

2014 performances in line with targets

Group development initiatives actively pursued

On the closing of full-year accounts for 2014, Gilles Schnepf, Legrand Chairman and CEO, commented on group results, development and targets:

“2014 performances in line with targets

Legrand’s 2014 performances for organic⁽¹⁾ growth and profitability are in line with targets set at the beginning of the year and demonstrate once again the soundness of the group’s business model:

- *sales totaled €4.5 billion, up +3.2% excluding the exchange-rate effect, and were driven in particular by the broader scope of consolidation linked to acquisitions that added +2.7%. Organic⁽¹⁾ growth in sales came to +0.5%, with good sales momentum in the United States/Canada zone, growth in new economies, and rising sales in Southern and Northern Europe⁽²⁾ more than offsetting business trends that have not yet stabilized in other mature countries in Europe. More generally, total sales rose by +0.9%, including an exchange-rate effect of -2.4%;*
- *adjusted operating margin before acquisitions⁽³⁾ came to 19.8% of sales (19.6% including acquisitions). This illustrates the initiatives taken by the group to simultaneously fuel growth in expanding markets, adapt in countries where necessary, and pursue ongoing initiatives to improve productivity, such as the deployment of product platforms.*

Normalized⁽⁴⁾ free cash flow generation came to €607 million or 13.5% of sales in 2014. This corresponds to a 114% conversion rate⁽⁵⁾ of net income excluding minorities, confirming the group’s ability to transform its operational performance into cash generation.

Net income excluding minorities stood at €532 million or 11.8% of sales.

Proposed dividend

Legrand’s Board of Directors will ask the General Meeting of shareholders to approve a dividend of €1.10 per share compared with €1.05 for 2013, payable on June 4, 2015 and representing a payout of 55%⁽⁶⁾. This is fully consistent with the group’s robust balance sheet structure and high generation of free cash flow, as well as with promising business development initiatives and attractive prospects presented at the Investor Day held on July 3, 2014.

Group development initiatives actively pursued

Since the first half of 2014, Legrand has created an Operations department to bring all of the group’s industrial back office functions together under a single management, with three priorities:

⁽¹⁾ Organic: at constant scope of consolidation and exchange rates

⁽²⁾ Here Southern Europe includes Spain, Greece and Portugal; Northern Europe includes Germany, Belgium, the Netherlands and the United Kingdom

⁽³⁾ At 2013 scope of consolidation

⁽⁴⁾ Based on a constant ratio of working capital requirement to sales of 10% at constant scope of consolidation and exchange rates

⁽⁵⁾ Conversion rate is equal to normalized free cash flow divided by the net income excluding minorities

⁽⁶⁾ Payout is equal to the proposed dividend per share divided by 2014 earnings per share, calculated on the basis of the average number of ordinary shares at December 31, 2014, excluding shares held in treasury

- strengthen focus on 7 strategic fields of activity by creating SBUs — Strategic Business Units — in charge of R&D and production
- enhance productivity management with the constitution of a Group Operations Performance department, and
- improve supply-chain and purchasing efficiency by bringing them closer to operations.

At the same time, an Innovation and Systems department was set up to enhance coordination of innovation using a shared technology roadmap.

Building on this new structure, Legrand actively pursued initiatives to strengthen its market positions in 2014. These included developing new connected and increasingly interactive solutions such as the Ecocompteur; successfully launching many new products including the new Céliane collection and the Archimod UPS range; and announcing three acquisitions of frontrunners in buoyant markets that together generated annual sales of over €120 million. Legrand also continued to expand its product offering, raising the number of product families from 78 to 81. Finally, changes in technology and ways of life have created new opportunities notably in audio-video, Voice-Data-Image (VDI) and IT products. Legrand is building healthy positions in these new activities, while benefiting from the development of such distribution channels within the electrical sector.

CSR challenges are built into Legrand's strategy, and since the first half of 2014 have been integrated into a new five-year roadmap whose 2014 achievements were fully in line with the plan. At once ambitious and innovative, this new roadmap incorporates, in particular, priorities targeting end-users and their way of life. It reflects the group's commitment to responsible, sustainable use of electricity in buildings, plus care for the environmental impact of its own operations and for all of its stakeholders, in particular teams operating around the world.

2015 targets

Macroeconomic projections currently call for a continued supportive environment in the United States; attractive prospects in new economies, which nonetheless present short-term uncertainties, particularly in Russia; and conditions on our markets in mature Europe which should remain difficult overall in 2015.

Against this backdrop and in an industry with no order book, Legrand whose sales face a demanding basis for comparison in the first quarter of 2015, is targeting 2015 organic growth in sales of between -3% and +2%⁽¹⁾.

The group has also set a 2015 target for adjusted operating margin before acquisitions⁽²⁾ at between 18.8% and 20.1% of sales, which is consistent with its target for organic growth and the ongoing effects of its productivity efforts.

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

⁽¹⁾ The low-end of the target includes a marked drop in sales in Russia. Excluding Russia, the 2015 target of organic growth in sales for the group is between -2% and +2%

⁽²⁾ At 2014 scope of consolidation

Key figures

Consolidated data (€ millions)	2013	2014
Sales	4,460.4	4,499.1
Adjusted operating income ⁽¹⁾	882.3	880.4
<i>As % of sales</i>	19.8%	19.6%
		<i>19.8% before acquisitions⁽²⁾</i>
Operating income	849.4	847.5
<i>As % of sales</i>	19.0%	18.8%
Net income excluding minorities	530.5	531.7
<i>As % of sales</i>	11.9%	11.8%
Normalized ⁽³⁾ free cash flow ⁽⁴⁾	588.8	607.5
<i>As % of sales</i>	13.2%	13.5%
Free cash flow	563.2	607.4
<i>As % of sales</i>	12.6%	13.5%
Net financial debt at December 31	968	856

(1) Operating income adjusted for amortization of revaluation of intangible assets at the time of acquisitions and for expense/income relating to acquisitions (€32.9 million in 2013 and 2014) and, where applicable, for impairment of goodwill (€0 in 2013 and 2014).

(2) At 2013 scope of consolidation.

(3) Based on a constant 10% ratio of total working capital requirement to sales at constant scope of consolidation and exchange rates.

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

Results to December 31, 2014

Consolidated sales

Total sales came to €4,499.1 million in 2014, up +0.9% from 2013. At constant scope of consolidation and exchange rates, sales rose +0.5%. Changes in the scope of consolidation linked to acquisitions added +2.7% and the exchange-rate effect came to -2.4%.

In the fourth quarter alone, sales were up +2.9% compared with the same period of 2013. Sales growth at constant scope of consolidation and exchange rates came to -0.1%. Changes in the scope of consolidation linked to acquisitions contributed +1.6% and the exchange-rate effect was +1.4%.

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

	2014 / 2013	4th quarter 2014 / 4th quarter 2013
France	-3.3%	-5.7%
Italy	-4.1%	-1.4%
Rest of Europe	+3.2%	+1.4%
United States/Canada	+2.2%	+5.2%
Rest of the World	+2.0%	+0.2%
Total	+0.5%	-0.1%
of which mature countries	-0.5%	-1.1%
of which new economies	+2.2%	+1.3%

These yearly changes at constant scope of consolidation and exchange rates are analyzed below by geographical region:

- **France:** sales declined -3.3%. Renovation proved resilient overall, while new construction continued to retreat. Against this backdrop, the group nonetheless recorded good performances in lighting control, Voice-Data-Image solutions and assisted living.

In particular, sales in the fourth quarter alone, down -5.7%, are in reality close to the full-year trend due to:

- an unfavorable intra-annual basis for comparison that represented around -7 points⁽¹⁾
- a favorable impact of strong demand from distributors at the very end of the year which added 5 points⁽²⁾ but will, in turn, have the reverse unfavorable effect in the first quarter of 2015.

- **Italy:** sales to distributors (sell-in) came to -4.1% in 2014 compared with -11.6% in 2013, an 8-point improvement generated as follows:

- around 4 points from a slower decline in the downstream sell-out of Legrand products by distributors (sell-out), which came to -3%⁽²⁾ in 2014 compared with -7%⁽²⁾ for 2013, and
- around 4 points from a reduction in distributor destocking effect, which stood at 1 point⁽²⁾ for 2014 compared with 5 points⁽²⁾ for 2013.

- **Rest of Europe:** sales rose +3.2% in 2014, fueled in particular by healthy growth in several mature countries such as Germany, the Netherlands and Spain, but also in many new economies including Hungary, Romania, the Czech Republic, Slovakia and Turkey. Sales in Russia edged down slightly over the year.

- **United States and Canada:** sales rose +2.2% in 2014 and +7.0% compared with 2012, as Legrand strongly enhanced its positions in this zone over the last two years, in particular with new customers targeted. More particularly, the group turned in good 2014 performances in wiring devices, Voice-Data-Image solutions and building systems. Residential activity continues to do well and Legrand's performance in the commercial market is positive.

In 2015 the United States should become the group's number 1 country by sales⁽³⁾.

- **Rest of the World:** sales in the region rose +2.0%, with healthy growth in new economies in Asia, including India and Malaysia and also in Africa and the Middle East, including Egypt and South Africa. Sales in Latin America edged down overall.

Continued development in new business segments

For the year as a whole, digital infrastructures, energy performance, home systems and assisted living overall show growth, driven by lasting changes in technology and society as well as recent acquisitions. In 2014, Legrand derived close to 29% of its sales from these activities, compared with 26% in 2013.

Innovation

Legrand pursued its innovation strategy during the year, with many successful new product launches. These include the new Céliane collection in France; the international launch of its Archimod HE modular UPS range, featuring ease of operation and improved performance; and the Livinglight Air wiring-device range in Europe, introducing innovative esthetics and technology into the Livinglight family. Legrand also continued to expand its offer of connected products, with some attracting notice at the 2015 Consumer Electronics Show in Las Vegas—among them the Legrand RGB light control, which works with the open source Alljoyn™ standard to dim and select the color of light sources via Wi-Fi.

During the year Legrand also innovated in service to customers by opening Innoval Lyon (France), its first “project store”. This all-new concept gives customers an opportunity to explore group offerings in operation in a connected and interactive showroom, and provides training in the installation of Legrand solutions. Openings of more project stores are planned for France in 2015.

More generally, Legrand will continue this drive for value-creating innovation in 2015.

⁽¹⁾ Growth at constant scope of consolidation and exchange rates was +1.7% in the fourth quarter of 2013, compared with -5.1% at the end of the first nine months of 2013

⁽²⁾ Estimate

⁽³⁾ Based on United States 2014 sales valued with the EUR/USD exchange rate as at February 11, 2015

Continued external growth

Legrand also pursued its self-financed acquisition strategy, and in 2014 announced three acquisitions representing additional annual sales of over €120 million. The group thus strengthened its positions in the United States with the acquisition of Lastar, in Spain through the signature of a joint venture agreement with Neat and in Singapore with the acquisition of SJ Manufacturing.

Changes in the scope of consolidation resulting from these acquisitions raised 2014 sales by +2.7%, and the impact of acquisitions on adjusted operating margin was -0.2 point.

Based on acquisitions already announced and their likely date of consolidation, the change in scope of consolidation should boost 2015 consolidated sales by around +0.6%.

Operating performance

Adjusted operating margin before acquisitions⁽¹⁾ was stable compared with 2013 and came to 19.8% of 2014 sales (in line with the targets set at the beginning of the year) thanks to:

- solid fundamentals, in particular strong market positions
- country-specific performance management, reflecting market conditions: cost adaptation in countries marked by an unfavorable environment and allocation of resources in expanding countries to capture growth and develop new market positions; and
- ongoing productivity initiatives, including in particular deployment of product platforms.

Taking acquisitions into account, the 2014 adjusted operating margin came to 19.6% of sales.

Cash generation and sound balance sheet

Normalized⁽²⁾ free cash flow generation came to at 13.5% of sales or €607 million in 2014, up +3.2% from 2013, reflecting good operational performance and control of investments (2.8% of sales in 2014).

Working capital requirement is under control at 8.2% of sales in 2014, including in particular a decline in inventory of manufactured goods.

More generally, Legrand has a solid capacity to generate free cash flow along with a very sound balance sheet that together provide the resources it needs for future development and allow it to propose a payout⁽³⁾ of 55% in 2014.

⁽¹⁾ At 2013 scope of consolidation

⁽²⁾ Based on a constant ratio of working capital requirement to sales of 10% at constant scope of consolidation and exchange rates

⁽³⁾ Payout is equal to the proposed dividend per share divided by 2014 earnings per share, calculated on the basis of the average number of ordinary shares at December 31, 2014, excluding shares held in treasury

The Board adopted audited consolidated financial statements for 2014 at its meeting on February 11, 2015. These statements, a presentation of 2014 annual results and the related teleconference (live and replay) are available at www.legrand.com.

Note: on July 3, 2014, Legrand organized an Investor Day. All presentations are available at www.legrand.com.

Key financial dates

- 2015 first-quarter results: **May 7, 2015**
- General meeting of shareholders: **May 29, 2015**
- Ex-dividend date: **June 2, 2015**
- Dividend payment: **June 4, 2015**
- 2015 first-half results: **July 30, 2015**

ABOUT LEGRAND

Legrand is the global specialist in electrical and digital building infrastructures. Its comprehensive offering of solutions for use in commercial, industrial and residential markets makes it a benchmark for customers worldwide. Innovation for a steady flow of new products with high added value and acquisitions are prime vectors for growth. Legrand reported sales of €4.5 billion in 2014. The company is listed on NYSE Euronext and is a component stock of indexes including the CAC40, FTSE4Good, MSCI World, Corporate Oekom Rating and DJSI (ISIN code FR0010307819). www.legrand.com

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