www.legrandgroup.com

# Half-yearly financial report June 30, 2010

legrand®

# 1 RESPONSIBILITY FOR THE HALF-YEARLY FINANCIAL REPORT

## 1.1 - PERSON RESPONSIBLE FOR THE HALF-YEARLY FINANCIAL REPORT

### 1.1.1 - Name and position of the person responsible for the half-yearly financial report

Mr. Gilles Schnepp, Chairman and Chief Executive Officer of Legrand, a French *société anonyme* whose registered office is at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges and whose registration number is 421 259 615 RCS Limoges, hereafter the « Company ».

### 1.1.2 - Responsibility statement

*"I hereby certify that, to the best of my knowledge, the full consolidated financial statements for the first half 2010 have been drawn up in accordance with the applicable set of accounting standards and fairly present the assets, the financial position and results of the Company and the businesses within the scope of consolidation and that management report appearing on page 4 of the half-yearly financial report fairly presents the material events that occurred in the first six months of the financial year and their impact of the interim accounts, the main related-party transactions as well as a description of the principal risks and uncertainties for the remaining six months of the financial year."*

Gilles Schnepp
Chairman and Chief Executive Officer

## 1.2 - STATUTORY AUDITORS

### 1.2.1 - Principal statutory auditors

**PricewaterhouseCoopers Audit**

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale des commissaires aux comptes de Versailles)*
Represented par Gérard Morin
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the General Shareholders' Meeting of June 6, 2003, became principal statutory auditor following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and renewed as principal statutory auditor at the General Shareholders' Meeting of May 27, 2010 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ended December 31, 2015.

**Deloitte & Associés**

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale des commissaires aux comptes de Versailles)*
Represented par Dominique Descours
185, avenue Charles-de-Gaulle
BP 136
92524 Neuilly-sur-Seine Cedex

Appointed principal statutory auditor at the General Shareholders' Meeting of December 21, 2005 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2010.

### 1.2.2 - Deputy statutory auditors

Monsieur **Yves Nicolas**

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale des commissaires aux comptes de Versailles)*
Crystal Park
63, rue de Villiers
92208 Neuilly-sur-Seine

Appointed deputy statutory auditor at the General Shareholders' Meeting of March 2, 2004 for a term of six financial years and renewed as deputy statutory auditor at the General Shareholders' Meeting of May 27, 2010 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ended December 31, 2015.

**BEAS**

Member of the Regional Body of Statutory Auditors in Versailles
(*Compagnie régionale des commissaires aux comptes de Versailles)*
7-9, Villa Houssay
92524 Neuilly-sur-Seine Cedex

Appointed deputy statutory auditor at the General Shareholders' Meeting of December 21, 2005 for a term of six financial years. This appointment expires at the end of the General Shareholders' Meeting convened to vote upon the financial statements for the year ending on December 31, 2010.

## 1.3 - FINANCIAL INFORMATION

### 1.3.1 - Person responsible for financial information

Mr. **Antoine Burel**

Chief Financial Officer

Address: 82, rue Robespierre, 93170 Bagnolet
Tel: + 33 (0)1 49 72 52 00
Fax: + 33 (0)1 43 60 54 92

### 1.3.2 - Indicative financial information schedule

The financial information the Company discloses to the public will be available on the Company's web site (www.legrandgroup.com).

As an indication only, the Company's schedule for publication of financial information should be as follows:

- 2010 nine-month results: November 4, 2010;
- 2010 annual results: February 10, 2011;
- 2010 first-quarter results: May 5, 2011.

# 2 HALF-YEAR REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2010

# 2.1 - INTRODUCTION

The following review of Legrand's financial position and the results of operations should be read in conjunction with the consolidated financial statements and the related notes for the six-month period ended June 30, 2010 as set out in chapter 3 of this half-yearly financial report and other information included in the Reference Document *(document de référence)* filed with the French *Autorité des marchés financiers* (AMF) on April 15, 2010, under number D.10-0270. The Company's financial statements were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. This review also includes forward-looking statements based on assumptions about the company's future business. Actual results could differ materially from those contained in these forward-looking statements.

All percentages may be calculated on non-rounded figures and may therefore differ from percentages calculated on rounded figures.

# 2.2 - OVERVIEW

Legrand is the global specialist in electrical and digital building infrastructures. The group develops, manufactures and markets a complete range of control and command, cable management, energy distribution and Voice, Data and Image ("VDI") products under internationally recognized general brand names, including *Legrand* and *Bticino*, as well as well-known local and specialist brands. Legrand has commercial and industrial facilities in more than 70 countries and sells a wide range of products, consisting of over 170,000 catalogue items, in nearly 180 countries. In 2009, its consolidated net sales amounted to €3,577.5 million, of which 74% were generated outside France. In addition, it has significantly strengthened its presence in the "Rest of the World" and "Rest of Europe" zones in recent years.

Financial position and results of operations are reported on the basis of five geographic zones that correspond to the regions of origin of invoicing. Information concerning the results of operations and financial positions for each of these five geographic zones is presented for the first six months of 2010, 2009 and 2008 in Note 24 to the consolidated financial statements as set out in chapter 3 of this half-yearly financial report. Each zone represents either a single country or the consolidated results of a number of countries and distinct markets. These five geographic zones are:

- France;
- Italy;
- Rest of Europe (principally Spain, Portugal, Greece, Turkey, the United Kingdom, Germany, Belgium, the Netherlands, Austria, Poland and Russia);
- United States and Canada; and
- Rest of the World (principally Brazil, Mexico, Chile, Venezuela, Colombia, China, India, South Korea, Egypt and Australia).

Since local market conditions are the determining factor in business performance and net sales by zone, the consolidated financial information for multi-country zones does not always accurately reflect financial performance in each of the national markets. In fact, operations within geographic zones vary significantly from one country to the next. Furthermore, products may be manufactured and sold locally or imported from or exported to another Group entity. These factors may distort the comparisons between results for different geographic zones. Consequently, with the exception of information relating to net sales, the discussion of results below focuses primarily on consolidated results, with reference to national markets where these have a material impact on consolidated accounts.

# 2.3 - RECENT EVENTS

Legrand is pursuing its active acquisition policy as demonstrated by the recent acquisition of Inform, Turkey's number-one contender in UPS (uninterruptible power supplies), that reported 2009 sales of $70 million and an operating margin in double digits, and of Indo Asian Switchgear[1], a key player in the Indian market for electrical protection devices whose 2010 sales should exceed €35 million with a double-digit operating margin. The group is thus reinforcing its market positions, particularly in emerging countries and high-growth segments.

[1] Subject to corporate approval.

Legrand is also actively pursuing new-product development, with R&D representing close to 5% of sales and new products 67% of investment in the first half of the year.

Over the same period, it rolled out a variety of new product lines, including:

- wiring device lines Kaptika in Russia, Nereya in Brazil, Mellovia in South Korea, Meidian in China, and premium lines Axolute Eteris and Axolute White in Italy, where they were particularly well received,
- a new line of audio and video door-entry systems for the Chinese market,
- solar-cell equipment protection devices in France,
- the Digital Lighting Management offering for optimum management of lighting systems in the US, using digital networks,
- a video surveillance offering in Italy.

# 2.4 - COMPARISON OF FIRST-HALF RESULTS IN 2010 AND 2009

| | **Legrand Six months ended as of June 30** | |
|---|---|---|
| *(in € millions)* | **2010** | **2009** |
| **Net sales** | **1,910.1** | **1,812.1** |
| **Operating expense** | | |
| Cost of goods sold | (857.3) | (872.5) |
| Administrative and selling expense | (511.2) | (505.0) |
| Research and development expense | (93.9) | (92.9) |
| Other operating income (expense) | (60.9) | (99.7) |
| **Operating income** | **386.8** | **242.0** |
| Interest expense | (38.9) | (59.2) |
| Interest income | 6.0 | 7.0 |
| Foreign exchange gains (losses) | (52.5) | (12.9) |
| **Finance costs and other financial income and expense, net** | **(85.4)** | **(65.1)** |
| **Income before taxes** | **301.4** | **176.9** |
| Income taxes | (108.4) | (68.4) |
| **Net income for the period** | **193.0** | **108.5** |
| **Net income attributable to:** | | |
| **– Legrand** | **192.6** | **107.9** |
| **– Minority interests** | **0.4** | **0.6** |

The table below presents the calculation of adjusted operating income (defined as operating income adjusted for purchase accounting adjustments relating to the acquisition of Legrand France in 2002 and impairment of goodwill) and maintainable adjusted operating income (i.e., excluding restructuring charges) for the periods under review:

| | **Legrand Six months ended as of June 30** | |
|---|---|---|
| *(in € millions)* | **2010** | **2009** |
| **Net income for the period** | **193.0** | **108.5** |
| Income taxes | 108.4 | 68.4 |
| Foreign exchange gains (losses) | 52.5 | 12.9 |
| Interest income | (6.0) | (7.0) |
| Interest expense | 38.9 | 59.2 |
| **Operating income** | **386.8** | **242.0** |
| Purchase accounting adjustment for acquisition of Legrand France | 13.2 | 19.3 |
| Impairment of goodwill | 0.0 | 15.9 |
| **Adjusted operating income** | **400.0** | **277.2** |
| Restructuring charges | 21.2 | 29.4 |
| **Maintainable adjusted operating income** | **421.2** | **306.6** |

## 2.4.1 Net sales

Consolidated net sales rose 5.4% to €1,910.1 million in the first six months of 2010, up from €1,812.1 million in the first six months of 2009, reflecting:

- a 3.1% increase in net sales, excluding the effects of changes in the scope of consolidation and using constant exchange rates;
- a 2.1% increase in net sales due to changes in exchange rates during the period; and
- an 0.2% increase in net sales attributable to changes in the scope of consolidation.

Firm sales trends mainly reflected vigorous growth on emerging markets, where the first-half rise was 17.4%, combined with the success of new products, in particular the Arteor, Nereya and LCS² ranges, and sustained expansion in fast-growing business segments in particular energy-efficiency. Sales performance also benefited from favorable calendar effects and a positive basis for comparison in a number of countries over the first six months of the year.

Excluding the effects of changes in the scope of consolidation and using constant exchange rates, changes in net sales by destination (local market of the end customer) from the first six months of 2009 to the first six months of 2010 were as follows:

| | |
|---|---|
| France | -0.1% |
| Italy | +2.2% |
| Rest of Europe | -4.3% |
| United States and Canada | +5.7% |
| Rest of the World | +12.0% |
| **TOTAL** | **+3.1%** |

*France*. Net sales in France came to €475.5 million in the first half of 2010, down 0.1% from €476.0 million in the same period of 2009. Sales were thus practically unchanged, underpinned by the good showing of wiring devices and the success of LCS² solutions for digital infrastructure, as well as the resilience of sales on renovation markets and favorable calendar effects.

*Italy*. Net sales in Italy were up 2.2% from €308.7 million in the first half of 2009 to €315.6 million in the first half of 2010. This reflects strong growth in sales of wiring devices, notably the Axolute and Matix lines, and double-digit growth in sales of My Home residential systems plus a favorable basis for comparison resulting from a rundown of inventory by distributors in the first half of 2009.

*Rest of Europe*. Net sales in the Rest of Europe zone declined 0.6% to €352.9 million in the first half of 2010 compared with €355.2 million in the first half of 2009. This resulted from a 4.3% decrease in net sales at constant scope of consolidation and using constant exchange rates; fluctuations in exchange rates had a positive impact of 3.1% and the change in the scope of consolidation had a positive impact of 0.7%. Very good showings in Russia and Turkey, stabilization of some markets, and a favorable basis for comparison helped offset difficulties in Eastern Europe, the Netherlands and the United Kingdom.

*United States and Canada*. Net sales in the United States and Canada were up 6.3% to €275.4 million in the first half of 2010 compared with €259.1 in the first half of 2009. With the residential market stabilizing and the commercial segment worsening, this reflected a 5.7% organic growth, while fluctuations in the exchange rate had a positive impact of 0.6%. Business has benefited in particular from the strong showings of wiring devices (Pass & Seymour), digital infrastructure (Ortronics) and lighting controls (Watt Stopper), as well as a favorable basis for comparison.

*Rest of the World.* Net sales in the Rest of the World zone rose by 18.8% to €490.7 million in the first half of 2010 compared with €413.1 million in the first half of 2009. This resulted from a 12.0% organic growth, a positive impact of 5.8% from exchange rates and 0.2% from changes in the scope of consolidation. Trends in most emerging economies confirm a return to strong growth and reflect the soundness and pertinence of Legrand's business development strategy in these promising markets.

The table below shows a breakdown of changes in net sales by **destination** (local market of the end customer)

| **Net sales**<br>€ millions, except % | **1st six months 2009** | **1st six months 2010** | **Total change** | **Changes in scope of consolidation** | **Organic growth(1)** | **Exchange rate effect** |
|---|---|---|---|---|---|---|
| France | 476.0 | 475.5 | - 0.1% | 0.0% | - 0.1% | 0.0% |
| Italy | 308.7 | 315.6 | 2.2% | 0.0% | 2.2% | 0.0% |
| Rest of Europe | 355.2 | 352.9 | - 0.6% | 0.7% | - 4.3% | 3.1% |
| USA/Canada | 259.1 | 275.4 | 6.3% | 0.0% | 5.7% | 0.6% |
| Rest of the World | 413.1 | 490.7 | 18.8% | 0.2% | 12.0% | 5.8% |
| **CONSOLIDATED TOTAL** | **1 812.1** | **1 910.1** | **5.4%** | **0.2%** | **3.1%** | **2.1%** |

(1) *Excluding the effects of changes in the scope of consolidation and using constant exchange rates.*

The table below presents the components of changes in net sales by **origin** of invoicing.

| **Net sales**<br>€ million, except % | **1st six months 2009** | **1st six months 2010** | **Total change** | **Changes in scope of consolidation** | **Organic growth(1)** | **Exchange rate effect** |
|---|---|---|---|---|---|---|
| France | 525.1 | 536.4 | 2.2% | 0.5% | 1.7% | 0.0% |
| Italy | 332.5 | 332.1 | - 0.1% | - 0.2% | 0.1% | 0.0% |
| Rest of Europe | 332.4 | 340.1 | 2.3% | 2.2% | - 3.1% | 3.3% |
| USA/Canada | 262.1 | 281.9 | 7.6% | 0.0% | 6.9% | 0.6% |
| Rest of the World | 360.0 | 419.6 | 16.6% | - 1.6% | 10.9% | 6.8% |
| **CONSOLIDATED TOTAL** | **1 812.1** | **1 910.1** | **5.4%** | **0.2%** | **3.1%** | **2.1%** |

(1) *Excluding the effects of changes in the scope of consolidation and using constant exchange rates.*

The positive impact of changes in scope for the France zone (+0.5%) is attributable to the effects of shifts in delivery flows, with France supplying some countries previously receiving deliveries from the Dubai hub and a new hub set up in Eastern Europe to supply countries previously receiving deliveries from France. These two changes are also reflected in the impact of changes of scope for the Rest of Europe and Rest of the World zones.

## 2.4.2 Operating expense

### ➢ COST OF GOODS SOLD

The consolidated cost of goods sold fell by 1.7% to €857.3 million in the first half of 2010 compared with €872.5 million in the first half of 2009. Cost of goods sold as a percentage of net sales showed a decline from 48.1% in the first six months of 2009 to 44.9% in the first half of 2010.

The change in the cost of goods sold resulted primarily from:

- the full effects of significant adjustments to production costs initiated in 2009 and continued in 2010 in countries where activity is still slowing down;
- ongoing efforts to raise productivity;

partly offset by

- higher prices for raw materials and components, and
- the impact of exchange rates, with the euro losing ground against most other currencies.

### ➢ ADMINISTRATIVE AND SELLING EXPENSE

Administrative and selling expense rose 1.2% from €505.0 million in the first half of 2009 to €511.2 million in the first half of 2010. This increase is essentially attributable to:

- the reinforcement of sales presence, particularly in emerging markets;
- the impact of exchange rates, with the euro losing ground against most other currencies;

partly offset by

- the full impact of reorganization programs previously deployed.

At constant scope of consolidation and exchange rates, administrative and selling expense declined 1.6% from the first six months of 2009 to the same period of 2010.

Expressed as a percentage of sales, administrative and selling expense thus showed a decline from 27.9% in the first half of 2009 to 26.8% in the first half of 2010.

## ➢ RESEARCH AND DEVELOPMENT EXPENSE

In accordance with IAS 38 “Intangible Assets”, Legrand has implemented an internal measurement and accounting system for development expense to be recognized as intangible assets. On this basis, €14.5 million in development expense was capitalized in the first half of 2010 compared to €16.1 million in the first half of 2009.

Research and development expense totaled €93.9 million during the first half of 2010 after €92.9 million in the first half of 2009, figures which include amortization of intangible assets relating to the acquisition of Legrand France.

Excluding the impact of the capitalization of development expense and the purchase accounting charge relating to the acquisition of Legrand France, research and development expenditure amounted to €88.1 million or 4.6% of sales in the first half of 2010, compared to €88.8 million or 4.9% of sales in the first half of 2009.

In the first half of 2010, the group rolled out a variety of new product lines reflecting Legrand's ongoing emphasis on innovation and the development of new products. These included in particular wiring device lines Kaptika in Russia, Nereya in Brazil, Mellovia in South Korea, Meidian in China; premium lines Axolute Eteris and Axolute White in Italy; a new line of audio and video door-entry systems for the Chinese market; solar-cell equipment protection devices in France; a Digital Lighting Management offering for optimum management of lighting systems using digital networks in the US; and a video surveillance offering in Italy.

| | **Calculation of research and development expenditure in the six months ended June 30** | |
|---|---|---|
| *(in € millions)* | **2010** | **2009** |
| Research and development expense | (93.9) | (92.9) |
| Purchase accounting amortization | 8.6 | 14.4 |
| Amortization of capitalized development expense | 11.7 | 5.8 |
| **Research and development expense, excluding amortization and purchase accounting adjustments relating to the acquisition of Legrand France** | **(73.6)** | **(72.7)** |
| Capitalized development expense | (14.5) | (16.1) |
| **Research and development expenditure for the period** | **(88.1)** | **(88.8)** |

## ➢ OTHER OPERATING INCOME AND EXPENSE

In the first six months of 2010, other operating expense totaled €60.9 million compared with €99.7 million in the same period of 2009. This decline reflected in particular:

- lower restructuring charges, mainly in the Rest of Europe and Rest of World zones;
- the absence of impairment charges for goodwill on the balance sheet in the first half of 2010, whereas impairments came to €15.9 million in the first half of 2009.

# 2.4.3 Operating income

Consolidated operating income rose 59.8% from €242.0 million in the first half of 2009 to €386.8 million in the first half of 2010. This increase resulted from:

- a 5.4% rise in net sales;
- a 1.7% decline in cost of goods sold;
- a 38.9% decline in other operating expense;

partly offset by:

- a 1.1% increase in research and development expense;
- a 1.2% rise in administrative and selling expense.

Consolidated operating income as a percentage of net sales rose to 20.3% in the first half of 2010 compared with 13.4% in the first half of 2009.

## 2.4.4 Adjusted operating income

Adjusted operating income is defined as operating income adjusted for amortization charges relating to the acquisition of Legrand France in 2002 and impairment of goodwill. Adjusted operating income measured in this way rose 44.3% from €277.2 million in the first half of 2009 to €400.0 million in the first half of 2010, reflecting gains in all geographical zones. These included:

- a 30.9% rise to €132.7 million in France during the first half of 2010 compared to €101.4 million in the first half of 2009, representing 24.7% of net sales in the first six months of 2010 compared to 19.3% in the first six months of 2009;
- a 26.7% increase to €111.6 million in Italy during the first half of 2010 compared to €88.1 million during the first half of 2009, representing 33.6% of net sales in the first six months of 2010 compared to 26.5% of net sales in the first six months of 2009;
- a vigorous rise in the Rest of Europe zone, with particularly strong contributions from Russia, Spain and Portugal helping to set the figure for the first half of 2010 at €43.7 million or 12.8% of sales compared with €6.9 million or 2.1% of sales in the same period of 2009;
- a 16.1% rise to €39.0 million or 13.8% of sales in the US and Canada, compared with €33.6 million or 12.8% of sales in the first half of 2009;
- increases in most of the countries in the Rest of the World zone, particularly Brazil, Chile, Mexico, India and China, setting the total at €73.0 million or 17.4% of sales in the first half of 2010, up from €47.2 million or 13.1% of sales in the first half of 2009.

Adjusted operating income of 20.9% of sales in the first half of 2010, up from 15.3% in the same period of 2009, was underpinned in particular by good operating leverage from sales growth and the full impact of reorganization programs already deployed.

## 2.4.5 Finance costs and other financial income and expense

Consolidated net finance costs declined 37.0% from €52.2 million or 2.9% of sales in the first half of 2009 to €32.9 million or 1.7% of sales in the first half of 2010. This was principally due to a decline in average indebtedness.

## 2.4.6 Foreign exchange gains and losses

Exchanges losses amounted to €52.5 million in the first six months of 2010, compared with losses of €12.9 million in the same period of 2009. The higher losses were principally attributable to the euro's decline against most other currencies. The bulk of these losses are unrealized and relate to intercompany loans.

Reflecting these unrealized exchange losses, the translation reserve increased by more than €140 million (see note 12.b chapter 3, in this half-year financial report).

## 2.4.7 Income tax expense

Consolidated income tax expense amounted to €108.4 million in the first half of 2010 compared with €68.4 million for the first half of 2009. The rise mainly reflects higher operating income.

## 2.4.8 Net income

Consolidated net income rose 77.9% from €108.5 million in the first half of 2009 to €193.0 million in the first half of 2010. This increase resulted from:

- a €144.8 million rise in operating income; and
- a decline of €19.3 million in net finance costs;

partly offset by:

- the negative impact of exchange-rate variations in an amount of €39.6 million; and
- a €40.0 million increase in income tax.

## 2.4.9 Cash flows

The table below summarizes cash flows for the six-month periods ended June 30, 2010 and June 30, 2009:

| | Legrand Six months ended June 30 | |
|---|---|---|
| *(in € millions)* | **2010** | **2009** |
| Net cash provided by operating activities | 323.0 | 247.9 |
| Net cash (used in) provided by investing activities* | (54.0) | (44.3) |
| Net cash (used in) provided by financing activities | (253.7) | (282.2) |
| Increase (reduction) in cash and cash equivalents | 32.3 | (83.0) |
| ** of which capital expenditure and capitalized development costs* | *(43.3)* | *(57.2)* |

For a fuller presentation of Legrand's cash flows, see the consolidated statement of cash flow in the group's consolidated financial statements.

### NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities rose from €247.9 million at June 30, 2009 to €323.0 million at June 30, 2010. This increase of €75.1 million is primarily due to a steep rise in cash flow from operations, albeit limited by the change in current operating assets and liabilities. Cash flow from operations (defined as net cash provided from operations, plus changes in current operating assets and liabilities) thus rose 52.6% from €220.6 million at June 30, 2009 to €336.7 million at June 30, 2010, reflecting the rise in operating income over the period.

### NET CASH PROVIDED BY OR USED IN INVESTING ACTIVITIES

Net cash used in investing activities for the six months ended June 30, 2010 amounted to €54.0 million compared with €44.3 million for the period ended June 30, 2009. This increase reflects the combined effects of a decline in asset sales and increased investment in consolidated entities, partly offset by a decline in capital expenditures.

Capital expenditure and capitalized development costs amounted to €43.3 million in the first half of 2010 (including €14.5 million in capitalized development costs), showing a 24.3% decline from €57.2 million in the period ended June 30, 2009, a figure that includes €16.1 million in capitalized development costs. New products represented 67% of capital expenditures and capitalized development costs in the first half of 2010.

### NET CASH PROVIDED BY OR USED IN FINANCING ACTIVITIES

Net cash used in financing activities amounted to €253.7 million in the first half of 2010, including bonds issued in February 2010 for a total €300.0 million as well as dividends paid in a total amount of €183.8 million. This compares with €282.2 million net cash used in financing activities in the first half of 2009, an amount which included €182.8 million in dividends paid and €72.9 million in sales of own shares.

## 2.4.10 Debt

Gross debt (defined as the sum of long-term and short-term borrowings, including commercial paper and bank overdrafts) amounted to €1,504.3 million at June 30, 2010 compared to €1,953.0 million at June 30, 2009. Cash and cash equivalents amounted to €205.8 million at June 30, 2010, compared to €171.4 million at June 30, 2009. Net debt (defined as gross debt less cash and cash equivalents) totaled €1,298.5 million at June 30, 2010 compared to €1,781.5 million at June 30, 2009.

The ratio of consolidated net debt to consolidated shareholders' equity was 51% at June 30, 2010 compared to 81% at June 30, 2009.

At June 30, 2010, aggregate gross indebtedness consisted of:

- €357.8 million under the 2006 credit facility;
- €318.2 million in Yankee bonds;
- €300.0 in bonds issued in February 2010;
- €282.5 million under bank loans taken out in May 2007 and March 2009; and
- €245.8 million in other debt, mainly bank borrowings and bank overdrafts.

# 2.5 - RELATED PARTY TRANSACTIONS

Readers should refer to Note 23 to the consolidated financial statements for the six-month period ended June 30, 2010, presented in chapter 3 of this half-year financial report, which details information relating to corporate officers.

# 2.6 - RISKS AND UNCERTAINTIES

Readers should refer to chapter 3 of the Reference Document *(Document de référence)* filed with the French *Autorité des marchés financiers* (AMF) under number D.10-0270, and to Note 22 to the consolidated financial statements presented in chapter 3 of this half-year financial report for the period to June 30, 2010, which comments on the risk factors of a nature to adversely affect the group's position and risk management.

# 2.7 - PROSPECTS

On this basis, and despite the seasonality of fourth-quarter margin and the impact of rises in raw-material costs, Legrand has raised its full-year 2010 target for adjusted operating margin again, to over 19% from over 18% previously.

# 3 INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2010

**Consolidated Statement of Income**

| | Legrand | | |
|---|---|---|---|
| | 6 months ended June 30, | | |
| *(in € millions)* | **2010** | **2009** | **2008** |
| **Revenue (Note 1 (k))** | **1,910.1** | **1,812.1** | **2,166.0** |
| **Operating expenses** | | | |
| Cost of sales | (857.3) | (872.5) | (1,048.2) |
| Administrative and selling expenses | (511.2) | (505.0) | (586.5) |
| Research and development costs | (93.9) | (92.9) | (109.2) |
| Other operating income (expense) (Note 18 (b)) | (60.9) | (99.7) | (58.5) |
| **Operating profit (Note 18)** | **386.8** | **242.0** | **363.6** |
| Finance costs (Note 19 (b)) | (38.9) | (59.2) | (68.7) |
| Financial income (Note 19 (b)) | 6.0 | 7.0 | 11.6 |
| Exchange gains (losses) (Note 19 (a)) | (52.5) | (12.9) | 32.5 |
| Finance costs and other financial income and expense, net | (85.4) | (65.1) | (24.6) |
| **Profit before tax** | **301.4** | **176.9** | **339.0** |
| Income tax expense (Note 20) | (108.4) | (68.4) | (105.0) |
| **Profit for the period** | **193.0** | **108.5** | **234.0** |
| **Attributable to:** | | | |
| **– Legrand** | **192.6** | **107.9** | **233.1** |
| **– Minority interests** | **0.4** | **0.6** | **0.9** |
| Basic earnings per share *(euros)* (Notes 10 and 1 (s)) | 0.734 | 0.417 | 0.907 |
| Diluted earnings per share *(euros)* (Notes 10 and 1 (s)) | 0.713 | 0.414 | 0.900 |

**Statement of Comprehensive Income**

| *(in € millions)* | **June 30, 2010** | **June 30, 2009** | **June 30, 2008** |
|---|---|---|---|
| Profit for the period | 193.0 | 108.5 | 234.0 |
| Actuarial gains and losses (Notes 1 (q) and 15) | (9.1) | (2.7) | 1.2 |
| Deferred taxes on actuarial gains and losses | 3.0 | 0.6 | (0.4) |
| Current taxes on hedges of net investments in foreign currency | 16.4 | - | - |
| Translation reserves (Notes 1 (m) and 12 (b)) | 145.5 | 21.6 | (43.9) |
| **Total** | **348.8** | **128.0** | **190.9** |

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

**Consolidated Balance Sheet**

| (in € millions) | June 30, 2010 | Legrand<br>December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents (Notes 1 (d) and 9) | 205.8 | 173.5 | 254.4 |
| Marketable securities (Note 9) | 0.0 | 0.0 | 305.3 |
| Income tax receivables | 21.2 | 22.4 | 11.0 |
| Trade receivables (Notes 1 (e) and 7) | 581.7 | 501.1 | 621.7 |
| Other current assets (Note 8) | 124.8 | 125.4 | 139.8 |
| Inventories (Notes 1 (i) and 6) | 528.8 | 427.5 | 602.9 |
| Other current financial assets (Note 22) | 1.4 | 0.6 | 5.0 |
| **Total current assets** | **1,463.7** | **1,250.5** | **1,940.1** |
| **Non-current assets** | | | |
| Intangible assets (Notes 1 (f) and 2) | 1,790.1 | 1,769.8 | 1,772.7 |
| Goodwill (Notes 1 (g) and 3) | 1,943.9 | 1,855.1 | 1,854.3 |
| Property, plant and equipment (Notes 1 (h) and 4) | 635.2 | 646.1 | 722.2 |
| Other investments (Note 5) | 0.9 | 6.5 | 13.1 |
| Deferred tax assets (Notes 1 (j) and 20) | 97.6 | 82.1 | 76.4 |
| Other non-current assets | 4.7 | 4.3 | 4.9 |
| **Total non-current assets** | **4,472.4** | **4,363.9** | **4,443.6** |
| **Total Assets** | **5,936.1** | **5,614.4** | **6,383.7** |

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

| (in € millions) | Legrand<br>June 30, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Short-term borrowings (Notes 1 (t) and 16) | 233.6 | 445.5 | 401.3 |
| Income tax payable | 38.5 | 15.3 | 12.1 |
| Trade payables | 456.3 | 357.7 | 410.4 |
| Short-term provisions (Note 14) | 125.9 | 107.9 | 75.9 |
| Other current liabilities (Note 17) | 413.5 | 407.7 | 432.5 |
| Other current financial liabilities (Note 22) | 0.9 | 0.3 | 0.0 |
| **Total current liabilities** | **1,268.7** | **1,334.4** | **1,332.2** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities (Notes 1 (j) and 20) | 636.8 | 625.0 | 638.9 |
| Long-term provisions (Note 14) | 67.1 | 63.6 | 62.3 |
| Other non-current liabilities | 0.1 | 0.3 | 0.2 |
| Provisions for pensions and other post-employment benefits (Notes 1 (q) and 15) | 138.7 | 128.9 | 144.1 |
| Long-term borrowings (Notes 1 (t) and 13) | 1,270.7 | 1,067.8 | 2,020.2 |
| **Total non-current liabilities** | **2,113.4** | **1,885.6** | **2,865.7** |
| **Equity** | | | |
| Share capital (Note 10) | 1,052.6 | 1,052.4 | 1,051.3 |
| Retained earnings (Note 12 (a)) | 1,585.0 | 1,568.4 | 1,378.3 |
| Translation reserves (Note 12 (b)) | (86.8) | (231.6) | (249.4) |
| Equity attributable to equity holders of Legrand | 2,550.8 | 2,389.2 | 2,180.2 |
| Minority interests | 3.2 | 5.2 | 5.6 |
| **Total equity** | **2,554.0** | **2,394.4** | **2,185.8** |
| **Total Liabilities and Equity** | **5,936.1** | **5,614.4** | **6,383.7** |

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

**Consolidated Statement of Cash Flows**

| | Legrand | | |
|---|---|---|---|
| | 6 months ended June 30, | | |
| *(in € millions)* | **2010** | **2009** | **2008** |
| **Profit for the period** | **193.0** | **108.5** | **234.0** |
| Reconciliation of profit for the period to net cash provided by operating activities: | | | |
| – Depreciation expense (Note 18 (a)) | 55.2 | 64.1 | 67.1 |
| – Amortization expense (Note 18 (a)) | 23.4 | 29.0 | 32.1 |
| – Amortization of development costs (Note 18 (a)) | 11.7 | 5.8 | 4.7 |
| – Amortization of finance costs | 1.2 | 0.5 | 0.7 |
| – Impairment of goodwill (Notes 3 and 18 (b)) | 0.0 | 15.9 | 0.0 |
| – Changes in deferred taxes | 2.8 | (4.8) | (8.4) |
| – Changes in other non-current assets and liabilities | 6.6 | 4.7 | (5.1) |
| – Exchange (gains)/losses, net | 41.2 | 1.2 | (23.8) |
| – Other adjustments | 1.1 | 0.1 | 4.0 |
| (Gains)/losses on sales of assets, net | 0.5 | (4.4) | 1.0 |
| Changes in operating assets and liabilities: | | | |
| – Inventories | (70.2) | 128.4 | (35.5) |
| – Trade receivables | (48.2) | 32.6 | (196.0) |
| – Trade payables | 80.4 | (100.2) | 38.9 |
| – Other operating assets and liabilities | 24.3 | (33.5) | 31.7 |
| **Net cash provided by operating activities** | **323.0** | **247.9** | **145.4** |
| Net proceeds from sales of fixed and financial assets | 4.0 | 17.1 | 6.1 |
| Capital expenditure | (28.8) | (41.1) | (58.5) |
| Capitalized development costs | (14.5) | (16.1) | (12.6) |
| Changes in non-current financial assets and liabilities | 0.3 | 0.5 | (0.3) |
| Acquisitions of subsidiaries, net of cash acquired (Note 3) | (15.0) | (4.7) | (133.1) |
| Investments in non-consolidated entities | 0.0 | 0.0 | (2.7) |
| **Net cash used in investing activities** | **(54.0)** | **(44.3)** | **(201.1)** |
| – Proceeds from issues of share capital and premium (Note 10) | 0.3 | 1.3 | 2.1 |
| – Sales (buybacks) of shares and transactions under the liquidity contract (Note 10) | 3.6 | 72.9 | (85.6) |
| – Dividends paid to equity holders of Legrand | (183.7) | (182.8) | (180.0) |
| – Dividends paid by Legrand subsidiaries | 0.0 | (1.6) | (1.1) |
| – Proceeds from new borrowings and drawdowns | 303.9 | 168.0 | 390.6 |
| – Repayment of borrowings | (143.5) | (566.1) | (58.5) |
| – Debt issuance costs | (2.6) | (0.7) | 0.0 |
| – Proceeds from sales (purchases) of marketable securities | (0.1) | 305.2 | 0.0 |
| – Increase (reduction) in bank overdrafts | (231.6) | (78.4) | (19.3) |
| **Net cash (used in) provided by financing activities** | **(253.7)** | **(282.2)** | **48.2** |
| Effect of exchange rate changes on cash and cash equivalents | 17.0 | (4.4) | (11.0) |
| **Increase in cash and cash equivalents** | **32.3** | **(83.0)** | **(18.5)** |
| Cash and cash equivalents at the beginning of the period | 173.5 | 254.4 | 221.1 |
| **Cash and cash equivalents at the end of the period (Note 9)** | **205.8** | **171.4** | **202.6** |
| Items included in cash flows : | | | |
| – Free cash flow (Note 24) | 283.7 | 207.8 | 80.4 |
| – Interest paid during the period | 22.6 | 65.5 | 51.9 |
| – Income taxes paid during the period | 58.6 | 59.9 | 86.8 |

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

**Consolidated Statement of Changes in Equity**

| (in € millions) | Share capital | Retained earnings | Translation reserves | TOTAL | Minority interests | Total equity |
|---|---|---|---|---|---|---|
| | **Equity attributable to equity holders of Legrand** | | | | | |
| **As of January 1st, 2008** | **1,083.9** | **1,238.4** | **(194.0)** | **2,128.3** | **2.8** | **2,131.1** |
| Profit for the period | | 233.1 | | 233.1 | 0.9 | 234.0 |
| Income (expenses) recognized directly in equity, net | | 0.8 | (43.9) | (43.1) | | (43.1) |
| *Total recognized income and expenses, net* | | *233.9* | *(43.9)* | *190.0* | *0.9* | *190.9* |
| Dividends paid | | (180.0) | | (180.0) | (1.1) | (181.1) |
| Issues of share capital (Note 10) | 2.1 | | | 2.1 | | 2.1 |
| Cancellation of shares acquired under the share buyback program (Note 10) | (36.5) | 36.5 | | 0.0 | | 0.0 |
| Share buybacks and transactions under the liquidity contract (Note 10) | | (85.6) | | (85.6) | | (85.6) |
| Buyout of minority interests | | | | 0.0 | 1.8 | 1.8 |
| Current taxes on share buybacks | | 7.9 | | 7.9 | | 7.9 |
| Stock options (Note 11 (b)) | | 6.3 | | 6.3 | | 6.3 |
| **As of June 30, 2008** | **1,049.5** | **1,257.4** | **(237.9)** | **2,069.0** | **4.4** | **2,073.4** |
| **As of January 1st, 2009** | **1,051.3** | **1,378.3** | **(249.4)** | **2,180.2** | **5.6** | **2,185.8** |
| Profit for the period | | 107.9 | | 107.9 | 0.6 | 108.5 |
| Income (expenses) recognized directly in equity, net | | (2.1) | 21.3 | 19.2 | 0.3 | 19.5 |
| *Total recognized income and expenses, net* | | *105.8* | *21.3* | *127.1* | *0.9* | *128.0* |
| Dividends paid | | (182.8) | | (182.8) | (1.6) | (184.4) |
| Issues of share capital (Note 10) | 1.1 | 0.2 | | 1.3 | | 1.3 |
| Share buybacks and transactions under the liquidity contract (Note 10) | | 72.9 | | 72.9 | | 72.9 |
| Change in scope of consolidation | | 0.3 | | 0.3 | (0.7) | (0.4) |
| Current taxes on share buybacks | | (0.2) | | (0.2) | | (0.2) |
| Stock options (Note 11 (b)) | | 6.4 | | 6.4 | | 6.4 |
| **As of June 30, 2009** | **1,052.4** | **1,380.9** | **(228.1)** | **2,205.2** | **4.2** | **2,209.4** |
| **As of January 1st, 2010** | **1,052.4** | **1,568.4** | **(231.6)** | **2,389.2** | **5.2** | **2,394.4** |
| Profit for the period | | 192.6 | | 192.6 | 0.4 | 193.0 |
| Income (expenses) recognized directly in equity, net | | 10.3 | 144.8 | 155.1 | 0.7 | 155.8 |
| *Total recognized income and expenses, net* | | *202.9* | *144.8* | *347.7* | *1.1* | *348.8* |
| Dividends paid | | (183.7) | | (183.7) | | (183.7) |
| Issues of share capital and premium (Note 10) | 0.2 | 0.1 | | 0.3 | | 0.3 |
| Sales (buybacks) of shares and transactions under the liquidity contract (Note 10) | | 3.6 | | 3.6 | | 3.6 |
| Change in scope of consolidation | | (16.8) | | (16.8) | (3.1) | (19.9) |
| Current taxes on share buybacks | | 0.6 | | 0.6 | | 0.6 |
| Stock options (Note 11 (b)) | | 9.9 | | 9.9 | | 9.9 |
| **As of June 30, 2010** | **1,052.6** | **1,585.0** | **(86.8)** | **2,550.8** | **3.2** | **2,554.0** |

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

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**General information**

Legrand (‘the Company’) and its subsidiaries (together ‘Legrand’ or ‘the Group’) are the global specialist in electrical and digital building infrastructures.

The Group has manufacturing and/or distribution subsidiaries and offices in more than 70 countries, and sells its products in about 180 countries. Its key markets are France, Italy and the United States, which accounted for approximately 56% of annual revenue in 2009 (2008: 54%, 2007: 57%), emerging markets contributing nearly 30%.

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

The 2009 Registration Document was filled with the AMF on April 15, 2010 under no. D 10-0270.

The consolidated financial statements were approved by the Board of Directors on July 28, 2010.

**List of consolidated companies**

The consolidated financial statements comprise the financial statements of Legrand and 143 subsidiaries. All Legrand Group subsidiaries are fully consolidated.

The main fully consolidated operating subsidiaries as of June 30, 2010 are as follows:

**French subsidiaries:**
Groupe Arnould
ICM Group
Legrand France
Legrand SNC
Planet-Wattohm

**Foreign subsidiaries:**

| | |
|---|---|
| Bticino | Italy |
| Bticino Chile | Chile |
| Bticino de Mexico | Mexico |
| EMB Electrical Industries SAE | Egypt |
| GL Eletro-Eletronicos Ltda | Brazil |
| HDL Da Amazonia Industria Electronica Ltda | Brazil |
| Kontaktor | Russia |
| Legrand | Russia |
| Legrand Colombia | Colombia |
| Legrand Electric | United Kingdom |
| Legrand Electrical | China |
| Legrand Elektrik | Turkey |
| Legrand Electrique | Belgium |
| Legrand España | Spain |
| Legrand Group Pty Ltd | Australia |
| Legrand India | India |
| Legrand Polska | Poland |
| Legrand Zrt | Hungary |
| Ortronics | United States |
| Pass & Seymour | United States |
| Rocom | Hong Kong |
| Shidean | China |
| TCL International Electrical | China |
| TCL Wuxi | China |
| The Watt Stopper | United States |
| The Wiremold Company | United States |

At June 30, 2010 Legrand wholly owned all of its subsidiaries except for (i) Alborz Electrical Industries Ltd (Iran), Kontaktor (Russia), Legrand Polska (Poland) and Shidean (China), which were all over 95%-owned; (ii) and (iii) Bticino (Thailand), in which the Company has a 51% interest.

The contributions to the consolidated balance sheets and income statements of companies acquired since January 1, 2008 were as follows:

| 2008 | March 31 | June 30 | September 30 | December 31 |
|---|---|---|---|---|
| Kontaktor | 3 months' profit | 6 months' profit | 9 months' profit | 12 months' profit |
| Macse | 3 months' profit | 6 months' profit | 9 months' profit | 12 months' profit |
| Alpes Technologies | 3 months' profit | 6 months' profit | 9 months' profit | 12 months' profit |
| TCL Wuxi | 3 months' profit | 6 months' profit | 9 months' profit | 12 months' profit |
| PW Industries | 2 months' profit | 5 months' profit | 8 months' profit | 11 months' profit |
| Estap | | 3 months' profit | 6 months' profit | 9 months' profit |
| HDL | | 3 months' profit | 6 months' profit | 9 months' profit |
| Electrak | | 3 months' profit | 6 months' profit | 9 months' profit |

| 2009 | March 31 | June 30 | September 30 | December 31 |
|---|---|---|---|---|
| Estap | 3 months' profit | 6 months' profit | 9 months' profit | 12 months' profit |
| HDL | 3 months' profit | 6 months' profit | 9 months' profit | 12 months' profit |
| Electrak | 3 months' profit | 6 months' profit | 9 months' profit | 12 months' profit |

## 1) Accounting policies

As a company incorporated in France, Legrand is governed by French company law, including the provisions of the Commercial Code.

The consolidated financial statements cover the 6 months ended June 30, 2010. They have been prepared in accordance with the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the European Union and applicable or authorized for early adoption at June 30, 2010, including IAS 34 – Interim Financial Reporting.

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

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

In accordance with the recommendation of the French National Accounting Board (Conseil National de la Comptabilité - CNC), the Group has elected to recognize France's CVAE tax on the value added by the business under "Income tax expense" in the statement of income as from January 1, 2010.

### a) New standards, amendments and interpretations applied by the Group in 2010

*New standards, amendments and interpretations applied early by the Group in 2009 and compulsory in 2010 that have an impact on its financial statements*

The Group has applied the revised IFRS 3 – Business Combinations and the amended IAS 27 – Consolidated and Separate Financial Statements, which were adopted by the European Union on June 3, 2009.

As a result, the increase in the interest held in Egypt-based EMB Electrical Industries SAE following the acquisition of an additional stake in the company in the second quarter of 2010 has been recognized directly in equity.

The Group has also applied IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, which was adopted by the European Union on June 4, 2009 (Note 12 (b)).

*New standards, amendments and interpretations applied by the Group in 2010 that have no impact on its financial statements*

The following amendments and interpretations do not have any impact on the Group's consolidated financial statements:

IFRIC 15 – Agreements for the Construction of Real Estate

This interpretation – which was published by the IASB in July 2008 and adopted by the European Union on July 22, 2009 – applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors.

IFRIC 15 is applicable for annual periods beginning on or after January 1, 2010.

IFRIC 17 – Distributions of Non-cash Assets to Owners

This interpretation – published by the IASB in November 2008 and adopted by the European Union on November 27, 2009 – applies to distributions of non-cash assets and distributions that give owners a choice of receiving either non-cash assets or a cash alternative. It provides guidance on the recognition and measurement of dividends payable and how entities should account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable.

IFRIC 17 is applicable for annual periods beginning on or after November 1, 2009.

IFRIC 18 – Transfers of Assets from Customers

This interpretation – published in January 2009 and adopted by the European Union on December 1, 2009 – applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers.

IFRIC 18 is applicable for annual periods beginning on or after July 1, 2009.

The new standards and interpretations that have not yet been adopted by the European Union and whose application will be compulsory as from the 2011 fiscal year are presented in Note 1 (w).

**b) Basis of consolidation**

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

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

### c) Foreign currency translation

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

Foreign currency transactions are translated into the presentation currency using the exchange rate on the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies using the exchange rate at the balance sheet date are recognized in the income statement under the heading ‘Exchange gains (losses)’.

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 entities are sold or substantially liquidated.

### d) Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term deposits and all other financial assets with an original maturity not in excess of three months. Cash equivalents are short-term (defined as maturing in less than three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Marketable securities are not considered as cash equivalents.
Bank overdrafts are considered to be a form of financing and are therefore included in short-term borrowings.

### e) Trade receivables

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

### f) Intangible assets

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

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. Impairment losses on intangible assets may be reversed in subsequent periods if the impairment has decreased, provided that the increased carrying amount of the asset does not exceed the amount that would have been determined had no impairment loss been recognized.

Costs incurred for the Group's principal development projects (relating to the design and testing of new or improved products) are recognized as intangible assets when it is probable that the project will be a success, considering its technical, commercial and technological feasibility, and costs can be measured reliably. Capitalized development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period in which the asset's future economic benefits are consumed, not to exceed 10 years.

Other development expenditures are recognized as an expense as incurred.

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

Trademarks with finite useful lives are amortized:

- Over 10 years when management plans to gradually replace them by other major trademarks owned by the Group.

- Over 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 developed technology is recognized in the income statement under 'Research and development costs'.
Amortization of trademarks is recognized in the income statement under 'Administrative and selling expenses'.

Trademarks are classified as having an indefinite useful life when they have been in use for more than ten years and management believes they will contribute indefinitely to future consolidated cash flows because it plans to continue using them indefinitely. Useful lives are reviewed at regular intervals, leading in some cases to trademarks classified as having an indefinite useful life being reclassified as trademarks with a finite useful life.

As Legrand's trademarks that are classified as having an indefinite useful life are used internationally, they each contribute to all of the Group's cash-generating units.

Trademarks are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**g) Goodwill**

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

For impairment testing purposes, goodwill is allocated to a cash-generating unit (CGU), corresponding to the lowest level at which goodwill is monitored. Within the Legrand Group, CGUs are defined as corresponding to individual countries.

The need to record an impairment loss is assessed by comparing the carrying amount of the CGU's assets and liabilities, including goodwill, and their recoverable amount, defined as the higher of fair value less costs to sell and value in use.

In accordance with IAS 36, value in use is estimated based on discounted cash flows for the next three to five years and a terminal value calculated by discounting data for the final year of the projection period. The cash flow data used for the calculation is generally taken from the most recent medium-term business plans approved by the Group. Cash flows beyond the projection period are estimated by applying a stable growth rate to subsequent years.

The discount rate applied corresponds to the weighed average cost of capital, adjusted to reflect the risks specific to each cash-generating unit.

Fair value less costs to sell is the best estimate of the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognized when the carrying amount is less than the recoverable amount. In accordance with IAS 36, impairment losses recognized on goodwill are irreversible.

**h) Property, plant and equipment**

Land, buildings, machinery and equipment, and other fixed assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Impairment tests are performed annually and whenever events or changes in circumstances indicate that the assets' carrying amount may not be recoverable.

Assets acquired under lease agreements that transfer substantially all of the risks and rewards of ownership to the Group are capitalized on the basis of the present value of future minimum lease payments and are depreciated over the shorter of the lease period and the asset's useful life determined in accordance with Group policies (see below).

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

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

The depreciable amount of assets is determined after deducting their residual value when the amounts involved are material.

Each part of an item of property, plant and equipment with a useful life that is significantly different to the useful lives of other parts is depreciated separately.

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

### i) Inventories

Inventories are measured at the lower of cost and net realizable value, with cost determined principally on a first-in, first-out (FIFO) basis. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

### j) Deferred taxes

In accordance with IAS 12, deferred taxes are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amount in the consolidated balance sheet. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and deferred tax liabilities are offset when the entity has a legally enforceable right of offset and they relate to income taxes levied by the same taxation authority.

Concerning foreign subsidiaries, IAS 12, paragraph 39, stipulates that the consolidating entity should not recognize a deferred tax liability on temporary differences associated with its investments when i) it is able to control the timing of the reversal of the temporary difference, and ii) it is probable that the temporary difference will not reverse in the foreseeable future. Accordingly, deferred taxes on the cumulative post-acquisition retained earnings of foreign subsidiaries are generally not recognized.

### k) Revenue recognition

Revenues from the sale of goods are recognized when all of the following conditions have been satisfied: (i) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (ii) the seller retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the economic benefits associated with the transaction will flow to the seller; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably. For the Group, this policy results in the recognition of revenue when title and the risk of loss are transferred to the buyer, which is generally upon shipment.

The Group offers certain sales incentives to customers, consisting primarily of volume rebates and cash discounts. Volume rebates are typically based on three, six, and twelve-month arrangements with customers, and rarely extend beyond one year. Based on the trade of the current period, such rebates are recognized on a monthly basis as a reduction in revenue from the underlying transactions that reflect progress by the customer towards earning the rebate, with a corresponding deduction from the customer’s trade receivables balance.

**l) Financial instruments**

(a) Fair value

Under the amended IFRS 7, financial instruments are classified in a three-level hierarchy based on the inputs used to measure their fair value, as follows:

- Level 1: quoted prices for similar instruments;
- Level 2: directly observable market inputs other than level 1 inputs;
- Level 3: inputs not based on observable market data.

The carrying amounts of cash, short-term deposits, accounts receivable, accounts payable, accrued expenses and short-term borrowings approximate their fair value because of these instruments' short maturities. For short-term investments, comprised of marketable securities, fair value corresponds to the securities' market price. The fair value of long-term borrowings is estimated on the basis of interest rates currently available for issuance of debt with similar terms and remaining maturities. The fair value of interest rate swap agreements is the estimated amount that the counterparty would receive or pay to terminate the agreements, and is calculated as the present value of the estimated future cash flows.

(b) Financial instruments designated as hedges

Under IAS 39, 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, as required under paragraph 102 of IAS 39.

Prior to 2009, debentures denominated in US dollars ("Yankee bonds") were hedged using a cross currency swap that matured in 2008. As a result, the Group was unable to apply paragraph 102 of IAS 39 until the following period, i.e. beginning on January 1, 2009.

The unrealized foreign exchange gains and losses on the Yankee bonds designated as a hedge on the Group's net investment in the United States (Note 22) is therefore now recognized in "Translation reserves."

**m) Derivative financial and commodity instruments**

Group policy consists of not entering into any transactions of a speculative nature involving financial instruments. All transactions in these instruments are entered into exclusively for the purpose of managing or hedging currency or interest rate risks, and changes in the prices of raw materials. For this purpose, the Group periodically enters into contracts such as swaps, caps, options, futures and forward contracts, according to the nature of its exposure.

Derivatives are initially recognized at fair value at the contract inception date and are subsequently remeasured at fair value at each reporting date. The method of recognizing the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged.

Concerning hedges of a net investment in a foreign operation, the portion of the gain or loss on the derivative instrument that is deemed to be an effective hedge is recognized in equity, as required under paragraph 102 of IAS 39.

Although the Group's other derivative instruments are also used to hedge risks, it has opted not to apply the hedge accounting technique defined in IAS 39 but to measure all of these instruments at fair value through profit. The resulting gains and losses are recognized in 'Other financial income and expense' for interest rate hedges, in 'Exchange gains (losses)' for hedges of foreign currency transactions and in 'Operating profit' for commodity hedges.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 22.

**n) Environmental and product liabilities**

In accordance with IAS 37, the Group recognizes losses and accrues liabilities relating to environmental and product liability matters. A loss is recognized if available information indicates that it is probable and reasonably estimable. In the event that a loss is neither probable nor reasonably estimable but remains possible, the contingency is disclosed in the notes to the consolidated financial statements.

Losses arising from environmental liabilities are measured on a best-estimate basis, case by case, based on available information.

Losses arising from product liability issues are estimated on the basis of current facts and circumstances, past experience, the number of claims and the expected cost of administering, defending and, in some cases, settling such cases.

In accordance with IFRIC 6 - Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment, the Group manages waste equipment under the European Union Directive on waste electrical and electronic equipment by paying financial contributions to a recycling platform.

**o) Share based payment transactions**

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

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

**p) Transfers and use of financial assets**

In accordance with IAS 39, financial assets are derecognized when the associated cash flows and substantially all the related risks and rewards have been transferred.

**q) Pension and other post-employment benefit obligations**

(a) Pension obligations

Group companies operate various pension plans. The plans are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

*Defined contribution 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.

*Defined benefit plans*

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and end-of-career salary.

The liability recognized in the balance sheet for defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, as adjusted for unrecognized past service costs, less the fair value of plan assets. Past service costs are recognized in the income statement on a straight-line basis over the average remaining vesting period.

The Group has elected to recognize all actuarial gains and losses outside profit or loss, in the statement of recognized income and expense, as allowed under IAS 19, paragraph 93A (amended).

Defined benefit obligations are calculated annually using the projected unit credit method. This method takes into account estimated years of service at retirement, final salaries, life expectancy and staff turnover, based on actuarial assumptions. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of investment grade corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the period to payment of the related pension liability.

(b) Other post-employment benefit obligations

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining with the company up to retirement age and completion of a minimum service period.

The benefits are treated as post-employment benefits under the defined benefit scheme.

### r) Segment information

The Group is organized by country for management purposes and by geographical segment for internal reporting purposes. The geographical segments, determined according to the region of origin of invoicing, are France, Italy, Rest of Europe, United States and Canada, and Rest of the World.

### s) Basic and diluted earnings per share

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

Diluted earnings per share are calculated by dividing net profit attributable to equity holders of Legrand by the average number of ordinary shares outstanding plus the number of dilutive potential ordinary shares at the balance sheet date.

The average number of ordinary shares outstanding used in these calculations has been adjusted for the share buybacks and sales carried out during the period and does not take into account shares held in treasury.

### t) Short- and long-term borrowings

Short- and long-term borrowings mainly comprise bonds and bank loans. They 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 rate method.

### u) Borrowing costs

In accordance with the revised version of IAS 23, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are recognized as an expense for the period in which they were incurred.

### v) Use of estimates

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

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

(a) Impairment of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually in accordance with the accounting policy described in Notes 1 (f) and 1 (g). Intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment when there is any indication that their recoverable amount may be less than their carrying amount.

Judgments regarding the existence of indications of impairment are based on legal factors, market conditions and operational performance of the acquired businesses. Future events could cause the Group to conclude that an indication of impairment exists and that goodwill or other identifiable intangible assets associated with the acquired businesses are impaired. Any resulting impairment loss could have a material adverse effect on the consolidated financial condition and results of operations of the Group.

Recognition of goodwill and other intangible assets involves a number of critical management judgments, including:

- Determining which intangible assets, if any, have indefinite useful lives and, accordingly, should not be amortized;
- Identifying events or changes in circumstances that may indicate that an impairment has occurred;
- Allocating goodwill to cash-generating units;
- Determining the recoverable amount of cash-generating units for the purposes of impairment tests of goodwill;
- Estimating the future discounted cash flows to be used for the purposes of periodic impairment tests of intangible assets with indefinite useful lives; and
- Determining the recoverable amount of intangible assets with indefinite useful lives for impairment testing purposes.

The recoverable amount of an asset is based either on the asset's quoted market price in an active market, if available, or, in the absence of an active market, on discounted future cash flows from operations less investments. The determination of recoverable amount requires the use of certain assumptions and estimates that may be affected by changes in the Group's economic environment. Other estimates using different, but still reasonable, assumptions could produce different results.

(b) Accounting for income taxes

As part of the process of preparing the consolidated financial statements, the Group is required to estimate income taxes in each of the jurisdictions in which it operates. This involves estimating the actual current tax exposure and assessing temporary differences resulting from differing treatment of items such as deferred revenue 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 taxable profit will be available against which the underlying deductible temporary difference can be utilized.

The Group has not recognized all of its deferred tax assets because it is 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 estimates of future taxable profit by jurisdiction in which the Group operates and the period over which the deferred tax assets are recoverable. If actual results differ from these estimates or the estimates are adjusted in future periods, the Group may need to record a valuation allowance against deferred tax assets carried in the balance sheet.

(c) Other assets and liabilities based on estimates

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

**w) New IFRS pronouncements**

As of the date when the consolidated financial statements were prepared, the following standards and interpretations published by the IASB were not yet applicable:

(a) Standards, amendments and interpretations adopted by the European Union:

Amendment to IAS 32 – Classification of Rights Issues

In October 2009, the IASB published an amendment to IAS 32 on the classification of rights issues. Adopted by the European Union on December 24, 2009 this amendment concerns certain rights issues offered for a fixed amount of foreign currency that were previously accounted for as debt derivatives. According to the new amendment, under certain conditions these rights should be classified as equity regardless of the currency in which the exercise price is denominated.

Application of the amendment is compulsory for annual periods beginning on or after February 1, 2010.

(b) Standards and interpretations not yet adopted by the European Union:

Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement

In November 2009, the IASB published an amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement. According to IFRIC 14 (unamended), in certain circumstances an entity may not recognize as an asset voluntary prepayments of minimum funding requirements. The purpose of the amendment is to correct the unintended consequences of this restriction.

Application of the amendment is compulsory for annual periods beginning on or after January 1, 2011. Earlier application is not permitted pending adoption by the European Union.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.

In November 2009, the IASB published IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments.

Application of IFRIC 19 is compulsory for annual periods beginning on or after July 1, 2010. Earlier application is not permitted pending adoption by the European Union.

IFRS 9 – Financial Instruments.

In November 2009, the IASB published IFRS 9 – Financial Instruments to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

Application of this standard is compulsory for annual periods beginning on or after January 1, 2013. Earlier application is not permitted pending adoption by the European Union.

IAS 24 (revised) – Related Party Disclosures

In November 2009, the IASB published the revised version of IAS 24 – Related Party Disclosures. This version provides for a partial exemption from the disclosure requirements of IAS 24 for government-related entities and clarifies the definition of a related party.

Application of the revised standard is compulsory for annual periods beginning on or after January 1, 2011. Earlier application is not permitted pending adoption by the European Union.

The Group is currently reviewing these standards, amendments and interpretations to assess their possible effect on its financial information.

**2) Intangible assets (Note 1 (f))**

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

The purchase price of the shares in Legrand France and the related fees and commissions – representing a total of €3,748.0 million – were allocated primarily to trademarks and developed technology.

Intangible assets are as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Trademarks with indefinite useful lives | 1,408.0 | 1,408.0 | 1,418.6 |
| Trademarks with finite useful lives | 209.7 | 191.3 | 161.1 |
| Developed technology | 20.3 | 28.6 | 57.4 |
| Other intangible assets | 152.1 | 141.9 | 135.6 |
| | **1,790.1** | **1,769.8** | **1,772.7** |

Following a review of useful lives as of December 31, 2008 and December 31, 2009, a trademark classified as having an indefinite useful life was reclassified as trademarks with a finite useful life (see Note 1 (f)).

Trademarks can be analyzed as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| At the beginning of the period | 1,651.1 | 1,617.2 | 1,590.4 |
| - Acquisitions | 0.0 | 33.6 | 23.7 |
| - Disposals | 0.0 | 0.0 | 0.0 |
| - Translation adjustments | 32.6 | 0.3 | 3.1 |
| | 1,683.7 | 1,651.1 | 1,617.2 |
| Less accumulated amortization | (66.0) | (51.8) | (37.5) |
| **At the end of the period** | **1,617.7** | **1,599.3** | **1,579.7** |

No trademarks with an indefinite useful life were found to be impaired in the period ended June 30, 2010.

Developed technology can be analyzed as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| At the beginning of the period | 571.3 | 572.6 | 570.3 |
| - Acquisitions | 0.0 | 0.0 | 0.0 |
| - Disposals | 0.0 | 0.0 | 0.0 |
| - Translation adjustments | 8.5 | (1.3) | 2.3 |
| | 579.8 | 571.3 | 572.6 |
| Less accumulated amortization | (559.5) | (542.7) | (515.2) |
| **At the end of the period** | **20.3** | **28.6** | **57.4** |

Amortization expense related to intangible assets, including capitalized development costs, amounted to €35.1 million for first-half 2010 (€34.8 million for first-half 2009, €36.8 million for first-half 2008).

Amortization of trademarks and developed technology in first-half 2010 breaks down as follows:

| *(in € millions)* | **Developed technology** | **Trademarks** | **Total** |
|---|---|---|---|
| France | 4.6 | 0.9 | 5.5 |
| Italy | 2.3 | 0.0 | 2.3 |
| Rest of Europe | 0.6 | 0.7 | 1.3 |
| USA/Canada | 0.8 | 4.2 | 5.0 |
| Rest of the World | 0.3 | 2.9 | 3.2 |
| | **8.6** | **8.7** | **17.3** |

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

| *(in € millions)* | **Developed technology** | **Trademarks** | **Total** |
|---|---|---|---|
| Second-half 2010 | 8.6 | 6.9 | 15.5 |
| 2011 | 11.4 | 13.4 | 24.8 |
| 2012 | 0.0 | 13.1 | 13.1 |
| 2013 | 0.0 | 13.1 | 13.1 |
| 2014 | 0.0 | 13.1 | 13.1 |

Other intangible assets can be analyzed as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Capitalized development costs | 105.5 | 101.6 | 90.9 |
| Software | 13.1 | 12.2 | 14.4 |
| Other | 33.5 | 28.1 | 30.3 |
| | **152.1** | **141.9** | **135.6** |

**3) Goodwill (Note 1 (g))**

Goodwill can be analyzed as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| France | 600.3 | 600.3 | 600.3 |
| Italy | 311.2 | 311.2 | 307.6 |
| Rest of Europe | 215.4 | 212.5 | 213.1 |
| USA/Canada | 345.2 | 301.0 | 307.6 |
| Rest of the World | 471.8 | 430.1 | 425.7 |
| | **1,943.9** | **1,855.1** | **1,854.3** |

The geographic allocation of goodwill is based on the acquired company's value, determined as of the date of the business combination, taking into account synergies with other Group companies.

In the 'Rest of Europe' and 'Rest of the World' regions, no final amount of goodwill allocated to a CGU (cash-generating unit) represents more than 10% of total goodwill.

Changes in goodwill can be analyzed as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| At the beginning of the period | 1,855.1 | 1,854.3 | 1,815.9 |
| - Acquisitions | 0.0 | 0.0 | 117.1 |
| - Adjustments | 0.0 | (19.9) | (30.0) |
| - Impairment | 0.0 | (16.6) | 0.0 |
| - Translation adjustments | 88.8 | 37.3 | (48.7) |
| **At the end of the period** | **1,943.9** | **1,855.1** | **1,854.3** |

Adjustments correspond to the difference between provisional and final goodwill.

For impairment testing purposes, goodwill has been allocated to various country units (cash-generating units), which represent the lowest level at which goodwill is monitored.

These CGU are tested for impairment annually, and whenever events or changes in circumstances indicate that their value may be impaired, by comparing their carrying amount, including goodwill, to their value in use.

Value in use corresponds to the present value of the future cash flows expected to be derived from the subsidiaries included in the cash-generating unit. As required by IAS 36, it is calculated by applying pre-tax discount rates to pre-tax future cash flows.

The following impairment testing parameters are used in the period ended June 30, 2010:

| | | | **Value in use** | |
|---|---|---|---|---|
| | **Recoverable amount** | **Carrying amount of goodwill** | **Discount rate (before tax)** | **Growth rate to perpetuity** |
| France | Value in use | 600.3 | 10.1% | 2.5% |
| Italy | | 311.2 | 9.8% | 2.5% |
| Rest of Europe | | 215.4 | 8 to 16% | 2.5 to 5% |
| USA/Canada | | 345.2 | 9.2% | 3.25% |
| Rest of the World | | 471.8 | 11 to 16% | 2.5 to 5% |
| | | **1,943.9** | | |

No goodwill impairment losses were identified in the period ended June 30, 2010.

The following impairment testing parameters were used in the period ended December 31, 2009:

| | Recoverable amount | Carrying amount of goodwill | Value in use | |
|---|---|---|---|---|
| | | | Discount rate (before tax) | Growth rate to perpetuity |
| France | Value in use | 600.3 | 10.6% | 2.5% |
| Italy | | 311.2 | 10.3% | 2.5% |
| Rest of Europe | | 212.5 | 8 to 15% | 2.5 to 5% |
| USA/Canada | | 301.0 | 9.8% | 3.25% |
| Rest of the World | | 430.1 | 11 to 16% | 2.5 to 5% |
| | | **1,855.1** | | |

For the period ended December 31, 2009, the Group recognized a goodwill impairment charge of €16.6 million under "Other operating income (expense)" in the statement of income.

The following impairment testing parameters were used in the period ended December 31, 2008:

| | Recoverable amount | Carrying amount of goodwill | Value in use | |
|---|---|---|---|---|
| | | | Discount rate (before tax) | Growth rate to perpetuity |
| France | Value in use | 600.3 | 12.9% | 2.5% |
| Italy | | 307.6 | 12.3% | 2.5% |
| Rest of Europe | | 213.1 | 12 to 16% | 2.5 to 5% |
| USA/Canada | | 307.6 | 12.5% | 2.5 to 5% |
| Rest of the World | | 425.7 | 12 to 23% | 2.5 to 5% |
| | | **1,854.3** | | |

No goodwill impairment losses were identified in the period ended December 31, 2008.

The €15.0 million invested in acquisitions in first-half 2010 corresponded mainly to an additional interest acquired in a fully consolidated subsidiary (Note 1 (a)).

The €4.7 million invested in acquisitions in first-half 2009 corresponded mainly to earn-out payments on subsidiaries acquired in prior years.

In first-half 2008, acquisitions of subsidiaries (net of cash acquired) amounted to €133.1 million.

For business combinations carried out in the last 12 months, the fair values of the identifiable assets acquired and liabilities and contingent liabilities assumed are determined on a provisional basis as of December 31 of the acquisition year and goodwill recognized as of that date is therefore subject to adjustment the following year based on the final fair values.

Allocation of acquisition prices for the 6 months ended June 30, 2010, the 12 months ended December 31, 2009 and December 31, 2008 has been as follows:

| | **6 months ended** | **12 months ended** | |
|---|---|---|---|
| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
| - Trademarks | - | 33.6 | 23.7 |
| - Deferred taxes on trademarks | - | (7.9) | (6.4) |
| - Other intangible assets | - | - | - |
| - Deferred taxes on other intangible assets | - | - | - |
| - Goodwill | - | - | 117.1 |

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

#### a) Property, plant and equipment by geographic area

Property, plant and equipment, including finance leases, are as follows as of June 30, 2010:

| | **June 30, 2010** | | | | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | France | Italy | Rest of Europe | USA/ Canada | Rest of the World | Total |
| Land | 22.9 | 5.5 | 12.7 | 2.0 | 6.1 | 49.2 |
| Buildings | 106.9 | 75.8 | 33.8 | 15.3 | 21.3 | 253.1 |
| Machinery and equipment | 89.5 | 67.0 | 28.4 | 13.9 | 59.3 | 258.1 |
| Assets under construction and other | 20.3 | 12.2 | 13.3 | 13.3 | 15.7 | 74.8 |
| | **239.6** | **160.5** | **88.2** | **44.5** | **102.4** | **635.2** |

Total property, plant and equipment includes €18.0 million corresponding to assets held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

Property, plant and equipment, including finance leases, were as follows as of December 31, 2009:

| | **December 31, 2009** | | | | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | France | Italy | Rest of Europe | USA/ Canada | Rest of the World | Total |
| Land | 23.2 | 5.5 | 12.4 | 1.7 | 5.2 | 48.0 |
| Buildings | 111.6 | 77.4 | 34.7 | 13.5 | 19.7 | 256.9 |
| Machinery and equipment | 98.4 | 71.5 | 30.7 | 13.3 | 51.2 | 265.1 |
| Assets under construction and other | 22.3 | 11.8 | 14.0 | 14.1 | 13.9 | 76.1 |
| | **255.5** | **166.2** | **91.8** | **42.6** | **90.0** | **646.1** |

Property, plant and equipment, including finance leases, were as follows as of December 31, 2008:

| | **December 31, 2008** | | | | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | France | Italy | Rest of Europe | USA/ Canada | Rest of the World | Total |
| Land | 24.2 | 5.5 | 14.2 | 2.2 | 6.1 | 52.2 |
| Buildings | 119.0 | 89.8 | 41.0 | 17.9 | 20.3 | 288.0 |
| Machinery and equipment | 116.2 | 82.0 | 32.7 | 15.9 | 45.0 | 291.8 |
| Assets under construction and other | 22.7 | 13.5 | 15.7 | 20.2 | 18.1 | 90.2 |
| | **282.1** | **190.8** | **103.6** | **56.2** | **89.5** | **722.2** |

**b) Analysis of changes in property, plant and equipment**

Changes in property, plant and equipment in first-half 2010 can be analyzed as follows:

| | June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | France | Italy | Rest of Europe | USA/ Canada | Rest of the World | Total |
| Acquisitions | 5.6 | 6.9 | 2.6 | 2.0 | 6.8 | 23.9 |
| Disposals | (1.5) | (0.1) | (1.7) | (0.7) | (0.5) | (4.5) |
| Depreciation expense | (19.5) | (12.5) | (7.4) | (5.8) | (10.0) | (55.2) |
| Transfers and changes in scope of consolidation | (0.5) | 0.0 | 0.8 | (0.7) | 1.7 | 1.3 |
| Translation adjustments | 0.0 | 0.0 | 2.1 | 7.1 | 14.4 | 23.6 |
| | **(15.9)** | **(5.7)** | **(3.6)** | **1.9** | **12.4** | **(10.9)** |

| | June 30, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in € millions)* | Acquisitions | Transfers from 'Assets under construction' | Disposals | Depreciation expense | Transfers and changes in scope of consolidation | Translation adjustments | Total |
| Land | 0.0 | 0.0 | 0.0 | (0.3) | 0.0 | 1.5 | 1.2 |
| Buildings | 0.6 | 2.0 | (2.5) | (9.0) | (0.5) | 5.7 | (3.7) |
| Machinery and equipment | 10.6 | 8.2 | (1.5) | (38.4) | 2.5 | 11.5 | (7.1) |
| Assets under construction and other | 12.7 | (10.2) | (0.5) | (7.5) | (0.7) | 4.9 | (1.3) |
| | **23.9** | **0.0** | **(4.5)** | **(55.2)** | **1.3** | **23.6** | **(10.9)** |

Changes in property, plant and equipment in 2009 can be analyzed as follows:

| | December 31, 2009 | | | | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | France | Italy | Rest of Europe | USA/ Canada | Rest of the World | Total |
| Acquisitions | 25.5 | 18.8 | 11.1 | 4.3 | 15.5 | 75.2 |
| Disposals | (3.3) | (14.6) | (8.6) | (4.6) | (4.0) | (35.1) |
| Depreciation expense | (47.1) | (28.7) | (17.9) | (12.0) | (20.8) | (126.5) |
| Transfers and changes in scope of consolidation | (1.7) | (0.1) | 3.1 | (0.5) | 0.8 | 1.6 |
| Translation adjustments | 0.0 | 0.0 | 0.5 | (0.8) | 9.0 | 8.7 |
| | **(26.6)** | **(24.6)** | **(11.8)** | **(13.6)** | **0.5** | **(76.1)** |

| | December 31, 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in € millions)* | Acquisitions | Transfers from 'Assets under construction' | Disposals | Depreciation expense | Transfers and changes in scope of consolidation | Translation adjustments | Total |
| Land | 0.2 | 0.5 | (4.5) | (1.0) | (0.1) | 0.7 | (4.2) |
| Buildings | 6.8 | 7.7 | (22.4) | (26.3) | 1.1 | 2.0 | (31.1) |
| Machinery and equipment | 35.3 | 19.4 | (5.9) | (83.6) | 2.9 | 5.2 | (26.7) |
| Assets under construction and other | 32.9 | (27.6) | (2.3) | (15.6) | (2.3) | 0.8 | (14.1) |
| | **75.2** | **0.0** | **(35.1)** | **(126.5)** | **1.6** | **8.7** | **(76.1)** |

Changes in property, plant and equipment in 2008 can be analyzed as follows:

| | December 31, 2008 | | | | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | France | Italy | Rest of Europe | USA/ Canada | Rest of the World | Total |
| Acquisitions | 34.2 | 32.3 | 16.2 | 10.7 | 25.9 | 119.3 |
| Disposals | (1.9) | (7.2) | (1.3) | (3.3) | (2.2) | (15.9) |
| Depreciation expense | (54.5) | (30.1) | (17.6) | (16.4) | (17.5) | (136.1) |
| Transfers and changes in scope of consolidation | (6.5) | (0.3) | 12.5 | 0.2 | 8.9 | 14.8 |
| Translation adjustments | 0.0 | 0.0 | (9.0) | 2.2 | (9.8) | (16.6) |
| | **(28.7)** | **(5.3)** | **0.8** | **(6.6)** | **5.3** | **(34.5)** |

| | December 31, 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in € millions)* | Acquisitions | Transfers from 'Assets under construction' | Disposals | Depreciation expense | Transfers and changes in scope of consolidation | Translation adjustments | Total |
| Land | 0.0 | 1.2 | (1.2) | (0.6) | (2.5) | (1.1) | (4.2) |
| Buildings | 23.4 | 14.4 | (10.1) | (29.6) | 4.8 | (4.4) | (1.5) |
| Machinery and equipment | 46.8 | 24.9 | (3.5) | (90.2) | 14.5 | (8.3) | (15.8) |
| Assets under construction and other | 49.1 | (40.5) | (1.1) | (15.7) | (2.0) | (2.8) | (13.0) |
| | **119.3** | **0.0** | **(15.9)** | **(136.1)** | **14.8** | **(16.6)** | **(34.5)** |

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

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Land | 3.8 | 3.8 | 3.8 |
| Buildings | 44.6 | 43.9 | 37.4 |
| Machinery and equipment | 32.0 | 32.2 | 32.4 |
| | 80.4 | 79.9 | 73.6 |
| Less accumulated depreciation | (40.3) | (39.6) | (37.7) |
| | **40.1** | **40.3** | **35.9** |

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

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Long-term borrowings | 19.1 | 20.5 | 21.5 |
| Short-term borrowings | 2.7 | 2.7 | 2.5 |
| | **21.8** | **23.2** | **24.0** |

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

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Due in less than one year | 3.1 | 3.3 | 3.4 |
| Due in one to two years | 3.3 | 3.0 | 3.2 |
| Due in two to three years | 2.0 | 2.8 | 3.1 |
| Due in three to four years | 1.8 | 2.1 | 3.1 |
| Due in four to five years | 1.4 | 1.4 | 2.4 |
| Due beyond five years | 12.2 | 14.5 | 18.6 |
| | 23.8 | 27.1 | 33.8 |
| Of which accrued interest | (2.0) | (3.9) | (9.8) |
| **Present value of future minimum lease payments** | **21.8** | **23.2** | **24.0** |

### 5) Other investments

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Other investments | 0.9 | 6.5 | 13.1 |

### 6) Inventories (Note 1 (i))

Inventories are as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Purchased raw materials and components | 205.4 | 172.2 | 222.1 |
| Sub-assemblies, work in progress | 93.0 | 84.7 | 104.7 |
| Finished products | 332.8 | 270.6 | 364.5 |
| | 631.2 | 527.5 | 691.3 |
| Less impairment | (102.4) | (100.0) | (88.4) |
| | **528.8** | **427.5** | **602.9** |

### 7) Trade receivables (Note 1 (e))

The Group derives over 95% of its revenue from sales to distributors of electrical equipment. The two largest distributors account for approximately 28% of consolidated net revenue and no other distributor accounts for more than 5% of consolidated net revenue.

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Trade accounts receivable | 547.9 | 443.0 | 569.8 |
| Notes receivable | 92.9 | 108.5 | 82.9 |
| | 640.8 | 551.5 | 652.7 |
| Less impairment | (59.1) | (50.4) | (31.0) |
| | **581.7** | **501.1** | **621.7** |

In the first-halt of 2010, the Group entered into contracts of transfer of receivables whose terms qualify for derecognition in accordance with IAS 39, for an amount of €22.8 million as of June 30, 2010 (€18.1 million as of December 31, 2009)

Past-due trade receivables can be analyzed as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Less than 3 months past due | 54.1 | 55.9 | 82.8 |
| From 3 to 12 months past due | 24.0 | 17.0 | 18.6 |
| More than 12 months past due | 13.6 | 10.2 | 12.2 |
| | **91.7** | **83.1** | **113.6** |

Provisions for impairment of past-due trade receivables amounted to €52.7 million as of June 30, 2010 (€43.5 million as of December 31, 2009; €27.9 million as of December 31, 2008). These provisions break down as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Provisions for receivables less than 3 months past due | 22.4 | 21.6 | 7.1 |
| Provisions for receivables 3 to 12 months past due | 16.7 | 11.7 | 8.6 |
| Provisions for receivables more than 12 months past due | 13.6 | 10.2 | 12.2 |
| | **52.7** | **43.5** | **27.9** |

### 8) Other current assets

Other current assets are as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Employee advances | 4.7 | 3.2 | 3.1 |
| Other receivables | 26.2 | 31.3 | 41.6 |
| Prepayments | 18.1 | 13.9 | 18.9 |
| Prepaid and recoverable taxes other than on income | 75.8 | 77.0 | 76.2 |
| | **124.8** | **125.4** | **139.8** |

These assets are valued at historical cost and there are no events or special circumstances indicating that they may be impaired.

### 9) Cash and cash equivalents and marketable securities (Note 1 (d))

Cash and cash equivalents totaled €205.8 million at June 30, 2010 and corresponded to deposits with maturities of less than three months.

**10) Share capital and earnings per share (Note 1 (s))**

Share capital as of June 30, 2010 amounted to €1,052,618,380 represented by 263,154,595 ordinary shares with a par value of €4 each, for 393,185,214 voting rights.

Changes in share capital were as follows:

| | Number of shares | Par value | Share capital (euros) | Premiums (euros) |
|---|---|---|---|---|
| As of December 31, 2008 | 262,815,128 | 4 | 1,051,260,512 | 1,069,445,732 |
| Exercise of options under the 2004 plan | 165,717 | 4 | 662,868 | |
| Exercise of options under the 2005 plan | 115,834 | 4 | 463,336 | 185,334 |
| As of December 31, 2009 | 263,096,679 | 4 | 1,052,386,716 | 1,069,631,066 |
| Exercise of options under the 2005 plan | 57,916 | 4 | 231,664 | 92,666 |
| As of June 30, 2010 | 263,154,595 | 4 | 1,052,618,380 | 1,069,723,732 |

Share capital consists exclusively of ordinary shares, each with a par value of €4.

Fully paid-up shares registered in the name of the same shareholder for at least two years carry double voting rights.

In first-half of 2010, 57,916 shares were issued upon exercise of stock options granted under the 2005 plan (Note 11 (a)), resulting in a €0.2 million capital increase with a €0.1 million premium.

**a) Share buyback program and transactions under the liquidity contract**

*Share buyback program*

As of June 30, 2010, the Group held 609,731 shares under the program, acquired at a total cost of €13,921,822. These shares are being held for the following purposes:

- For allocation upon exercise of free shares (580,476 shares purchased at a cost of €13,192,787).

- For allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (29,255 shares purchased at a cost of €729,035).

During the first half of 2010, 27,508 shares that were allocated to the corporate mutual fund were transferred at a cost of €647,740 to the corporate mutual fund.

Also during the period, 328,408 shares were allocated to employees under share grant plans as described in Note 11 (b).

*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.

As of June 30, 2010, the Group held 170,000 shares under this contract, purchased at a total cost of €4,020,221.

During the first-half of 2010, a net 120,000 shares of Legrand stock were sold, generating proceeds, net of purchase costs, of €2,991,764.

**b) Earnings per share**

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

| | **June 30, 2010** | **June 30, 2009** | **June 30, 2008** |
|---|---|---|---|
| Profit attributable to equity holders of Legrand (*in € millions)* | 192.6 | 107.9 | 233.1 |
| Number of ordinary shares outstanding: | | | |
| - At the period-end | 263,154,595 | 263,096,679 | 262,369,668 |
| - O/w held in treasury | 779,731 | 1,417,647 | 6,603,873 |
| - Average for the period (excluding o/w held in treasury) | 262,280,731 | 258,464,349 | 256,962,747 |
| Number of stock options and free shares outstanding at the period end | 9,569,771 | 5,992,494 | 5,568,075 |
| Sales (buybacks) of shares and transactions under the liquidity contract (net during the period) | 147,508 | 5,073,946 | (4,356,980) |
| Free shares transferred during the period | 328,408 | 254,280 | - |
| Basic earnings per share *(euros)* (Note 1 (s)) | 0.734 | 0.417 | 0.907 |
| Diluted earnings per share *(euros)* (note 1 (s)) * | 0.713 | 0.414 | 0.900 |
| Dividend per share *(euros)* | 0.700 | 0.700 | 0.700 |

* Options granted under the 2007 plan (1,550,809 options) have not been taken into account in the calculation of diluted earnings per share as the options were out of the money as of June 30, 2010.

Also in accordance with IAS 33, a total of 57,916 shares were issued in first-half 2010 upon exercise of stock options granted under the 2005 plan, 328,408 shares were transferred under free share plans and a net 147,508 shares were sold. 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, 2010, basic earnings per share and diluted earnings per share would have amounted to €0.734 and €0.712 respectively for the six months ended June 30, 2010.

Also in accordance with IAS 33, a total of 281,551 shares were issued in first-half 2009 upon exercise of stock options granted under the 2004 and 2005 plans, 254,280 shares were transferred under free share plans and a net 5,073,946 shares were sold. 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, 2009, basic earnings per share and diluted earnings per share would have amounted to €0.412 and €0.409 respectively for the six months ended June 30, 2009.

Also in accordance with IAS 33, the 532,324 shares issued in first-half 2008 upon exercise of stock options granted under the 2003 and 2004 plans, the net 4,356,980 shares bought back during the period and the 9,138,395 shares cancelled during the period were all taken into account on a pro rata temporis basis for the purpose of calculating the average number of ordinary shares outstanding during the period. If those shares had been issued, bought back or cancelled on January 1, 2008, basic earnings per share and diluted earnings per share would have amounted to €0.911 and €0.904 respectively for the six months ended June 30, 2008.

### 11) Stock option plans, free share plans and employee profit-sharing (Note 1 (o))

#### a) 2005 Legrand stock option plans

The Company has set up a stock option plan under which options may be granted to purchase a specified number of ordinary shares of the Company at an initial exercise price of €1.40 per share for options granted in 2005. At the General Meeting of February 24, 2006, shareholders decided to carry out a 1-for-4 reverse stock-split, leading to an increase in the shares' par value from €1.00 to €4.00. To take into account the effects of this change, the option exercise price was increased to €5.60 for those granted in 2005.

In first-half 2010, 57,916 options granted under the 2005 plan were exercised before the plan expired on April 7, 2010.

| **Information on stock options** | **2005 Plan** |
|---|---|
| Date of Board of Directors Meeting | February 7, 2005 |
| Total number of shares that may be acquired on exercise of options | 173,750 |
| *Of which number of shares that may be acquired by corporate officers* | *0* |
| Vesting/exercise conditions | • 2/3 of the options vest 4 years after the grant date and must be exercised within 60 days of vesting,<br>• 1/3 of the options vest 5 years after the grant date and must be exercised within 60 days of vesting |
| Starting date of the exercise period for the first 2/3 of the options | February 7, 2009 |
| Starting date of the exercise period for the remaining 1/3 of the options | February 7, 2010 |
| Exercise price | €5.60 |
| Options exercised during 2009 | (115,834) |
| Options exercised first half 2010 | (57,916) |
| **Options outstanding as of June 30, 2010** | **0** |

**b) 2007 to 2010 Legrand free share and stock option plans**

*Free share plans*

On May 15, 2007, shareholders authorized the Board of Directors to grant free shares to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions. The total number of such shares is capped at 5% of the capital as of the grant date.

| Information on the free share plans | 2007 Plan | 2008 Plan | 2009 Plan | 2010 Plan |
|---|---|---|---|---|
| Date of Board of Directors Meeting | May 15, 2007 | March 5, 2008 | March 4, 2009 | March 4, 2010 |
| Total number of shares granted | 533,494 | 654,058 | 288,963 | 896,556 |
| *Of which to corporate officers* | *26,427* | *47,077* | *23,491* | *62,163* |
| *- Gilles Schnepp* | *13,582* | *24,194* | *12,075* | *38,373* |
| *- Olivier Bazil* | *12,845* | *22,883* | *11,416* | *23,790* |
| Vesting conditions | After a maximum of 4 years, except in the event of resignation or termination for willful misconduct. | | | |
| Free shares cancelled during 2007 | (8,695) | | | |
| Free shares vested during 2008 | (546) | | | |
| Free shares cancelled during 2008 | (8,298) | (6,145) | | |
| Free shares vested during 2009 | (253,880) | (400) | | |
| Free shares cancelled during 2009 | (6,428) | (9,905) | (6,281) | |
| Free shares vested during first-half 2010 | 0 | (328,408) | 0 | 0 |
| Free shares cancelled during first-half 2010 | (2,397) | (2,908) | (2,523) | (16,805) |
| **Total number of free shares outstanding as of June 30, 2010** | **253,250** | **306,292** | **280,159** | **879,751** |

If all these shares were to be definitively granted, the Company's capital would be diluted by 0.7%.

*Stock option plans*

On May 15, 2007, shareholders authorized the Board of Directors to grant stock options to certain employees or corporate officers of the Company and its subsidiaries, on one or several occasions, entitling them to subscribe new shares or purchase existing shares together representing no more than 5% of the capital as of the grant date.

| Information on stock options | 2007 Plan | 2008 Plan | 2009 Plan | 2010 Plan |
|---|---|---|---|---|
| Date of Board of Directors Meeting | May 15, 2007 | March 5, 2008 | March 4, 2009 | March 4, 2010 |
| Total number of options | 1,638,137 | 2,015,239 | 1,185,812 | 3,254,726 |
| *Of which to corporate officers* | *79,281* | *141,231* | *93,964* | *217,646* |
| *- Gilles Schnepp* | *40,745* | *72,583* | *48,300* | *134,351* |
| *- Olivier Bazil* | *38,536* | *68,648* | *45,664* | *83,295* |
| Vesting/exercise conditions | Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct. | | | |
| Starting date of the option exercise period | May 16, 2011 | March 6, 2012 | March 5, 2013 | March 5, 2014 |
| End of the option exercise period | May 15, 2017 | March 5, 2018 | March 4, 2019 | March 4, 2020 |
| Option exercise price | €25.20 | €20.58 | €13.12 | €21.82 |
| Options cancelled during 2007 | (27,574) | | | |
| Options cancelled during 2008 | (27,468) | (20,439) | | |
| Options cancelled during 2009 | (25,105) | (32,057) | (21,093) | |
| Options cancelled during first-half 2010 | (7,181) | (9,844) | (13,451) | (59,383) |
| **Outstanding options as of June 30, 2010** | **1,550,809** | **1,952,899** | **1,151,268** | **3,195,343** |

If all these options were to be exercised, the Company's capital would be diluted by 3.0% (this maximum dilution does not take into account the exercise price of these options).

*Valuation model applied to free share plans and stock option plans*

The fair value of share-based payment instruments is measured at the grant date, using the Black & Scholes option-pricing model or the binomial model, based on the following assumptions:

| Assumptions | 2007 Plan | 2008 Plan | 2009 Plan | 2010 Plan |
|---|---|---|---|---|
| Risk-free rate | 4.35% | 3.40% | 2.25% | 3.43% |
| Expected volatility | 28.70% | 30.00% | 38.40% | 28.00% |
| Expected return | 1.98% | 3.47% | 5.00% | 3.20% |

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €9.9 million was recorded in first-half 2010 (€6.4 million in first-half 2009; €6.3 million in first-half 2008) for all of these plans combined (Notes 11 (a) and 11 (b)).

#### c) Employee profit-sharing

Under French law, the French entities in the Group are required to pay profit shares to employees when their after-tax profit exceeds a certain level. Amounts accrued are generally payable to employees after a period of five years.

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

An accrual of €18.4 million was recorded in first-half 2010 for statutory and discretionary profit-sharing plans (first-half 2009: €13.9 million; first-half 2008: €16.8 million).

### 12) Retained earnings and translation reserves

#### a) Retained earnings

Consolidated retained earnings of Legrand and its subsidiaries as of June 30, 2010 amounted to €1,585.0 million.

As of the same date, the parent company – Legrand – had retained earnings of €1,701.5 million available for distribution.

**b) Translation reserves**

As explained in Note 1 (c), the translation reserve reflects the effects of currency fluctuations on the financial statements of subsidiaries when they are translated into euros.

The translation reserve records the impact of fluctuations in the following currencies:

| *(in € millions)* | June 30, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| US dollar | (131.2) | (158.3) | (143.0) |
| Other currencies | 44.4 | (73.3) | (106.4) |
| | **(86.8)** | **(231.6)** | **(249.4)** |

In accordance with Note 1 (m), the unrealized €48.0 million foreign exchange loss, as of June 30, 2010, on the Group's Yankee bonds denominated in US dollars was recognized under “Translation reserves.”

**13) Long-term borrowings (Note 1 (t))**

Long-term borrowings can be analyzed as follows:

| *(in € millions)* | June 30, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Facility Agreement | 270.7 | 375.8 | 1,265.8 |
| 8 ½% debentures | 318.2 | 269.9 | 279.2 |
| Bond | 300.0 | 0.0 | 0.0 |
| Bank borrowing | 282.5 | 282.5 | 220.0 |
| Other borrowings | 103.1 | 141.9 | 258.0 |
| | **1,274.5** | **1,070.1** | **2,023.0** |
| Debt issuance costs | (3.8) | (2.3) | (2.8) |
| | **1,270.7** | **1,067.8** | **2,020.2** |

Long-term borrowings are denominated in the following currencies:

| *(in € millions)* | June 30, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Euro | 812.4 | 635.6 | 1,471.8 |
| US dollar | 318.2 | 297.9 | 423.1 |
| Other currencies | 143.9 | 136.6 | 128.1 |
| | **1,274.5** | **1,070.1** | **2,023.0** |

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

| *(in € millions)* | June 30, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Due in one to two years | 119.0 | 108.4 | 202.0 |
| Due in two to three years | 204.1 | 158.8 | 129.5 |
| Due in three to four years | 297.2 | 431.0 | 116.0 |
| Due in four to five years | 14.8 | 76.3 | 1,239.6 |
| Due beyond five years | 639.4 | 295.6 | 335.9 |
| | **1,274.5** | **1,070.1** | **2,023.0** |

Average interest rates on borrowings are as follows (the rates shown for the 8½% debentures 'Yankee bonds' take into account interest rate swap up to their expiry date of February 2008):

| | June 30, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Facility Agreement | 0.60% | 3.09% | 4.69% |
| 8½% debentures | 8.50% | 8.50% | 8.25% |
| Bond | 4.25% | - | - |
| Bank borrowing | 1.42% | 2.17% | 6.06% |
| Other borrowings | 5.33% | 6.18% | 5.58% |

These borrowings are secured as follows:

| *(in € millions)* | June 30, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Assets mortgaged or pledged as collateral | 2.7 | 3.4 | 21.2 |
| Guarantees given to banks | 238.5 | 245.7 | 180.4 |
| | **241.2** | **249.1** | **201.6** |

### a) Credit Facility

*2006 Credit Facility*

On January 10, 2006, the Group signed a credit facility with five mandated arrangers.

Initially, this 2006 Credit Facility comprised notably (i) a €700.0 million Tranche A representing a multicurrency term loan repayable in semi-annual installments equal to 10% of the nominal amount between January 10, 2007 and July 10, 2010, with a final 20% installment due on January 10, 2011 and (ii) a €1.2 billion Tranche B consisting of a revolving multicurrency facility utilizable through drawdowns. Tranches A and B were originally five-year loans that could be rolled over for two successive one-year periods.

An initial installment of Tranche A equal to 10% of the nominal amount was paid in January 2007 and a second installment equal to 7.78% of the nominal amount was paid in July 2007. In March 2007 and November 2007, the Group exercised its option to extend the 2006 Credit Facility for two successive one-year periods, with the final installment becoming due in January 2013.

Consequently, the repayments in semi-annual installments of Tranche A are equal to 6.22% of the original nominal amount from January 10, 2008 to July 10, 2011, 7.12% of the original nominal amount on January 10, 2012, 6.02% of the original nominal amount on July 10, 2012 and 19.32% on January 10, 2013.

Repayments due under the Facility Agreement can be analyzed as follows by maturity as of June 30, 2010, December 31, 2009 and December 31, 2008:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Due within one year (short-term borrowings) | 87.1 | 87.0 | 87.1 |
| Due in one to two years | 93.4 | 87.1 | 87.1 |
| Due in two to three years | 177.3 | 92.1 | 87.1 |
| Due in three to four years | 0.0 | 196.6 | 92.0 |
| Due in four to five years | 0.0 | 0.0 | 999.6 |
| Due beyond five years | 0.0 | 0.0 | 0.0 |
| | **357.8** | **462.8** | **1,352.9** |

The Facility Agreement can be analyzed as follows:

| *(in € millions)* | **June 30, 2010** | Maturity | Interest rate |
|---|---|---|---|
| Term Facility | 357.8 | 2013 | Euribor + 20bps |

| *(in € millions)* | **December 31, 2009** | Maturity | Interest rate |
|---|---|---|---|
| Term Facility | 401.4 | 2013 | Euribor + 25bps |
| Revolving Facility | 61.4 | 2013 | Euribor / Libor + 25bps |

| *(in € millions)* | **December 31, 2008** | Maturity | Interest rate |
|---|---|---|---|
| Term Facility | 488.5 | 2013 | Euribor + 30bps |
| Revolving Facility | 864.4 | 2013 | Euribor / Libor + 30bps |

The margin added to the Euribor/Libor is updated at half-yearly intervals depending on the value of the ratio net debt/maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements). The resulting interest rate is however subject to a cap and a floor of Euribor/Libor + 50bps and Euribor/Libor + 20bps.

In addition, the 2006 Credit Facility Agreement includes the covenant described in Note 22.

**b) 8½% Debentures (Yankee bonds)**

On February 14, 1995, Legrand France issued $400.0 million worth of 8½% debentures due February 15, 2025, through a public placement in the United States. Interest on the debentures is payable semi-annually in arrears on February 15 and August 15 of each year, beginning August 15, 1995.

The debentures are not subject to any sinking fund and are not redeemable prior to maturity, except upon the occurrence of certain changes in the law requiring the payment of amounts in addition to the principal and interest. Should Legrand France be prevented by law from paying any such additional amounts, early redemption would generally be mandatory or, if such amounts could be paid, Legrand France may, at its option, redeem all – but not part – of the debentures in advance. Each debenture holder may also require Legrand France to redeem its debentures in advance upon the occurrence of a hostile change of control.

In connection with the issuance of the debentures, Legrand France also entered into an interest rate swap agreement that expired in February 2008 (see Note 22 (b)).

**c) Bank borrowings**

As of June 30, 2010, bank borrowings comprised:

- a €220.0 million loan obtained on May 21, 2007 from a pool of French financial institutions. The loan is for a period of six years and four months, expiring September 21, 2013, and pays interest at the three-month Euribor plus 45 bps,

- a €62.5 million loan obtained on March 12, 2009 from a pool of French financial institutions. The loan is for a period of five years, expiring March 12, 2014, and pays interest at the three-month Euribor plus 210 bps.

Bank borrowing is subject to the covenant described in Note 22.

**d) Bond**

In February 2010, the Group carried out a €300.0 million seven-year bond issue. Bearing interest at an annual rate of 4.25%, the bonds will be redeemable at maturity on February 24, 2017.

**e) Unused credit lines**

As of June 30, 2010, the Group had access to drawdown capacity of €1,170.0 million on Tranche B (revolving facility) of the 2006 Credit Facility considering the swingline facility intended to cover borrowings under the Group's commercial paper program (representing €30.0 million as of June 30, 2010).

### 14) Provisions

Changes in provisions are as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** |
|---|---|---|
| At beginning of period | 171.5 | 138.2 |
| Changes in scope of consolidation | 0.0 | 0.0 |
| Increases | 41.6 | 86.0 |
| Utilizations | (18.7) | (33.7) |
| Reversals of surplus provisions | (8.5) | (26.1) |
| Transfers to current liabilities | 0.0 | 0.0 |
| Reclassifications | (0.3) | 0.6 |
| Translation adjustments | 7.4 | 6.5 |
| **At the end of period** | **193.0** | **171.5** |
| *Of which non-current portion* | *67.1* | *63.6* |

### 15) Pension and other post-employment benefit obligations (Note 1 (q))

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| *Pension and other post-employment benefit obligations – non-current portion* | | | |
| France (Note 15 (b)) | 53.8 | 46.9 | 50.4 |
| Italy (Note 15 (c)) | 36.1 | 39.8 | 49.4 |
| United States and United Kingdom (Note 15 (d)) | 38.3 | 32.0 | 32.7 |
| Other countries | 10.5 | 10.2 | 11.6 |
| | *138.7* | *128.9* | *144.1* |
| *Pension and other post-employment benefit obligations – current portion* | | | |
| France (Note 15 (b)) | 0.0 | 0.0 | 0.0 |
| Italy (Note 15 (c)) | 5.0 | 5.0 | 5.0 |
| United States and United Kingdom (Note 15 (d)) | 1.4 | 1.2 | 1.2 |
| Other countries | 1.4 | 0.9 | 0.2 |
| | *7.8* | *7.1* | *6.4* |
| **Pension and other post-employment benefit obligations - Total** | **146.5** | **136.0** | **150.5** |

The total amount of those liabilities is therefore €146.5 million as of June 30, 2010 (December 31, 2009: €136.0 million; December 31, 2008: €150.5 million) and is analyzed in Note 15 (a), which shows total liabilities of €271.2 million as of June 30, 2010 (December 31, 2009: €247.9 million; December 31, 2008: €240.5 million) less total assets of €124.7 million as of June 30, 2010 (December 31, 2009: €111.9 million; December 31, 2008: €89.9 million).

### a) Analysis of pension and other post-employment benefit obligations

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

| *(in € millions)* | June 30, 2010 | December 31, 2009 | December 31, 2008 | December 31, 2007 | December 31, 2006 |
|---|---|---|---|---|---|
| **Defined benefit obligation** | | | | | |
| Projected benefit obligation at beginning of period | 247.9 | 240.5 | 263.9 | 290.6 | 282.8 |
| Acquisitions | 0.0 | 0.0 | 0.1 | 0.0 | 0.2 |
| Goodwill allocation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Service cost | 7.4 | 16.2 | 16.1 | 16.8 | 18.2 |
| Interest cost | 5.1 | 11.1 | 11.5 | 11.7 | 10.3 |
| Benefits paid | (14.2) | (29.7) | (29.3) | (29.5) | (23.5) |
| Employee contributions | 0.4 | 0.7 | 0.0 | 0.0 | 0.4 |
| Plan amendments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Actuarial loss/(gain) | 7.8 | 8.9 | (7.5) | (11.0) | 13.0 |
| Curtailments, settlements, special termination benefits | (1.0) | (1.9) | 0.2 | (2.4) | (0.8) |
| Past service cost | 0.0 | (0.1) | 0.0 | (0.1) | 0.2 |
| Translation adjustments | 17.8 | 2.2 | (14.3) | (14.5) | (10.2) |
| Other | 0.0 | 0.0 | (0.2) | 2.3 | 0.0 |
| **Projected benefit obligation at end of period (I)** | **271.2** | **247.9** | **240.5** | **263.9** | **290.6** |
| | | | | | |
| **Unrecognized past service cost (II)** | **0.0** | **0.0** | **0.1** | **0.0** | **0.2** |
| | | | | | |
| **Fair value of plan assets** | | | | | |
| Fair value of plan assets at beginning of period | 111.9 | 89.9 | 131.4 | 135.1 | 133.5 |
| Acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Expected return on plan assets | 3.7 | 6.6 | 8.2 | 9.1 | 10.2 |
| Employer contributions | 3.1 | 12.2 | 6.4 | 15.6 | 8.2 |
| Employee contributions | 0.3 | 0.7 | 0.5 | 0.3 | 0.3 |
| Benefits paid | (5.0) | (12.3) | (13.3) | (16.3) | (13.9) |
| Actuarial (loss)/gain | (1.3) | 12.8 | (32.0) | (1.3) | 0.7 |
| Translation adjustments | 12.0 | 2.0 | (11.3) | (11.1) | (3.9) |
| **Fair value of plan assets at end of period (III)** | **124.7** | **111.9** | **89.9** | **131.4** | **135.1** |
| | | | | | |
| **Liability recognized in the balance sheet (I) – (II) – (III)** | **146.5** | **136.0** | **150.5** | **132.5** | **155.3** |
| Current liability | 7.8 | 7.1 | 6.4 | 7.4 | 7.7 |
| Non-current liability | 138.7 | 128.9 | 144.1 | 125.1 | 147.6 |

Actuarial gains recognized in equity (total recognized income and expenses, net) as of June 30, 2010 amounted to €9.1 million (€6.1 million after tax).

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: Citibank Pension Liability Index

Sensitivity tests were performed on the discount rates applied and on the expected return on plan assets. According to the results of these tests, a 50-basis point decline in discount rates and in the expected return on plan assets would lead to the recognition of additional actuarial losses of around €15.0 million and would increase in proportion the value of the defined obligation at June 30, 2010.

The impact on profit is as follows:

| *(in € millions)* | **June 30, 2010** | **June 30, 2009** | **June 30, 2008** |
|---|---|---|---|
| Service cost – rights acquired during the period | (7.4) | (8.2) | (8.0) |
| Service cost – cancellation of previous rights | 0.0 | 0.0 | 0.0 |
| Benefits paid (net of cancellation of liability recognized in prior periods) | 0.0 | 0.0 | 0.0 |
| Interest cost | (5.1) | (5.2) | (5.6) |
| Other | 1.0 | 1.3 | 0.0 |
| Expected return on plan assets | 3.7 | 3.1 | 4.1 |
| | **(7.8)** | **(9.0)** | **(9.5)** |

The weighted-average allocation of pension plan assets is as follows as of June 30, 2010:

| *(as a percentage)* | France | United States and United Kingdom | Weighted total |
|---|---|---|---|
| Equity instruments | 0.0 | 57.8 | 50.6 |
| Debt instruments | 0.0 | 35.4 | 31.0 |
| Insurance funds | 100.0 | 6.8 | 18.4 |
| | **100.0** | **100.0** | **100.0** |

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

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

In France, provisions recorded in the consolidated balance sheet amount to €53.8 million as of June 30, 2010 (December 31, 2009: €46.9 million; December 31, 2008: €50.4 million), corresponding to the difference between the projected benefit obligation of €68.4 million as of June 30, 2010 (December 31, 2009: €61.6 million; December 31, 2008: €61.4 million) and the fair value of the related plan assets of €14.6 million as of June 30, 2010 (December 31, 2009: €14.7 million; December 31, 2008: €10.9 million).

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In France, the calculation was based on a salary increase rate of 3.0%, a discount rate of 4.3% (2009 and 2008: 3.0% and 2.5%, 5.0% and 3.0%, respectively) and an expected return on plan assets of 4.0% (2009 and 2008: 4.0%). The provisions recorded in the consolidated balance sheet correspond to the portion of the total obligation remaining payable by the Group; this amount is equal to the difference between the total obligation recalculated at each balance sheet date, based on the actuarial assumptions described above, and the net residual value of the plan assets at that date.

c) **Provisions for termination benefits in Italy**

The changes introduced in the Italian Act no.296 dated December 27, 2006 came into effect on January 1, 2007.

From this date, Italian termination benefit plans (*Trattamento di fine rapporto*, TFR) are 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, but based on revised actuarial estimates that exclude the effect of future salary increases. The difference compared with the previous actuarial estimate has been treated as a plan curtailment in accordance with IAS 19 paragraph 109 and has been recognized in the second-half 2007 income statement under 'Other operating income' for an amount of €2.1 million. Actuarial gains and losses previously recognized in the statement of recognized income and expense have been reclassified in retained earnings, in accordance with IAS 19 (revised), paragraph 93A s.

The resulting provisions for termination benefits amount to €41.1 million as of June 30 2010 (December 31, 2009: €44.8 million; December 31, 2008: €54.4 million).

d) **Provisions for retirement benefits and other post-employment benefits in the United States and the United Kingdom**

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

The provisions recorded in the consolidated balance sheet amounted to €39.7 million at June 30, 2010 (December 31, 2009: €33.2 million; December 31, 2008: €33.9 million), corresponding to the difference between the projected benefit obligation of €141.4 million (December 31, 2009: €123.4 million; December 31, 2008: €110.0 million) and the fair value of the related plan assets of €101.7 million (December 31, 2009: €90.2 million; December 31, 2008: €76.1 million).

The projected benefit obligation is computed on the basis of staff turnover and mortality assumptions, estimated rates of salary increases and an estimated discount rate. In the United Sates, the calculation was based on a salary increase rate of 3.5%, a discount rate of 5.3% (3.5% and 5.3% in 2009, 3.5% and 6.3% in 2008) and an expected return on plan assets of 7.5% (7.5% in 2009 and 2008). In the United Kingdom, the calculation was based on a salary increase rate of 4.2%, a discount rate of 5.3% (4.6% and 5.7% in 2009, 3.8% and 6.4% in 2008), and an expected return on plan assets of 6.4% (6.6% in 2009; 6.7% in 2008).

**16) Short-term borrowings (Note 1 (t))**

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Facility Agreement | 87.1 | 87.0 | 87.1 |
| Commercial paper | 30.0 | 105.0 | 11.7 |
| Other borrowings | 116.5 | 253.5 | 302.5 |
| | **233.6** | **445.5** | **401.3** |

**17) Other current liabilities**

| *(in € millions)* | June 30, 2010 | December 31, 2009 | December 31, 2008 |
|---|---|---|---|
| Tax liabilities | 81.7 | 65.5 | 64.5 |
| Accrued employee benefits expense | 160.7 | 153.4 | 156.1 |
| Current portion of statutory and discretionary profit-sharing reserve | 19.5 | 29.9 | 31.5 |
| Payables related to fixed asset purchases | 9.7 | 12.9 | 16.9 |
| Accrued expenses | 65.5 | 70.8 | 70.1 |
| Accrued interest | 24.8 | 19.2 | 38.6 |
| Deferred revenue | 13.3 | 16.2 | 10.2 |
| Current portion of pension and other post-employment benefit obligations | 7.8 | 7.1 | 6.4 |
| Other current liabilities | 30.5 | 32.7 | 38.2 |
| | **413.5** | **407.7** | **432.5** |

**18) Analysis of certain expenses**

**a) Analysis of operating expenses**

Operating expenses include the following categories of costs:

| *(in € millions)* | June 30, 2010 | June 30, 2009 | June 30, 2008 |
|---|---|---|---|
| Raw materials and component costs | (525.3) | (520.5) | (643.9) |
| Salaries and payroll taxes | (497.2) | (486.0) | (541.4) |
| Employee profit-sharing | (18.4) | (13.9) | (16.8) |
| Total personnel costs | **(515.6)** | **(499.9)** | **(558.2)** |
| Depreciation expense | (55.2) | (64.1) | (67.1) |
| Amortization expense | (35.1) | (34.8) | (36.8) |

As of June 30, 2010 the Group had 28,596 employees on the payroll (June 30, 2009: 29,593; June 30, 2008: 34,454).

**b) Analysis of other operating income and expense**

| *(in € millions)* | June 30, 2010 | June 30, 2009 | June 30, 2008 |
|---|---|---|---|
| Employee profit-sharing | (18.4) | (13.9) | (16.8) |
| Restructuring costs | (21.2) | (29.4) | (15.4) |
| Impairment of goodwill | 0.0 | (15.9) | 0.0 |
| Other | (21.3) | (40.5) | (26.3) |
| | **(60.9)** | **(99.7)** | **(58.5)** |

## 19) Finance costs and other financial income and expense, net

### a) Exchange gains (losses)

| *(in € millions)* | June 30, 2010 | June 30, 2009 | June 30, 2008 |
|---|---|---|---|
| Exchange gains (losses) | (52.5) | (12.9) | 32.5 |

In the first half of 2010, exchange gains (losses) included €41.2 million in unrealized losses.

In 2008, 2009 and 2010, exchange gains (losses) mainly resulted from changes in the euro/US dollar exchange rate.

### b) Finance costs, net

| *(in € millions)* | June 30, 2010 | June 30, 2009 | June 30, 2008 |
|---|---|---|---|
| Interest income | 6.0 | 7.0 | 11.6 |
| Finance costs | (37.9) | (58.0) | (66.3) |
| Change in fair value of financial instruments | (1.0) | (1.2) | (2.4) |
| Total finance costs | (38.9) | (59.2) | (68.7) |
| **Finance costs, net** | **(32.9)** | **(52.2)** | **(57.1)** |

Finance costs correspond essentially to interest on borrowings (Notes 13 and 16).

## 20) Income tax expense (current and deferred) (Note 1 (j))

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

| *(in € millions)* | June 30, 2010 | June 30, 2009 | June 30, 2008 |
|---|---|---|---|
| France | 57.7 | 43.7 | 100.5 |
| Outside France | 243.7 | 133.2 | 238.5 |
| | **301.4** | **176.9** | **339.0** |

Income tax expense consists of the following:

| *(in € millions)* | **June 30, 2010** | **June 30, 2009** | **June 30, 2008** |
|---|---|---|---|
| Current taxes: | | | |
| France | (36.5) | (20.7) | (42.9) |
| Outside France | (79.0) | (60.3) | (79.5) |
| | (115.5) | (81.0) | (122.4) |
| Deferred taxes: | | | |
| France | 9.3 | 5.7 | 9.9 |
| Outside France | (2.2) | 6.9 | 7.5 |
| | 7.1 | 12.6 | 17.4 |
| Total income tax expense: | | | |
| France | (27.2) | (15.0) | (33.0) |
| Outside France | (81.2) | (53.4) | (72.0) |
| | **(108.4)** | **(68.4)** | **(105.0)** |

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

| (*Tax rate)* | **June 30, 2010** | **June 30, 2009** | **June 30, 2008** |
|---|---|---|---|
| **Standard French income tax rate** | **34.43%** | **34.43%** | **34.43%** |
| Increases (reductions): | | | |
| - Effect of foreign income tax rates | (4.68%) | (2.91%) | (3.68%) |
| - Non-taxable items | 1.28% | 3.16% | 0.15% |
| - Income taxable at specific rates | 1.29% | 1.87% | 1.37% |
| - Other | 4.06% | 2.09% | (1.64%) |
| | 36.38% | 38.64% | 30.63% |
| Impact on deferred taxes of: | | | |
| - Changes in tax rates | 0.01% | 0.00% | (0.02%) |
| - Recognition or non-recognition of deferred tax assets | (0.39%) | 0.03% | 0.38% |
| **Effective tax rate** | **36.00%** | **38.67%** | **30.99%** |

In accordance with the recommendation of the French National Accounting Board (Conseil National de la Comptabilité - CNC), the Group has elected to recognize France's CVAE tax on the value added by the business under "Income tax expense" in the statement of income as from January 1, 2010.

In first-half 2010, the CVAE tax and the deferred tax impact of electing to recognize the CVAE tax in income tax expense were recorded under "Other" in an amount of €6.1 million. Excluding this amount, the effective tax rate would have been 34%.

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)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Deferred taxes recorded by French companies | (325.3) | (336.6) | (360.3) |
| Deferred taxes recorded by foreign companies | (213.9) | (206.3) | (202.2) |
| | **(539.2)** | **(542.9)** | **(562.5)** |
| Origin of deferred taxes: | | | |
| - Depreciation of fixed assets | (78.5) | (71.4) | (79.6) |
| - Tax loss carryforwards | 2.3 | 7.7 | 5.3 |
| - Statutory profit-sharing | 4.6 | 4.8 | 4.9 |
| - Pensions and other post-employment benefits | 19.6 | 16.7 | 21.0 |
| - Developed technology | (6.8) | (9.6) | (19.3) |
| - Trademarks | (540.4) | (534.2) | (531.8) |
| - Impairment losses on inventories and receivables | 30.6 | 27.2 | 22.1 |
| - Fair value adjustments to derivative instruments | (4.9) | (5.0) | (5.3) |
| - Translation adjustments | 0.3 | 2.1 | 0.1 |
| - Other provisions | 67.0 | 52.9 | 47.5 |
| - Margin on inventories | 16.4 | 13.2 | 16.4 |
| - Other | (49.4) | (47.3) | (43.8) |
| | **(539.2)** | **(542.9)** | **(562.5)** |
| - Of which deferred tax assets | 97.6 | 82.1 | 76.4 |
| - Of which deferred tax liabilities | (636.8) | (625.0) | (638.9) |

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

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Deferred taxes – short term | 88.1 | 73.0 | 62.5 |
| Deferred taxes – long term | (627.3) | (615.9) | (625.0) |
| | **(539.2)** | **(542.9)** | **(562.5)** |

Tax losses carried forward broke down as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Net recognized operating losses carried forward | 8.7 | 29.0 | 21.5 |
| Recognized deferred tax assets | 2.3 | 7.7 | 5.3 |
| Net unrecognized operating losses carried forward | 77.2 | 85.0 | 95.1 |
| Unrecognized deferred tax assets | 22.8 | 24.0 | 27.7 |
| Total net operating losses carried forward | 85.9 | 114.0 | 116.6 |

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

**21) Contingencies and commitments**

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

*Operating leases*

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

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| Due within one year | 34.5 | 32.8 | 18.5 |
| Due in one to two years | 28.6 | 27.7 | 13.9 |
| Due in two to three years | 19.8 | 18.8 | 10.6 |
| Due in three to four years | 12.3 | 11.7 | 7.8 |
| Due in four to five years | 8.9 | 7.7 | 5.1 |
| Due beyond five years | 11.5 | 7.0 | 3.5 |
| | **115.6** | **105.7** | **59.4** |

Operating leases, which until December 31, 2008 concerned only property rentals, include all kinds of rentals as of December 31, 2009.

*Commitments to purchase property, plant and equipment*

Commitments to purchase property, plant and equipment amounted to €7.0 million as of June 30, 2010.

**22) Financial instruments and management of financial risks**

**a) Financial instruments**

(a) Derivatives

| *(in € millions)* | **June 30, 2010** | | | |
|---|---|---|---|---|
| | **Financial income and expense, net** | **Equity** | **Book value** | **IFRS designation** |
| **Exchange rate derivatives** | | | | |
| Forwards and options designated as fair value hedges | (7.0) | | (0.9) | Trading |
| Forward contracts designated as net investment hedges | (3.5) | 0.5 | 0.5 | NIH* |
| **Commodity derivatives** | | | | |
| Futures and options | - | | 0.4 | Trading |
| **Interest rate derivatives** | | | | |
| Interest rate caps | (1.0) | | 0.5 | Trading |
| | **(11.5)** | **0.5** | **0.5** | |

** Net Investment Hedge*

All financial instruments are classified in Level 2 of the fair value hierarchy described in Note 1 l) (a).

(b) Impact of financial instruments

| *(in € millions)* | June 30, 2010 | | | |
|---|---|---|---|---|
| | | Impact on equity | | |
| | Impact on financial income and expense, net | Fair value | Translation adjustment | Other |
| Trade receivables | - | | | |
| Trade payables | - | | | |
| Borrowings | (29.6) | | (48.0) | |
| Derivatives | (11.5) | | 0.5 | |
| | **(41.1)** | | **(47.5)** | |

Debentures denominated in US dollars ("Yankee bonds") are designated as hedges of the foreign currency risk associated with the net investment in the United States (an NIH as explained in Note 1 (l)).

(c) Breakdown of balance sheet items by type of financial instrument

| *(in € millions)* | June 30, 2010 | | | | |
|---|---|---|---|---|---|
| | | | Type of financial instrument | | |
| | Carrying amount | Fair value | Instruments designated at fair value through profit or loss | Receivables, payables and borrowings at amortized cost | Derivatives |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Trade receivables | 581.7 | 581.7 | | 581.7 | |
| Other current financial assets | 1.4 | 1.4 | | | 1.4 |
| **Total current assets** | **583.1** | **583.1** | | **581.7** | **1.4** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Short-term borrowings | 233.6 | 233.6 | | 233.6 | |
| Trade payables | 456.3 | 456.3 | | 456.3 | |
| Other current financial liabilities | 0.9 | 0.9 | | | 0.9 |
| **Total current liabilities** | **690.8** | **690.8** | | **689.9** | **0.9** |
| **Non-current liabilities** | | | | | |
| Long-term borrowings | 1,270.7 | 1,275.7 | | 1,270.7 | |
| **Total non-current liabilities** | **1,270.7** | **1,275.7** | | **1,270.7** | |

**b) 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 financial derivative 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 who recommends appropriate measures and implements them after they have been validated by the Corporate Finance Department and Group senior management. A detailed reporting system has been set up to permit permanent close tracking of the Group's positions and effective oversight of the management of the financial risks described in this note.

Current financial assets and liabilities are measured based on observable market data and are as follows:

| *(in € millions)* | **June 30, 2010** | **December 31, 2009** | **December 31, 2008** |
|---|---|---|---|
| **Other current financial assets** | **1.4** | **0.6** | **5.0** |
| Swaps | 0.0 | 0.0 | 0.0 |
| Financial derivatives with a positive fair value | 1.4 | 0.6 | 5.0 |
| | | | |
| **Other current financial liabilities** | **0.9** | **0.3** | **0.0** |
| Swaps | 0.0 | 0.0 | 0.0 |
| Financial derivatives with a negative fair value | 0.9 | 0.3 | 0.0 |

(a) Interest rate risk

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

As of June 30, 2010 the breakdown of debt (excluding debt issuance costs) between fixed and variable rate is as follows:

| *(in € millions)* | **June 30, 2010** |
|---|---|
| Fixed rates | 664.6 |
| Variable rates | 843.5 |

The following table analyzes variable rate financial assets and liabilities based on the frequency of rate adjustments.

| *(in € millions)* | **Overnight and short-term** | **Medium-term (1 to 5 years)** | **Long-term (more than 5 years)** |
|---|---|---|---|
| Gross debt (excluding debt issuance costs) | 843.5 | - | - |
| Cash and marketable securities | (205.8) | - | - |
| **Net debt** | **637.7** | **-** | **-** |
| Hedges | 700.0 | - | - |
| **Position after hedging** | **(62.3)** | **-** | **-** |

Interest rate risk arises mainly from variable-rate financial assets and liabilities and is managed primarily through the use of hedging instruments.

Based on average debt in 2010 and the hedging instruments described below, the Group estimates that a 100-basis point increase in interest rates on variable-rate debt should not result in a decrease in annual profit before taxes of more than €7.2 million (2009: €4.9 million; 2008: €11.0 million).

**Caps**

Variable-rate debt is hedged by interest-rate instruments with maturities of no more than three years. These contracts are mainly caps, in line with the Group's policy of setting an upper limit on interest rates while retaining the opportunity to benefit from more favorable rate changes.

The portfolio of caps on euro-denominated debt breaks down as follows:

| | **June 30, 2010** *(in € millions)* | | |
|---|---|---|---|
| Period covered | Notional amount | Benchmark rate | Average guaranteed rate including premium |
| June 2010 – March 2011 | 700.0 | 3-month Euribor | 3.27% |
| April 2011 – March 2012 | 550.0 | 3-month Euribor | 3.88% |
| April 2012 – March 2013 | 350.0 | 3-month Euribor | 3.72% |

The caps do not fulfill the criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in 'Other current financial assets', in an amount of €0.5 million at June 30, 2010 (December 31, 2009: €0.6 million; December 31, 2008: €1.0 million). The effect of changes in fair value on consolidated profit was a €1.0 million loss in first-half 2010 (first-half 2009: €1.2 million loss; first-half 2008: €0.8 million gain), recognized in 'Finance costs and other financial income and expense, net' (Note 19 (b)).

**Interest rate swaps on the 8½% debentures (Yankee bonds) (Note 13)**

The Group also entered into an interest rate swap with selected major financial institutions to hedge interest rate risks on the 8½% debentures. The fair value of this swap was determined at each balance sheet date, based on rates implied in the yield curve at the reporting date; these implied rates could change, with an impact on cash flows.

The swap expired at the end of February 2008, in line with the April 2003 novation agreement under which the Group sold the tranche corresponding to the contract's 2008-2025 maturities. When the swap expired, refinancing of €86.0 million was arranged, corresponding to the Group's liability under the currency swap component.

Since February 2008, when the swap expired, the Group has once again been paying a fixed rate of 8½%.

Further interest rate swaps may be set up in the future, based on changes in market conditions.

(b) Currency risk

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

The table below presents financial assets (cash and marketable securities) and financial liabilities (short-term and long-term borrowings) by currency as of June 30, 2010:

| *(in € millions)* | **Financial assets Cash and marketable securities** | **Financial liabilities (before debt issuance costs)** |
|---|---|---|
| Euro | 67.8 | 957.8 |
| US dollar | 44.2 | 361.3 |
| Other currencies | 93.8 | 189.0 |
| | **205.8** | **1,508.1** |

Natural hedges are set up by matching allocation of net debt and operating profit in each of the Group's operating currencies.

If required, when acquisition of an asset is financed using a currency other than the functional currency of the country, the Group may enter into forward-contracts to hedge its exchange rate risk. As of June 30, 2010 the Group has set up forward contracts in Brazilian real, Australian dollar and British pound which have a net fair value of an amount of €0.4 million.

The table below presents the breakdown of net sales and operating expenses by currency as of June 30, 2010:

| *(in € millions)* | **Net sales** | | **Operating expenses (excluding purchase accounting adjustments relating to the acquisition and goodwill impairment)** | |
|---|---|---|---|---|
| Euro | 1,055.1 | 55% | 799.7 | 53% |
| US dollar | 281.9 | 15% | 238.0 | 16% |
| Other currencies | 573.1 | 30% | 472.4 | 31% |
| | **1,910.1** | **100%** | **1,510.1** | **100%** |

Natural hedges are set up by matching costs and operating income 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, such as the British pound. These hedges are for periods of less than 18 months. They do not fulfill the

criteria for the application of hedge accounting under IAS 39 and have therefore been measured at fair value and recognized in 'Other current financial assets', or at a value of zero as of June 30, 2010 (December 31, 2009: €0.0 million; December 31, 2008: €4.0 million). Changes in these hedges' fair value are recognized in 'Exchange gains (losses)' (Note 19 (a)). It did not have any impact in first-half 2010 (first-half 2009: €0.0 million; first-half 2008: €1.3 million loss).

The Group estimates that, all other things being equal, a 10% increase in the exchange rate of the euro against all other currencies applied to first-half 2010 figures would have resulted in a decrease in net revenue of approximately €77.7 million and a decrease in operating profit of approximately €12.8 million.

In the same way, such increase applied to first-half 2009 and first-half 2008 figures would have resulted in a decrease in net revenue of approximately €69.0 million in first-half 2009 and 78.0 million in first-half 2008 and a decrease in operating profit of approximately €8.0 million respectively in first-half 2009 and €10.0 million in first-half 2008.

(c) Commodity risk

The Group is exposed to commodity risk arising from changes in the price of raw materials.

Raw materials purchases amounted to around €351.0 million in 2009 (2008: €483.0 million; 2007: €477.0 million).

A 10% increase in the price of all the raw materials used by the Group would theoretically feed through to around a €35.0 million increase in annual purchasing costs. The Group believes that it could, circumstances permitting; raise the prices of its products in the short term to offset the overall adverse impact of any such increases.

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.

Options were set up for this purpose in the first half of 2010. Expiring in the second half of the year, they have been recognized in the balance sheet at their fair value, in an amount of €0.4 million.

(d) Credit risk

Credit risk covers both:

- Risks related to outstanding customer receivables.
- Counterparty risks with financial institutions.

As explained in note 7, 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.

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 leading financial institutions approved by the Group, which constantly monitors the amount of credit exposure with any one financial institution.

(e) 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 debt (€1,298.5 million as of June 30, 2010) is fully financed by financing facilities expiring at the earliest in 2013 and at the latest in 2025. In addition, the Group has financing capacity in undrawn lines of credit (Note 13 (e)).

Under the provisions of the 2006 Credit Facility described in Note 13 (a) and the loan agreement for the bank loan described in Note 13 (c), consolidated adjusted net debt/adjusted maintainable EBITDA (net debt and maintainable EBITDA adjusted as defined in the loan agreements) must be less than or equal to 3.50 at the end of every six-month period. This ratio is tracked monthly; as of June 30, 2010 it stood at 1.43.

Finally, the Group's debt ratings are as of June 30, 2010:

| Rating agency | Long term debt | In prospect |
|---|---|---|
| S&P | BBB | Stable |

## 23) Information relating to corporate officers

### a) Short-term benefits

| *(in € millions)* | **June 30, 2010** | **June 30, 2009** | **June 30, 2008** |
|---|---|---|---|
| Advances and loans to corporate officers | 0.0 | 0.0 | 0.0 |
| Compensation paid to corporate officers* | 1.5 | 1.3 | 1.7 |

* Compensation paid during the base year to executive officers and members of the Board of Directors who hold operating responsibilities within the Group.

Compensation paid includes all variable compensation payable at the beginning of the year in relation to the achievement of targets for the previous year.

**b) Remuneration and benefits due on termination of corporate office's position**

| Corporate officer | Employment contract | | Supplementary pension entitlement(1) | | Indemnities or benefits due or which may become due as a result of termination or change of office(3) | | Indemnities relating to non-competition clause(2) | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| **Gilles Schnepp**<br>Chairman and CEO<br>Commencement : 05/22/2008<br>Expiration : 12/31/2013 | | x | x | | | x | x | |
| **Olivier Bazil**<br>Vice-Chairman and COO<br>Commencement : 05/22/2008<br>Expiration : 12/31/2013 | x | | x | | | x | x | |

(1) In 2001, the Legrand Group entered into an agreement with an insurance company for the provision of services relating to pensions, retirement and services of a related nature to the members of the Group Executive Committee benefiting from the French pension system for salaried workers. At June 30, 2010, the Group's commitment in connection with this agreement amounted to approximately €16.3 million, of which approximately €11.4 million was financed, while the remaining €4.9 million is accrued in the accounts. The Executive Committee has nine members, including the two corporate officers. Supplementary pension entitlements are calculated to set total pensions, including these supplementary entitlements and all other amounts received after retirement, at the equivalent of 50% of the average of the two highest amounts of compensation received by the beneficiaries in their last three years with the Group. To benefit from the supplementary pension, employees must have been with the Group for at least ten years and have reached the age of 60 on retirement. In the event of the beneficiary's death, the Group will pay the surviving spouse 60% of the supplementary pension.
In the case of Mr. Gilles Schnepp and Mr. Olivier Bazil, their potential entitlements at their retirement represent 1% of the remuneration (fixed salary and bonuses) per year of presence within the Group.

(2) Mr. Gilles Schnepp is subject, in connection with his status as a corporate officer and at the sole initiative of the Group, to a duty not to compete for a period of two years. In consideration of this, should the Group decide to impose the obligation, Mr. Gilles Schnepp would receive a monthly indemnity equal to 50% of his average monthly compensation, including salary and bonuses, in his last 12 months with the Group. Mr. Olivier Bazil is subject to the restrictions of the standard non-competition clause provided for in the collective labor agreement for French metal industries ('Convention Collective de la Métallurgie'). The decision to implement this clause is at the sole initiative of the Group. Should the Group so decide, this would entail the payment to Mr. Olivier Bazil of an indemnity equal to 50% of his reference compensation (fixed salary and bonuses) over a period of at most two years.

(3) The collective labor agreement for French metal industries ('Convention Collective de la Métallurgie') and company-level agreements applying within the Group also provide for the payment to all Group employees of an indemnity on retirement proportional to the length of their employment with the Group. Theses provisions would apply to Mr. Olivier Bazil if applicable conditions were satisfied on his retirement. As an example, an executive level employee (cadre) with 30 to 39 years of seniority would receive a retirement indemnity equal to four month's salary.

**c) End of contract indemnities**

Except amounts due as retirement indemnities or because of the non-compete covenant as mentioned above, the executive officers do not benefit from any other commitment linked to salary, indemnities or benefits due or likely to be due because of termination of their employment contract (*contrat de travail*), modifications to them or subsequent to them.

**d) Share-based payment**

Under the 2010 free share and stock option plans, corporate officers were granted 62,163 free shares and 217,646 options.

Under the 2009 free share and stock option plans, corporate officers were granted 23,491 free shares and 93,964 options.

Under the 2008 free share and stock option plans, corporate officers were granted 47,077 free shares and 141,231 options.

**24) Information by geographical segment (Note 1 (r))**

Legrand is the global specialist in electrical end digital building infrastructures. The following information by geographical segment corresponds to the Group's consolidated reporting system.

| **6 months ended June 30, 2010** *(in € millions)* | Geographical segments | | | | | Items not allocated to segments | Total |
|---|---|---|---|---|---|---|---|
| | France | Europe Italy | Others | USA/ Canada | Rest of the world | | |
| Total revenue | 1,169.5 | 434.3 | 461.9 | 311.0 | 511.4 | | 2,888.1 |
| Less intra-group transfers | (633.1) | (102.2) | (121.8) | (29.1) | (91.8) | | (978.0) |
| **Revenue** | **536.4** | **332.1** | **340.1** | **281.9** | **419.6** | | **1,910.1** |
| Cost of sales | (169.2) | (128.0) | (200.4) | (138.9) | (220.8) | | (857.3) |
| Administrative and selling expenses, R&D costs | (209.0) | (91.9) | (90.4) | (103.2) | (110.6) | | (605.1) |
| Other operating income (expense) | (31.3) | (3.0) | (6.4) | (4.6) | (15.6) | | (60.9) |
| **Operating profit** | **126.9** | **109.2** | **42.9** | **35.2** | **72.6** | | **386.8** |
| - of which Legrand post-acquisition expenses | (5.8) | (2.4) | (0.8) | (3.8) | (0.4) | | (13.2) |
| **Adjusted operating profit** | **132.7** | **111.6** | **43.7** | **39.0** | **73.0** | | **400.0** |
| - of which depreciation expense | (19.3) | (12.4) | (7.3) | (5.8) | (10.0) | | (54.8) |
| - of which amortization expense | (1.2) | (2.7) | (1.1) | (1.8) | (3.8) | | (10.6) |
| - of which amortization of development costs | (8.8) | (2.2) | 0.0 | (0.6) | (0.1) | | (11.7) |
| - of which restructuring costs | (5.3) | (1.2) | (13.1) | (0.3) | (1.3) | | (21.2) |
| Exchange gains (losses) | | | | | | (52.5) | (52.5) |
| Finance costs and other financial income and expense | | | | | | (32.9) | (32.9) |
| Income tax expense | | | | | | (108.4) | (108.4) |
| Minority interest and share of (loss)/profit of associates | | | | | | 0.4 | 0.4 |
| Net cash provided by operating activities | | | | | | 323.0 | 323.0 |
| Net proceeds from sales of fixed and financial assets | | | | | | 4.0 | 4.0 |
| Capital expenditure | (8.4) | (7.9) | (3.0) | (2.3) | (7.2) | | (28.8) |
| Capitalized development costs | (9.6) | (3.5) | 0.0 | (1.2) | (0.2) | | (14.5) |
| **Free cash flow*** | | | | | | **283.7** | **283.7** |
| Total assets | | | | | | | 5,936.1 |
| Segment liabilities | 372.8 | 210.1 | 106.0 | 109.8 | 197.0 | | 995.7 |

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

| **6 months ended June 30, 2009** *(in € millions)* | France | Geographical segments Europe Italy | Others | USA/ Canada | Rest of the world | Items not allocated to segments | Total |
|---|---|---|---|---|---|---|---|
| Total revenue | 1,119.7 | 413.0 | 427.8 | 289.6 | 409.0 | | 2,659.1 |
| Less intra-group transfers | (594.6) | (80.5) | (95.4) | (27.5) | (49.0) | | (847.0) |
| **Revenue** | **525.1** | **332.5** | **332.4** | **262.1** | **360.0** | | **1,812.1** |
| Cost of sales | (192.4) | (147.6) | (202.4) | (130.9) | (199.2) | | (872.5) |
| Administrative and selling expenses, R&D costs | (212.3) | (93.9) | (96.5) | (97.0) | (98.2) | | (597.9) |
| Other operating income (expense) | (27.9) | (6.9) | (27.9) | (5.0) | (32.0) | | (99.7) |
| **Operating profit** | **92.5** | **84.1** | **5.6** | **29.2** | **30.6** | | **242.0** |
| - of which Legrand post-acquisition expenses | (8.9) | (4.0) | (1.3) | (4.4) | (0.7) | | (19.3) |
| - of which goodwill impairment | | | | | (15.9) | | (15.9) |
| **Adjusted operating profit** | **101.4** | **88.1** | **6.9** | **33.6** | **47.2** | | **277.2** |
| - of which depreciation expense | (24.6) | (14.1) | (8.8) | (6.8) | (9.2) | | (63.5) |
| - of which amortization expense | (1.4) | (3.2) | (1.3) | (1.9) | (2.5) | | (10.3) |
| - of which amortization of development costs | (3.7) | (1.7) | 0.0 | (0.4) | 0.0 | | (5.8) |
| - of which restructuring costs | (4.9) | (0.8) | (19.2) | 3.2 | (7.7) | | (29.4) |
| Exchange gains (losses) | | | | | | (12.9) | (12.9) |
| Finance costs and other financial income and expense | | | | | | (52.2) | (52.2) |
| Income tax expense | | | | | | (68.4) | (68.4) |
| Minority interest and share of (loss)/profit of associates | | | | | | 0.6 | 0.6 |
| | | | | | | | |
| Net cash provided by operating activities | | | | | | 247.9 | 247.9 |
| Net proceeds from sales of fixed and financial assets | | | | | | 17.1 | 17.1 |
| Capital expenditure | (13.4) | (11.4) | (6.9) | (2.3) | (7.1) | | (41.1) |
| Capitalized development costs | (11.8) | (2.8) | (0.1) | (1.2) | (0.2) | | (16.1) |
| **Free cash flow*** | | | | | | **207.8** | **207.8** |
| | | | | | | | |
| Total assets | | | | | | 5,827.5 | 5,827.5 |
| Segment liabilities | 304.0 | 152.1 | 111.0 | 82.7 | 137.1 | | 786.9 |

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

| **6 months ended June 30, 2008** *(in € millions)* | France | Geographical segments Europe Italy | Others | USA/ Canada | Rest of the world | Items not allocated to segments | Total |
|---|---|---|---|---|---|---|---|
| Total revenue | 1,386.9 | 561.9 | 580.2 | 308.4 | 450.1 | | 3,287.5 |
| Less intra-group transfers | (779.7) | (122.8) | (129.1) | (29.9) | (60.0) | | (1,121.5) |
| **Revenue** | **607.2** | **439.1** | **451.1** | **278.5** | **390.1** | | **2,166.0** |
| Cost of sales | (210.3) | (183.9) | (282.8) | (141.6) | (229.6) | | (1,048.2) |
| Administrative and selling expenses, R&D costs | (251.1) | (116.6) | (121.5) | (101.6) | (104.9) | | (695.7) |
| Other operating income (expense) | (34.2) | (3.9) | (8.1) | (6.1) | (6.2) | | (58.5) |
| **Operating profit** | **111.6** | **134.7** | **38.7** | **29.2** | **49.4** | | **363.6** |
| - of which Legrand post-acquisition expenses | (13.4) | (6.3) | (2.0) | (2.4) | (1.0) | | (25.1) |
| **Adjusted operating profit** | **125.0** | **141.0** | **40.7** | **31.6** | **50.4** | | **388.7** |
| - of which depreciation expense | (28.6) | (14.9) | (8.1) | (6.5) | (8.6) | | (66.7) |
| - of which amortization expense | (1.3) | (2.9) | (0.5) | (1.2) | (1.5) | | (7.4) |
| - of which amortization of development costs | (3.0) | (1.5) | 0.0 | (0.2) | 0.0 | | (4.7) |
| - of which restructuring costs | (2.5) | (0.6) | (5.8) | (2.1) | (4.4) | | (15.4) |
| Exchange gains (losses) | | | | | | 32.5 | 32.5 |
| Finance costs and other financial income and expense | | | | | | (57.1) | (57.1) |
| Income tax expense | | | | | | (105.0) | (105.0) |
| Minority interest and share of (loss)/profit of associates | | | | | | 0.9 | 0.9 |
| | | | | | | | |
| Net cash provided by operating activities | | | | | | 145.4 | 145.4 |
| Net proceeds from sales of fixed and financial assets | | | | | | 6.1 | 6.1 |
| Capital expenditure | (17.0) | (19.0) | (7.3) | (5.2) | (10.0) | | (58.5) |
| Capitalized development costs | (7.8) | (3.2) | (0.0) | (1.6) | (0.0) | | (12.6) |
| **Free cash flow*** | | | | | | **80.4** | **80.4** |
| | | | | | | | |
| Total assets | | | | | | 6,405.1 | 6,405.1 |
| Segment liabilities | 391.3 | 254.1 | 138.1 | 91.3 | 150.3 | | 1,025.1 |

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

## 25) Quarterly data – non-audited

### a) Quarterly revenue by geographical segment (billing region) – unaudited

| *(in € millions)* | **1st quarter 2010** | **1st quarter 2009** | **1st quarter 2008** |
|---|---|---|---|
| France | 253.7 | 260.0 | 293.3 |
| Italy | 168.7 | 173.4 | 226.5 |
| Rest of Europe | 166.1 | 170.4 | 218.3 |
| USA/Canada | 128.4 | 132.5 | 136.0 |
| Rest of the world | 194.8 | 165.1 | 174.9 |
| Total | **911.7** | **901.4** | **1,049.0** |

| *(in € millions)* | **2nd quarter 2010** | **2nd quarter 2009** | **2nd quarter 2008** |
|---|---|---|---|
| France | 282.7 | 265.1 | 313.9 |
| Italy | 163.4 | 159.1 | 212.6 |
| Rest of Europe | 174.0 | 162.0 | 232.8 |
| USA/Canada | 153.5 | 129.6 | 142.5 |
| Rest of the world | 224.8 | 194.9 | 215.2 |
| Total | **998.4** | **910.7** | **1,117.0** |

### b) Quarterly income statements – unaudited

| *(in € millions)* | **1st quarter 2010** | **1st quarter 2009** | **1st quarter 2008** |
|---|---|---|---|
| **Revenue** | **911.7** | **901.4** | **1,049.0** |
| **Operating expenses** | | | |
| Cost of sales | (411.0) | (433.9) | (507.6) |
| Administrative and selling expenses | (248.2) | (262.0) | (288.0) |
| Research and development costs | (46.3) | (48.2) | (54.8) |
| Other operating income (expense) | (25.7) | (31.8) | (23.6) |
| **Operating profit** | **180.5** | **125.5** | **175.0** |
| Finance costs | (18.0) | (34.3) | (37.5) |
| Financial income | 2.5 | 4.1 | 8.3 |
| Exchange gains (losses) | (25.4) | (11.4) | 25.5 |
| Finance costs and other financial income and expense, net | (40.9) | (41.6) | (3.7) |
| Share of profit of associates | 0.0 | 0.0 | 0.6 |
| **Profit before tax** | **139.6** | **83.9** | **171.9** |
| Income tax expense | (48.7) | (27.2) | (57.8) |
| **Profit for the period** | **90.9** | **56.7** | **114.1** |
| **Attributable to:** | | | |
| **- Equity holders of Legrand** | **90.3** | **56.5** | **113.8** |
| **- Minority interests** | **0.6** | **0.2** | **0.3** |

| *(in € millions)* | 2nd quarter 2010 | 2nd quarter 2009 | 2nd quarter 2008 |
|---|---|---|---|
| **Revenue** | **998.4** | **910.7** | **1,117.0** |
| **Operating expenses** | | | |
| Cost of sales | (446.3) | (438.6) | (540.6) |
| Administrative and selling expenses | (263.0) | (243.0) | (298.5) |
| Research and development costs | (47.6) | (44.7) | (54.4) |
| Other operating income (expense) | (22.8) | (67.9) | (34.9) |
| **Operating profit** | **206.3** | **116.5** | **188.6** |
| Finance costs | (20.9) | (24.9) | (31.2) |
| Financial income | 3.5 | 2.9 | 3.3 |
| Exchange gains (losses) | (27.1) | (1.5) | 7.0 |
| Finance costs and other financial income and expense, net | (44.5) | (23.5) | (20.9) |
| Share of profit of associates | 0.0 | 0.0 | (0.6) |
| **Profit before tax** | **161.8** | **93.0** | **167.1** |
| Income tax expense | (59.7) | (41.2) | (47.2) |
| **Profit for the period** | **102.1** | **51.8** | **119.9** |
| **Attributable to:** | | | |
| **- Equity holders of Legrand** | **102.3** | **51.4** | **119.3** |
| **- Minority interests** | **(0.2)** | **0.4** | **0.6** |

**26) Subsequent events**

In July, 2010 the Group announced the acquisition of Inform, Turkey's number-one contender in UPS (Uninterruptible Power Supply) and secured electrical equipment. Based in Istanbul, Inform generated sales close to $70 million in 2009 and employs 360 people.

In July, 2010 the Group announced that it has made an offer - which requires corporate approval – to buy the Indo Asian Switchgear, a key player in the Indian market for electrical protection devices, division of Indo Asian Fusegear Limited. With 2010 sales that should exceed €35 million, Indo Asian Switchgear is based near New Delhi and employs approximately 2000 people at three sites.

# 4 STATUTORY AUDITORS’ REPORT ON INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# Statutory auditors' review report on the 2010 half-year financial information

*This is a free translation into English of the Statutory Auditors' Review Report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

LEGRAND
*Société Anonyme*
128, avenue du Maréchal de Lattre de Tassigny
87000 Limoges

In compliance with the assignment entrusted to us by your Annual General Meetings and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*) , we hereby report to you on:

- the review of the accompanying half-year consolidated financial statements of Legrand, for the six-month period ended June 30, 2010,

- the verification of the information contained in the half-year management report.

These half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

## 1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-year consolidated financial statements do not give a true and fair view of the assets and liabilities and of the financial position of the Group as at June 30, 2010, and of the results of its operations for the six-month period then ended, in accordance with IFRSs as adopted by the European Union.

## 2. Specific verification

We have also verified the information given in the half-year management report on the half-year consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the half-year consolidated financial statements.

Neuilly-sur-Seine, July 28, 2010

The Statutory Auditors


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