legrand®

Limoges, November 5, 2015

PRESS RELEASE

Solid results in the first nine months of 2015

Total growth in sales: +7.1% (including +0.4% organic[1] growth)

Rise in adjusted operating income: +6.1% (adjusted operating margin before acquisitions[2]: 19.8%)

Ongoing development initiatives

2015 targets confirmed and specified

Organic[1] change in sales: Legrand confirms its 2015 target[3] and is now aiming for "between -1% and +1%"

Adjusted operating margin before acquisitions[2]: Legrand confirms its 2015 target[4] and is now aiming for "at least 19.0%"

Gilles Schnepp, Chairman and CEO of Legrand, comments:

*"**Sales***

Legrand sales in the first nine months of 2015 came to nearly €3.6 bn, up +7.1% in total, with the United States/Canada region in particular reporting a +32.1% total rise in sales. Consolidated sales benefited from a favorable exchange-rate effect of +5.7%[5] and a broader scope of consolidation resulting from acquisitions that contributed +0.9%.

The organic[1] change in consolidated sales in the first nine months remained quasi-stable at +0.4%, reflecting:

- *continued good showings in the United States/Canada region, where teams continue to develop Legrand's positions in a market that is doing well,*
- *rising sales in several mature countries in Europe, including Spain, the United Kingdom and Germany; confirmed stabilization of business in Italy; and persistently less upbeat market conditions in some other mature economies, in particular France,*
- *varied situations in new economies, with growth in particular in India, Poland, Turkey, Saudi Arabia, Mexico and Colombia that did not completely offset the decline observed since the beginning of the year in some other countries, notably Brazil, China and Russia—all affected by current economic conditions.*

Results

Adjusted operating income came to €700.9 million in the first nine months of 2015, up +6.1% from the same period of 2014. This reflects the group's value creation, driven in particular by strong growth in results in the United States/Canada region. Adjusted operating margin before acquisitions[2] came to 19.8% of sales (19.7% after acquisitions). Facing business environments that remain highly differentiated from one country to the next, Legrand is continuing its initiatives to improve productivity and adapt where necessary.

Net income excluding minorities rose +4.9% to €416.2 million in the first nine months of 2015, or 11.7% of sales.

Over the same period, generation of normalized[6] free cash flow stood at 13.5% of sales, in keeping with the group's ambition of recording normalized free cash flow at between 12% and 13% of sales on an annual basis. This solid performance illustrates once again the group's capacity to generate free cash flow over the long term.

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[1] Organic: at constant scope of consolidation and exchange rates

[2] At 2014 scope of consolidation

[3] Target announced on February 12, 2015: organic change in sales of "between -3% and +2%"

[4] Target announced on February 12, 2015: adjusted operating margin before acquisitions at "between 18.8% and 20.1%" of sales

[5] Taking into account the exchange-rate effect observed in the first nine months of 2015 and applying average exchange rates observed in October 2015 to the rest of the year, the full-year exchange-rate effect would be around +4%.

[6] Based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for the first nine months.

PRESS RELEASE

2015 targets confirmed and specified

Legrand confirms its 2015 target for organic change in sales[1] and is now aiming for "between -1% and +1%".

Legrand also confirms its 2015 target for adjusted operating margin before acquisitions[2] and is now aiming for "at least 19.0%".

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

Ongoing development initiatives

Since the beginning of the year, Legrand has pursued initiatives aimed at developing its market positions over the long term. In the first nine months of 2015, the company thus announced three acquisitions—together representing over €130 million in annual sales—in digital infrastructure and energy efficiency, both new business segments offering strong growth potential. The group has also continued its innovation efforts, launching many new products, particularly in Italy and India.
In July 2015, Legrand launched its Eliot[3] program aimed at speeding up deployment of the Internet of Things in its offering and thus making Legrand an active player in the emergence of the promising market of connected buildings. As part of this program, Legrand has launched new offerings with connected functions such as Valena Life and Driver Manager, and announced it is working with other Internet of Things players including Nest Inc. and La Poste."

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[1] Target announced on February 12, 2015: organic change in sales of "between -3% and +2%"
[2] Target announced on February 12, 2015: adjusted operating margin before acquisitions at "between 18.8% and 20.1%" of sales
[3] As part of this program, Legrand has set ambitious targets that include doubling the number of its connected product families from 20 in 2014 to 40 in 2020, and achieving double-digit average annual growth in sales for connected products by 2020, starting from 2014 sales of over €200 million.

Key figures

Consolidated data (€ millions)	9 months 2014 proforma(1)	9 months 2015	Change
Sales	**3,323.9**	**3,560.3**	**+7.1%**
Adjusted operating income(2)	**660.9**	**700.9**	**+6.1%**
As % of sales	***19.9%***	***19.7%*** *19.8% before acquisitions(3)*	
Operating income	635.7	668.7	
As % of sales	*19.1%*	*18.8%*	
Net income excluding minorities	**396.8**	**416.2**	**+4.9%**
As % of sales	***11.9%***	***11.7%***	
Normalized(4) free cash flow(5)	**460.7**	**479.8**	**+4.1%**
As % of sales	***13.9%***	***13.5%***	
Free cash flow	345.9	403.8	
As % of sales	*10.4%*	*11.3%*	
Net financial debt at September 30	**1,116**	**1,022**	

(1) Data at September 30, 2014 restated as explained in Note 3 to consolidated financial statements at September 30, 2015. Data at September 30, 2014 and at September 30, 2015 shown in this table use comparable methods.
(2) Operating income adjusted for amortization of revaluation of intangible assets at the time of acquisition and for expense/income relating to acquisitions (€25.2 million in 9M 2014 and €32.2 million in 9M 2015) and, where applicable, for impairment of goodwill (€0 in 9M 2014 and 9M 2015).
(3) At 2014 scope of consolidation.
(4) Based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for the first nine months.
(5) Free cash flow is defined as the sum of net cash from operating activities and net proceeds of sales of fixed assets, less capital expenditure and capitalized development costs.

Results to September 30, 2015

Consolidated sales

In the first nine months of 2015, sales totaled €3,560.3 million, +7.1% higher than in the first nine months of 2014, thanks in particular to a favorable exchange-rate effect of +5.7%[1]. The broader scope of consolidation linked to acquisitions added +0.9%.
At constant scope of consolidation and exchange rates, sales rose +0.4%, reflecting a change in sales of +1.1% in mature countries and -0.7% in new economies.

In the third quarter of 2015 alone, sales benefited from an overall positive calendar effect and from the ongoing favorable effects linked to the launch of new products in the United States/Canada region. Excluding those two effects, organic change in the third quarter alone would be quasi-stable, as in the first half.

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

	9 months 2015 / 9 months 2014	3rd quarter 2015 / 3rd quarter 2014
France	-2.8%	-2.1%
Italy	+0.8%	+2.6%
Rest of Europe	+2.7%	+3.5%
United States/Canada	+5.3%	+5.4%
Rest of the World	-1.9%	-0.3%
Total	**+0.4%**	**+1.5%**

1 Taking into account the exchange-rate effect observed in the first nine months of 2015 and applying average exchange rates observed in October 2015 to the rest of the year, the full-year exchange-rate effect would be around +4%.

Changes in sales at constant scope of consolidation and exchange rates are analyzed below by geographical region:

- **France**: in the absence of marked improvement in the macroeconomic environment, the organic[1] change in sales for the first nine months remains consistent with that for the first half at -2.8%. This performance is in line with the underlying market trend that shows renovation activity remaining resilient and new construction continuing to retreat. Against this backdrop, Legrand has continued to record good performances in user interface (formerly wiring devices) and digital infrastructure.
Readers are reminded that sales in the fourth quarter of 2014 benefited from the favorable impact of strong demand from distributors at the very end of the year, which added around 5 points[2].

- **Italy**: after several years of steep decline, sales were up +0.8% from the first nine months of 2014, at constant scope of consolidation and exchange rates. This trend reflects the fact that the activity in Italy has entered a stabilization phase for several quarters. Against this backdrop, Legrand has notably registered good performances in cable management and modular UPS[3].

- **Rest of Europe**: sales are up +2.7% from the first nine months of 2014 at constant scope of consolidation and exchange rates. In mature countries, sales were up in Spain (double-digit growth), in the United Kingdom and Germany. The group has also recorded healthy performances in new economies of the region excluding Russia such as Turkey, Poland, Romania, Hungary and the Czech Republic. In Russia, sales continue to decline due to current economic conditions.

- **United States/Canada**: in the first nine months of 2015, sales rose +5.3% at constant scope of consolidation and exchange, fueled by great commercial successes and—in the second and third quarters—by distributors' inventory build-up following the announcement of the launch of a new GFCI[4]. Sales in this region have also benefited from a construction market which is doing well, with residential activity remaining favorable and the commercial segment continuing to grow. Legrand recorded good showings in highly energy-efficient lighting control (thanks in particular to deployment of new energy codes for buildings, including Title 24 in California) and in user interface.
As announced, the United States became the group's #1 country by sales in 2015.

- **Rest of the World**: sales declined -1.9% at constant scope of consolidation and exchange rates in the first nine months of 2015. Healthy rise in sales recorded in some countries in Africa/Middle East (the United Arab Emirates, Saudi Arabia), in Asia (India, Malaysia, Thailand) and in Latin America (Chile, Mexico, Colombia) did not offset declining activity in some other countries such as China and Brazil, both particularly affected by current economic conditions.

Innovation

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

- new offerings with connected functions, as part of the Eliot[5] initiative, such as the Valena Life user interface range in Europe and, on international markets, Driver Manager, a gateway that ensures interoperability between the My Home range of home systems and any third-party products,
- the Britzy user interface range for the Indian market,
- the Kaléis cable management range on international markets, and
- Linea Space power cabinets in Italy.

As part of the Eliot program and thus the deployment of the Internet of Things in its offering, Legrand recently announced:

- that it is working with Nest Inc. and will be using the Nest Weave communications protocol in its connected products, and
- its partnership with La Poste in France aimed at making its connected offerings compatible with the "Digital Hub" provided by La Poste.

External growth

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

[1] Organic: at constant scope of consolidation and exchange rates
[2] Refer to page 4 of the press release on 2014 full-year results that was published on February 12, 2015
[3] UPS: Uninterruptible Power Supply
[4] GFCI: Ground Fault Circuit Interrupter
[5] In July 2015, Legrand launched Eliot, a program aimed at speeding up deployment of the Internet of Things in its offering and thus making Legrand an active player in the emergence of the promising market of connected buildings.

PRESS RELEASE

Legrand thus announced the acquisitions of Raritan Inc., a North American frontrunner in intelligent PDUs[1] and KVM[2] switches, and Valrack, an Indian player specializing in racks, Voice-Data-Image cabinets and related products for datacenters. These two operations rounded out the group's international presence in digital infrastructure, a market offering promising prospects given the continuous rise in data volumes flowing through residential, commercial and industrial buildings—driven notably by rapid growth of connected objects.

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

The broader scope of consolidation resulting from acquisitions raised sales in the first nine months of 2015 by +0.9%, and the impact of acquisitions on adjusted operating margin was -0.1 point.

Based on acquisitions already announced and their likely date of consolidation, changes in the scope of consolidation should boost group sales by around +1.5% in 2015 and by at least +1.5% in 2016.

Operating performance[3]

In the first nine months of 2015, adjusted operating margin before acquisitions[4] stood at 19.8% of sales. Compared with adjusted operating margin in the first nine months of 2014 (19.9%), the -0.1 point change can be explained as follows:

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

Taking acquisitions into account, the group's adjusted operating margin came to 19.7% of sales in the first nine months of 2015.

Cash generation

In the first nine months of 2015, cash generation is solid: normalized[5] free cash flow stood at 13.5% of sales, in keeping with the group's ambition of generating normalized free cash flow of between 12% and 13% of sales on an annual basis.

Cash flow from operations was solid at €563.1 million or 15.8% of sales in the first nine months of 2015.

Capital employed was under control at the end of the first nine months of the year: working capital requirement stood at 8.8% of sales (a figure close to 10% of sales excluding a positive exchange-rate effect) and capital expenditures came to 2.3% of sales.

More generally, Legrand has a solid capacity to generate free cash flow, along with a very sound balance sheet that together provide the resources it needs for sustainable future development.

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[1] *PDU: Power Distribution Unit*

[2] *KVM: Keyboard, Video and Mouse*

[3] As announced, Legrand has applied IFRIC 21 since January 1, 2015. See note 3 of consolidated financial statements at September 30, 2015 for more details on proforma accounts at September 30, 2014. (Reminder: no impact on a full-year basis—see note 2.1.4 of consolidated financial statements at December 31, 2014 and page 45 of the presentation of 2014 full-year results).

[4] At 2014 scope of consolidation

[5] Based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for the first nine months.

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

Key financial dates

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

ABOUT LEGRAND

Legrand is the global specialist in electrical and digital building infrastructures. Its comprehensive offering of solutions for commercial, industrial and residential markets makes it a benchmark for customers worldwide. Drawing on a nearly 10-year CSR (Corporate Social Responsibility) approach that involves all employees, Legrand is pursuing its strategy of profitable and sustainable growth driven by innovation, with a steady flow of new offerings-—including Eliot connected products that enhance value in use-—and acquisitions. Legrand reported sales of €4.5 billion in 2014. The company is listed on Euronext Paris and is a component stock of indexes including the CAC40, FTSE4Good, MSCI World, Corporate Oekom Rating and DJSI (ISIN code FR0010307819).*
www.legrand.com

**Eliot is a program launched in 2015 by Legrand to speed up deployment of the Internet of Things in its offering. A result of the group's innovation strategy, the Eliot program aims to develop connected and interoperable solutions that deliver lasting benefits to private individual users and professionals.*
http://www.legrand.com/EN/eliot-program_13238.html

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