PRESS RELEASE

Limoges, February 14, 2019

Strong growth in 2018 main indicators

Sales: +8.6%

Adjusted operating profit: +9.7%

Net profit attributable to the Group: +23.3%[1]

Normalized free cash flow: +21.5%

2018 targets[2] fully met

Organic growth in sales: +4.9%

Adjusted operating margin before acquisitions[3]: 20.2%

Achievement rate of CSR roadmap: 122%

A stronger sustainable and profitable growth profile

Eliot program accelerating with the acquisition of Netatmo

Strengthened organic growth momentum

External growth driven by 7 acquisitions in 2018

Ongoing performance optimization

New CSR roadmap for 2019-2021

Confirming Legrand's medium-term value-creating model

On the closing of full-year accounts for 2018, Benoît Coquart, Legrand's Chief Executive Officer, commented:

"Strong growth in 2018 main indicators, 2018 targets[2] fully met

With +4.9% of organic growth in sales in 2018, Legrand outperformed the target that it set itself for the year and continued to expand its positions. The effect of the increased scope of consolidation was also substantial at +7.8%. Excluding the exchange-rate effect, sales were up +13% in 2018 – the highest rise since 2006.

Adjusted operating profit increased +9.7%, to over €1.2bn, and adjusted operating margin before acquisitions[3] reached 20.2% of sales, in line with the 2018 target.

Net profit attributable to the Group was up a strong +23.3%[1] and normalized free cash flow rose +21.5%, to represent 14.9% of sales.

Lastly, targets set in the 2014-2018 CSR roadmap were fully met, with an achievement rate of 122%.

This very good integrated performance reflects the Group's ability to create lasting value for all of its stakeholders thanks to its clear strategy, robust business model, and the commitment of its teams.

[1] 2018 net profit attributable to the Group compared with 2017 net profit attributable to the Group adjusted for the favorable net impact of significant non-recurring corporate taxation gains and expenses. For more details, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.
[2] 2018 confirmed and specified targets: "organic growth in sales of close to +4%" and "adjusted operating margin before acquisitions (at 2017 scope of consolidation) of between 20.0% and 20.5%". For the exact wording of Legrand's confirmed and specified 2018 targets, readers are invited to consult the press release issued on November 8, 2018.
[3] At 2017 scope of consolidation.

A stronger sustainable and profitable growth profile

In 2018, Legrand undertook many initiatives aimed at fueling its development in keeping with the solid fundamentals that have made it successful. Against this backdrop, the Group intends to:

- *after having reached in 2018 its Eliot program targets for 2020, step up the development of its connected ranges by acquiring Netatmo, whose 130 engineers have added their expertise in Artificial Intelligence, user experience and software integration into products to the Group's R&D teams. More generally, Legrand is pursuing the digital transformation of its offering by integrating innovative functions such as voice assistance into user interfaces, displayed at the latest CES[1] in Las Vegas, and by the geographical deployment of its Eliot program;*
- *boost organic expansion by pursuing growth investments, including in particular the launch of numerous new product ranges, and by setting a front office organization in three geographical areas that are better aligned with the structure of its markets and allow more efficient deployment of commercial programs;*
- *after seven acquisitions made in 2018, pursue its strategy of bolt-on[2] acquisitions aimed at strengthening its leadership positions and expanding its accessible market in fields that are very complementary to its existing operations;*
- *optimize continuously its performance with enhanced manufacturing initiatives; the deployment of the "Legrand Way[3]" to administrative and R&D activities; the targeted digitalization of manufacturing and supply chain processes as well as the achievement of synergies linked to recent acquisitions and the decrease in energy consumption linked with the new Group CSR targets;*
- *launch its fourth CSR roadmap for the period 2019-2021, to maximize Legrand's positive externalities for all stakeholders through three focal points: business ecosystem, people and the environment. Additionally and for each of these focal points, Legrand has set ambitious targets for 2030 that include raising the percentage of sales made with sustainable products to 80%, boosting the number of women part of management, and reducing the Group's activities carbon footprint.*

Confirming Legrand's medium-term value-creating model

Confident in the soundness of its model and its ability to fuel lasting profitable growth, Legrand confirms its medium-term model:

- *assuming a buoyant economic backdrop and excluding exchange-rate effects, the Group intends to achieve annual growth in sales and adjusted operating profit of around +10%;*
- *assuming a lackluster or unfavorable economic backdrop, Legrand will focus on protecting its model, profitability and generation of free cash flow.*

Over a full economic cycle, and excluding any major economic slowdown, this model would result in average annual total growth in sales above that of the Group's reference markets, adjusted operating margin averaging around 20% of sales[4], normalized free cash flow ranging on average between 13% and 14% of sales[4], and an attractive dividend.

Legrand also intends to continue rolling out an ambitious approach to CSR, driven by demanding roadmaps."

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[1] Consumer Electronics Show.
[2] Companies that complement Legrand's activities.
[3] Program dedicated to the implementation of best practices within the Group.
[4] Without major acquisition and taking into account the implementation of IFRS 16 standard.

Proposed dividend

Legrand's Board of Directors will ask the General Meeting of shareholders to approve the payment of a dividend of €1.34 per share in respect of 2018 (compared with €1.26 in respect of 2017).

2019 targets

In 2019, the Group will pursue its value-creating strategy of profitable and sustainable growth.
Based on macroeconomic forecasts for 2019 that are favorable overall but that have become more uncertain, Legrand has set a target for organic growth in sales of between 0% and +4% in 2019.
Additionally, the Group has retained a target for adjusted operating margin before acquisitions (at 2018 scope of consolidation) of between 19.9%[1] and 20.7%[1] of sales in 2019.
Legrand will also pursue its acquisition strategy and its CSR approach by launching a new roadmap for 2019-2021.

[1] After an estimated favourable impact of around +0.1 point linked to the implementation of IFRS 16 standard from January 1, 2019.

Key figures

Consolidated data (€ millions)[1]	2017	2018	Change
Sales	5,520.8	5,997.2	+8.6%
Adjusted operating profit	1,104.9	1,212.1	+9.7%
As % of sales	*20.0%*	*20.2%*	
		20.2% before acquisitions[(2)]	
Operating profit	1,025.6	1,139.0	+11.1%
As % of sales	*18.6%*	*19.0%*	
Adjusted net profit attributable to the Group[(3)]	625.7	771.7	+23.3%
As % of sales	*11.3%*	*12.9%*	
Net profit attributable to the Group	711.2	771.7	+8.5%
As % of sales	*12.9%*	*12.9%*	
Normalized free cash flow	735.2	893.5	+21.5%
As % of sales	*13.3%*	*14.9%*	
Free cash flow	695.8	746.3	+7.3%
As % of sales	*12.6%*	*12.4%*	
Net financial debt at December 31	2,219.5	2,296.6	+3.5%

(1) See appendices to this press release for definitions and reconciliation tables of indicators.
(2) At 2017 scope of consolidation.
(3) 2017 net profit attributable to the Group adjusted for the favorable net impact of significant non-recurring corporate taxation gains and expenses. For more details, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.

2018 performance[1]

Consolidated sales

Sales for 2018 stood at €5,997.2 million, increasing +8.6% in total, and +13% excluding the exchange-rate effect.

Sales growth at constant scope of consolidation and exchange rates was +4.9%, with rises in both mature countries (+4.3%) and new economies (+6.2%).

In 2018, the impact of the broader scope of consolidation came to +7.8%, a contribution that is expected to stand at around +3% in 2019 based on acquisitions completed in 2018 and their likely dates of consolidation.

The exchange-rate effect on sales was -3.9% in 2018. Based on average exchange rates in January 2019, the full-year exchange-rate effect for 2019 should be approximately +1%.

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

	2018 / 2017	4th quarter 2018 / 4th quarter 2017
France	+1.1%	+4.0%
Italy	+6.2%	+7.9%
Rest of Europe	+9.2%	+5.7%
North and Central America	+4.2%	+4.6%
Rest of the world	+4.9%	+5.5%
Total	**+4.9%**	**+5.2%**

[1] Integrated performance combining financial and CSR-linked non-financial results, drawing on a broader approach to corporate scope.

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

- **France** (15.2% of Group sales)

Sales in France rose +1.1% from 2018 at constant scope of consolidation and exchange rates.

In a market that has remained lackluster overall since the beginning of the year and after marked destocking by distribution in the third quarter, Legrand's good 2018 performance resulted from healthy momentum in energy distribution and digital infrastructures, along with sustained activity in user interfaces, linked more particularly to the very favorable response to its Céliane with Netatmo and dooxie ranges. These favorable trends were partially offset by a decline in sales of bulkhead lights, installation components, and cable management.

- **Italy** (9.1% of Group sales)

Organic growth in sales was +6.2% for 2018 full year.

These very good showings were driven by the continued success of connected offerings – including the Classe 300X connected door entry system and the Smarther intelligent thermostat – as well as an inventory build-up for the new Living Now user-interface range, whose functionalities and design, with a choice of different materials, are particularly appreciated by end customers. In this respect, 2018 represents a demanding basis of comparison for 2019.

- **Rest of Europe** (16.8% of Group sales)

Organic growth in sales was +9.2% from 2017.

This strong rise benefited over the full year from double-digit growth in sales in Eastern Europe – including Russia, Romania and Hungary – as well as in Turkey. These very healthy performances, fueled by commercial initiatives, represent high bases of comparison for 2019.

A number of mature countries also recorded a strong rise in activity, including Southern Europe[1], Germany and the Netherlands.

Sales in the United Kingdom (around 2% of Group sales) rose moderately.

- **North and Central America** (36.3% of Group sales)

Sales rose +4.2% from 2017 at constant scope of consolidation and exchange rates.

2018 showings were driven by momentum in the United States, where sales rose +5.2% full year. This was achieved thanks to the success of offerings for wire-mesh cable management, intelligent PDUs, and lighting control solutions, as well as Milestone's audio-video infrastructure and power products.

Sales rose very slightly in Canada, while declining in Mexico.

- **Rest of the world** (22.6% of Group sales)

Sales rose +4.9% from 2017 at constant scope of consolidation and exchange rates.

The Group reported very healthy performances in a number of Asian countries including India, China and South Korea, along with several African countries. Sales showed moderate growth in Australia, while declining in Malaysia.

Business trends were mixed in Latin America, with sales nearly steady in Brazil and declining in Colombia. In the Middle East, sales were down in both the United Arab Emirates and in Saudi Arabia.

[1] Southern Europe: Spain + Greece + Portugal.

Adjusted operating profit and margin

Adjusted operating margin before acquisitions (at 2017 scope of consolidation) came to 20.2% of sales in 2018. The +0.2 points rise from 2017 adjusted operating margin (20.0%) reflected the Group's operating performance.

More specifically, in the fourth quarter of 2018 adjusted operating margin before acquisitions (at 2017 scope of consolidation) reached 19.9%, compared with an adjusted operating margin of 18.9% in the fourth quarter of 2017. This one-point increase arose in particular from the Group's healthy organic growth over the period along with the effects of the action plans launched by Legrand over the fourth quarter, particularly in the United States to offset the unfavorable impact of the increase in customs duties.

After acquisitions, 2018 adjusted operating margin stood at 20.2%. The impact of acquisitions was indeed neutral in 2018; based on external growth operations completed and their likely date of consolidation, it should be around -0.4 points in 2019, with half linked to the consolidation of Netatmo, whose operating profit was at breakeven in 2018, and the other half to the consolidation of other companies acquired in 2018.

Adjusted operating profit was up +9.7% from 2017, reaching €1,212.1 million.

Net profit attributable to the Group

Reflecting a solid performance, net profit attributable to the Group was up +23.3% compared with adjusted[1] net profit attributable to the Group in 2017 and stood at €771.7 million.

This €146 million rise came primarily from:

- the increase in operating profit (+€113 million)
- the favorable change in net financial expense and foreign-exchange results (+€22 million), and
- the positive effect of the decline in corporate tax amount (+€8 million)[2], where the 2018 rates stood at 28% – a five-point decrease from 2017[2], linked for around three points to the announced[3] effect of the reduction in corporate tax in the United States, and for around two points due to favorable one-off factors.

Cash generation and net debt

Cash flow from operations was a robust €1,100.5 million (i.e. 18.4% of sales), up +19.6% from 2017.

Normalized free cash flow recorded a +21.5% rise to reach 14.9% of 2018 sales.

Working capital requirement stood at 9.2% of sales at December 31, 2018.

Free cash flow stood at €746.3 million, up +7.3%.

With the ratio of net debt/EBITDA at 1.7 and the average maturity of gross debt at six years on December 31, 2018, the Group benefits from a solid balance sheet structure, that brings the resources and flexibility needed for sustainable development.

Non-financial performance

With an achievement rate of 122%, Legrand fully achieved its 2014-2018 CSR roadmap, demonstrating once again its commitment to creating sustainable value, while taking all stakeholders into consideration.

Other key developments in 2018 included in particular:

- Adoption of a target, validated by Science Based Targets, that calls for a 30% reduction in greenhouse gas emissions by 2030, in keeping with the Paris Climate Accord; and

[1] 2017 net profit attributable to the Group adjusted for the favorable net impact of significant non-recurring corporate taxation gains and expenses. For more details, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.
[2] Excluding the favorable net impact in 2017 of significant non-recurring corporate taxation gains and expenses. For more details, readers are invited to consult pages 14, 15 and 20 of the press release issued February 8, 2018.
[3] For more information on tax reductions in the United States announced in 2017, and their expected impacts on Legrand's accounts, readers are invited to refer to pages 14 and 15 of the press release announcing full-year 2017 results, published February 8, 2018.

- Publication of Legrand's first Human Rights Charter, on the occasion of the 70th anniversary of the UN's Universal Declaration of Human Rights, including a campaign to raise employee awareness of these issues.

Legrand's CSR approach is recognized. One example in 2018 was a "Manufacturing Star of Energy Efficiency Award[1]" under the United States' federal "better plants" program – a prize recognizing the achievements in promoting energy efficiency at the Group's American subsidiaries.

Dividend

The Legrand Board of Directors will ask the General Meeting of Shareholders to be held on May 29, 2019 to approve the payment of a €1.34 per-share dividend in respect of 2018 (versus €1.26 in respect of 2017). The ex-dividend date will be June 3, 2019 and the dividend will be paid on June 5, 2019.

Based on the number of shares outstanding on December 31, 2018, dividend distribution in 2019 will be effected under the same conditions as that in respect of the previous year, by deduction from:

- distributable income in an amount of €0.79[2] per share on the one hand; and
- the "issue premium" account in an amount of €0.55[2] per share on the other.

A stronger sustainable and profitable growth profile

Eliot program accelerating with the acquisition of Netatmo

In 2018, Eliot program's business represented over 10% of Group sales, or €635 million. Annual total growth in sales of connected products was thus +28% on average between 2014 and 2018. Over the same period, the program was deployed in a number of countries and the number of connected product families doubled to reach over 40[3] at the end of last year, which meant Legrand had already met the 2020 targets for Eliot[4] in 2018.

The acquisition of Netatmo – the French leader in connected products for the home whose sales were around €51 million in 2018, up nearly +37% from 2017 – will enable further acceleration of the deployment of Eliot – Legrand's program dedicated to connected products. With this operation, the Group enriched its offering, adding new product categories and enhanced its development abilities thanks to the 130 Netatmo engineers' know-how in Artificial Intelligence, user experience, and software integration into products.

More generally, through Eliot, Legrand intends to:

- continue the digital transformation of its offering by integrating innovative functions into its products, including those presented at the latest Las Vegas CES[5]: home management using Alexa™ voice assistance for the new Living Now connected switch as well as remote monitoring and maintenance within the connected emergency lighting;
- deploy connected solutions on mass markets and accelerate their geographical development;
- enrich the user experience with the development of Works with Legrand, which already counts close to 30 partners, and with digital native applications and tools.

[1] A prize recognizing the integration of energy-efficiency into manufacturing processes, awarded by "Alliance to Save Energy" organization.
[2] Indicative split released for information purposes only and likely to be amended, depending on the number of shares entitling their holders to the distribution by the payment date.
[3] Includes Netatmo, not consolidated in 2018 sales.
[4] As a reminder, in 2015 Legrand set targets that included doubling the number of connected product families – from 20 in 2014 to 40 in 2020 – and achieving double-digit average annual growth in sales for connected products between 2014 and 2020.
[5] CES : Consumer Electronics Show.

Strengthened organic growth momentum

In pursuing its strategy of innovation-driven growth, the Group invested 4.8% of sales in R&D in 2018. This investment policy notably enabled the Group to accelerate the renewal of its product families, launching in 2018:

- new user interface solutions including Pial+, Arteor Animation and Quinzo, as well as the connected ranges Céliane with Netatmo, dooxie with Netatmo, Living Now, Yiyuan, Valena Life and Allure;
- DX3 stop Arc and DMX-SP 2500 circuit-breakers; Practibox S cabinets and XL3N 630 power enclosures in energy distribution;
- solutions for building systems, including the new Galaxy connected emergency lighting, lighting control solutions dedicated to Human Centric Lighting, the app-controlled and Alexa™-interoperable Nuvo audio player, and UX digitally-managed interfaces for hotel rooms;
- digital infrastructure offerings including TiLED Series and Impact Series screen mounts from Milestone, along with Infinium fiber enclosures used in data centers;
- Keor Mod and Keor SP smart UPS systems; and
- Logix, a range of universal modular floor boxes, and new office poles offerings.

Legrand has also stepped up the pace of initiatives aimed at expanding its organic growth profile. Against this backdrop, it reorganized its front office in three geographical regions whose sales and average weighted headcount for 2018 are as follows:

- Europe: €2,466.3 million and nearly 14,400 people;
- North and Central America: €2,175.1 million and around 6,400 people; and
- Rest of the world: €1,355.8 million and nearly 17,600 people.

By thus bringing its organization more closely into line with its markets, the Group seeks to improve coverage of global customers, accelerate development in dynamic verticals, enhance deployment of its international programs and promote sharing of good practices.

At the same time, the Group is continuing to implement numerous initiatives to step up its growth, in particular by accelerating digitalization in customer relations, commercial data, communications, R&D and supply chain processes, and by gradually rolling out a data analytics programs.

These initiatives help enhance the Group's organic growth profile and strengthen its leadership positions, with some 69% of Legrand 2018 sales coming from products that were number 1 or number 2 in their markets.

External growth driven by 7 acquisitions in 2018

Legrand's accessible market is estimated at over €100 billion, consisting largely of small- and mid-size companies. Presenting a very fragmented structure, the market offers solid scope for long-term external growth, with close to 3,000 small- to mid-size companies, of which around 300 are under active monitoring at all time.

In 2018, Legrand pursued its policy of bolt-on[1] acquisitions at a sustained pace, with seven purchases that strengthened its presence in:

- France, with the purchase of Netatmo, the French leader in connected products for the home, and Debflex[2], a leading provider of specialized electrical equipment for the DIY market.
- the United States, with the purchase of Kenall, the American leader in lighting solutions dedicated to specialized applications and critical non-residential environments (hospitals, schools, public buildings, food processing, tunnels, correctional facilities and more);

[1] Companies that complement Legrand's activities.
[2] A voluntary offer to purchase the Debflex S.A. shares was closed on January 22, 2019. Required conditions (more than 90% of capital stock and voting rights detained by Legrand) having been met, Debflex's SA shares were delisted from the Euronext Access market as of January 30, 2019.

- China, with the acquisition of Shenzhen Clever Electronic, Ltd., the Chinese leader in intelligent PDUs for data centers;
- Germany, through a joint venture with Modulan, specialized in custom cabinets for data centers;
- Dubai, with the acquisition of Gemnet, a UPS specialist; and
- New Zealand, with the purchase of Trical, a local front-runner in electrical and digital enclosures and switchboards for residential and commercial buildings.

Acquisitions made in 2018 totaled over €200 million in annual sales. Based on acquisitions completed and their likely date of consolidation, the 2019 impact of change in scope of consolidation is estimated at (i) around +3% in sales and (ii) around -0.4 points of adjusted operating margin full year, with half linked to the consolidation of Netatmo, whose operating profit was at breakeven in 2018, and the other half to the consolidation of other companies acquired in 2018.

Ongoing performance optimization

Legrand's performance is driven by solid fundamentals that have demonstrated their effectiveness:

- key strategic assets with clients that value quality, availability, reliability and ease of installation of products; leading positions for its core businesses; and solid expertise in terms of pricing and product mix;
- an efficient back-office organization with an industrial footprint in which over 60% of headcount are in new economies; sales at around 65% covered by product platforms; and a sustained focus on managing capital employed with a working capital requirement of less than 10% of sales on a yearly basis and investments ranging between 3% and 3.5% of sales on average;
- an organization attentive to execution with empowered managers committed to meet their targets; incentives in line with Group's stakeholders' interests and solid processes to track performance (yearly multi-scenario budgets, quarterly reviews, monthly reportings).

The Group intends to further optimize its performance by:

- strengthening industrial initiatives (streamlining its industrial footprint, rolling out light automation in low-cost factories and locating production as close as possible to some markets); accelerating deployment of "Legrand Way[1]" (increasing the deployment rate by 11 points in manufacturing sites between 2018 and 2021 and deploying it across administrative and R&D activities); and revamping "Make or Buy" approach;
- targeted digitalization of its back-office with, in particular, 100 PoCs[2], of which 51 already proved operational and ready to be deployed, and consolidation of a collaborative supply chain enabling full management of business processes. Against this backdrop, Legrand intends to dedicate over time up to 10% of its investments to the Industry 4.0; and
- roll-out of synergies linked to recent acquisitions and optimize energy consumption through its target for greenhouse gas emissions reduction.

Moreover, Legrand has strengthened in 2018 the alignment of performance criteria in its Performance Share Plan with its yearly financial and CSR targets.

New CSR roadmap for 2019-2021

In 2019, Legrand is rolling out its 4th CSR roadmap, aimed at maximizing positive Group externalities on all stakeholders through 22 key indicators with three focal points:

- *Business ecosystem* to promote shared progress across the entire value chain by developing sustainable products, innovation and research partnerships, and responsible purchasing; and by helping to promote ethical behavior in all business relations;
- *People* to ensure respect for human rights, development for employees and diversity; and

[1] Program dedicated to the implementation of best practices within the Group.
[2] PoC: Proof of Concept.

- *The Environment* to achieve a further reduction in the Group's carbon footprint and innovation that will help develop a circular economy.

In addition, Legrand has set itself ambitious targets for 2030:

- derive 80% of Group sales from sustainable products;
- achieve a gender-balanced workforce;
- increase women's presence in management, so that one-third of key management positions are held by women; and
- reduce CO_2 emissions directly linked to Group operations by 30% (an aim validated by Science Based Targets).

Addressing these priorities contributes to the United Nation's Sustainable Development Targets.

The Board adopted audited consolidated financial statements for 2018 at its meeting on February 13, 2019. These consolidated financial statements, a presentation of 2018 annual results and the related teleconference (live and replay) are available at www.legrand.com.

KEY FINANCIAL DATES:

- 2019 first-quarter results: **May 2, 2019**
- "Quiet period[1]" starts April 2, 2019
- General Meeting of Shareholders: **May 29, 2019**
- Ex-dividend date: **June 3, 2019**
- Dividend payment: **June 5, 2019**
- 2019 first-half results: **July 30, 2019**
  "Quiet period[1]" starts June 30, 2019

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 an approach that involves all teams and stakeholders, Legrand is pursuing its strategy of profitable and sustainable growth driven by acquisitions and innovation, with a steady flow of new offerings—including Eliot connected products with enhanced value in use. Legrand reported sales of close to €6 billion in 2018. The company is listed on Euronext Paris and is notably a component stock of the CAC 40 index.*
(code ISIN FR0010307819)
http://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, Eliot 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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[1] All communication suspended in the run-up to publication of results.

Appendices

Glossary

Adjusted operating profit

Adjusted operating profit is defined as operating profit adjusted for amortization and depreciation of revaluation of assets at the time of acquisitions and for other P&L impacts relating to acquisitions and, where applicable, for impairment of goodwill.

Cash flow from operations

Cash flow from operations is defined as net cash from operating activities excluding changes in working capital requirement.

CSR

Corporate Social Responsibility.

EBITDA

EBITDA is defined as operating profit plus depreciation and impairment of tangible assets, amortization and impairment of intangible assets (including capitalized development costs), reversal of inventory step-up and impairment of goodwill.

Free cash flow

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

Net financial debt

Net financial debt is defined as the sum of short-term borrowings and long-term borrowings, less cash and cash equivalents and marketable securities.

Normalized free cash flow

Normalized free cash flow is defined as the sum of net cash from operating activities—based on a normalized 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 period considered—and net proceeds of sales from fixed and financial assets, less capital expenditure and capitalized development costs.

Organic growth

Organic growth is defined as the change in sales at constant structure (scope of consolidation) and exchange rates.

Payout

Payout is defined as the ratio between the proposed dividend per share for a given year, divided by the net profit attributable to the Group per share of the same year, calculated on the basis of the average number of ordinary shares at December 31 of that year, excluding shares held in treasury.

PDU

Power Distribution Units.

UPS

Uninterruptible Power Supply.

Working capital requirement

Working capital requirement is defined as the sum of trade receivables, inventories, other current assets, income tax receivables and short-term deferred tax assets, less the sum of trade payables, other current liabilities, income tax payables, short-term provisions and short-term deferred tax liabilities.

Calculation of working capital requirement

In € millions	**2017**	**2018**
Trade receivables	624.9	666.4
Inventories	747.4	885.9
Other current assets	184.1	206.0
Income tax receivables	48.0	89.6
Short-term deferred taxes assets/(liabilities)	83.4	91.2
Trade payables	(612.9)	(662.0)
Other current liabilities	(583.7)	(605.2)
Income tax payables	(37.7)	(31.5)
Short-term provisions	(75.3)	(87.9)
Working capital required	**378.2**	**552.5**

Calculation of net financial debt

In € millions	**2017**	**2018**
Short-term borrowings	585.4	400.5
Long-term borrowings	2,457.1	2,918.6
Cash and cash equivalents	(823.0)	(1,022.5)
Net financial debt	**2,219.5**	**2,296.6**

Reconciliation of adjusted operating profit with profit for the period

In € millions	**2017**	**2018**
Profit for the period	**713.2**	**772.4**
Share of profits (losses) of equity-accounted entities	1.5	0.4
Income tax expense	224.2	301.3
Exchange (gains) / losses	8.3	(2.2)
Financial income	(13.7)	(12.0)
Financial expense	92.1	79.1
Operating profit	**1,025.6**	**1,139.0**
Amortization & depreciation of revaluation of assets at the time of acquisitions and other P&L impacts relating to acquisitions	79.3	73.1
Impairment of goodwill	0.0	0.0
Adjusted operating profit	**1,104.9**	**1,212.1**

Reconciliation of EBITDA with profit for the period

In € millions	2017	2018
Profit for the period	**713.2**	**772.4**
Share of profits (losses) of equity-accounted entities	1.5	0.4
Income tax expense	224.2	301.3
Exchange (gains) / losses	8.3	(2.2)
Financial income	(13.7)	(12.0)
Financial expense	92.1	79.1
Operating profit	**1,025.6**	**1,139.0**
Depreciation and impairment of tangible assets	99.8	100.9
Amortization and impairment of intangible assets (including capitalized development costs) and reversal of Milestone inventory step-up	116.1	106.3
Impairment of goodwill	0.0	0.0
EBITDA	**1,241.5**	**1,346.2**

Reconciliation of cash flow from operations, free cash flow and normalized free cash flow with profit for the period

In € millions	2017	2018
Profit for the period	**713.2**	**772.4**
Adjustments for non-cash movements in assets and liabilities:		
Depreciation, amortization and impairment	200.9	209.7
Changes in other non-current assets and liabilities and long-term deferred taxes	(12.9)	105.8
Unrealized exchange (gains)/losses	0.6	6.3
(Gains)/losses on sales of assets, net	0.1	5.1
Other adjustments	17.9	1.2
Cash flow from operations	**919.8**	**1,100.5**
Decrease (Increase) in working capital requirement	(56.1)	(175.2)
Net cash provided from operating activities	**863.7**	**925.3**
Capital expenditure (including capitalized development costs)	(178.2)	(184.3)
Net proceeds from sales of fixed and financial assets	10.3	5.3
Free cash flow	**695.8**	**746.3**
Increase (Decrease) in working capital requirement	56.1	175.2
(Increase) Decrease in normalized working capital requirement	(16.7)	(28.0)
Normalized free cash flow	**735.2**	**893.5**

Scope of consolidation

2017	Q1	H1	9M	Full year
Full consolidation method				
OCL	Balance sheet only	5 months	8 months	11 months
AFCO Systems Group		Balance sheet only	5 months	8 months
Finelite		Balance sheet only	4 months	7 months
Milestone			Balance sheet only	5 months
Server technology				Balance sheet only
Equity method				
Borri		Balance sheet only	Balance sheet only	8 months

2018	Q1	H1	9M	Full year
Full consolidation method				
OCL	3 months	6 months	9 months	12 months
AFCO Systems Group	3 months	6 months	9 months	12 months
Finelite	3 months	6 months	9 months	12 months
Milestone	3 months	6 months	9 months	12 months
Server Technology	3 months	6 months	9 months	12 months
Modulan	Balance sheet only	Balance sheet only	6 months	9 months
Gemnet		Balance sheet only	Balance sheet only	7 months
Shenzhen Clever Electronic			Balance sheet only	6 months
Debflex				Balance sheet only
Netatmo				Balance sheet only
Kenall				Balance sheet only
Trical				Balance sheet only
Equity method				
Borri	3 months	6 months	9 months	12 months

Disclaimer

This press release may contain forward-looking statements which are not historical data. Although Legrand considers these statements to be based on reasonable assumptions at the time of publication of this release, they are subject to various risks and uncertainties that could cause actual results to differ from those expressed or implied herein.

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