

Solid achievements in first quarter
2014 targets confirmed
Development of group positions

Gilles Schnepf, Chairman and CEO of Legrand, comments:

“Sales rose +4.8% in the first quarter of 2014 excluding the exchange-rate effect. The broader scope of consolidation linked to acquisitions made a +2.7% contribution to growth, and organic⁽¹⁾ growth in sales was +2.0% in line with the group’s full-year target. New economies and the USA/Canada region turned in another robust performance and, at the same time, many other mature countries reported good showings. In particular, several countries in Europe benefited from favorable bases for comparison. The total change in sales was -0.8% given an exchange-rate effect of -5.3%.

The group’s adjusted operating margin as a percentage of sales improved, rising from 19.8% in the first quarter of 2013 to 20.4% excluding acquisitions⁽²⁾ in the first quarter of 2014 (20.2% including acquisitions). This good operating performance backed by first-quarter organic⁽¹⁾ growth is in line with the group’s full-year target and confirms the high-quality fundamentals of Legrand’s business model.

Strong first-quarter achievements are in line with the group’s full-year targets. While noting that Legrand operates in an industry with no order book and assuming no major economic worsening, Legrand confirms its targets for 2014:

- organic⁽¹⁾ growth in sales at between 0% and +3%,
- adjusted operating margin before acquisitions⁽²⁾ of between 19.8% and 20.2% of sales.

In the first quarter of 2014, Legrand continued its profitable development driven by innovation and acquisitions. The group once again invested nearly 5% of its sales in R&D and announced two external growth operations in high-potential markets: Lastar in Voice-Data-Image and audio-video networks in the United States, and Neat⁽³⁾ in assisted living in Spain. Legrand will pursue its strategy of value-creating acquisitions.”

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

⁽²⁾ At 2013 scope of consolidation

⁽³⁾ Joint venture

Key figures

Consolidated data (€ millions)	1 st quarter 2013	1 st quarter 2014
Sales	1,092.9	1,084.3
Adjusted operating income⁽¹⁾	216.1	218.9
<i>As % of sales</i>	19.8%	20.2%
		<i>20.4% before acquisitions⁽²⁾</i>
Operating income	208.6	210.9
<i>As % of sales</i>	19.1%	19.5%
Net income excluding minorities	124.5	129.5
<i>As % of sales</i>	11.4%	11.9%
Normalized⁽³⁾ free cash flow⁽⁴⁾	147.2	153.0
<i>As % of sales</i>	13.5%	14.1%
Free cash flow	22.0	11.2
<i>As % of sales</i>	2.0%	1.0%
Net financial debt at March 31	1,176	1,083

(1) Operating income adjusted for amortization of revaluation of intangible assets at the time of acquisitions and for expense/income relating to acquisitions (€7.5 million in Q1 2013 and €8.0 million in Q1 2014) and, where applicable, for impairment of goodwill (€0 in Q1 2013 and Q1 2014).

(2) At 2013 scope of consolidation

(3) Based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for the quarter (Q1 2013 reported figures unadjusted for the quarter: €149.2 million and 13.7%). Normalized free cash flow should reach between 12% and 13% of sales for the full year.

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

Results to March 31, 2014

Consolidated sales

Sales at constant scope of consolidation and exchange rates rose +2.0% and changes in the scope of consolidation added +2.7%. Excluding the exchange-rate effect, sales were thus up +4.8%.

Given the exchange-rate impact of -5.3%, total sales were down -0.8% from the first quarter of 2013 and stood at €1,084.3 million.

Taking into account the exchange-rate impact observed in the first quarter of 2014 and applying average exchange rates in April 2014 to the rest of the year, the full-year exchange-rate impact would come to around -3.5%.

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

	1 st quarter 2014 / 1 st quarter 2013
France	-1.9%
Italy	-6.6%
Rest of Europe	+11.1%
United States/Canada	+1.9%
Rest of the World	+3.0%
Total	+2.0%

- **France:** first-quarter sales were down -1.9% with renovation activities (around 60% of sales in France) showing good resilience. The group turned in good performances, driven by successful new ranges, in emergency lighting, Voice-Data-Image solutions and cable management.

- **Italy:** sales were down -6.6% impacted by distributor destocking representing over 3 points⁽¹⁾. Against this backdrop, Legrand continues to benefit from its robust leadership positions, notably in wiring devices and door-entry systems.

- **Rest of Europe:** sales for the region as a whole were up +11.1% and benefited from a favorable basis for comparison, with the organic⁽²⁾ change in sales in first-quarter 2013 (-5.1%) around 6 points below the full-year average in 2013 (+1.0%). The group turned in strong performances in new economies, in particular Eastern Europe and Turkey, as well as in many mature countries such as Germany, the Netherlands, the United Kingdom, Portugal and Spain.

- **United States/Canada:** in a market whose growth is close to its 2013 trend, group sales rose +1.9%. Upsets in the construction market caused by adverse weather at the beginning of the year were probably not totally offset over the first quarter as a whole.

- **Rest of the World:** sales continued to rise, with good performances in many countries in Asia, Africa/Middle East and Latin America. For the region as a whole, revenues were up +3.0%.

More generally, sales in new economies rose +5.0% at constant scope of consolidation and exchange rates, growth equal to that observed in the first quarter of 2013, with good showings in particular in Russia, Turkey, India, Malaysia, Colombia, Peru and Morocco.

External growth

In the first quarter of 2014, Legrand pursued its strategy of self-financed acquisitions and announced the purchase of Lastar, a frontrunner in pre-terminated solutions for Voice-Data-Image (VDI) and audio-video (A/V) networks in the United States, and the signature of a joint venture agreement with Neat, the Spanish leader in assisted living systems and a major player in this market Europe-wide.

Based on acquisitions already announced and their likely consolidation dates, changes in the scope of consolidation should boost growth in consolidated sales by around +2.4% in 2014. The expected impact of announced acquisitions on adjusted operating margin should be around -0.3 points for the full year.

Operating performance

Adjusted operating margin before acquisitions⁽³⁾ rose 0.6 point from the first quarter of 2013 to stand at 20.4% of sales in the first quarter of 2014.

This performance reflects:

- the group's solid fundamentals: strong market positions and an overall balance of sales and costs in currencies, and
- a good operating performance, resulting simultaneously from:
 - o the positive effects of organic⁽²⁾ growth
 - o continued investments to fuel growth in expanding activities
 - o ongoing adaptation initiatives in countries marked by an unfavorable economic environment.

Taking acquisitions into account, adjusted operating margin came to 20.2% of sales.

⁽¹⁾ Estimates

⁽²⁾ Organic: at constant scope of consolidation and exchange rates

⁽³⁾ At 2013 scope of consolidation

Cash generation

Cash flow from operations is solid at €178 million or 16.4% of sales compared with 15.6% in the first quarter of 2013. Over the same period, capital employed was under control.

Normalized⁽¹⁾ free cash flow came to 14.1% of sales and should reach between 12% and 13% of sales for the full year.

Consolidated financial statements, a presentation of 2014 first-quarter results and the related teleconference (live and replay) are available at www.legrand.com.

Key financial dates

- General Meeting of Shareholders: **May 27, 2014**
- Ex-dividend date: **May 29, 2014**
- Dividend payment date: **June 3, 2014**
- 2014 first-half results: **July 31, 2014**
- 2014 nine-month results: **November 6, 2014**

ABOUT LEGRAND

Legrand is the global specialist in electrical and digital building infrastructures. Its comprehensive offering of solutions for use in commercial, industrial and residential markets makes it a benchmark for customers worldwide. The company's prime vectors for growth are innovation—generating a steady flow of new products with high added value—and acquisitions. Legrand reported sales of close to €4.5 billion in 2013. The company is listed on NYSE Euronext and is a component stock of indexes including the CAC40, FTSE4Good, MSCI World, Corporate Oekom Rating and DJSI (ISIN code FR0010307819). www.legrand.com

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⁽¹⁾ Based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for the quarter.