIN

- **Differentiate supply chain based on customer expectations**
 - Project versus flow business
 - Eco versus high end
 - Make to order versus make to stock

- **Organize diversity management**
 - Multibrand
 - Postponement
 - Phasing in / Phasing out of new / old ranges

Group inventory to sales		
2006-2008	2010-2013	2016-2020
~15%	~14%	~12% ⁽¹⁾

(1) At comparable structure

5

ENHANCE PERFORMANCE IN NEW ECONOMIES

ENHANCE PERFORMANCE IN NEW ECONOMIES

□ Multiple geographical initiatives

- Growing capacities: Egypt, Thailand, etc.
- Industrial plans:
 - Combined purposes: productivity, better service, tax opportunities
 - Brazil, India, China, Turkey, Russia, etc.
- New territories: Malaysia, Indonesia, etc.

□ Several levers

- Legrand Way
- Invest in light automation
- Continue to push very low cost



**Productivity
gains to be reinvested in
growth initiatives**

ENHANCE
PERFORMANCE IN
NEW ECONOMIES

RUSSIA BUSINESS CASE

Targets:

Headcount: -15%

Industrial sq.m: -60%

Local manufacturing: ~60% from ~30% in 2009

ROI: < 2 years

Closure of Dubna (2013)

ULYANOVSK

New plant in Novgorod



Kontaktor plant streamlining



6

GROW FROM A MULTIPOLAR ORGANIZATION

VDI CONNECTORS

LCS2 for Standard Segment



VDI LCS2 offer (high performance)

- **Development**
 - France, China
- **Production**
 - France, China
- **Destination markets**
 - France (2009),
World excluding USA (from 2010)

Linkeo for Entry level Segment



VDI Linkeo offer (entry level)

- **Development**
 - France, China
- **Production**
 - China
- **Destination markets**
 - China (2012), India (2014), Latam (from 2013),
Central and Eastern Europe (from 2012)

GROW FROM A
MULTIPOLAR
ORGANIZATION

FLOOR BOXES



Mosaic Floor Boxes

- Development
 - France
- Production
 - Central Europe
- Destination markets
 - World excluding USA (starting 2016)

Small Floor Boxes

- Development
 - China
- Production
 - China
- Destination markets
 - Asia and MEA (starting 2015)

GROW FROM A
MULTIPOLAR
ORGANIZATION

DOOR ENTRY SYSTEMS - FULL IP



□ Development

- China, Italy

□ Production

- China

□ Destination markets

- China as primary market (2014)
- Worldwide (starting 2015)



7

CONCLUSION

2003-2008

2009-2013

From 2014

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Rationalization

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Multipolar organization

Setting up SBUs

- Extend platform concept
- Push the industrial model to support business initiatives
- Enhance performance in new economies
- Grow from a multipolar organization



Investor Day – July 3, 2014

VALUE CREATION MANAGEMENT

Antoine BUREL - CFO



AGENDA

- **Financial performance management**

- **“Value creation” since IPO**

- **Balanced “value creation” allocation to growth and shareholders**

- **Next steps**

2003-2008

2009-2013

From 2014

New KPIs and incentive schemes to boost value creation

- **KPI-Measure:** Market shares and Economic Income concept combining growth, profitability and control of capital employed
- **Monitoring process:** Annual budget, monthly performance review
- **Compensation:** LTI plan for key people

Adapting processes to crisis and fast changing end-markets

- **KPI-Measure:** Setting targets of Economic Income based on multi-scenarios to adapt to fast-changing end markets trends
- **Monitoring process:** Implementing Financial Performance Contract (FPC) with countries monitored through Quarterly Performance Review (QPR)
- **Compensation:** Aligning bonus with FPC achievement – Expanding LTI plan internationally and across the organization

Next steps

FINANCIAL PERFORMANCE MANAGEMENT (1/2)

3 PILLARS

KPIs

Market shares

Economic Income

Sales growth
Profitability
Capital employed

Processes

Annual budget

Strategic review
Financial Performance Contract (FPC)
based on multi scenarios

Quarterly performance review

Budget scenario update based on macro trends
(up or down)

Monthly reporting

FPC monitoring vs latest validated scenario

People & Compensation

Long term incentive plan

Aligned with strategic objectives

Short term bonus

Aligned with FPC

FINANCIAL PERFORMANCE MANAGEMENT (2/2) ACHIEVEMENTS

As % of sales (rounded figures)	<u>1992-2002</u> <u>average</u>	<u>2003-2008</u> <u>average</u>	<u>2009-2013</u> <u>average</u>
Adjusted operating margin	14%	16%	19%
Capex	8%	4%	3% ⁽¹⁾
Working capital requirement	21%	13%	≤10%
Free cash flow	6%	11%	13% ⁽²⁾

(1) *Expected to fluctuate between 3% to 3.5%*

(2) *On a normalized basis with working capital requirement representing 10% of the last 12 months' sales, and whose change is at constant scope of consolidation and exchange rates*

“VALUE CREATION” SINCE IPO⁽¹⁾

Capital employed⁽²⁾

~+2%
(2006-2013 CAGR)

EPS

~+10%
(2006-2013 CAGR)

TSR⁽³⁾

~+14% per year
(from April 6th 2006 to June 30th 2014)

(1) April 2006

(2) (Net debt + equity – investments in associates) adjusted for asset step-up related to the acquisition of Legrand France in 2002 net of deferred tax

(3) Total Shareholder Return, dividend being reinvested in shares

BALANCED “VALUE CREATION” ALLOCATION TO GROWTH AND SHAREHOLDERS

In € million (rounded figures)	(i) <u>2006</u>	<u>Avg</u> <u>2007-2010</u>	(ii) <u>Avg</u> <u>2011-2013</u>	(ii)-(i)
Growth investment (Capex, R&D, Acquisitions)	390	460	530	+140
Dividend	110	170	250	+140

2003-2008

2009-2013

From 2014

New KPIs and incentive schemes to boost value creation

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- **Compensation:** Aligning bonus with FPC achievement – Expanding LTI plan internationally and across the organization

Next steps

- **KPI-Measure:** Net Economic Profit After Tax (NEPAT) concept to measure net/net performance
- **Monitoring process:** Strategic Business Units (SBU) / Export empowerment
- **Compensation:** LTI large plan retained - Future long-term performance conditions introduced for key people

NEXT STEPS

KPIs

Market shares

Economic Income

+

NEPAT

(Net Economic Profit After Tax)

Processes

Annual budget

Quarterly performance review

Monthly reporting

+

**SBU and export
empowerment**

People & Compensation

Long term incentive plan

Short term bonus

+

**Longer term
performance
conditions**

APPENDICES

2014-2018 CSR ROADMAP

STAFF AXIS – 6 PRIORITIES

STAFF

Respecting Human Rights

- | | |
|---|--|
| 1 | Mapping and annually assessing workforce exposure to the risk of violation of human rights in the workplace and deploying measures for improvement as appropriate. |
|---|--|

Guaranteeing safety and health at work

- | | |
|---|---|
| 2 | Implementing and maintain a work-related risk control plan covering at least 90% of the workforce. |
| 3 | Implementing the safety and health monitoring and improvement process and maintaining coverage of at least 90% of the workforce, with the objective of reducing by 20% the Group accident frequency rate. |

Developing skills and promoting diversity

- | | |
|---|---|
| 4 | Maintaining a dynamic approach to talent and skills management, suited to employee expectations and market needs. |
| 5 | Increasing by 25% the number of women in key positions. |
| 6 | Reducing by 15% the male/female pay gap in non-managerial positions in the Group. |

2014-2018 CSR ROADMAP

ENVIRONMENT AXIS – 3 PRIORITIES

ENVIRONMENT

Reducing the Group's environmental footprint

- 1 Decreasing energy intensity by 10%.
- 2 Achieving a rate above 90% of ISO 14001 certification of the Group's industrial and logistics facilities

Innovating for a circular economy

- 3 Deploying the principles of a circular economy from the product design phase and until the end-of-life recovery of products.

2014-2018 CSR ROADMAP

USER AXIS – 7 PRIORITIES

USER

Providing sustainable solutions

- | | |
|---|---|
| 1 | Increasing by 50% Group sales of solutions offering improved living conditions and greater comfort. |
| 2 | Extending the deployment of initiatives in favour of product quality and against counterfeiting in the electrical industry. |
| 3 | Providing product environmental data compliant with ISO 14025 for products accounting for $\frac{2}{3}$ of total Group sales. |
| 4 | Avoiding the production of 1.5 million tons of CO ₂ equivalent. |

Playing a driving role in the electrical sector

- | | |
|---|--|
| 5 | Continuing providing training to industry players, with continual innovation in responding to local needs and specifics. |
| 6 | Continuing developing university partnerships and collaborative research projects, and implementing the resulting innovations. |
| 7 | Providing feedback schemes and customer satisfaction measurement for 95% of total Group sales. |

2014-2018 CSR ROADMAP

SOCIETY AXIS – 5 PRIORITIES

SOCIETY

Acting ethically

- 1 Having an additional 3,000 staff trained in business ethics.
- 2 Covering 100% of Group sales through a Group compliance programme monitoring scheme.

Ensuring responsible purchasing

- 3 Supporting 100% of sensitive suppliers in deploying an improvement approach on environmental issues, fundamental human rights at work, and business ethics.

Enabling access to electricity for all

- 4 Aiming to enable 800,000 additional people to benefit from access to electricity, whether directly or indirectly.
- 5 Ensuring the widest possible access to the benefits of Legrand Foundation initiatives.

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