

## Solid achievements in the first half of 2014:

Organic<sup>(1)</sup> growth: +1.3%

Adjusted operating margin: 20.4% of sales

## 2014 targets confirmed

**Gilles Schnepf, Chairman and CEO of Legrand, comments:**

### “Solid achievements in the first half of 2014

Sales in the first half of 2014, excluding the exchange-rate effect, were up +3.9%, with the broader scope of consolidation that resulted from acquisitions contributing +2.6% to growth and organic<sup>(1)</sup> growth contributing +1.3%, reflecting the trend observed over the past 12 months<sup>(2)</sup>.

New economies and many mature countries in Europe, notably in Southern Europe, reported a healthy organic<sup>(1)</sup> rise over the first six months of the year.

Total sales including the exchange-rate effect were down -1.3%.

Adjusted operating margin as a percentage of sales improved, rising from 20.3% in the first half of 2013 to 20.6% excluding acquisitions<sup>(3)</sup> in the first half of 2014 (20.4% including acquisitions). This robust operating performance reflects Legrand's will to pursue profitable, value-creative development underpinned by a large number of growth and productivity initiatives.

Combined with careful management of capital employed, these good operating achievements allow Legrand to self-finance its expansion over the long term through external growth—three acquisitions announced since the beginning of the year—and through innovation, including many new-product launches and the deployment of new commercial initiatives.

### 2014 targets confirmed

Based on these solid achievements in the first half of the year, in an industry with no order book and assuming no major economic worsening, Legrand confirms its targets for 2014:

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

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

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<sup>(1)</sup> Organic: at constant scope of consolidation and exchange rates

<sup>(2)</sup> Organic growth in the second half of 2013 was +1.3%

<sup>(3)</sup> At 2013 scope of consolidation

## Key figures

Consolidated data (€ millions)	1 <sup>st</sup> half 2013	1 <sup>st</sup> half 2014
Sales	2,254.0	2,224.6
Adjusted operating income <sup>(1)</sup>	457.5	453.3
<i>As % of sales</i>	20.3%	20.4%
		<i>20.6% before acquisitions<sup>(2)</sup></i>
Operating income	442.1	436.4
<i>As % of sales</i>	19.6%	19.6%
Net income excluding minorities	269.8	271.5
<i>As % of sales</i>	12.0%	12.2%
Normalized <sup>(3)</sup> free cash flow <sup>(4)</sup>	316.5	314.0
<i>As % of sales</i>	14.0%	14.1%
Free cash flow	164.7	183.9
<i>As % of sales</i>	7.3%	8.3%
Net financial debt at June 30	1,339	1,263

(1) Operating income adjusted for amortization of revaluation of intangible assets at the time of acquisitions and for expense/income relating to acquisitions (€15.4 million in S1 2013 and €16.9 million in S1 2014) and, where applicable, for impairment of goodwill (€0 in S1 2013 and S1 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 half year (H1 2013 figures as reported and unadjusted for the half year: €316.9 million and 14.1%). Normalized free cash flow should reach between 12% and 13% of sales for the full year, taking into account usual seasonality.

(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 June 30, 2014

### Consolidated sales

2014 first-half sales were up +3.9% excluding the exchange-rate effect. At constant scope of consolidation and exchange rates, sales rose +1.3% and changes in the scope of consolidation added +2.6%.

Total sales stood at €2,224.6 million, down -1.3% from the first half of 2013 due to an unfavorable -5.0% exchange-rate impact.

Taking into account the exchange-rate effect observed in the first half of 2014 and applying average exchange rates observed in June 2014 to the rest of the year, the full-year impact would be around -3% (H1 -5.0% and H2 approximately -1%), compared with the -3.5% previously anticipated<sup>(1)</sup>.

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

	1 <sup>st</sup> half 2014 / 1 <sup>st</sup> half 2013	2 <sup>nd</sup> quarter 2014 / 2 <sup>nd</sup> quarter 2013
France	-2.0%	-2.1%
Italy	-5.6%	-4.5%
Rest of Europe	+6.1%	+1.3%
United States/Canada	+0.9%	+0.2%
Rest of the World	+3.6%	+4.2%
<b>Total</b>	<b>+1.3%</b>	<b>+0.7%</b>

<sup>(1)</sup> -3.5% taking into account the exchange-rate impact observed in the first quarter of 2014 and applying average exchange rates observed in April 2014 to the rest of the year. This was noted on May 7, 2014 when first-quarter results were released.

- **France:** first-half sales were down -2.0%. Renovation activities continued to show resilience. Legrand turned in good performances in energy distribution, Voice-Data-Image solutions and assisted living.

- **Italy:** first-half sales to distributors (sell-in) were down -5.6% compared with a -10.6% decline in the first half of 2013, a 5-point improvement generated as follows:

- around 4 points coming from a slower decline in the downstream sell-out of Legrand products by distributors (sell-out) which stood at -4%<sup>(1)</sup> in the first half of 2014 compared with -8%<sup>(1)</sup> in the first half of 2013, and
- around 1 point coming from a reduction in distributor destocking effect which stood at 2 points<sup>(1)</sup> in the first half of 2014 compared with 3 points<sup>(1)</sup> in the first half of 2013.

- **Rest of Europe:** with the impact of bases for comparison differing widely from one quarter to the next<sup>(2)</sup>, the Rest of Europe region's performance must be viewed on a half-yearly basis. Sales for the region rose +6.1% in the first six months of the year. The group turned in good performances in many countries including Germany, the Netherlands, Portugal, Spain, Turkey, Hungary and Romania.

- **United States/Canada:** as expected, Legrand faced a high basis for comparison (H1 2013: +8.0%) that varied from the first to the second quarter<sup>(3)</sup>, and reported +0.9% growth in the first half of 2014. In particular, the group turned in good showings in wiring devices, Voice-Data-Image solutions and highly energy-efficient lighting control.

- **Rest of the World:** sales were up +3.6% for the region as a whole, driven by strong growth in many new economies, most notably in Asia, Africa/Middle East and Latin America.

#### Continued growth in new economies

Business in new economies continued to rise in the first half, with sales up +4.2% at constant scope and exchange rates. Legrand turned in good performances in several new economies in Europe, but also in the United Arab Emirates, South Africa, China, India, Malaysia, Columbia and Peru.

#### External growth

Legrand pursued its self-financed acquisition strategy throughout the first half of 2014 and announced:

- the acquisition of Lastar, a frontrunner in pre-terminated solutions for Voice-Data-Image and audio-video networks in the United States,
- the signature of a joint venture agreement with Neat, the Spanish leader in assisted living systems and a major player in this market in Europe, and
- the acquisition of SJ Manufacturing, a Singaporean frontrunner in racks, Voice-Data-Image cabinets and related products for data centers.

Based on acquisitions already announced and their likely consolidation dates, changes in the scope of consolidation should add around +2.7% to growth in consolidated sales in 2014. The impact on adjusted operating margin of acquisitions announced is -0.2 point in the first half of 2014 only and should be around -0.3 point full year.

#### Innovation

Legrand pursued its innovation effort and dedicated 4.5% of its sales to R&D in the first half of 2014.

Since January, the group has successfully rolled out many new products, including new UPS (Uninterruptible Power Supply) ranges Archimod HE and Keor HP on international markets, DRX molded case circuit breakers in China, and wiring device ranges Solida in Egypt, E-Refresh in China and E-Fren in South Korea.

<sup>(1)</sup> Estimate

<sup>(2)</sup> With the basis for comparison lower in the first quarter (Q1 2013 -5.1%) than in the second (Q2 2013 +0.4%) there was mechanically a +5.5-point growth differential between the two quarters in favor of the first quarter.

<sup>(3)</sup> With the basis for comparison lower in the first quarter (Q1 2013 +6.7%) than in the second (Q2 2013 +9.3%) there was mechanically a +2.6-point growth differential between the two quarters in favor of the first quarter.

Legrand is also constantly expanding its existing offer and, for example, added new functions and finishes to the Forix and Axolute wiring device ranges in the first six months of 2014.

### Operating performance

Adjusted operating margin before acquisitions<sup>(1)</sup> rose 0.3 point from the first half of 2013 to stand at 20.6% of sales in the first half of 2014.

This performance is in line with Legrand's targets and reflects:

- ongoing investments to fuel growth in expanding activities,
- the group's solid fundamentals,
- the positive effects of organic<sup>(2)</sup> growth,
- continued adaptation and productivity initiatives.

Taking acquisitions into account, adjusted operating margin came to 20.4% of sales.

### Cash generation

Cash flow from operations was solid at €366 million or 16.5% of sales.

At the same time, capital employed remained under control.

On a normalized<sup>(3)</sup> basis, free cash flow came to 14.1% of sales in the first half and should reach between 12% and 13% of sales for the full year, taking into account usual seasonality.

This robust cash generation allows the group to self-finance its development over the long term.

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<sup>(1)</sup> At 2013 scope of consolidation

<sup>(2)</sup> Organic: at constant scope of consolidation and exchange rates

<sup>(3)</sup> 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 half year.

Consolidated financial statements, a presentation of 2014 first-half results and the related teleconference (live and replay) are available at [www.legrand.com](http://www.legrand.com).

#### Key financial dates

- 2014 nine-month results: **November 6, 2014**
- 2014 annual results: **February 12, 2015**
- General Meeting of Shareholders: **May 29, 2015**

Note: on July 3, 2014, Legrand organized an Investor Day. All presentations are available at [www.legrand.com](http://www.legrand.com).

#### 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](http://www.legrand.com)*

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