

First-half 2015 results

Total growth in sales +8.4%

Adjusted operating income up +6.5%

Ongoing development

Acquisitions: 3 deals announced in new business segments

Internet of Things: launch of Eliot program

2015 targets confirmed

Gilles Schnepf, Chairman and CEO of Legrand, comments:

“Sales

First-half sales came to over €2.4 billion, up +8.4% in total, driven by favorable exchange-rate effects (+6.9%) and the broader scope of consolidation resulting from acquisitions (+1.6%). In particular, sales in the United States/Canada region grew nearly 36% in total in the first half of 2015, and the United States became the group's #1 country by sales.

Group organic¹ change in sales was nearly steady in the first six months of the year at -0.1%, in line with the annual target and reflecting:

- a very good performance in the United States/Canada region, buoyed in particular and in the second quarter alone by the announcement of the launch of a new GFCI² offer and great successes in non-residential activity,
- varied situations in Europe's mature countries, with healthy growth, for example, in Spain, the United Kingdom and Germany, indications that the Italian market seems to have entered a stabilization phase, and less favorable market conditions in France as well as in several other mature countries in Europe,
- good showings in many new economies – notably Turkey, many countries in Eastern Europe, India, Southeast Asia and several Latin American countries – that did not, however, offset the decline in some other countries, in particular Brazil, China and Russia, all affected by current economic conditions.

Results

Adjusted operating income stood at €478.1 million in the first half of 2015, up +6.5% from the first half of 2014. Adjusted operating margin before acquisitions³ came to 20.0% of sales (19.8% including acquisitions), which is consistent with the group's full-year target.

Net income excluding minorities rose +5.5% to total €283.4 million or 11.8% of sales.

Generation of normalized free cash flow was solid at 13.5% of sales, allowing the group to continue self-financing its development over the long term.

Ongoing development

Acquisitions: since the beginning of the year, Legrand has announced the purchase of three companies representing over €130 million in combined annual sales. All are in highly promising new business segments that include energy efficiency for IME, a European specialist in measuring electrical installation parameters; and digital infrastructures for both Raritan, Inc.⁴, a frontrunner in intelligent PDUs⁵ and KVM⁶ switches in North America and Valrack, an Indian player specializing in racks, Voice-Data-Image cabinets and related products for data centers.

¹ Organic: at constant scope of consolidation and exchange rates

² GFCI: Ground Fault Circuit Interrupter

³ At 2014 scope of consolidation

⁴ Subject to standard conditions precedent. The acquisition should be closed in the course of August 2015.

⁵ PDU: Power Distribution Unit

⁶ KVM: Keyboard, Video and Mouse

New business segments: more generally, new business segments¹ buoyed by lasting social and technological megatrends rose by 11.8% in total to represent nearly 30% of 2015 first-half consolidated sales, compared with 12% in 2005.

Internet of Things: in July 2015, Legrand announced the launch of Eliot, a program aimed at speeding up deployment of the Internet of Things in the group's offerings and thus being an active player in facilitating the emergence of connected buildings. On that occasion, Legrand set ambitious targets that include doubling the number of connectable product families from 20 in 2014 to 40 in 2020, and achieving double-digit average annual sales growth for connectable products by 2020.

2015 targets confirmed

Based on achievements in the first half of 2015, Legrand confirms its full-year targets for 2015² which, as a reminder, call for “organic growth in sales of between -3% and +2%” and “adjusted operating margin before acquisitions³ of between 18.8% and 20.1% of sales”.

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

¹ Energy efficiency, digital infrastructure, home systems and assisted living

² Readers are invited to refer to the press release announcing full-year 2014 results for the complete phrasing of Legrand's 2015 targets

³ At 2014 scope of consolidation

Key figures

Consolidated data (€ millions)	1 st half 2014 proforma ⁽¹⁾	1 st half 2015	Change
Sales	2,224.6	2,411.7	+8.4%
Adjusted operating income⁽²⁾	448.8	478.1	+6.5%
<i>As % of sales</i>	20.2%	19.8%	
		<i>20.0% before acquisitions⁽³⁾</i>	
Operating income	431.9	456.6	
<i>As % of sales</i>	19.4%	18.9%	
Net income excluding minorities	268.5	283.4	+5.5%
<i>As % of sales</i>	12.1%	11.8%	
Normalized⁽⁴⁾ free cash flow⁽⁵⁾	311.0	326.7	+5.0%
<i>As % of sales</i>	14.0%	13.5%	
Free cash flow	183.9	242.2	
<i>As % of sales</i>	8.3%	10.0%	
Net financial debt at June 30	1,263	1,001	

(1) Data at June 30, 2014 restated as explained in Note 4 to consolidated financial statements at June 30, 2015. Data at June 30, 2014 and June 30, 2015 shown in this table use comparable methods.

(2) Operating income adjusted for amortization of revaluation of intangible assets at the time of acquisition and for expense/income relating to acquisitions (€16.9 million in H1 2014 and €21.5 million in H1 2015) and, where applicable, for impairment of goodwill (€0 in H1 2014 and H1 2015).

(3) At 2014 scope of consolidation.

(4) 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 first half.

(5) 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 June 30, 2015

Consolidated sales

2015 first-half sales totaled €2,411.7 million, up +8.4% from the first half of 2014, thanks in particular to a favorable exchange-rate effect of +6.9%¹ and broader scope of consolidation linked to acquisitions that added +1.6%.

Change in group sales at constant scope of consolidation and exchange rates came to -0.1%, reflecting a change in sales of +0.8% in mature economies and -1.7% in new economies.

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

	1 st half 2015 / 1 st half 2014	2 nd quarter 2015 / 2 nd quarter 2014
France	-3.1%	+2.0%
Italy	+0.0%	+1.4%
Rest of Europe	+2.3%	+4.7%
United States/Canada	+5.2%	+6.4%
Rest of the World	-2.8%	-3.8%
Total	-0.1%	+1.4%

¹ Taking into account the exchange-rate effect observed in the first-half of 2015 and applying average exchange rates observed in June 2015 to the rest of the year, the full-year exchange-rate effect would be around +5%.

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

- **France:** sales were down -3.1%. The group nonetheless recorded good performances in user interface (formerly wiring devices), digital infrastructure and emergency lighting. After a first quarter penalized by the reverse unfavorable effect from the fourth quarter of 2014¹, the second quarter was favored by good commercial performances, in particular linked to recent launches, such as in user interface with the new Céliane collection. 2015 first-half performance (-3.1%) was on the whole in line with underlying market trend: renovation remained resilient while new construction continued its retreat.

- **Italy:** after several years of steep decline in the market, amplified by the effect of distributor destocking, sales were steady compared with the first half of 2014. This trend seems to confirm that the Italian market entered a stabilization phase. Against this backdrop, Legrand has notably registered healthy performances in user interface, cable management and modular UPS².

- **Rest of Europe:** sales rose +2.3% from the first half of 2014. Spain, the United Kingdom, Germany, Turkey and many new economies in Eastern Europe—among them Romania, Hungary and the Czech Republic—reported a healthy rise in sales that more than offset a decline in some other mature countries in Europe as well as in Russia.

- **United States and Canada:** sales grew +5.2% in the first half of 2015. This very good performance was buoyed by, on the one hand, the overall still favorable construction market, including residential activity that continued to rise and a growing commercial segment; and on the other hand, in the second quarter alone, by an inventory build-up by distributors following the announcement of the launch of the new GFCI³ as well as great successes in non-residential activity. Legrand recorded good showings in highly energy-efficient lighting control (especially following California's deployment of Title 24, a new energy code for buildings), in digital infrastructure and in wire mesh-cable management. As announced, the United States became the group's #1 country by sales in 2015.

- **Rest of the World:** sales declined -2.8%. Many countries in this region recorded good showings, including Saudi Arabia and South Africa in Africa/Middle East; India, Malaysia and Thailand in Asia; and Mexico, Colombia, and Chile in Latin America. Activity declined in some other countries, in particular China and Brazil both affected by current economic conditions.

Innovation

New product launches

Since the beginning of the year, Legrand has pursued its innovation drive, launching many new products including:

- Driver Manager offer on international markets, a gateway that ensures interoperability between the *My Home* range of home systems and any third-party products,
- Kaléis wire-mesh cable management range on international markets,
- Linea Space power cabinets in Italy, and
- user interface (formerly wiring devices) ranges Valena Life for Central and Southern Europe and Britzy for the Indian market.

Accelerating the deployment of the Internet of Things in Legrand's offering

Legrand generated over €200 million in sales from connectable products in 2014 and continues to reinforce its offering to better seize growth opportunities triggered by rapid development of the Internet of Things in buildings. In July 2015, the group thus announced the launch of Eliot⁴, a program designed to step up deployment of the Internet of Things in its offering.

Eliot aims to add connected interfaces to existing products, thus to increase the products' value in use, but also to develop new products that are natively connected. This approach targets all products that require maintenance, supervision and remote control including home systems, assisted living, video

¹ Readers are reminded that the -8.1% organic change in sales in the first quarter of 2015 was impacted, as announced, by the reverse 5-point unfavorable effect of strong demand from distributors in the fourth quarter 2014 that may not reoccur in the fourth quarter of 2015

² UPS: Uninterruptible Power Supply

³ GFCI: Ground Fault Circuit Interrupter

⁴ See press kit at http://www.legrand.com/EN/eliot-program_13238.html

door entry systems and chimes, emergency lighting, energy management systems, protection systems for electrical installations, UPS¹ and PDUs².

External growth

Since the beginning of the year, Legrand has pursued its self-financed acquisition strategy, announcing three new operations representing combined annual sales of over €130 million.

Thus, after Electrorack and Lastar, Inc. (North America), Minkels (Europe) and SJ Manufacturing (Southeast Asia), Legrand announced the acquisitions of Raritan, Inc.³, a North American frontrunner in intelligent PDUs² and KVM⁴ switches and Valrack, an Indian player specializing in racks, Voice-Data-Image cabinets and related products for datacenters. These two operations rounded out the group's international presence in digital infrastructure, a market offering promising prospects given the continuous rise in data volumes flowing through residential, commercial and industrial buildings, notably due to rapid growth of connected objects.

Legrand also continued to develop its positions in the highly-promising energy efficiency market by acquiring IME, a leading Italian player and European specialist in measuring electrical installation parameters.

The broader scope of consolidation resulting from acquisitions raised sales in the first half of 2015 by +1.6% and the impact of acquisitions on adjusted operating margin was -0.2 point.

Based on acquisitions already announced and their likely date of consolidation, changes in the scope of consolidation should boost consolidated sales for 2015 by around +1.9%.

Operating performance⁵

In the first half of 2015, adjusted operating margin before acquisitions⁶ stood at 20.0% of sales, which is consistent with the target set at the beginning of the year. Compared with adjusted operating margin in the first half of 2014, the -0.2 point change can be explained as follows:

- +0.1 point coming from inventory build-up of manufactured goods;
- -0.2 point corresponding to the effect of strong growth in the United States/Canada region—driven primarily by a very marked positive exchange-rate effect—where profitability is below the group average, although improving steadily; and
- -0.1 point due to other factors including expenses linked to the implementation of productivity initiatives.

Taking acquisitions into account, the group's adjusted operating margin came to 19.8% of sales in the first half of 2015.

Cash generation

Normalized⁷ free cash flow is solid and stood at 13.5% of sales. Over the long term and on an annual basis, normalized free cash flow should come to between 12% and 13% of sales.

Cash flow from operations was solid at €381.3 million or 15.8% of sales in the first half of 2015.

Capital employed was under control at the end of the first half of the year: working capital requirement stood at 10.0% of sales compared with 10.5% in the first half of 2014, and capital expenditures as % of sales were unchanged from the first half of 2014 at 2.3%.

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.

¹ UPS: Uninterruptible Power Supply

² PDU: Power Distribution Unit

³ Subject to standard conditions precedent. The acquisition should be closed in the course of August 2015.

⁴ KVM: Keyboard, Video and Mouse

⁵ As announced, Legrand has applied IFRIC 21 since January 1, 2015. See note 4 of consolidated financial statements at June 30, 2015 for more details on proforma accounts at June 30, 2014. (Reminder: no impact on a full-year basis—see note 2.1.4 of consolidated financial statements at December 31, 2014 and page 45 of the presentation of 2014 full-year results).

⁶ At 2014 scope of consolidation

⁷ 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 first half

Consolidated financial statements, a presentation of 2015 first-half results and the related teleconference (live and replay) are available at www.legrand.com.

Key financial dates

- 2015 nine-month results: **November 5, 2015**
- 2015 full-year results: **February 11, 2016**
- 2016 first-quarter results: **May 4, 2016**
- General Meeting of Shareholders: **May 27, 2016**

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 offers, including in particular connectable products enhancing value in use, and acquisitions are prime vectors for growth. Legrand reported sales of €4.5 billion in 2014. The company is listed on Euronext Paris 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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