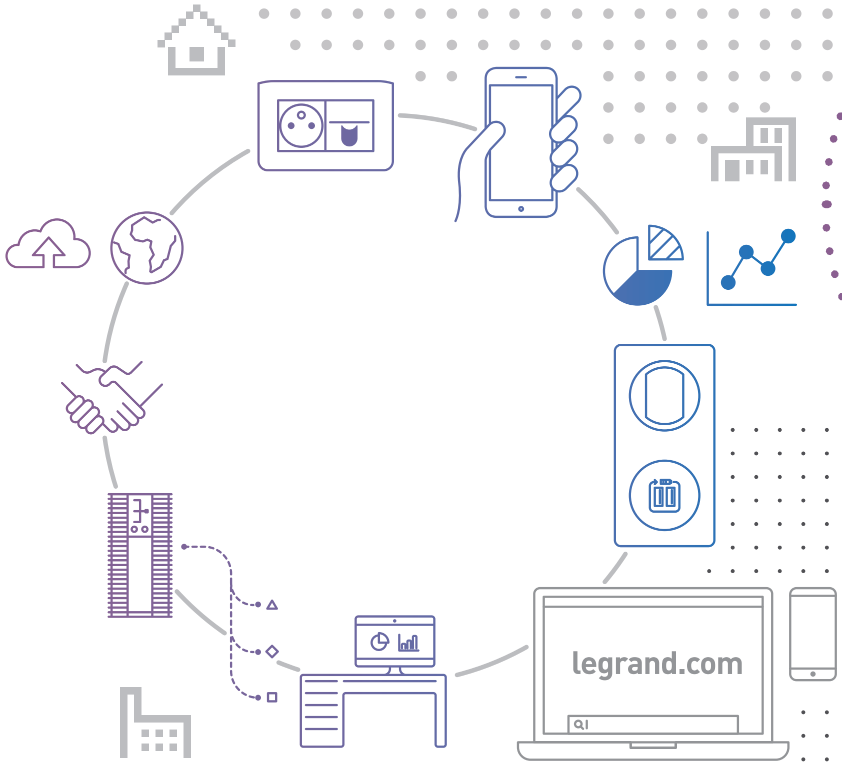
LEGRAND ESSENTIALS

CONSOLIDATED FINANCIAL INFORMATION

AS OF DECEMBER 31, 2019



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CONSOLIDATED FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS, LIABILITIES, FINANCIAL POSITION AND RESULTS

1.1 - CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018

1.1.1 - Consolidated statement of income

	12 months ended	
(in € millions)	December 31, 2019	December 31, 2018
Net sales (Notes 2.1 et 2.2)	**6,622.3**	**5,997.2**
Operating expenses (Note 2.3)		
Cost of sales	(3,184.5)	(2,869.7)
Administrative and selling expenses	(1,764.4)	(1,606.8)
Research and development costs	(312.0)	(276.5)
Other operating income (expenses)	(124.0)	(105.2)
Operating profit	**1,237.4**	**1,139.0**
Financial expenses	(91.1)	(79.1)
Financial income	11.9	12.0
Exchange gains (losses)	(2.0)	2.2
Financial profit (loss)	**(81.2)**	**(64.9)**
Profit before tax	**1,156.2**	**1,074.1**
Income tax expense (Note 2.4)	(318.3)	(301.3)
Share of profits (losses) of equity-accounted entities	**(1.8)**	**(0.4)**
Profit for the period	**836.1**	**772.4**
Of which:		
- **Net profit attributable to the Group**	**834.8**	**771.7**
- **Minority interests**	**1.3**	**0.7**
Basic earnings per share *(euros)* (Note 4.1.3)	3.129	2.892
Diluted earnings per share *(euros)* (Note 4.1.3)	3.103	2.869

The accompanying Notes are an integral part of these consolidated financial statements.

1.1.2 - Consolidated statement of comprehensive income

	12 months ended	
(in € millions)	**December 31, 2019**	**December 31, 2018**
Profit for the period	836.1	772.4
Items that may be reclassified subsequently to profit or loss		
Translation reserves	77.2	42.6
Cash flow hedges	0.4	0.0
Income tax relating to components of other comprehensive income	4.4	6.0
Items that will not be reclassified to profit or loss		
Actuarial gains and losses (Note 4.5.1.1)	(33.2)	(1.5)
Deferred taxes on actuarial gains and losses	7.7	(0.1)
Other (Note 5.1.1.1)	(0.9)	4.8
Comprehensive income for the period	**891.7**	**824.2**
Of which:		
- Comprehensive income attributable to the Group	**890.3**	**823.5**
- Minority interests	**1.4**	**0.7**

The accompanying Notes are an integral part of these consolidated financial statements.

1.1.3 - Consolidated balance sheet

ASSETS

(in € millions)	December 31, 2019	December 31, 2018
Non-current assets		
Intangible assets (Note 3.1)	2,474.4	2,309.7
Goodwill (Note 3.2)	4,566.2	4,322.0
Property, plant and equipment (Note 3.3)	707.7	661.4
Right-of-use assets (Note 3.4)	312.1	0.0
Investments in equity-accounted entities	18.8	17.4
Other investments	1.9	2.1
Other non-current assets	34.9	14.3
Deferred tax assets (Note 4.7)	107.6	107.8
TOTAL NON CURRENT ASSETS	**8,223.6**	**7,434.7**
Current assets		
Inventories (Note 3.5)	852.6	885.9
Trade receivables (Note 3.6)	756.8	666.4
Income tax receivables	60.2	89.6
Other current assets (Note 3.7)	217.5	206.0
Other current financial assets	1.2	1.2
Cash and cash equivalents (Note 3.8)	1,710.9	1,022.5
TOTAL CURRENT ASSETS	**3,599.2**	**2,871.6**
TOTAL ASSETS	**11,822.8**	**10,306.3**

The accompanying Notes are an integral part of these consolidated financial statements.

EQUITY AND LIABILITIES

(in € millions)	December 31, 2019	December 31, 2018
Equity		
Share capital (Note 4.1)	1,069.1	1,070.0
Retained earnings (Notes 4.2 and 4.3.1)	4,486.6	4,051.8
Translation reserves (Note 4.3.2)	(453.5)	(530.6)
Equity attributable to equity holders of Legrand	5,102.2	4,591.2
Minority interests	9.9	5.9
TOTAL EQUITY	**5,112.1**	**4,597.1**
Non-current liabilities		
Long-term provisions (Notes 4.4 and 4.5.2)	146.7	145.2
Provisions for post-employment benefits (Note 4.5.1)	181.0	155.9
Long-term borrowings (Note 4.6.1)	3,575.4	2,918.6
Deferred tax liabilities (Note 4.7)	750.8	701.0
TOTAL NON-CURRENT LIABILITES	**4,653.9**	**3,920.7**
Current liabilities		
Trade payables	654.2	662.0
Income tax payables	28.3	31.5
Short-term provisions (Note 4.4)	104.1	87.9
Other current liabilities (Note 4.8)	653.0	605.2
Short-term borrowings (Note 4.6.2)	616.2	400.5
Other current financial liabilities	1.0	1.4
TOTAL CURRENT LIABILITIES	**2,056.8**	**1,788.5**
TOTAL EQUITY AND LIABILITIES	**11,822.8**	**10,306.3**

The accompanying Notes are an integral part of these consolidated financial statements.

1.1.4 - Consolidated statement of cash flows

	12 months ended	
(in € millions)	December 31, 2019	December 31, 2018
Profit for the period	**836.1**	**772.4**
Adjustments for non-cash movements in assets and liabilities:		
– Depreciation and impairment of tangible assets (Note 2.3)	113.6	100.9
– Amortization and impairment of intangible assets (Note 2.3)	95.9	78.2
– Amortization and impairment of capitalized development costs (Note 2.3)	27.4	28.1
– Amortization of right-of-use assets (Note 3.4)	69.7	0.0
– Amortization of financial expenses	2.8	2.5
– Impairment of goodwill (Note 3.2)	0.0	0.0
– Changes in long-term deferred taxes	24.4	64.3
– Changes in other non-current assets and liabilities (Notes 4.4 and 4.5)	40.2	41.5
– Unrealized exchange (gains)/losses	5.1	6.3
– Share of (profits) losses of equity-accounted entities	1.8	0.4
– Other adjustments	(0.3)	0.8
– Net (gains)/losses on sales of assets	5.0	5.1
Changes in working capital requirement:		
– Inventories (Note 3.5)	66.2	(121.4)
– Trade receivables (Note 3.6)	(51.1)	(11.3)
– Trade payables	(22.1)	30.3
– Other operating assets and liabilities (Notes 3.7 and 4.8)	24.7	(72.8)
Net cash from operating activities	**1,239.4**	**925.3**
– Net proceeds from sales of fixed and financial assets	7.1	5.3
– Capital expenditure (Notes 3.1 and 3.3)	(166.9)	(150.6)
– Capitalized development costs	(35.3)	(33.7)
– Changes in non-current financial assets and liabilities	(8.6)	1.6
– Acquisitions of subsidiaries, net of cash acquired (Note 1.3.2)	(452.7)	(394.4)
Net cash from investing activities	**(656.4)**	**(571.8)**
– Proceeds from issues of share capital and premium (Note 4.1.1)	6.3	13.2
– Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 4.1.2)	(18.0)	(52.1)
– Dividends paid to equity holders of Legrand (Note 4.1.3)	(357.1)	(336.8)
– Dividends paid by Legrand subsidiaries	0.0	(0.3)
– Proceeds from long-term financing (Note 4.6)	402.4	418.7
– Repayment of long-term financing* (Note 4.6)	(72.2)	(400.5)
– Debt issuance costs	(6.3)	(3.7)
– Increase (reduction) in short-term financing (Note 4.6)	148.5	249.2
– Acquisitions of ownership interests with no gain of control (Note 1.3.2)	(5.0)	(39.9)
Net cash from financing activities	**98.6**	**(152.2)**
Translation net change in cash and cash equivalents	6.8	(1.8)
Increase (decrease) in cash and cash equivalents	**688.4**	**199.5**
Cash and cash equivalents at the beginning of the period	1,022.5	823.0
Cash and cash equivalents at the end of the period (Note 3.8)	**1,710.9**	**1,022.5**
Items included in cash flows:		
– Interest paid during the period**	76.0	77.9
– Income taxes paid during the period	261.5	255.0

** Of which €67.0 million corresponding to lease financial liabilities repayment for the 12 months ended December 31, 2019.*

*** Interest paid is included in the net cash from operating activities; of which €9.7 million interests on lease financial liabilities for the 12 months ended December 31, 2019.*

The accompanying Notes are an integral part of these consolidated financial statements.

1.1.5 - Consolidated statement of changes in equity

	Equity attributable to the Group						
(in € millions)	**Share capital**	**Retained earnings**	**Translation reserves**	**Actuarial gains and losses***	**Total**	**Minority interests**	**Total equity**
As of December 31, 2017	**1,067.2**	**3,706.7**	**(573.2)**	**(62.1)**	**4,138.6**	**9.5**	**4,148.1**
Profit for the period		771.7			771.7	0.7	772.4
Other comprehensive income		10.8	42.6	(1.6)	51.8	0.0	51.8
Total comprehensive income		782.5	42.6	(1.6)	823.5	0.7	824.2
Dividends paid		(336.8)			(336.8)	(0.3)	(337.1)
Issues of share capital and premium	2.8	10.4			13.2		13.2
Cancellation of shares held in treasury	0.0	0.0			0.0		0.0
Net sales (buybacks) of treasury shares and transactions under the liquidity contract		(52.1)			(52.1)		(52.1)
Change in scope of consolidation**		(18.8)			(18.8)	(4.0)	(22.8)
Current taxes on share buybacks		0.7			0.7		0.7
Share-based payments		22.9			22.9		22.9
As of December 31, 2018	**1,070.0**	**4,115.5**	**(530.6)**	**(63.7)**	**4,591.2**	**5.9**	**4,597.1**
Profit for the period		834.8			834.8	1.3	836.1
Other comprehensive income		3.9	77.1	(25.5)	55.5	0.1	55.6
Total comprehensive income		838.7	77.1	(25.5)	890.3	1.4	891.7
Dividends paid		(357.1)			(357.1)	0.0	(357.1)
Issues of share capital and premium (Note 4.1.1)	1.3	5.0			6.3		6.3
Cancellation of shares held in treasury (Note 4.1.1)	(2.2)	(32.7)			(34.9)		(34.9)
Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 4.1.2)		16.9			16.9		16.9
Change in scope of consolidation**		(22.2)			(22.2)	2.6	(19.6)
IFRS 16 transition impact (Note 1.2.1.1)		(12.7)			(12.7)		(12.7)
Current taxes on share buybacks		(1.3)			(1.3)		(1.3)
Share-based payments (Note 4.2)		25.7			25.7		25.7
As of December 31, 2019	**1,069.1**	**4,575.8**	**(453.5)**	**(89.2)**	**5,102.2**	**9.9**	**5,112.1**

** Net of deferred taxes.*

*** Corresponds mainly to acquisitions of additional shares in companies already consolidated and to puts on minority interests.*

The accompanying Notes are an integral part of these consolidated financial statements.

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1.1.6 - Notes to the consolidated financial statements

KEY FIGURES

(in € millions)	2019	2018
Net sales	**6,622.3**	**5,997.2**
Adjusted operating profit	**1,326.1**	**1,212.1**
As % of net sales	20.0% (1)	20.2%
	20.4% before acquisitions (2)	
Operating profit	**1,237.4**	**1,139.0**
As % of net sales	18.7% (1)	19.0%
Net profit attributable to the Group	**834.8**	**771.7**
As % of net sales	12.6% (3)	12.9%
Normalized free cash flow	**1,009.8**	**893.5**
As % of net sales	15.2% (4)	14.9%
Free cash flow	**1,044.3**	**746.3**
As % of net sales	15.8% (4)	12.4%
Net financial debt at December 31	**2,480.7** (5)	**2,296.6**

(1) Including a favorable impact of around +0.1 points linked to implementation of the IFRS 16 standard.

(2) At 2018 scope of consolidation.

(3) Implementation of the IFRS 16 standard does not have a significant impact on net profit attributable to the Group.

(4) Including a favorable impact of around +1.0 point linked to implementation of the IFRS 16 standard.

(5) Including €319.8 million in lease financial liabilities (implementation of the IFRS 16 standard since January 1, 2019).

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

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

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

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

The reconciliation of key figures with the financial statements is available in Note 5.6.

NOTE 1 - BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 GENERAL INFORMATION

Legrand ("the Company") along with its subsidiaries (together "Legrand" or "the Group") is the global specialist in electrical and digital building infrastructures.

The Group has manufacturing and/or distribution subsidiaries and offices in close to 90 countries and sells its products in close to 180 countries.

The Company is a French société anonyme incorporated and domiciled in France. Its registered office is located at 128, avenue du Maréchal de Lattre de Tassigny – 87000 Limoges (France).

The 2018 Registration Document was filed with the AMF (French Financial Markets Authority) on April 10, 2019 under no. D. 19-0306.

The consolidated financial statements were approved by the Board of Directors on February 12, 2020.

All amounts are presented in millions of euros unless otherwise specified. Some totals may include rounding differences.

1.2 ACCOUNTING POLICIES

As a company incorporated in France, Legrand is governed by French company laws, including the provisions of the Code de commerce (French Commercial Code).

The consolidated financial statements cover the 12 months ended December 31, 2019. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee publications adopted by the European Union and applicable or authorized for early adoption from January 1, 2019.

None of the IFRS issued by the International Accounting Standards Board (IASB) that have not been adopted for use in the European Union are applicable to the Group.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies.

The areas involving a specific degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1.2.3.

The consolidated financial statements have been prepared using the historical cost convention, except for some classes of assets and liabilities in accordance with IFRS. The classes concerned are mentioned in Note 5.1.1.2.

1.2.1 New standards, amendments and interpretations that may impact the Group's financial statements

1.2.1.1 *New standards, amendments and interpretations with mandatory application from January 1, 2019 that have an impact on the Group's 2019 financial statements*

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16 – Leases, which supersedes IAS 17.

IFRS 16 provides a single lessee accounting model for the majority of leases with a term of more than 12 months. This model requires the lessee to recognize a right-of-use asset and a financial liability in the balance sheet when a lease contract conveys the right to control the use of an identified asset.

In this model, the lease expense is recognized partly as a depreciation charge within operating expenses and partly as an interest expense within financial expenses.

The IFRS 16 standard was applied from January 1, 2019 using the simplified retrospective transition method ("cumulative catch-up" method). As a result, the 2018 comparative period has not been restated.

The net transition impact as of January 1, 2019 resulted in a decrease in equity of €12.7 million following the recognition of:

- €249.1 million in right-of-use assets (excluding the reclassification of capitalized leased assets existing as of December 31, 2018);
- €270.2 million in lease financial liabilities; and
- €8.4 million mainly in deferred tax assets.

The reconciliation in millions of euros between the value of off-balance sheet commitments related to leases contracts as of end December 2018 and the value of transition lease financial liabilities is detailed as follows:

Off-balance sheet commitments related to lease contracts as of end December 2018	**265**
Off-balance sheet commitments related to lease contracts outside the scope of IFRS 16	(5)
Off-balance sheet commitments related to lease contracts in the scope of IFRS 16 and starting after the transition	(12)
Off-balance sheet commitments related to lease contracts within the transition scope	**248**
Renewal options taken into account during the transition (not included in off-balance sheet commitments)	66
Discounting effect	(44)
Transition lease financial liabilities	**270**
Weighted average discount rate for the transition	*2.8%*

The main impacts resulting from the implementation of this standard are mentioned in the key figures and are further described in Note 3.4.

IFRIC 23 - Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 – Uncertainty over Income Tax Treatments.

According to this interpretation, when it is not probable that the relevant tax authority will accept a given tax treatment, this uncertainty should be reflected in income tax calculations, while the risk of detection by the tax authority should be considered as certain.

The application of IFRIC 23 had no material impact on the Group's financial statements as of January 1, 2019.

1.2.1.2 *New standards, amendments and interpretations with mandatory application from January 1, 2019 that have no impact on the Group's 2019 financial statements*

Amendments to IAS 19 – Employee Benefits

In February 2018, the IASB issued limited amendments to IAS 19 – Employee Benefits.

These amendments specify that, in case of amendment, curtailment or settlement of a defined benefit pension plan, the entity must use the updated actuarial assumptions to determine the service cost and the net interest cost for the period following the plan amendment.

They also specify that the impact of such cases on any plan surpluses must be accounted for in the income statement even if these surpluses were not previously recognized.

1.2.1.3 *New standards, amendments and interpretations adopted by the European Union and not applicable to the Group until future periods*

Not applicable.

1.2.1.4 *New standards, amendments and interpretations not yet adopted by the European Union and not applicable to the Group until future periods*

Amendments to IAS 1 and IAS 8 – Definition of Materiality

In October 2018, the IASB issued amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

These amendments clarify that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of the financial statements make.

These amendments, which have not yet been adopted by the European Union, should be effective for annual periods beginning on or after January 1, 2020.

The Group reviewed these amendments, to determine their possible impact on the consolidated financial statements and related disclosures. These amendments should have no material impact on the Group.

1.2.2 Basis of consolidation

Subsidiaries are consolidated if they are controlled by the Group.

The Group has exclusive control over an entity when it has power over the entity, i.e., it has substantive rights to govern the entity's key operations, is exposed to variable returns from its involvement with the entity and has the ability to affect those returns.

Such subsidiaries are fully consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Any entity over which the Group has either:

- significant influence (a situation that occurs when the Group holds more than 20% of the voting rights without providing it with substantive rights to govern the entity's key operations); or
- joint control (a situation where the Group's participation gives it substantive rights to govern the entity's key operations jointly with a partner but does not provide exclusive control to the Group);

is consolidated using the equity method.

Such subsidiaries are initially recognized at acquisition cost and consolidated from the date when effective control is transferred to the Group. They are deconsolidated from the date on which control ceases.

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in euros, which is the Company's functional and presentation currency.

1.2.3 Use of judgments and estimates

The preparation of financial statements in conformity with IFRS 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, and are believed to be reasonable under the circumstances.

1.2.3.1 *Impairment of goodwill and intangible assets*

Trademarks with indefinite useful lives and goodwill are tested for impairment at least once a year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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.

Future events could cause the Group to conclude that evidence exists that certain intangible assets acquired in a business combination are impaired. Any resulting impairment loss could have a material adverse effect on the Group's consolidated financial statements and in particular on the Group's operating profit.

Discounted cash flow estimates (used for impairment tests on goodwill and trademarks with indefinite useful lives) are based on management's estimates of key assumptions, especially discount rates, long-term growth and profitability rates and royalty rates for trademarks with indefinite useful lives.

1.2.3.2 *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 or prepaid expenses 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 sufficient taxable profit will be available, based on management-approved taxable profit forecasts.

The Group has not recognized all of its deferred tax assets because it is not probable that some of them will be recovered before they expire. The amounts involved mainly concern operating losses carried forward and foreign income tax credits. The assessment is based on management's estimates of future taxable profit by jurisdiction in which the Group operates and the period over which the deferred tax assets are recoverable.

1.2.3.3 *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, share-based payments, provisions for contingencies and charges, right-of-use assets, capitalized development costs, and any annual volume rebates offered to customers.

1.3 SCOPE OF CONSOLIDATION

1.3.1 List of main consolidated companies

The consolidated financial statements comprise the financial statements of Legrand and its 200 subsidiaries.

The main operating subsidiaries as of December 31, 2019, all of which being 100% owned and fully consolidated, are as follows:

Europe		
Legrand Group Belgium	Belgium	Diegem
Legrand France	France	Limoges
Legrand SNC	France	Limoges
Legrand ZRT	Hungary	Szentes
Bticino SpA	Italy	Varese
Legrand Nederland B.V.	Netherlands	Boxtel
Legrand Polska	Poland	Zabkowice
Legrand LLC	Russia	Moscow
Legrand Group España	Spain	Madrid
Inform Elektronik	Turkey	Pelitli
Legrand Elektrik	Turkey	Gebze
Legrand Electric	United Kingdom	Birmingham
North and Central America		
Bticino de Mexico SA de CV	Mexico	Querétaro
Finelite Inc.	United States	Union City
Kenall Manufacturing Co.	United States	Kenosha
Legrand AV Inc.	United States	Eden Prairie
Ortronics Inc.	United States	New London
Pass & Seymour Inc.	United States	Syracuse
Pinnacle Architectural Lighting Inc.	United States	Denver
Raritan Inc.	United States	Somerset
Server Technology Inc.	United States	Reno
Starline Holdings LLC	United States	Canonsburg
The WattStopper Inc.	United States	Santa Clara
The Wiremold Company	United States	West Hartford
Rest of the world		
Legrand Group Pty Ltd	Australia	Sydney
GL Eletro-Eletronicos Ltda	Brazil	Sao Paulo
HDL Da Amazonia Industria Eletronica Ltda	Brazil	Manaus
Electro Andina Ltda	Chile	Santiago
DongGuan Rocom Electric	China	Dongguan
TCL International Electrical	China	Huizhou
TCL Wuxi	China	Wuxi
Legrand Colombia	Colombia	Bogota
Novateur Electrical and Digital Systems	India	Mumbai

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1.3.2 Changes in the scope of consolidation

The contributions to the Group's consolidated financial statements of companies acquired since January 1, 2018 were as follows:

2018	March 31	June 30	September 30	December 31
Full consolidation method				
Modulan	Balance sheet only	Balance sheet only	6 months' profit	9 months' profit
GemNet		Balance sheet only	Balance sheet only	7 months' profit
Shenzen Clever Electronic			Balance sheet only	6 months' profit
Kenall				Balance sheet only
Debflex				Balance sheet only
Netatmo				Balance sheet only
Trical				Balance sheet only

2019	March 31	June 30	September 30	December 31
Full consolidation method				
Modulan	3 months' profit	6 months' profit	9 months' profit	12 months' profit
GemNet	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Shenzen Clever Electronic	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Kenall	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Debflex	Balance sheet only	6 months' profit	9 months' profit	12 months' profit
Netatmo	Balance sheet only	6 months' profit	9 months' profit	12 months' profit
Trical	Balance sheet only	6 months' profit	9 months' profit	12 months' profit
Universal Electric		Balance sheet only	6 months' profit	9 months' profit
Connectrac				Balance sheet only
Jobo Smartech				Balance sheet only

The main acquisitions carried out in 2019 were as follows:

- Universal Electric Corporation, the US leader in busways. Universal Electric Corporation reports annual sales of over $175 million;
- Connectrac, an innovative US company specializing in over-floor power and data distribution for new construction and renovation of commercial buildings. Connectrac reports annual sales of around $20 million;
- Jobo Smartech, a leading Chinese provider of connected management solutions for China's hotel segment. Jobo Smartech generates annual sales of over €10 million.

Acquisitions of subsidiaries (net of cash acquired) came to a total of €452.7 million in 2019.

As of December 31, 2019, these acquisitions led to the recognition of €116.4 million in intangible assets excluding goodwill, €53.2 million in other acquired assets net of liabilities, and consequently €283.1 million in goodwill.

NOTE 2 - RESULTS FOR THE YEAR

2.1 SEGMENT INFORMATION

In accordance with IFRS 8, operating segments are determined based on the reporting made available to the chief operating decision maker of the Group and to the Group's management.

Given that Legrand activities are carried out locally, the Group is organized for management purposes by countries or groups of countries which have been allocated for internal reporting purposes into three operating segments since January 1, 2019, following the recent change in the Group's front office organization:

- Europe, including France, Italy and Rest of Europe (mainly including Benelux, Germany, Iberia (including Portugal and Spain), Poland, Russia, Turkey, and the United Kingdom);
- North and Central America, including Canada, Mexico, the United States, and Central American countries; and
- Rest of the world, mainly including Australia, China, India, Saudi Arabia and South America (including particularly Brazil, Chile and Colombia).

These three operating segments are under the responsibility of three segment managers who are directly accountable to the chief operating decision maker of the Group.

The economic models of subsidiaries within these segments are quite similar. Indeed, their sales are made up of electrical and digital building infrastructure products in particular to electrical installers, sold mainly through third-party distributors.

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12 months ended December 31, 2019

(in € millions)	Europe	North and Central America	Rest of the world	Total
Net sales to third parties	**2,758.0** (1)	**2,602.9** (2)	**1,261.4**	**6,622.3**
Cost of sales	(1,230.4)	(1,254.9)	(699.2)	(3,184.5)
Administrative and selling expenses, R&D costs	(883.5)	(860.5)	(332.4)	(2,076.4)
Other operating income (expenses)	(71.3)	(40.3)	(12.4)	(124.0)
Operating profit	**572.8**	**447.2**	**217.4**	**1,237.4**
- of which acquisition-related amortization, expenses and income				
· accounted for in administrative and selling expenses, R&D costs	(12.5)	(63.4)	(12.8)	(88.7)
· accounted for in other operating income (expenses)				0.0
- of which goodwill impairment				0.0
Adjusted operating profit	**585.3**	**510.6**	**230.2**	**1,326.1**
- of which depreciation expense	(65.5)	(22.7)	(25.0)	(113.2)
- of which amortization expense	(9.6)	(2.3)	(0.9)	(12.8)
- of which amortization of development costs	(26.1)	0.0	(1.3)	(27.4)
- of which amortization of right-of-use assets	(26.5)	(23.9)	(19.3)	(69.7)
- of which restructuring costs	(21.1)	(3.2)	(6.6)	(30.9)
Capital expenditure	(112.4)	(24.3)	(30.2)	(166.9)
Capitalized development costs	(33.5)	0.0	(1.8)	(35.3)
Net tangible assets	435.8	138.4	133.5	707.7
Total current assets	2,157.9	729.9	711.4	3,599.2
Total current liabilities	1,268.3	368.0	420.5	2,056.8

(1) Of which France: €1,124.3 million.

(2) Of which United States: €2,410.1 million.

12 months ended December 31, 2018

(in € millions)	Europe *	North and Central America	Rest of the world	Total
Net sales to third parties	**2,589.5** (1)	**2,223.2** (2)	**1,184.5**	**5,997.2**
Cost of sales	(1,137.1)	(1,069.6)	(663.0)	(2,869.7)
Administrative and selling expenses, R&D costs	(822.8)	(746.4)	(314.1)	(1,883.3)
Other operating income (expenses)	(40.6)	(29.5)	(35.1)	(105.2)
Operating profit	**589.0**	**377.7**	**172.3**	**1,139.0**
- of which acquisition-related amortization, expenses and income				
· accounted for in administrative and selling expenses, R&D costs	(6.1)	(53.6)	(11.2)	(70.9)
· accounted for in other operating income (expenses)	(2.2)	0.0	0.0	(2.2)
- of which goodwill impairment				0.0
Adjusted operating profit	**597.3**	**431.3**	**183.5**	**1,212.1**
- of which depreciation expense	(58.7)	(19.3)	(23.8)	(101.8)
- of which amortization expense	(7.6)	(2.8)	(0.9)	(11.3)
- of which amortization of development costs	(26.9)	0.0	(1.2)	(28.1)
- of which amortization of right-of-use assets				0.0
- of which restructuring costs	(11.1)	(4.4)	(12.4)	**(27.9)**
Capital expenditure	(100.9)	(22.0)	(27.7)	(251.5)
Capitalized development costs	(31.9)	0.0	(1.9)	(65.7)
Net tangible assets	414.8	119.1	127.5	661.4
Total current assets	1,476.9	647.3	747.4	2,871.6
Total current liabilities	1,077.4	320.3	390.8	**1,788.5**

(1) Of which France: €1,032.4 million.

(2) Of which United States: €2,039.6 million.

** For the period ended December 31, 2018, the presentation of the published data has been modified to reflect the change in operating segments starting January 1, 2019.*

2.2 NET SALES

The Group derived the large majority of its revenue from product sales to generalist and specialist distributors. The two largest distributors accounted for more than 17% of consolidated net sales in 2019. The Group estimates that no other distributor accounted for more than 5% of consolidated net sales.

Contracts with distributors are signed for a one-year period. As a general rule, there is only one performance obligation in these contracts, which is to sell and deliver products to the customer (the performance obligation related to delivery is not material within the context of customer contracts).

Within the context of these contracts, the Group owns the main risks and benefits resulting from the product sales, and therefore acts as the principal (and not as an agent).

Net sales are generally recognized at one point in time, corresponding to the date on which the control of the asset (products or, more rarely, services) is transferred to the customer, usually the date of shipment in the case of product sales. In the specific case of service sales where the customer consumes the service benefits over the period in which they are provided, net sales are recognized over time, i.e. spread over the period in which the services are provided to the customer.

Contracts with customers generally include variable payments in their favor, primarily deferred discounts and rebates, and occasionally commercial returns. These variable payments to customers are estimated at their most likely amount and accounted for when net sales are recognized, so that they will not subsequently generate any significant adverse adjustments. By default, variable payments to customers are accounted for as a deduction from net sales. Only payments made to customers in exchange for the transfer of products or services by these customers are accounted for as selling expenses, for the portion of these payments corresponding to the transferred products' or services' fair value.

In 2019, the Group's consolidated net sales came to €6,622.3 million, up +10.4% in total compared with 2018 due to organic growth (+2.6%), changes in scope of consolidation (+5.3%) and the favorable impact of exchange rates (+2.2%).

The Group sells its products in mature countries as well as many new economies (Eastern Europe and Turkey in the Europe operating segment, Central America and Mexico in the North and Central America operating segment, Asia excluding South Korea, Latin America, Africa and the Middle East in the Rest of the world operating segment).

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Net sales (by destination) in these two geographical areas are as follows:

	12 months ended	
(in € millions)	**December 31, 2019**	**December 31, 2018**
Mature countries	4,813.1	4,280.0
New economies	1,809.2	1,717.2
TOTAL	**6,622.3**	**5,997.2**

2.3 OPERATING EXPENSES

Operating expenses include the following main categories of costs:

	12 months ended	
(in € millions)	**December 31, 2019**	**December 31, 2018**
Raw materials and component costs	(2,152.9)	(1,972.4)
Personnel costs	(1,641.6)	(1,512.3)
Other external costs	(1,163.1)	(1,060.2)
Amortization of right-of-use assets	(69.7)	0.0
Depreciation and impairment of tangible assets	(113.6)	(100.9)
Amortization and impairment of intangible assets	(123.3)	(106.3)
Restructuring costs	(30.9)	(27.9)
Goodwill impairment	0.0	0.0
Other	(89.8)	(78.2)
OPERATING EXPENSES	**(5,384.9)**	**(4,858.2)**

"Other" primarily includes impairment losses and reversals on inventories (Note 3.5), trade receivables (Note 3.6), and provisions for contingencies (Note 4.4).

The Group had an average of 39,007 employees in 2019 (versus 38,377 in 2018), of which 31,389 back-office employees and 7,618 front-office employees (versus 30,957 and 7,420, respectively, in 2018).

2.4 INCOME TAX EXPENSE

Income tax expense consists of the following:

	12 months ended	
(in € millions)	December 31, 2019	December 31, 2018
Current taxes:		
France	(50.4)	(52.8)
Outside France	(244.1)	(188.6)
TOTAL	**(294.5)**	**(241.4)**
Deferred taxes:		
France	(8.1)	3.4
Outside France	(15.7)	(63.3)
TOTAL	**(23.8)**	**(59.9)**
Total income tax expense:		
France	(58.5)	(49.4)
Outside France	(259.8)	(251.9)
TOTAL	**(318.3)**	**(301.3)**

The reconciliation of total income tax expense for the period to income tax calculated at the standard tax rate in France is as follows, based on profit before tax of € 1,156.2 million in 2019 (versus € 1,074.1 million in 2018):

	12 months ended	
(Tax rate)	December 31, 2019	December 31, 2018
Standard French income tax rate	**34.43%**	**34.43%**
Increases (reductions):		
- Effect of foreign income tax rates	(9.87%)	(8.92%)
- Non-taxable items	0.64%	1.41%
- Income taxable at specific rates	(0.21%)	(0.17%)
- Other	2.89%	0.39%
	27.88%	**27.14%**
Impact on deferred taxes of:		
- Changes in tax rates	(0.37%)	0.39%
- Recognition or non-recognition of deferred tax assets	0.02%	0.52%
EFFECTIVE TAX RATE	**27.53%**	**28.05%**

NOTE 3 - DETAILS ON NON-CURRENT AND CURRENT ASSETS

3.1 INTANGIBLE ASSETS

(in € millions)	December 31, 2019	December 31, 2018
Trademarks	1,868.2	1,820.1
Patents	149.8	92.7
Other intangible assets	456.4	396.9
NET VALUE AT THE END OF THE PERIOD	**2,474.4**	**2,309.7**

3.1.1 Trademarks with indefinite and finite useful lives

The Legrand and Bticino brands represent close to 98% of the total value of trademarks with indefinite useful lives. These trademarks with indefinite useful lives are used internationally, and therefore contribute to all of the Group's cash-generating units.

They should contribute indefinitely to future consolidated cash flows because management plans to continue using them indefinitely. The Group performs periodical reviews of these trademarks' useful lives.

Trademarks with finite useful lives are amortized over their estimated useful lives ranging:

- from 10 years when management plans to gradually replace them by other major trademarks owned by the Group;
- to 20 years when management plans to replace them by other major trademarks owned by the Group only over the long term or when, in the absence of such an intention, management considers that the trademarks may be threatened by a major competitor in the long term.

Amortization of trademarks is recognized in the income statement under administrative and selling expenses.

Trademarks can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Gross value at the beginning of the period	2,092.7	2,042.4
- Acquisitions	82.9	35.5
- Disposals	0.0	0.0
- Translation adjustments	11.2	14.8
Gross value at the end of the period	**2,186.8**	**2,092.7**
Accumulated amortization and impairment at the beginning of the period	(272.6)	(232.1)
- Amortization expense	(42.4)	(36.9)
- Reversals	0.0	0.0
- Translation adjustments	(3.6)	(3.6)
Accumulated amortization and impairment at the end of the period	**(318.6)**	**(272.6)**
NET VALUE AT THE END OF THE PERIOD	**1,868.2**	**1,820.1**

To date, no significant impairment has been recognized for these trademarks.

Each trademark with an indefinite useful life is tested for impairment separately, in the fourth quarter of each year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment tests are performed using the relief from royalty method. This method consists of measuring the royalties that the company would have to pay to license the trademark from a third party. The theoretical value of these royalties is then measured by estimating future revenue generated by the trademark over its useful life, as if the trademark were owned by a third party.

The following impairment testing parameters were used in the period ended December 31, 2019:

			Value in use	
(in € millions)	**Recoverable amount**	**Carrying amount of trademarks with indefinite useful lives**	**Discount rate (before tax)**	**Growth rate to perpetuity**
	Value in use	**1,408.0**	**9.6 to 11.4%**	**2.9 to 3.2%**

No impairment was recognized in the period ended December 31, 2019.

Sensitivity tests were performed on the discount rates and long-term growth rates used for impairment testing purposes.

Based on the results of these tests, a 50-basis point unfavorable change in these rates would not lead to any impairment losses being recognized on trademarks with an indefinite useful life.

The following impairment testing parameters were used in the period ended December 31, 2018:

			Value in use	
(in € millions)	**Recoverable amount**	**Carrying amount of trademarks with indefinite useful lives**	**Discount rate (before tax)**	**Growth rate to perpetuity**
	Value in use	**1,408.0**	**9.8 to 11.1%**	**2.9 to 3.1%**

No impairment was recognized in the period ended December 31, 2018.

3.1.2 Patents

Patents can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Gross value at the beginning of the period	697.3	672.9
- Acquisitions	71.7	17.3
- Disposals	0.0	0.0
- Translation adjustments	3.4	7.1
Gross value at the end of the period	**772.4**	**697.3**
Accumulated amortization and impairment at the beginning of the period	(604.6)	**(591.2)**
- Amortization expense	(16.6)	**(10.4)**
- Reversals	0.0	**0.0**
- Translation adjustments	(1.4)	**(3.0)**
Accumulated amortization and impairment at the end of the period	**(622.6)**	**(604.6)**
NET VALUE AT THE END OF THE PERIOD	**149.8**	**92.7**

To date, no impairment has been recognized for these patents.

3.1.3 Other Intangible assets

Other intangible assets are recognized at cost less accumulated amortization and impairment. They include in particular:

- customer relationships acquired in business combinations. Corresponding to contractual relationships with key customers, they are measured using the excess earnings method, and are amortized over a period ranging from 3 to 20 years;
- costs incurred for development projects (relating to the design and testing of new or improved products). They are amortized from the date of sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not exceeding 10 years. Costs incurred for projects that do not meet the IAS 38 definition of an intangible asset are recorded in research and development costs for the year in which they are incurred;
- software, which is generally purchased from an external supplier and amortized over 3 years.

Other intangible assets can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Capitalized development costs	410.5	381.1
Software	145.2	133.6
Other	448.7	368.2
Gross value at the end of the period	**1,004.4**	**882.9**
Accumulated amortization and impairment at the end of the period	(548.0)	(486.0)
NET VALUE AT THE END OF THE PERIOD	**456.4**	**396.9**

To date, no material impairment has been recognized for these items.

3.2 *GOODWILL*

To determine the goodwill for each business combination, the Group applies the partial goodwill method whereby goodwill is calculated as the difference between the consideration paid to acquire the business combination and the portion of the acquisition date fair value of the identifiable net assets acquired and liabilities assumed that is attributable to the Group.

Under this method no goodwill is allocated to minority interests. Changes in the percentage of interest held in a controlled entity are recorded directly in equity without recognizing any additional goodwill.

Goodwill is tested for impairment annually, in the fourth quarter of each year, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Within the Legrand Group, the level at which goodwill is measured (cash-generating units) corresponds to individual countries or to groups of countries, when they either have similar market characteristics or are managed as a single unit.

Value in use is estimated based on discounted cash flows for the next five years and a terminal value calculated from the final year of the projection period. The cash flow data used for the calculation is taken from the most recent medium-term business plans approved by Group management. Business plan projections are based on the latest available external forecasts of trends in the Group's markets. Cash flows beyond the projection period of five years are estimated by applying a growth rate to perpetuity.

The discount rates applied derive from the capital asset pricing model. They are calculated for each individual country, based on financial market and/or valuation services firm data (average data over the last three years). The cost of debt used in the calculations is the same for all individual countries (being equal to the Group's cost of debt).

Goodwill can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Europe	1,531.9	1,573.8
Of which France	*819.9*	*867.3*
North and Central America	2,349.4	2,082.5
Rest of the world	684.9	665.7
NET VALUE AT THE END OF THE PERIOD	**4,566.2**	**4,322.0**

The North and Central America operating segment is considered to be a single cash-generating unit (CGU), whereas both the Europe and Rest of the world operating segments include several CGUs. Within these two operating segments, France and Italy, China, India and South America, are respectively the largest CGUs.

Only the goodwill allocated to the North and Central America CGU and the goodwill allocated to the France CGU represent more than 10% of total goodwill.

Changes in goodwill can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Gross value at the beginning of the period	4,359.0	3,967.8
- Acquisitions	398.0	382.9
- Adjustments*	(203.2)	(42.1)
- Translation adjustments	49.3	50.4
Gross value at the end of the period	**4,603.1**	**4,359.0**
Impairment value at the beginning of the period	(37.0)	(37.5)
- Impairment losses	0.0	0.0
- Translation adjustments	0.1	0.5
Impairment value at the end of the period	**(36.9)**	**(37.0)**
NET VALUE AT THE END OF THE PERIOD	**4,566.2**	**4,322.0**

**Adjustments correspond to the difference between provisional and final goodwill.*

Acquisition price allocations, which are performed within one year of each business combination, are as follows (excluding inventory step-up):

	12 months ended	
(in € millions)	December 31, 2019	December 31, 2018
- Trademarks	82.9	35.5
- Deferred taxes on trademarks	(5.3)	(7.7)
- Patents	71.7	17.3
- Deferred taxes on patents	(10.4)	(3.6)
- Other intangible assets	74.3	0.0
- Deferred taxes on other intangible assets	(1.0)	0.0
- Tangible assets	0.0	0.0
- Deferred taxes on tangible assets	0.0	0.0

The following impairment testing parameters were used in the period ended December 31, 2019:

			Value in use	
	Recoverable amount	**Carrying amount of goodwill**	**Discount rate (before tax)**	**Growth rate to perpetuity**
Europe		1,531.9	8.2 to 18.5%	2.0 to 5.0%
Of which France	Value in use	*819.9*	*8.6 %*	*2.0 %*
North and Central America		2,349.4	9.4%	3.1%
Rest of the world		684.9	9.5 to 14.3%	2.0 to 5.0 %
NET VALUE AT THE END OF THE PERIOD		**4,566.2**		

No goodwill impairment losses were identified in the period ended December 31, 2019 including for CGUs facing a difficult or uncertain macro-economic environment.

Sensitivity tests performed on the discount rates, long-term growth rates and operating margin rates showed that a 50-basis point unfavorable change in each of these three parameters would not lead to any material impairment of goodwill for any of the CGUs taken individually.

The following impairment testing parameters were used in the period ended December 31, 2018:

			Value in use	
	Recoverable amount	**Carrying amount of goodwill**	**Discount rate (before tax)**	**Growth rate to perpetuity**
Europe		1,573.8	8.1 to 19.7%	2.0 to 5.0%
Of which France	Value in use	*867.3*	*8.6%*	*2.0 %*
North and Central America		2,082.5	9.5%	3.1%
Rest of the World		665.7	9.6 to 16.1%	2.0 to 5.0 %
NET VALUE AT THE END OF THE PERIOD		**4,322.0**		

No goodwill impairment losses were identified in the period ended December 31, 2018.

3.3 PROPERTY, PLANT AND EQUIPMENT

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:

Lightweight buildings	25 years
Standard buildings	40 years
Machinery and equipment	8 to 10 years
Tooling	5 years
Building fixtures	15 years

As of January 1, 2019, assets acquired under finance lease agreements (that transfer substantially most of the risks and rewards of ownership to the Group), representing a net book value of €23.2 million as of December 31, 2018, have been transferred from property, plant and equipment to right-of-use assets.

	December 31, 2019				
(in € millions)	Land	Buildings	Machinery and equipment	Assets under construction and other	Total
Gross value					
At the beginning of the period	47.7	632.2	1,800.3	328.3	2,808.5
- Acquisitions	0.0	5.9	44.1	104.7	154.7
- Disposals	(0.9)	(12.1)	(78.6)	(26.9)	(118.5)
- Transfers and changes in scope of consolidation	(0.2)	(2.2)	58.1	(56.8)	(1.1)
- Translation adjustments	0.6	3.6	8.6	4.7	17.5
At the end of the period	**47.2**	**627.4**	**1,832.5**	**354.0**	**2,861.1**
Depreciation and impairment					
At the beginning of the period	(0.7)	(426.9)	(1,524.6)	(194.9)	(2,147.1)
- Depreciation expense	0.0	(20.3)	(76.7)	(17.1)	(114.1)
- Reversals	0.7	10.8	77.3	26.3	115.1
- Transfers and changes in scope of consolidation	(0.1)	11.2	(4.5)	(3.6)	3.0
- Translation adjustments	0.0	(1.9)	(6.1)	(2.3)	(10.3)
At the end of the period	**(0.1)**	**(427.1)**	**(1,534.6)**	**(191.6)**	**(2,153.4)**
Net value					
At the beginning of the period	47.0	205.3	275.7	133.4	661.4
- Acquisitions/Depreciation	0.0	(14.4)	(32.6)	87.6	40.6
- Disposals/Reversals	(0.2)	(1.3)	(1.3)	(0.6)	(3.4)
- Transfers and changes in scope of consolidation	(0.3)	9.0	53.6	(60.4)	1.9
- Translation adjustments	0.6	1.7	2.5	2.4	7.2
At the end of the period	**47.1**	**200.3**	**297.9**	**162.4**	**707.7**

As of December 31, 2019, total property, plant and equipment includes €4.3 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less disposal costs.

	December 31, 2018				
(in € millions)	Land	Buildings	Machinery and equipment	Assets under construction and other	Total
Gross value					
At the beginning of the period	55.6	627.7	1,746.5	306.8	2,736.6
- Acquisitions	0.0	3.2	34.5	101.5	139.2
- Disposals	(0.6)	(9.7)	(66.8)	(12.8)	(89.9)
- Transfers and changes in scope of consolidation	(7.4)	10.9	94.9	(67.0)	31.4
- Translation adjustments	0.1	0.1	(8.8)	(0.2)	(8.8)
At the end of the period	**47.7**	**632.2**	**1,800.3**	**328.3**	**2,808.5**
Depreciation and impairment					
At the beginning of the period	0.0	(414.7)	(1,505.7)	(193.8)	(2,114.2)
- Depreciation expense	(0.7)	(19.2)	(65.0)	(15.6)	(100.5)
- Reversals	0.0	8.2	63.2	12.7	84.1
- Transfers and changes in scope of consolidation	0.0	(0.9)	(22.5)	3.2	(20.2)
- Translation adjustments	0.0	(0.3)	5.4	(1.4)	3.7
At the end of the period	**(0.7)**	**(426.9)**	**(1,524.6)**	**(194.9)**	**(2,147.1)**
Net value					
At the beginning of the period	55.6	213.0	240.8	113.0	622.4
- Acquisitions/Depreciation	(0.7)	(16.0)	(30.5)	85.9	38.7
- Disposals/Reversals	(0.6)	(1.5)	(3.6)	(0.1)	(5.8)
- Transfers and changes in scope of consolidation	(7.4)	10.0	72.4	(63.8)	11.2
- Translation adjustments	0.1	(0.2)	(3.4)	(1.6)	(5.1)
At the end of the period	**47.0**	**205.3**	**275.7**	**133.4**	**661.4**

3.4 RIGHT-OF-USE ASSETS AND LEASE CONTRACTS

Right-of-use assets are initially measured at an amount equal mainly to the sum of:

- initial values of the lease financial liability;
- prepayments (including the first lease payment in case of lease payments made at the beginning of lease periods); and
- restoration costs.

Right-of-use assets value is subsequently remeasured whenever the lease financial liability value is remeasured.

Right-of-use assets are depreciated using the straight-line method over the estimated lease contract duration. This latter is determined by taking into account the existence of lease renewal options and early termination options whose exercise is subject solely to the Group's decision.

More specifically, regardless of the nature of these options, whenever there is significant capital expenditures on leased buildings, the depreciation period applied to the tangible assets resulting from these expenditures is used to determine the estimated lease contract duration of these buildings.

Lease financial liabilities are initially measured at the present value of future lease payments (excluding variable lease payments and service payments whenever it is possible to identify these payments within total lease payments, while including, when applicable, the purchase option value if the exercise of this option is deemed probable), using as the discount rate the borrowing rate available for a Group entity for both the currency and the maturity corresponding to the estimated duration of the lease contract.

Lease financial liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate, or a change in the lease term (following the subsequent exercise of an extension or an early termination option).

Lease financial liabilities are analyzed in Note 4.6.1.

The Group has elected not to recognize right-of-use assets and lease financial liabilities for short-term leases (not exceeding a one-year period) and/or leases of low-value assets.

Right-of-use assets can be analyzed as follows:

	December 31, 2019			
(in € millions)	Buildings	Machinery and equipment	Other	Total
Gross value				
At the beginning of the period	0.0	0.0	0.0	0.0
- Transition impact	382.0	6.3	61.4	449.7
- Reclassification of finance leases	35.9	0.0	0.3	36.2
- Increases	75.6	1.4	12.7	89.7
- Decreases	(51.0)	(1.1)	(9.2)	(61.3)
- Changes in scope of consolidation	27.8	0.4	3.9	32.1
- Translation adjustments	5.8	0.1	0.8	6.7
At the end of the period	**476.1**	**7.1**	**69.9**	**553.1**
Depreciation and impairment				
At the beginning of the period	0.0	0.0	0.0	0.0
- Transition impact	(166.9)	(3.1)	(30.6)	(200.6)
- Reclassification of finance leases	(12.7)	0.0	(0.3)	(13.0)
- Depreciation expense	(60.2)	(1.0)	(8.5)	(69.7)
- Reversals	44.3	0.7	6.2	51.2
- Changes in scope of consolidation	(5.2)	(0.1)	(0.7)	(6.0)
- Translation adjustments	(2.5)	0.0	(0.4)	(2.9)
At the end of the period	**(203.2)**	**(3.5)**	**(34.3)**	**(241.0)**
Net value				
At the beginning of the period	0.0	0.0	0.0	0.0
- Transition impact	215.1	3.2	30.8	249.1
- Reclassification of finance leases	23.2	0.0	0.0	23.2
- Increases/Depreciation	15.4	0.4	4.2	20.0
- Decreases/Reversals	(6.7)	(0.4)	(3.0)	(10.1)
- Changes in scope of consolidation	22.6	0.3	3.2	26.1
- Translation adjustments	3.3	0.1	0.4	3.8
At the end of the period	**272.9**	**3.6**	**35.6**	**312.1**

"Buildings" right-of-use assets mainly concern lease contracts for production sites, commercial offices and warehouses. Most of these lease contracts offer both extension and early termination options, while very few of them include purchase options or restoration costs. Therefore, the corresponding right-of-use assets do not include any material amount for purchase options or restoration costs.

"Machinery and equipment" right-of-use assets comprises mainly industrial machinery.

"Other" right-of-use assets mainly concern vehicles, forklifts and some IT equipment. Although most of these lease contracts include purchase options, these options are generally not exercised.

Renewal options not included in lease financial liabilities' value as of December 31, 2019 represent a discounted value of roughly €76 million.

A significant portion of this value corresponds to renewal options related to building lease contracts in the United States, the exercise of which is subject solely to the Group's decision. The exercise of these renewal options, which represent an additional lease period ranging from 5 to 10 years according to lease contracts, is not currently deemed certain by management and would not occur before several years.

3.5 INVENTORIES

Inventories are measured at the lower of cost (of acquisition or production) and net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories are as follows:

Impairment provisions are recognized when inventories are considered wholly or partially obsolete, and for finished goods inventories when their net realizable value is lower than their net book value.

(in € millions)	December 31, 2019	December 31, 2018
Purchased raw materials and components	342.5	347.6
Sub-assemblies, work in progress	103.3	98.5
Finished products	550.0	563.7
Gross value at the end of the period	**995.8**	**1,009.8**
Impairment	(143.2)	(123.9)
Net value at the end of the period	**852.6**	**885.9**

3.6 TRADE RECEIVABLES

Trade receivables are initially recognized at fair value and are subsequently measured at amortized cost.

In accordance with IFRS 9, expected credit losses on trade receivables are estimated based on a provision table, by applying provision rates depending on the receivables aging.

Furthermore, a provision can be recognized in the income statement when there is objective evidence of impairment such as:

- when a debtor has defaulted; or
- when a debtor's credit rating has been downgraded or its business environment has deteriorated.

Trade receivables can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Trade receivables	842.0	750.4
Impairment	(85.2)	(84.0)
NET VALUE AT THE END OF THE PERIOD	**756.8**	**666.4**

The Group uses factoring contracts to reduce the risk of late payments.

During 2019, a total of €793.5 million in receivables were transferred under the terms of the factoring contracts. The resulting costs were recognized in financial profit (loss) for an amount of about €1 million.

As of December 31, 2019, these factoring contracts allowed the Group to derecognize trade receivables for an amount of €108.0 million (€126.2 million as of December 31, 2018), as they transfer all credit and late payment risks to the factoring companies. The only risk that is not transferred is limited to dilution risk, which is historically very low.

Past-due trade receivables can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Less than 3 months past due receivables	143.5	128.5
From 3 to 12 months past due receivables	33.3	32.0
More than 12 months past due receivables	38.7	35.2
TOTAL	**215.5**	**195.7**

Provisions for impairment of past-due trade receivables amounted to €78.0 million as of December 31, 2019 (€76.3 million as of December 31, 2018). These provisions break down as follows:

(in € millions)	December 31, 2019	December 31, 2018
Provisions for less than 3 months past due receivables	12.7	13.4
Provisions for 3 to 12 months past due receivables	26.6	27.7
Provisions for more than 12 months past due receivables	38.7	35.2
TOTAL	**78.0**	**76.3**

3.7 OTHER CURRENT ASSETS

Other current assets are as follows:

(in € millions)	December 31, 2019	December 31, 2018
Employee advances	3.8	3.4
Prepayments	55.1	49.1
Taxes other than income tax	123.2	110.3
Other receivables	35.4	43.2
NET VALUE AT THE END OF THE PERIOD	**217.5**	**206.0**

These assets are valued at amortized cost.

3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, short-term deposits and other liquid financial assets (possibility to realize the assets in less than 3 months at any time), readily convertible to known amounts of cash and are not subject to any material risk of change in value. These other financial assets usually have an original maturity of less than or equal to one year.

Cash and cash equivalents that are unavailable in the short term for the Group correspond to the bank accounts of certain subsidiaries facing complex, short-term fund repatriation conditions due mainly to regulatory reasons.

Cash and cash equivalents totaled €1,710.9 million as of December 31, 2019 (versus €1,022.5 million as of December 31, 2018). Of this amount, €1.4 million was not available to the Group in the short term as of December 31, 2019 (versus €2.1 million as of December 31, 2018).

NOTE 4 - DETAILS ON NON-CURRENT AND CURRENT LIABILITIES

4.1 SHARE CAPITAL AND EARNINGS PER SHARE

Share capital as of December 31, 2019 amounted to €1,069,104,512 represented by 267,276,128 ordinary shares with a par value of €4 each, for 267,276,128 theoretical voting rights and 266,962,722 exercisable voting rights (after subtracting shares held in treasury by the Group as of this date).

As of December 31, 2019, the Group held 313,406 shares in treasury, versus 905,347 shares as of December 31, 2018, which represents 591,941 fewer shares corresponding to:

- the net acquisition of 600,000 shares outside of the liquidity contract;
- the transfer of 331,335 shares to employees under performance share plans;
- the cancellation of 550,000 shares;
- the net sale of 310,606 shares under the liquidity contract (Note 4.1.2.2).

As of December 31, 2019, among the 313,406 shares held in treasury by the Group, 273,793 shares have been allocated according to the allocation objectives described in Note 4.1.2.1, and 39,613 shares are held under the liquidity contract.

4.1.1 Changes in share capital

Changes in share capital in 2019 were as follows:

	Number of shares	Par value	Share capital (*euros*)	Premiums (euros)
As of December 31, 2018	267,495,149	4	1,069,980,596	721,214,426
Exercise of options under the 2009 plan	82,578	4	330,312	728,173
Exercise of options under the 2010 plan	248,401	4	993,604	4,277,098
Cancellation of shares	(550,000)	4	(2,200,000)	(32,734,305)
Repayment of paid-in capital*				(146,768,602)
As of December 31, 2019	**267,276,128**	**4**	**1,069,104,512**	**546,716,790**

** Portion of dividends distributed in June 2019 deducted from the premium account.*

On February 13, 2019, the Board of Directors decided to cancel 550,000 shares acquired under the share buyback program (shares bought back in 2018). The €32,734,305 difference between the buyback price of the cancelled shares and their par value was deducted from the premium account.

In 2019, 330,979 shares were issued under the 2009 and 2010 stock option plans, resulting in a capital increase representing a total amount of €6.3 million (premiums included).

4.1.2 Share buybacks and transactions under the liquidity contract

As of December 31, 2019, the Group held 313,406 shares in treasury (905,347 as of December 31, 2018, of which 555,128 under the share buyback program and 350,219 under the liquidity contract) which can be analyzed as follows:

4.1.2.1 *Share buybacks*

During 2019, the Group acquired 600,000 shares, at a cost of €36.7 million.

As of December 31, 2019, the Group held 273,793 shares, acquired at a total cost of €16.8 million. These shares are being held for the following purposes:

- for allocation, upon exercise of performance share plans, of 8,793 shares purchased at a cost of €0.5 million; and
- for cancellation of 265,000 shares acquired at a cost of €16.3 million.

4.1.2.2 *Liquidity contract*

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the Euronext™ Paris market under a liquidity contract complying with the Code of Conduct issued by the AMAFI (French Financial Markets Association) approved by the AMF on March 22, 2005. €15.0 million in cash was allocated by the Group to the liquidity contract

As of December 31, 2019, the Group held 39,613 shares under this contract, purchased at a total cost of €2.9 million.

During 2019, transactions under the liquidity contract led to a cash inflow of €18.7 million corresponding to the net sale of 310,606 shares.

4.1.3 Earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated according to the treasury stock method, by dividing profit attributable to the

Group by the weighted average number of ordinary shares outstanding during the period, plus the number of dilutive potential ordinary shares. The weighted average number of ordinary shares outstanding used in these calculations is adjusted for the share buybacks and sales carried out during the period and does not take into account shares held in treasury.

Basic and diluted earnings per share, calculated on the basis of the average number of ordinary shares outstanding during the period, are as follows:

		12 months ended	
		December 31, 2019	**December 31, 2018**
Net profit attributable to the Group (*in € millions*)	A	834.8	771.7
Average number of shares (excluding shares held in treasury)	B	266,833,977	266,878,862
Average dilution from:			
- Performance shares		*1,802,477*	*1,425,121*
- Stock options		*425,481*	*719,713*
Average number of shares after dilution (excluding shares held in treasury)	C	269,061,935	269,023,696
Number of stock options and performance share grants outstanding at the period end		2,505,700	2,593,923
Sales (buybacks) of shares and transactions under the liquidity contract (net during the period)		(289,394)	(860,219)
Shares transferred during the period under performance share plans		331,335	0
Basic earnings per share *(in euros)*	A/B	3.129	2.892
Diluted earnings per share (*in euros*)	A/C	3.103	2.869
Dividend per share (*in euros*)		1.340	1.260

As mentioned above, during 2019, the Group:

- acquired 265,000 shares for future cancellation;
- issued 330,979 shares under stock option plans;
- transferred 331,335 shares under performance share plans, out of the 326,207 shares bought back in 2019 and 5,128 shares bought back from previous years for this purpose; and
- sold a net 310,606 shares under the liquidity contract.

These movements were taken into account on an accruals basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2019, earnings per share and diluted earnings per share would have amounted to €3.127 and €3.098 respectively for the 12 months ended December 31, 2019.

During 2018, the Group:

- acquired 550,000 shares for cancellation;
- issued 689,398 shares under stock option plans; and;
- purchased a net 310,219 shares under the liquidity contract.

These movements were taken into account on an accruals basis in calculating the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1, 2018, basic earnings per share and diluted earnings per share would have amounted to €2.895 and €2.868 respectively for the 12 months ended December 31, 2018.

4.2 STOCK OPTION PLANS AND PERFORMANCE SHARE PLANS

The cost of stock options or performance shares is measured at the fair value of the award on the grant date, using the Black & Scholes option pricing model or the binomial model, and is recognized in the income statement under personnel costs 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.

The expense recognized by crediting equity is adjusted at each period-end during the vesting period to take into account changes in the number of shares that are expected to be delivered to employees when the performance shares vest or the stock options are exercised, except for the number of shares related to stock market performance criteria.

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4.2.1 Performance share plans

The following performance share plans were approved by the Company's Board of Directors:

	2015 Plan	2016 Plan	2017 Plan	2018 Plans	2019 Plans
Date approved by shareholders	May 24, 2013	May 24, 2013	May 27, 2016	May 27, 2016	May 30, 2018
Grant date	May 29, 2015	May 27, 2016	May 31, 2017	May 30, 2018	May 29, 2019
Total number of performance share rights initially granted	394,108 (1)	502,924 (1)	492,254 (1)	524,123 (1)	617,818 (1)
o/w to Executive Officer	*13,434* (1)	*15,504* (1)	*12,503* (1)	*19,546* (1)	*22,954* (1)
- Gilles Schnepp	*13,434*	*15,504*	*12,503*	*0*	*0*
- Benoît Coquart	*N/A*	*N/A*	*N/A*	*19,546*	*22,954*
Total IFRS 2 charge *(in € millions)*	16.3 (2)	20.3 (2)	24.8 (2)	28.5 (2)	31.0 (2)
End of vesting period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2021 (3) June 15, 2022 (4)	June 15, 2022 (3) June 15, 2023 (4)
End of lock-up period	June 17, 2019	June 17, 2020	June 17, 2021	June 15, 2023 (3) June 15, 2022 (4)	June 15, 2024 (3) June 15, 2023 (4)
Number of performance shares acquired as of December 31, 2019	(331,335)	0	0	0	0
Number of performance share rights cancelled, forfeited or adjusted	(62,773) (5)	(29,823)	(29,233)	(20,246)	(9,948)
PERFORMANCE SHARE RIGHTS OUTSTANDING AS OF DECEMBER 31, 2019	**0**	**473,101**	**463,021**	**503,877**	**607,870**

(1) Given the dividend distribution features approved at the General Meetings of Shareholders on May 29, 2015, on May 27, 2016, on May 31, 2017, on May 30, 2018 and on May 29, 2019, the number of remaining performance shares was adjusted to take into account the impact of these transactions on the interests of performance share beneficiaries in accordance with article L.228-99 of the French Commercial Code. Moreover, the number of performance shares has been reduced following Gilles Schnepp's decision to waive part of his entitlement to performance shares initially granted under the 2015 and 2016 plans.

(2) Total charge estimated at the grant date assuming a 100% achievement for each performance criteria. This charge is spread over the vesting periods.

(3) Date applicable to the Executive Officer and members of the Executive Committee.

(4) Date applicable to beneficiaries other than the Executive Officer and members of the Executive Committee.

(5) Including the number of performance shares adjusted for the performance criteria fulfillment at 90.8%.

4.2.1.1 *2015, 2016 and 2017 performance share plans*

The final number of shares ultimately granted to beneficiaries is determined based on a service condition and several performance criteria. The vesting period is four years.

		Weight of performance criteria by plan	
Type of performance criteria	**Description of performance criteria**	**2015**	**2016-2017**
"External" financial performance criterion	Comparison between the arithmetic mean of Legrand's consolidated EBITDA margin over a three-year period as published in the consolidated financial statements and the arithmetic mean of EBITDA margins achieved by companies forming part of the MSCI World Capital Goods index over the same period.	1/2	1/3
"Internal" financial performance criterion	Arithmetic mean of normalized free cash flow as a percentage of sales over a three-year period, as published in the consolidated financial statements.	1/2	1/3
Non-financial performance criterion	Arithmetic mean of the average achievement rate of Group CSR Roadmap priorities over a three-year period.	N/A	1/3

Following the application of IFRS 16, on March 20, 2018 the Board of Directors decided to replace the EBITDA and free cash flow criteria for the 2019 performance assessment under the 2017 plan with the adjusted operating margin before acquisitions and organic sales growth criteria, in line with the Company's 2019 targets.

4.2.1.2 *2018 and 2019 performance share plans*

The final number of shares granted to beneficiaries is determined on the condition that the beneficiary is present within the Group at the time the vesting period expires and according to several performance criteria.

For the Executive Officer and members of the Executive Committee, the term of the vesting period is three years, with an additional two-year holding period; for other beneficiaries, the vesting period is four years, with no holding period

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Performance criteria applicable to the Executive Officer and members of the Executive Committee

The performance criteria applicable to the Executive Officer and members of the Executive Committee are defined as follows:

Type of performance criteria	Description of target-setting criteria and method	Weight of performance criteria
Target for organic sales growth	Target: 3-year average of the upper and lower ends of the annual target ranges concerned. Comparison between the target and the average achievement over three years.	1/4
Target for adjusted operating margin before acquisitions(1)	Target: 3-year average of the upper and lower ends of the annual target ranges concerned. Comparison between the target and the average achievement over three years.	1/4
Annual Group's CSR roadmap achievement rates	Target: arithmetic average over 3 years of the annual CSR roadmap achievement rates.	1/4
Legrand share price performance compared with the performance of the CAC 40 index	Difference in performance between the Legrand share price and that of the CAC 40 index over a 3-year period.	1/4

(1) The adjusted operating margin before acquisitions corresponds to the adjusted operating profit (see key figures)

Performance criteria applicable to beneficiaries other than the Executive Officer and members of the Executive Committee

The performance criteria applicable to beneficiaries other than the Executive Officer and members of the Executive Committee are defined as follows:

Type of performance criteria	Description of target-setting criteria and method	Weight of performance criteria
Target for organic sales growth	The target to be reached for this criterion, set annually corresponds to the lower and upper ranges of the relevant annual target. The annual rate of achievement is measured in relation to the annual target. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of achievement.	1/3
Target for adjusted operating margin before acquisitions(1)	The target to be reached for this criterion, set annually corresponds to the lower and upper ranges of the relevant annual target. The annual rate of achievement is measured in relation to the annual target. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of achievement.	1/3
Annual rates of achievement of the Group's CSR roadmap	The annual rate of achievement corresponds to the rate of achievement of the CSR annual roadmap. The final pay-out rate for this criterion corresponds to the arithmetic average over a three-year period of the annual rates of attainment.	1/3

(1) The adjusted operating margin before acquisitions corresponds to the adjusted operating profit (see key figures).

The final pay-out rate for each criterion corresponds to the arithmetic average over a three-year period of the annual achievement rates.

If all the performance shares from the 2016 to 2019 plans were to vest according to the target allocation before application of the performance criteria (i.e., 2,047,869 shares) and if those shares were transferred following capital increases, the Company's capital would be diluted by 0.8% as of December 31, 2019.

4.2.2 Stock option plans

No stock option plans have been implemented since the 2010 Plan.

The following stock option plans were approved by the Company's Board of Directors in previous years:

	2009 Plan		2010 Plan	
Date approved by shareholders	May 15, 2007		May 15, 2007	
Grant date	March 4, 2009		March 4, 2010	
Total number of options granted	1,192,949	(1)	3,288,702	(1)
o/w to Executive Officer	*95,459*	(1)	*224,083*	(1)
- Gilles Schnepp	*48,711*	(1)	*138,813*	(1)
- Olivier Bazil	*46,748*	(1)	*85,270*	(1)
Start of exercise period	March 5, 2013		March 5, 2014	
Expiry of exercise period	March 4, 2019		March 4, 2020	
Exercise price	€12.82 (1) Average closing price over the 20 trading days preceding the grant date		€21.12 (1) Average closing price over the 20 trading days preceding the grant date	
Exercise terms (plans comprising several tranches)	(2)	(3)	(2)	(3)
Number of options exercised as of December 31, 2019	(1,074,938)		(2,590,054)	
Number of options cancelled or forfeited	(118,011)		(240,817)	
STOCK OPTIONS OUTSTANDING AS OF DECEMBER 31, 2019	**0**		**457,831**	

(1) Given the dividend distribution features approved at the General Meetings of Shareholders on May 29, 2015, on May 27, 2016, on May 31, 2017, on May 30, 2018 and on May 29, 2019, the number and exercise price of stock options was adjusted to take into account the impact of these transactions on the interests of stock option beneficiaries, in accordance with article L.228-99 of the French Commercial Code.

(2) Options vest after a maximum of four years, except in the event of resignation or termination for willful misconduct.

(3) All these plans were subject to performance conditions (see Note 12 to the consolidated financial statements for the twelve months ended December 31, 2014).

The weighted average market price of the Company stock upon exercises of stock options in 2019 was €62.39.

If all these options were to be exercised (i.e., 457,831 options), the Company's capital would be diluted at most by 0.2% (which is a maximum dilution as it does not take into account the exercise price of these options) as of December 31, 2019.

4.2.3 Share-based payments (IFRS 2 expense)

In accordance with IFRS 2, an expense of €25.7 million was recorded in 2019 (€22.9 million in 2018) for all of these plans combined. See also Note 4.5.2 for cash-settled long-term employee benefit plans implemented from 2013.

4.3 RETAINED EARNINGS AND TRANSLATION RESERVES

4.3.1 Retained earnings

The Group's consolidated retained earnings as of December 31, 2019 amounted to €4,486.6 million.

As of the same date, the Company had retained earnings including profit for the period of €951.4 million available for distribution.

4.3.2 Translation

Assets and liabilities of Group entities whose functional currency is different from the presentation currency are translated using the exchange rate at the balance sheet date. Statements of income are translated using the average exchange rate for the period. Gains or losses arising from the translation of the financial statements of foreign subsidiaries are recognized directly in equity under

"Translation reserves", until the potential Group's loss of control over the entity.

Translation reserves record the impact of fluctuations in the following currencies:

(in € millions)	December 31, 2019	December 31, 2018
US dollar	16.2	(47.0)
Other currencies	(469.7)	(483.6)
TOTAL	**(453.5)**	**(530.6)**

The Group operates in close to 90 countries. It is mainly exposed to a dozen currencies other than the euro and the US dollar, including the Australian dollar, Brazilian real, British pound, Chilean peso, Chinese yuan, Indian rupee, Mexican peso, Russian ruble and Turkish lira.

Under IFRS 9, non-derivative financial instruments may be designated as hedges only when they are used to hedge foreign currency risk and provided that they qualify for hedge accounting.

Accordingly, in the case of hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is deemed to be an effective hedge is recognized in equity.

Consequently, unrealized foreign exchange gains and losses on US dollar-denominated 8.5% Debentures (Yankee bonds) are recognized in translation reserves. Losses on these bonds recognized in translation reserves in 2019 amounted to €6.4 million, resulting in a net negative balance of €67.7 million as of December 31, 2019.

In addition, to hedge a portion of the net investment in British pounds, the Group has entered into a derivative contract. Foreign exchange gains and losses on this derivative financial instrument are recognized in translation reserves. Losses on this derivative financial instrument recognized in translation reserves in 2019 amounted to €5.4 million, resulting in a net positive balance of €13.0 million as of December 31, 2019.

Finally, in accordance with IAS 21, translation gains and losses on receivables or payables considered as part of a net investment in a foreign Group entity are recognized in translation reserves. Losses recognized in translation reserves in 2019 amounted to €1.4 million, resulting in a net positive balance of €3.8 million as of December 31, 2019.

4.4 PROVISIONS

Changes in provisions in 2019 are as follows:

	December 31, 2019					
(in € millions)	Product warranties	Claims and litigation	Tax and employee risks	Restructuring	Other	Total
At the beginning of the period	44.6	69.4	30.2	24.1	64.8	233.1
Changes in scope of consolidation	1.9	2.4	(0.2)	0.0	(3.1)	1.0
Increases	20.8	32.9	8.6	12.4	21.5	96.2
Utilizations	(9.4)	(9.1)	(1.7)	(11.8)	(25.1)	(57.1)
Reversals of surplus provisions	(4.9)	(19.5)	(2.9)	(0.1)	(4.5)	(31.9)
Reclassifications	0.5	1.0	4.4	(1.1)	3.6	8.4
Translation adjustments	0.0	0.2	(0.1)	0.2	0.8	1.1
AT THE END OF THE PERIOD	**53.5**	**77.3**	**38.3**	**23.7**	**58.0**	**250.8**
Of which non-current portion	*35.0*	*40.4*	*19.8*	*1.7*	*49.8*	*146.7*

"Other" includes long-term provisions for employee benefits, corresponding mainly to cash-settled long-term employee benefit plans described in Note 4.5.2 for an amount of €18.1 million as of December 31, 2019.

Changes in provisions in 2018 were as follows:

	December 31, 2018					
(in € millions)	**Product warranties**	**Claims and litigation**	**Tax and employee risks**	**Restructuring**	**Other**	**Total**
At the beginning of the period	29.1	68.7	27.2	15.9	83.0	223.9
Changes in scope of consolidation	0.9	0.0	0.3	0.1	1.3	2.6
Increases	23.8	28.1	7.5	17.1	17.3	93.8
Utilizations	(6.3)	(6.7)	(1.5)	(7.8)	(31.9)	(54.2)
Reversals of surplus provisions	(2.6)	(21.7)	(1.5)	(1.0)	(4.9)	(31.7)
Reclassifications	(0.1)	1.0	(0.5)	0.0	2.1	2.5
Translation adjustments	(0.2)	0.0	(1.3)	(0.2)	(2.1)	(3.8)
AT THE END OF THE PERIOD	**44.6**	**69.4**	**30.2**	**24.1**	**64.8**	**233.1**
Of which non-current portion	*29.4*	*36.8*	*18.1*	*3.2*	*57.7*	*145.2*

"Other" includes long-term provisions for employee benefits, corresponding mainly to cash-settled long-term employee benefit plans for an amount of €33.9 million as of December 31, 2018.

4.5 PROVISION FOR POST-EMPLOYMENT BENEFITS AND OTHER LONG-TERM EMPLOYEE BENEFITS

4.5.1 Pension and other post-employment benefit 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.

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.

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, less the fair value of plan assets. The past service cost arising from changes to pension benefit plans is expensed in full as incurred.

In accordance with IAS 19, the Group recognizes all actuarial gains and losses outside profit or loss, in the consolidated statement of comprehensive income.

Defined benefit obligations are calculated 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.

Some Group companies provide post-employment healthcare benefits to their retirees. Entitlement to these benefits is usually conditional on the employee remaining with one of these Group companies up to retirement age and completion of a minimum service period. These benefits are treated as post-employment benefits under the defined benefit scheme.

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Pension and other post-employment defined benefit obligations can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
France (Note 4.5.1.2)	100.2	85.4
Italy (Note 4.5.1.3)	37.0	35.4
United Kingdom (Note 4.5.1.4)	122.1	99.9
United States (Note 4.5.1.5)	84.1	72.5
Other countries	48.2	39.6
TOTAL PENSION AND OTHER POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS	**391.6**	**332.8**

The total amount of those defined benefit obligations is €391.6 million as of December 31, 2019 (€332.8 million as of December 31, 2018), and is analyzed in Note 4.5.1.1.

4.5.1.1 *Analysis of pension and other post-employment defined benefit obligations*

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

(in € millions)	December 31, 2019	December 31, 2018
Defined benefit obligation		
Projected benefit obligation at the beginning of the period	332.8	343.7
Service cost	8.6	8.3
Interest cost	9.8	8.6
Benefits paid or unused	(24.4)	(22.3)
Employee contributions	0.4	0.4
Actuarial losses/(gains)	53.2	(7.7)
Curtailments, settlements, special termination benefits	(1.3)	0.0
Translation adjustments	7.6	1.7
Other	4.9	0.1
PROJECTED BENEFIT OBLIGATION AT THE BEGINNING OF THE PERIOD	**391.6**	**332.8**
Fair value of plan assets		
Fair value of plan assets at the beginning of the period	176.3	182.2
Expected return on plan assets	6.2	5.5
Employer contributions	7.2	7.5
Employee contributions	1.6	0.7
Benefits paid	(14.3)	(13.2)
Actuarial (losses)/gains	20.0	(9.2)
Translation adjustments	6.2	2.8
Other	3.6	0.0
FAIR VALUE OF PLAN ASSETS AT END OF PERIOD	**206.8**	**176.3**
PROVISION RECOGNIZED IN THE BALANCE SHEET	**188.0**	**160.5**
Current liability	7.0	4.6
Non-current liability	181.0	155.9
Non-current asset	**3.2**	**4.0**

Actuarial losses recognized in equity in 2019 amounted to €33.2 million.

These €33.2 million actuarial losses resulted from:

- €35.7 million in losses from changes in financial assumptions;
- €0.6 million in losses from changes in demographic assumptions; and
- €3.1 million in experience gains.

The discount rates used are determined by reference to the yield on high-quality bonds based on the following benchmark indices:

- Euro zone: iBoxx € Corporates AA 10+;
- United Kingdom: iBoxx £ Corporates AA 15+;
- United States: Citigroup Pension Liability Index.

Sensitivity tests were performed on:

- the discount rate. According to the results of these tests, a 50-basis point reduction in the rate would lead to the recognition of additional actuarial losses of around €24 million and would increase the provision as of December 31, 2019 by the same amount;
- the rate of future salary increases. According to the results of these tests, a 50-basis point increase in the rate would lead to the recognition of additional actuarial losses of around €5 million and would increase the provision as of December 31, 2019 by the same amount.

Discounted future payments for the Group's pension and other post-employment benefit plans are as follows:

(in € millions)	
2020	19.2
2021	15.3
2022	13.9
2023	14.7
2024 and beyond	328.5
TOTAL	**391.6**

The impact of service costs and interest costs on profit before tax for the period is as follows:

	12 months ended	
(in € millions)	December 31, 2019	December 31, 2018
Service cost	(8.6)	(8.3)
Net interest cost*	(3.6)	(3.1)
TOTAL	**(12.2)**	**(11.4)**

* *The expected return on assets and interest costs are presented as a net amount in financial expenses.*

The weighted average allocation of pension plan assets is as follows as of December 31, 2019:

(as a percentage)	United Kingdom	United States	Weighted total
Equity instruments	49.7	41.8	46.0
Debt instruments	44.5	57.8	50.8
Insurance funds	5.8	0.4	3.2
TOTAL	**100.0**	**100.0**	**100.0**

These assets are marked to market.

4.5.1.2 *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.

The main defined benefit plan applicable in France concerns statutory length-of-service awards, under which all retiring employees are eligible for a lump-sum payment calculated according to their length of service. This payment is defined either in the collective bargaining agreement to which their company is a party or in a separate company-level agreement, whichever is more advantageous to the employee. The amount generally varies depending on the employee category (manager/non-manager).

In France, provisions recorded in the consolidated balance sheet amounted to €100.2 million as of December 31, 2019 (€85.2 million as of December 31, 2018) corresponding to the difference between the projected benefit obligation of €100.2 million as of December 31, 2019 (€85.4 million as of December 31, 2018), and the fair value of the related plan assets of €0.0 million as of December 31, 2019 (€0.2 million as of December 31, 2018).

The projected benefit obligation is calculated based on staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation in 2019 was based on a salary increase rate of 2.8% and a discount rate of 0.9% (respectively 2.8% and 1.9% in 2018).

4.5.1.3 *Provisions for termination benefits in Italy*

In Italy, a termination benefit is awarded to employees regardless of the reason for their departure.

Since January 1, 2007, such benefits have been paid either into an independently managed pension fund or to the Italian social security service (INPS). As from that date, the Italian termination benefit plans have been qualified as defined contribution plans under IFRS. Termination benefit obligations arising prior to January 1, 2007 continue to be accounted for under IFRS as defined benefit plans, based on revised actuarial estimates that exclude the effect of future salary increases.

The resulting provisions for termination benefits, which correspond to the obligation as of December 31, 2006 plus the ensuing actuarial revisions, amounted to €37.0 million as of December 31, 2019 (€35.4 million as of December 31, 2018).

The calculation in 2019 was based on a discount rate of 0.4% (1.6% in 2018).

4.5.1.4 *Provisions for retirement benefits and other post-employment benefits in the United Kingdom.*

The UK plan is a trustee-administered plan governed by article 153 of the 2004 Finance Act, and is managed in a legal entity outside of the Group.

Benefits are paid directly out of funds consisting of contributions paid by the company and by plan participants.

The plan has been closed to new entrants since May 2004.

Active plan participants account for 2.2% of the projected benefit obligation, participants who are no longer accumulating benefit entitlements for 40.8% and retired participants for 57.0%.

The provisions recorded in the consolidated balance sheet amounted to €25.2 million as of December 31, 2019 (€17.8 million as of December 31, 2018) corresponding to the difference between the projected benefit obligation of €122.1 million as of December 31, 2019 (€99.9 million as of December 31, 2018) and the fair value of the related plan assets of €96.9 million as of December 31, 2019 (€82.1 million as of December 31, 2018).

The projected benefit obligation is calculated based on staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. The calculation in 2019 was based on a salary increase rate of 4.2% and a discount rate and an expected return on plan assets of 1.9% (respectively 4.5% and 2.9% in 2018).

4.5.1.5 *Provisions for retirement benefits and other post-employment benefits in the United States*

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

The Legrand North America Retirement Plan is covered by a plan document in force since January 2002 that was last amended in January 2008. The minimum funding requirement is determined based on Section 430 of the Internal Revenue Code.

To meet its obligations under the plan, the Group has set up a trust with Prudential Financial, Inc. The trust assets include several different investment funds. The current trustee is Legrand North America. The Wiremold Company is the Plan Administrator and the Custodian is Prudential Financial, Inc.

The plan has been closed to new entrants since August 2006 for salaried employees and since April 2009 for hourly employees. Since January 1, 2018, active plan participants can no longer cumulate new rights.

Active plan participants account for 11.9% of the projected benefit obligation, other participants who are no longer accumulating benefit entitlements for 19.4% and retired participants for 68.7%.

The funding policy consists of ensuring that the legal minimum funding requirement is met at all times.

The provisions recorded in the consolidated balance sheet amounted to €0.0 million as of December 31, 2019 (€0.0 million as of December 31, 2018) reflecting the fact that the fair value of the plan assets is higher than the value of the projected benefit obligation.

The calculation in 2019 was based on a discount rate and an expected return on plan assets of 2.9% (4.3% in 2018).

4.5.2 Other long-term employee benefits

The Group implemented cash-settled long-term employee benefit plans for employees deemed to be key for the Group, subject to the grantees' continued presence within the Group after a vesting period of three years.

In addition to the grantee still being present within the Group, the plans can, in certain cases, depend on the Group's achievement of future economic performance conditions which may or may not be indexed to the share price.

Plans indexed to the share price are cash-settled and thus, in accordance with IFRS 2, the corresponding liability has been recorded in the balance sheet and will be remeasured at each period-end until the transaction is settled.

The other plans qualify as long-term employee benefit plans, with a corresponding provision recognized in compliance with IAS 19.

During 2018, a net expense of €(7.5) million was recognized in operating profit in respect to these plans. As mentioned in Note 4.4, the resulting provision amounted to €18.1 million as of December 31, 2019 (including payroll taxes).

See also Note 4.2 for equity-settled long-term employee benefit plans and the resulting IFRS 2 expense.

4.6 LONG-TERM AND SHORT-TERM BORROWINGS

The Group actively manages its debt through diversified sources of financing available to support its medium-term business growth while guaranteeing a robust financial position over the long term.

Bonds

In April 2012, the Group carried out a €400.0 million 3.375% ten-year bond issue. The bonds will be redeemable at maturity on April 19, 2022.

In December 2015, the Group carried out a €300.0 million 1.875% twelve-year bond issue. The bonds will be redeemable at maturity on December 16, 2027.

In July 2017, the Group carried out a bond issue for a total of €1.0 billion, in two tranches of €500.0 million each, with maturities of seven and fifteen years. The respective maturity dates of these two tranches are July 6, 2024 and July 6, 2032 and their annual coupons are respectively 0.750% and 1.875%.

In October 2017, the Group carried out a €400.0 million 0.5% six-year bond issue. The bonds will be redeemable at maturity on October 9, 2023.

In March 2018, the Group carried out a €400.0 million 1.0% six-year bond issue. The bonds will be redeemable at maturity on March 6, 2026.

In June 2019, the Group carried out a €400.0 million 0.625% nine-year bond issue. The bonds will be redeemable at maturity on June 24, 2028.

Yankee bonds

On February 14, 1995, Legrand France issued $400.0 million worth of 8.5% debentures due February 15, 2025, through a public placement in the United States. Interest on Yankee bonds is payable semi-annually on February 15 and August 15 of each year, beginning August 15, 1995.

In December 2013, a number of Yankee bondholders offered to sell their securities to the Group. Acting on this offer, the Group decided to acquire Yankee bonds with an aggregate face value of $6.5 million. The acquired debentures were subsequently cancelled.

2011 Credit Facility

In October 2011, the Group signed a Credit Facility with six banks to set up a €900.0 million revolving multicurrency credit line for a five-year period with two successive one-year period renewal options. As per this contract, the margin applied to market rates is determined on the basis of the Group's credit rating.

In July 2014, the Group signed an agreement that amends and extends this Credit Facility with all banks party to this contract. This agreement extends the maximum maturity of the €900.0 million revolving credit line by three years, i.e., up to July 2021, including two successive one-year period extension options, and at improved financing terms compared with October 2011.

In December 2019, the Group signed a new agreement that amends and extends this Credit Facility with all banks party to this contract. Following this agreement:

- the maximum maturity of the €900.0 million revolving credit line is extended by five and half years, i.e., up to December 2026, including two successive one-year period renewal options, and at improved financing terms compared with July 2014, and
- the margin applied to market rates is still determined on the basis of the Group's credit rating, but it will be increased or decreased each year according to the Group yearly achievement rate on its CSR roadmap.

The 2011 Credit Facility does not contain any covenants.

As of December 31, 2019, the Credit Facility had not been drawn down.

4.6.1 Long-term borrowings

Long-term borrowings are initially recognized at fair value, taking into account any transaction costs directly attributable to the issue, and are subsequently measured at amortized cost, using the effective interest method.

Long-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Bonds	2,900.0	2,500.0
Yankee bonds	347.2	340.4
Lease financial liabilities	258.1	6.5
Other borrowings	89.2	87.3
Long-term borrowings excluding debt issuance costs	**3,594.5**	**2,934.2**
Debt issuance costs	(19.1)	(15.6)
TOTAL	**3,575.4**	**2,918.6**

No guarantees have been given with respect to these borrowings.

Long-term borrowings (excluding debt issuance costs) break down by currency as follows, after hedging (see Note 5.1.2.2):

(in € millions)	December 31, 2019	December 31, 2018
Euro	2,908.0	2,455.8
US dollar	505.0	373.2
Other currencies	181.5	105.2
LONG-TERM BORROWINGS EXCLUDING DEBT ISSUANCE COSTS	**3,594.5**	**2,934.2**

Long-term borrowings (excluding debt issuance costs) as of December 31, 2019 can be analyzed by maturity as follows:

(in € millions)	Bonds	Yankee bonds	Lease financial liabilities	Other borrowings
Due in one to two years	0.0	0.0	38.3	26.5
Due in two to three years	400.0	0.0	42.8	43.3
Due in three to four years	400.0	0.0	36.2	9.5
Due in four to five years	500.0	0.0	29.2	9.9
Due beyond five years	1,600.0	347.2	111.6	0.0
LONG-TERM BORROWINGS EXCLUDING DEBT ISSUANCE COSTS	**2,900.0**	**347.2**	**258.1**	**89.2**

Long-term borrowings (excluding debt issuance costs) as of December 31, 2018 can be analyzed by maturity as follows:

(in € millions)	Bonds	Yankee bonds	Lease financial liabilities	Other borrowings
Due in one to two years	0.0	0.0	1.5	13.1
Due in two to three years	0.0	0.0	1.5	24.3
Due in three to four years	400.0	0.0	1.3	40.8
Due in four to five years	400.0	0.0	2.1	9.1
Due beyond five years	1,700.0	340.4	0.1	0.0
LONG-TERM BORROWINGS EXCLUDING DEBT ISSUANCE COSTS	**2,500.0**	**340.4**	**6.5**	**87.3**

Average interest rates on borrowings are as follows:

	12 months ended	
	December 31, 2019	December 31, 2018
Bonds	1.46%	1.65%
Yankee bonds	8.50%	8.50%
Lease financial liabilities	3.11%	N/A
Other borrowings	2.70%	2.87%

4.6.2 Short-term borrowings

Short-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Negotiable commercial paper	500.0	363.5
Lease financial liabilities	61.7	1.5
Other borrowings	54.5	35.5
TOTAL	**616.2**	**400.5**

4.6.3 Changes in long-term and short-term borrowings

Changes in long-term and short-term borrowings can be analyzed as follows:

			Variations not impacting cash flows				
(in € millions)	December 31, 2019	Cash flows	Acquisitions	Reclassifications	Translation adjustments	Other	December 31, 2018
Long-term borrowings	3,575.4	396.6	25.6	(73.3)	9.4	298.5	2,918.6
Short-term borrowings	616.2	75.8	8.9	73.3	1.4	56.3	400.5
Gross financial debt	**4,191.6**	**472.4**	**34.5**	**0.0**	**10.8**	**354.8**	**3,319.1**

"Other" variations not impacting cash flows include the €270.2 million transition impact of the IFRS 16 standard.

4.7 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.

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.

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. The recognized deferred tax assets are expected to be utilized no later than five years from the period-end.

Deferred taxes recorded in the balance sheet result from temporary differences between the carrying amount of assets and liabilities and their tax base and can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Deferred taxes recorded by French companies	(242.5)	(220.6)
Deferred taxes recorded by foreign companies	(400.7)	(372.6)
TOTAL	**(643.2)**	**(593.2)**
Origin of deferred taxes:		
- Impairment losses on inventories and receivables	54.7	54.7
- Margin on inventories	21.1	23.1
- Recognized operating losses carried forward	6.3	9.8
- Leases	2.7	(3.1)
- Fixed assets	(224.5)	(205.4)
- Trademarks	(445.0)	(445.8)
- Patents	(18.2)	(9.9)
- Other provisions	(54.8)	(9.1)
- Pensions and other post-employment benefits	38.6	31.1
- Fair value adjustments to derivative instruments	(0.7)	(0.9)
- Other	(23.4)	(37.7)
TOTAL	**(643.2)**	**(593.2)**
- Of which deferred tax assets	107.6	107.8
- Of which deferred tax liabilities	(750.8)	(701.0)

The timing of expected reversal of deferred taxes can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Deferred tax assets (liabilities) reversing in the short term	88.2	91.2
Deferred tax assets (liabilities) reversing in the long term	(731.4)	(684.4)
TOTAL	**(643.2)**	**(593.2)**

Tax losses carried forward break down as follows:

(in € millions)	December 31, 2019	December 31, 2018
Recognized operating losses carried forward	**27.4**	**33.5**
Recognized deferred tax assets	6.3	9.8
Unrecognized operating losses carried forward	**111.8**	**111.9**
Unrecognized deferred tax assets	23.8	20.1
Total net operating losses carried forward	**139.2**	**145.4**

4.8 OTHER CURRENT LIABILITIES

Other current liabilities can be analyzed as follows:

(in € millions)	December 31, 2019	December 31, 2018
Taxes other than income tax	87.3	76.1
Accrued employee benefits expense	288.4	260.6
Statutory and discretionary profit-sharing reserve	25.8	25.8
Payables related to fixed asset purchases	31.3	24.3
Accrued expenses	123.3	120.4
Accrued interest	34.6	32.9
Deferred revenue	26.2	25.4
Other current liabilities	36.1	39.7
TOTAL	**653.0**	**605.2**

NOTE 5 - OTHER INFORMATION

5.1 FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

5.1.1 Financial instruments

5.1.1.1 *Impact of financial instruments*

	12 months ended				
	December 31, 2019			December 31, 2018	
		Impact on equity			
(in € millions)	Impact on financial profit (loss)	Fair value	Translation adjustment	Impact on financial profit (loss)	Impact on equity
Other investments		(0.9)		0.0	4.8
Trade receivables	(1.3)			(0.9)	0.0
Cash and cash equivalents	10.6		6.8	10.9	(1.8)
Trade payables	0.0			0.0	0.0
Borrowings	(84.3)		(6.4)	(74.2)	(15.5)
Derivatives	13.3	0.4	(5.4)	8.5	1.1
TOTAL	**(61.8)**	**(0.5)**	**(5.0)**	**(55.8)**	**(11.4)**

In accordance with IFRS 9, other investments are valued at fair value through equity. Therefore, changes in the fair value of other investments only impact the consolidated balance sheet and the consolidated statement of comprehensive income.

Yankee bonds denominated in US dollars and the derivative financial instrument denominated in British pounds are treated as net investment hedges (see Note 4.3.2).

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5.1.1.2 *Breakdown of balance sheet items by type of financial instrument*

	December 31, 2019						December 31, 2018
	Carrying	Amortized	Fair	Levels of valuation			
(in € millions)	amount	cost	value	Level 1 (1)	Level 2 (2)	Level 3 (3)	Carrying amount
ASSETS							
Non-current assets							
Other investments	1.9		1.9			1.9	2.1
Other non-current assets	34.9	31.7	3.2		34.9		14.3
TOTAL NON-CURRENT ASSETS	**36.8**	**31.7**	**5.1**	**0.0**	**34.9**	**1.9**	**16.4**
Current assets							
Trade receivables	756.8	756.8			756.8		666.4
Other current financial assets	1.2		1.2		1.2		1.2
Cash and cash equivalents	1,710.9		1,710.9		1,710.9		1,022.5
TOTAL CURRENT ASSETS	**2,468.9**	**756.8**	**1,712.1**	**0.0**	**2,468.9**	**0.0**	**1,690.1**
EQUITY AND LIABILITIES							
Non-current liabilities							
Long-term borrowings	3,575.4	299.3	3,565.2	3,553.8	299.3	11.4	2,918.6
TOTAL NON-CURRENT LIABILITIES	**3,575.4**	**299.3**	**3,565.2**	**3,553.8**	**299.3**	**11.4**	**2,918.6**
Current liabilities							
Short-term borrowings	616.2	616.2	0.0	0.0	616.2	0.0	400.5
Trade payables	654.2	654.2			654.2		662.0
Other current financial liabilities	1.0		1.0		1.0		1.4
TOTAL CURRENT LIABILITIES	**1,271.4**	**1,270.4**	**1.0**	**0.0**	**1,271.4**	**0.0**	**1,063.9**

(1) Level 1: quoted prices on an active market.

(2) Level 2: calculations made from directly observable market data.

(3) Level 3: calculations made from non-observable market data.

In accordance with IFRS 13, fair value measurement takes counterparty default risk into account.

In light of the Group's credit rating, the measurement of other current financial liabilities is subject to insignificant credit risk.

5.1.2 Management of financial risks

The Group's cash management strategy is based on overall financial 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 derivative financial instruments are conducted with the sole purpose of managing interest rate, exchange rate and commodity risks and as such are limited in duration and value.

This strategy is centralized at Group level. Its implementation is deployed by the Financing and Treasury Department which recommends appropriate measures and implements them after they have been validated by the Corporate Finance Department and Group management. A detailed reporting system has been set up to enable permanent close tracking of the Group's positions and effective oversight of the management of the financial risks described in this note.

5.1.2.1 Interest rate risk

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

Net debt (excluding debt issuance costs) breaks down as follows between fixed and variable interest rates before the effect of hedging instruments:

	December 31, 2019							December 31, 2018
(in € millions)	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due beyond 5 years	Total	Total
Financial assets*								
Fixed rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Variable rate	1,710.9	0.0	0.0	0.0	0.0	0.0	1,710.9	1,022.5
Financial liabilities**								
Fixed rate	(66.5)	(59.4)	(472.2)	(445.7)	(539.1)	(2,058.8)	(3,641.7)	(2,916.7)
Variable rate	(549.7)	(5.4)	(13.9)	0.0	0.0	0.0	(569.0)	(418.0)
Net exposure								
Fixed rate	(66.5)	(59.4)	(472.2)	(445.7)	(539.1)	(2,058.8)	(3,641.7)	(2,916.7)
Variable rate	1,161.2	(5.4)	(13.9)	0.0	0.0	0.0	1,141.9	604.5

**Financial assets: cash and marketable securities.*

***Financial liabilities: borrowings (excluding debt issuance costs).*

The following table shows the sensitivity of net debt costs to changes in interest rates, before hedging instruments:

	December 31, 2019		December 31, 2018	
(in € millions)	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
Impact of a 100-bps increase in interest rates	4.0	4.0	6.7	6.7
Impact of a 100-bps decrease in interest rates	(9.0)	(9.0)	(8.6)	(8.6)

The impact of a 100-basis point increase in interest rates would result in a gain of €4.0 million due to a net positive variable-rate exposure. Conversely, the impact of a 100-basis point decrease in interest rates would result in a loss of €9.0 million.

5.1.2.2 Foreign currency risk

The Group operates in international markets and is therefore exposed to risks through its use of several different currencies.

When relevant, "natural" hedges are preferred. If required, when the acquisition of an asset is financed using a currency other than the functional currency of the country concerned, the Group may enter into forward contracts to hedge its foreign currency risk.

As of December 31, 2019, the Group has set up forward contracts in Australian dollars, Canadian dollars, US dollars, Singaporean dollars, Mexican pesos, British pounds, Chinese yuan and Polish zloty which are accounted for in the balance sheet at their fair value.

The following table shows the breakdown of net debt (excluding debt issuance costs) by reporting currency:

	December 31, 2019					December 31, 2018
(in € millions)	Financial assets*	Financial liabilities**	Net exposure before hedging	Hedging	Net exposure after hedging	Net exposure after hedging
Euro	1,062.9	(3,587.9)	(2,525.0)	(52.4)	(2,577.4)	(2,333.2)
US dollar	452.4	(499.3)	(46.9)	(38.2)	(85.1)	(213.8)
Other currencies	195.6	(123.5)	72.1	90.6	162.7	234.8
TOTAL	**1,710.9**	**(4,210.7)**	**(2,499.8)**	**0.0**	**(2,499.8)**	**(2,312.2)**

** Financial assets: cash and marketable securities.*

*** Financial liabilities: borrowings (excluding debt issuance costs).*

The following table shows the sensitivity of gross debt to changes in the exchange rate of the euro against other currencies, before hedging instruments:

	December 31, 2019		December 31, 2018	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
(in € millions)	10% increase		10% increase	
US dollar	0.3	49.4	0.1	34.4
Other currencies	6.4	11.3	0.2	2.0

	December 31, 2019		December 31, 2018	
	Impact on profit before tax	Impact on equity before tax	Impact on profit before tax	Impact on equity before tax
(in € millions)	10% decrease		10% decrease	
US dollar	(0.3)	(44.9)	(0.1)	(31.3)
Other currencies	(5.8)	(10.3)	(0.2)	(1.9)

Operating assets and liabilities break down as follows by reporting currency:

	December 31, 2019			December 31, 2018
(in € millions)	Current operating assets excluding taxes	Current operating liabilities excluding taxes	Net exposure	Net exposure
Euro	496.2	652.5	(156.3)	(122.9)
US dollar	591.9	336.1	255.8	248.1
Other currencies	738.8	422.7	316.1	278.0
TOTAL	**1,826.9**	**1,411.3**	**415.6**	**403.2**

The table below presents the breakdown of net sales and operating expenses by reporting currency as of December 31, 2019:

(in € millions)	Net sales		Operating expenses	
Euro	2,218.0	33.5%	1,764.7	32.8%
US dollar	2,521.8	38.1%	2,083.8	38.7%
Other currencies	1,882.5	28.4%	1,536.4	28.5%
Total	**6,622.3**	**100.0%**	**5,384.9**	**100.0%**

When relevant, natural hedges are also set up by matching costs and revenues in each of the Group's operating currencies. Residual amounts are hedged by options to limit the Group's exposure to fluctuations in the main currencies concerned. These hedges are for periods of less than 18 months.

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies would have resulted in 2019 in a decrease in net sales of approximately €400 million (€357 million in 2018) and a decrease in operating profit of approximately €71 million (€62 million in 2018), while a 10% decrease would have resulted in 2019 in an increase in net sales of approximately €440 million (€392 million in 2018) and an increase in operating profit of approximately €78 million (€68 million in 2018).

5.1.2.3 Commodity risk

The Group is exposed to commodity risk arising from changes in the price of raw materials, mainly plastics and metals (steel, copper, brass). Raw materials consumption (except components) amounted to around €589 million in 2019.

A 10% increase in the price of the above-mentioned consumption would theoretically feed through to around a €58 million increase in annual purchasing costs. The Group believes that it could, circumstances permitting, raise the prices of its products to offset the adverse impact of any such increases over the long term.

Additionally, the Group can set up specific derivative financial instruments (options) for limited amounts and periods to hedge part of the risk of an unfavorable change in copper and certain other raw material prices. The Group did not set up any such hedging contracts in 2019.

5.1.2.4 Credit risk

As explained in Note 2.2, a substantial portion of Group revenue is generated with two major distributors. Other revenue is essentially derived from distributors of electrical products but sales are diversified due to the large number of customers and their geographic dispersion. The Group actively manages its credit risk by establishing regularly reviewed individual credit limits for each customer, constantly monitoring collection of its outstanding receivables and systematically chasing up past due receivables. In addition, the situation is reviewed regularly with the Corporate Finance Department. When the Group is in a position to do so, it can resort to either credit insurance or factoring.

5.1.1.3 *Counterparty risk*

Financial instruments that may potentially expose the Group to counterparty risk are principally cash equivalents, short-term investments and hedging instruments. These assets are placed with well-rated financial institutions or corporates with the aim of fragmenting the exposure to these counterparties. Those strategies are decided and monitored by the Corporate Finance Department, which ensures a regular follow up of ratings and credit default swap rates of these main counterparties.

5.1.1.4 *Liquidity risk*

The Group considers that managing liquidity risk depends primarily on having access to diversified sources of financing as to their origin and maturity. This approach represents the basis of the Group's financing policy.

The total amount of net financial debt (€2,480.7 million as of December 31, 2019) is fully financed by financing facilities expiring at the earliest in 2020 and at the latest in 2032. The average maturity of gross debt is 5.3 years.

Legrand is rated "A-" with a stable outlook by Standard & Poor's.

Raiting agency	Long-term debt	Outlook
S&P	A-	Stable

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5.2 RELATED-PARTY INFORMATION

The only individuals qualifying as related parties within the meaning of IAS 24 are the corporate officers who serve on the Executive Committee and the Chairman of the Board of Directors.

As a reminder, the offices of Chairman and of Chief Executive Officer have been separated since the beginning of 2018.

Compensation and benefits provided to the members of the Executive Committee and to the Chairman of the Board of Directors for their services are detailed in the following table:

	12 months ended	
(in € millions)	December 31, 2019	December 31, 2018
Compensation (amounts paid during the period)	**7.4**	**7.6**
out of which fixed compensation	4.3	4.6
out of which variable compensation	3.0	2.9
out of which other short-term benefits (1)	0.1	0.1
Other long-term benefits (charge for the period) (2)(3)	**4.0**	**6.1**
Termination benefits (charge for the period)	**0.0**	**0.0**
Share-based payments (charge for the period) (4)	**0.4**	**(0.3)**

(1) Other short-term benefits include benefits in kind.

(2) As per the cash-settled benefit plans described in Note 4.5.2, with a 100% pay-out rate assumption.

(3) As per the equity-settled benefit plans described in Note 4.2.1, with a 100% pay-out rate assumption.

(4) Change in the obligation's present value (in accordance with IAS 19).

5.3 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

5.3.1 Specific transactions

Specific commitments and their expiry dates are discussed in the following notes:

- Note 3.3: Property, plant and equipment;
- Note 3.4: Right-of-use assets;
- Note 4.5.1: Pension and other post-employment benefit obligations.

5.3.2 Routine transactions

5.3.2.1 *Financial guarantees*

(in € millions)	December 31, 2019	December 31, 2018
Guarantees given to banks	151.6	136.5
Guarantees given to other organizations	48.7	46.1
TOTAL	**200.3**	**182.6**

Most of these guarantees are given by the Company to banks for Group subsidiaries located outside of France.

5.3.2.2 *Lease contracts outside the scope of IFRS 16*

As of December 31, 2019, the Group holds short-term or low value lease contracts which are outside the scope of IFRS 16.

These lease contracts relate mostly to low value assets. The resulting future minimum rental commitments are not material as of December 31, 2019.

5.3.2.3 *Commitments to purchase property, plant and equipment*

Commitments to purchase property, plant and equipment amounted to €20.9 million as of December 31, 2019.

5.3.3 Contingent liabilities

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, knowing that no provision is recorded for claims and legal proceedings for which the Group considers that the provision recognition criteria under IFRS are not met.

On September 6, 2018, Legrand was raided, while fully cooperating with the relevant authorities.

5.4 STATUTORY AUDITORS' FEES

The total amount of statutory auditors' fees invoiced to the group in 2019 can be detailed as follows:

(in euros excluding taxes)	PricewaterhouseCoopers Audit SAS		Deloitte & Associés	
Statutory audit and related services	614,143	96%	644,028	96%
Non-audit services	23,000	4%	25,500	4%
TOTAL	**637,143**	**100%**	**669,528**	**100%**

5.5 SUBSEQUENT EVENTS

No significant events occurred between December 31, 2019 and the date when the consolidated financial statements were prepared.

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5.6 KEY FIGURES RECONCILIATION

Reconciliation of adjusted operating profit with profit for the period:

	12 months ended	
(in € millions)	**December 31, 2019**	**December 31, 2018**
Profit for the period	**836.1**	**772.4**
Share of profits (losses) of equity-accounted entities	1.8	0.4
Income tax expense	318.3	301.3
Exchange (gains) losses	2.0	(2.2)
Financial income	(11.9)	(12.0)
Financial expense	91.1	79.1
Operating profit	**1,237.4**	**1,139.0**
Amortization & depreciation of revaluation of assets at the time of acquisitions and other P&L impacts relating to acquisitions	88.7	73.1
Impairment of goodwill	0.0	0.0
Adjusted operating profit	**1,326.1**	**1,212.1**

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

	12 months ended	
(in € millions)	**December 31, 2019**	**December 31, 2018**
Profit for the period	**836.1**	**772.4**
Adjustments for non-cash movements in assets and liabilities:		
Depreciation, amortization and impairment	309.4	209.7
Changes in other non-current assets and liabilities and long-term deferred taxes	64.6	105.8
Unrealized exchange (gains) losses	5.1	6.3
Net (gains) losses on sales of assets	5.0	5.1
Other adjustments	1.5	1.2
Cash flow from operations	**1,221.7**	**1,100.5**
Decrease (increase) in working capital requirement	17.7	(175.2)
Net cash provided from operating activities	**1,239.4**	**925.3**
Capital expenditure (including capitalized development costs)	(202.2)	(184.3)
Net proceeds from sales of fixed and financial assets	7.1	5.3
Free cash flow	**1,044.3**	**746.3**
Increase (decrease) in working capital requirement	(17.7)	175.2
(Increase) decrease in normalized working capital requirement	(16.8)	(28.0)
Normalized free cash flow	**1,009.8**	**893.5**

Calculation of net financial debt:

	12 months ended	
(in € millions)	**December 31, 2019**	**December 31, 2018**
Short-term borrowings	616.2	400.5
Long-term borrowings	3,575.4	2,918.6
Cash and cash equivalents	(1,710.9)	(1,022.5)
Net financial debt	**2,480.7**	**2,296.6**

Calculation of working capital requirement:

(in € millions)	**December 31, 2019**	**December 31, 2018**
Trade receivables	756.8	666.4
Inventories	852.6	885.9
Other current assets	217.5	206.0
Income tax receivables	60.2	89.6
Deferred tax assets (liabilities) reversing in the short term	88.2	91.2
Trade payables	(654.2)	(662.0)
Other current liabilities	(653.0)	(605.2)
Income tax payables	(28.3)	(31.5)
Short-term provisions	(104.1)	(87.9)
Working capital required	**535.7**	**552.5**

COMPANY HEADQUARTERS
128, avenue de Lattre de Tassigny
87045 Limoges Cedex, France
+33 (0) 5 55 06 87 87
www.legrand.com
@legrand