Consolidated financial information as of December 31, 2009

2009

legrand®

LEGRAND

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

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Consolidated Statement of Income

	Legrand		
	12 months ended December 31,		
(in € millions)	**2009**	**2008**	**2007**
Revenue (Note 1 (k))	**3,577.5**	**4,202.4**	**4,128.8**
Operating expenses			
Cost of sales	(1,700.6)	(2,070.0)	(2,060.5)
Administrative and selling expenses	(987.6)	(1,144.6)	(1,081.8)
Research and development costs	(189.5)	(208.3)	(219.5)
Other operating income (expense) (Note 18 (b))	(175.7)	(136.7)	(105.5)
Operating profit (Note 18)	**524.1**	**642.8**	**661.5**
Finance costs (Note 19 (b))	(100.0)	(151.7)	(152.4)
Financial income (Note 19 (b))	11.9	29.1	42.5
Exchange gains (losses) (Note 19 (a))	(13.4)	(25.3)	44.0
Finance costs and other financial income and expense, net	(101.5)	(147.9)	(65.9)
Share of profit of associates	0.0	0.0	2.0
Profit before tax	**422.6**	**494.9**	**597.6**
Income tax expense (Note 20)	(131.3)	(143.4)	(175.0)
Profit for the period	**291.3**	**351.5**	**422.6**
Attributable to:			
– Legrand	**289.8**	**349.9**	**421.0**
– Minority interests	**1.5**	**1.6**	**1.6**
Basic earnings per share *(euros)* (Notes 10 and 1 (s))	1.114	1.365	1.584
Diluted earnings per share *(euros)* (Notes 10 and 1 (s))	1.104	1.357	1.573

Statement of Comprehensive Income

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Profit for the period	291.3	351.5	422.6
Actuarial gains and losses (Notes 1 (q) and 15)	3.9	(24.5)	9.7
Deferred taxes on actuarial gains and losses	(1.5)	9.3	(3.0)
Current taxes on hedges of net investments in foreign currency (Note 12 (b))	(3.4)		
Translation reserves (Notes 1 (m) and 12 (b))	18.0	(54.1)	(57.4)
Total	**308.3**	**282.2**	**371.9**

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

Consolidated Balance Sheet

	Legrand		
(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
ASSETS			
Current assets			
Cash and cash equivalents (Notes 1 (d) and 9)	173.5	254.4	221.1
Marketable securities (Note 9)	0.0	305.3	0.2
Income tax receivables	22.4	11.0	12.3
Trade receivables (Notes 1 (e) and 7)	501.1	621.7	646.2
Other current assets (Note 8)	125.4	139.8	145.5
Inventories (Notes 1 (i) and 6)	427.5	602.9	624.4
Other current financial assets (Note 22)	0.6	5.0	11.8
Total current assets	**1,250.5**	**1,940.1**	**1,661.5**
Non-current assets			
Intangible assets (Notes 1 (f) and 2)	1,769.8	1,772.7	1,784.3
Goodwill (Notes 1 (g) and 3)	1,855.1	1,854.3	1,815.9
Property, plant and equipment (Notes 1 (h) and 4)	646.1	722.2	756.7
Investments in associates (Note 5)	0.0	0.0	14.0
Other investments (Note 5)	6.5	13.1	8.3
Deferred tax assets (Notes 1 (j) and 20)	82.1	76.4	64.3
Other non-current assets	4.3	4.9	4.6
Total non-current assets	**4,363.9**	**4,443.6**	**4,448.1**
Total Assets	**5,614.4**	**6,383.7**	**6,109.6**

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

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
		Legrand	
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings (Note 16)	445.5	401.3	654.7
Income tax payable	15.3	12.1	39.6
Trade payables	357.7	410.4	474.0
Short-term provisions (Note 14)	107.9	75.9	76.5
Other current liabilities (Note 17)	407.7	432.5	421.4
Other current financial liabilities (Note 22)	0.3	0.0	86.9
Total current liabilities	**1,334.4**	**1,332.2**	**1,753.1**
Non-current liabilities			
Deferred tax liabilities (Notes 1 (j) and 20)	625.0	638.9	654.9
Long-term provisions (Note 14)	63.6	62.3	69.5
Other non-current liabilities	0.3	0.2	11.5
Provisions for pensions and other post-employment benefits (Notes 1 (q) and 15)	128.9	144.1	125.1
Long-term borrowings (Note 13)	1,067.8	2,020.2	1,364.4
Total non-current liabilities	**1,885.6**	**2,865.7**	**2,225.4**
Equity			
Share capital (Note 10)	1,052.4	1,051.3	1,083.9
Retained earnings (Note 12 (a))	1,568.4	1,378.3	1,238.4
Translation reserves (Note 12 (b))	(231.6)	(249.4)	(194.0)
Equity attributable to equity holders of Legrand	2,389.2	2,180.2	2,128.3
Minority interests	5.2	5.6	2.8
Total equity	**2,394.4**	**2,185.8**	**2,131.1**
Total Liabilities and Equity	**5,614.4**	**6,383.7**	**6,109.6**

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

Consolidated Statement of Cash Flows

	Legrand		
	12 months ended December 31,		
(in € millions)	2009	2008	2007
Profit for the period	**291.3**	**351.5**	**422.6**
Reconciliation of profit for the period to net cash provided by operating activities:			
– Depreciation expense (Note 18 (a))	126.5	136.1	131.5
– Amortization expense (Note 18 (a))	57.3	71.8	76.2
– Amortization of development costs (Note 18 (a))	20.5	9.2	8.2
– Amortization of finance costs	1.8	1.4	1.4
– Impairment of goodwill (Notes 3 and 18 (b))	16.6	0.0	0.0
– Changes in deferred taxes	(23.0)	(15.0)	46.1
– Changes in other non-current assets and liabilities	(0.7)	9.0	(5.8)
– Share of profit of associates	0.0	0.0	(2.0)
– Exchange (gains)/losses, net	1.4	20.2	(4.0)
– Other adjustments	0.9	8.2	6.9
(Gains)/losses on sales of assets, net	(8.5)	3.6	(12.9)
(Gains)/losses on sales of securities, net	0.0	0.0	(0.2)
Changes in operating assets and liabilities:			
– Inventories	186.5	22.7	(32.6)
– Trade receivables	135.5	24.0	(13.5)
– Trade payables	(56.4)	(65.6)	18.3
– Other operating assets and liabilities	(23.4)	0.4	45.3
Net cash provided by operating activities	**726.3**	**577.5**	**685.5**
Net proceeds from sales of fixed and financial assets	43.8	12.5	38.8
Capital expenditure	(84.3)	(131.0)	(149.4)
Capitalized development costs	(31.3)	(29.4)	(22.0)
Changes in non-current financial assets and liabilities	(0.7)	(0.3)	(0.4)
Acquisitions of subsidiaries, net of cash acquired (Note 3)	(4.6)	(123.6)	(265.1)
Investments in non-consolidated entities	0.0	(8.7)	(5.2)
Net cash used in investing activities	**(77.1)**	**(280.5)**	**(403.3)**
– Proceeds from issues of share capital and premium (Note 10)	1.3	3.9	5.1
– Sales (buybacks) of shares and transactions under the liquidity contract (Note 10)	75.8	(85.5)	(280.8)
– Dividends paid to equity holders of Legrand	(182.8)	(180.0)	(133.1)
– Dividends paid by Legrand subsidiaries	(1.5)	(1.4)	(3.0)
– Reduction of subordinated perpetual notes	0.0	0.0	(9.5)
– Proceeds from new borrowings and drawdowns	72.0	770.9	418.3
– Repayment of borrowings	(916.7)	(102.1)	(124.5)
– Debt issuance costs	(1.4)	0.0	(0.5)
– Proceeds from sales (purchases) of marketable securities	305.2	(304.7)	0.1
– Increase (reduction) in bank overdrafts	(74.9)	(357.4)	(106.2)
Net cash (used in) provided by financing activities	**(723.0)**	**(256.3)**	**(234.1)**
Effect of exchange rate changes on cash and cash equivalents	(7.1)	(7.4)	(5.9)
Increase in cash and cash equivalents	**(80.9)**	**33.3**	42.2
Cash and cash equivalents at the beginning of the period	254.4	221.1	178.9
Cash and cash equivalents at the end of the period (Note 9)	**173.5**	**254.4**	**221.1**
Items included in cash flows :			
– Free cash flow (Note 24)	654.5	429.6	552.9
– Interest paid during the period	106.6	101.7	102.0
– Income taxes paid during the period	153.5	177.4	109.5

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

Consolidated Statement of Changes in Equity

(in € millions)	Equity attributable to equity holders of Legrand Share capital	 Retained earnings	 Translation reserves	 TOTAL	Minority interests	Total equity
As of December 31, 2006	**1,078.8**	**1,217.6**	**(136.6)**	**2,159.8**	**8.8**	**2,168.6**
Profit for the period		421.0		421.0	1.6	422.6
Income (expenses) recognized directly in equity, net		6.7	(57.4)	(50.7)		(50.7)
Total recognized income and expenses, net		*427.7*	*(57.4)*	*370.3*	*1.6*	*371.9*
Dividends paid		(133.1)		(133.1)	(3.0)	(136.1)
Issues of share capital (Note 10)	5.1			5.1		5.1
Share buybacks and transactions under the liquidity contract (Note 10)		(280.8)		(280.8)		(280.8)
Buyout of minority interests				0.0	(4.6)	(4.6)
Stock options (Note 11 (b))		7.0		7.0		7.0
As of December 31, 2007	**1,083.9**	**1,238.4**	**(194.0)**	**2,128.3**	**2.8**	**2,131.1**
Profit for the period		349.9		349.9	1.6	351.5
Income (expenses) recognized directly in equity, net		(15.2)	(55.4)	(70.6)	1.3	(69.3)
Total recognized income and expenses, net		*334.7*	*(55.4)*	*279.3*	*2.9*	*282.2*
Dividends paid		(180.0)		(180.0)	(1.4)	(181.4)
Issues of share capital (Note 10)	3.9			3.9		3.9
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)		(85.5)		(85.5)		(85.5)
Change in scope of consolidation		0.0		0.0	1.3	1.3
Current taxes on share buybacks		16.7		16.7		16.7
Stock options (Note 11 (b))		17.5		17.5		17.5
As of December 31, 2008	**1,051.3**	**1,378.3**	**(249.4)**	**2,180.2**	**5.6**	**2,185.8**
Profit for the period		289.8		289.8	1.5	291.3
Income (expenses) recognized directly in equity, net		(1.0)	17.8	16.8	0.2	17.0
Total recognized income and expenses, net		*288.8*	*17.8*	*306.6*	*1.7*	*308.3*
Dividends paid		(182.8)		(182.8)	(1.5)	(184.3)
Issues of share capital and premium (Note 10)	1.1	0.2		1.3		1.3
Sales (buybacks) of shares and transactions under the liquidity contract (Note 10)		75.8		75.8		75.8
Change in scope of consolidation				0.0	(0.6)	(0.6)
Current taxes on share buybacks		(0.9)		(0.9)		(0.9)
Stock options (Note 11 (b))		9.0		9.0		9.0
As of December 31, 2009	**1,052.4**	**1,568.4**	**(231.6)**	**2,389.2**	**5.2**	**2,394.4**

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 products and systems for electrical installations and information networks where people live and work.

The Group has manufacturing and/or distribution subsidiaries and offices in more than 70 countries, and sells its products in more than 200 national markets. Its key markets are France, Italy and the United States, which accounted for approximately 56% of annual revenue in 2009 (2008: 54%, 2007: 57%).

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 2008 Registration Document was registered with the AMF on April 22, 2009 under no. R 09-025.

The consolidated financial statements were approved by the Board of Directors on February 10, 2010.

List of consolidated companies

The consolidated financial statements comprise the financial statements of Legrand and 138 subsidiaries. All Legrand Group subsidiaries are fully consolidated.

The main fully consolidated operating subsidiaries as of December 31, 2009 are as follows:

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

Foreign subsidiaries:

Bticino	Italy
Bticino de Mexico	Mexico
EMB Electrical Industries SAE	Egypt
GL Eletro-Eletronicos Ltda	Brazil
Kontaktor	Russia
Legrand	Greece
Legrand	Russia
Legrand Colombia	Colombia
Legrand Electric	United Kingdom
Legrand Electrica	Portugal
Legrand Electrical	China
Legrand Elektrik	Turkey
Legrand Electrique	Belgium
Legrand España	Spain
Legrand Group Pty Ltd	Australia
Legrand India	India
Legrand Nederland BV	Netherlands
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
Ticino de Venezuela CA	Venezuela

At December 31, 2009 Legrand wholly owned all of its subsidiaries except for (i) Alborz Electrical Industries Ltd (Iran), Kontaktor (Russia), Legrand Polska (Poland), Shidean (China) and Legrand Group Pty Ltd (Australia), which were all over 95%-owned; (ii) EMB Electrical Industries SAE (Egypt), which was 75%-owned; 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, 2007 were as follows:

2007	March 31	June 30	September 30	December 31
Cemar	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Shidean	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Vantage	3 months' profit	6 months' profit	9 months' profit	12 months' profit
HPM Industries	2 months' profit	5 months' profit	8 months' profit	11 months' profit
UStec	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Kontaktor			Balance sheet only	Balance sheet only
Macse				Balance sheet only
Alpes Technologies				Balance sheet only
TCL Wuxi				Balance sheet only

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 12 months ended December 31, 2009. 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 December 31, 2009.

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 (u).

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.

a) New standards, amendments and interpretations applied by the Group from January 1, 2009

Standards, amendments and interpretations applied by the Group that have an impact on its financial statements

The Group presents a complete set of financial statements and therefore duly applied the revised version of IAS 1 – Presentation of Financial Statements as of December 31, 2009.

Under the revised standard, the statement of changes in equity is used solely to report transactions with equity holders and the other items previously reported in this statement are now disclosed in the statement of comprehensive income. Companies may choose to present all income and expenses for a given period either in a single statement of comprehensive income or in two separate statements, one listing the components of net profit and another listing the other components of comprehensive income.

The Group has elected to present two separate statements and has prepared its financial statements in compliance with the new revised standard.

Information on financial instruments is disclosed in Note 22 in accordance with the amendment to IFRS 7, whose purpose is to improve fair value disclosures as well as to clarify and enhance liquidity risk disclosures.

Standards, amendments and interpretations applied by the Group 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:

Amendment to IFRS 2 – Share-Based Payment. Adopted by the European Union on December 16, 2008, this amendment clarifies vesting conditions and cancellations.

Amendments to IAS 32 and IAS 1 – Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation. Adopted by the European Union on January 21, 2009, these amendments are designed to improve the accounting treatment of financial instruments that have similar characteristics to ordinary shares but are classified as financial liabilities.

Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. Adopted by the European Union on January 23, 2009, the amendments to IFRS 1 allow first-time adopters, in their separate financial statements, to use a deemed cost option to determine the cost of an investment in a subsidiary, jointly controlled entity or associate, with deemed cost corresponding to either the investment's fair value or its previous GAAP carrying amount at the entity's date of transition to IFRS. Consequently, the definitition of the cost method was removed from IAS 27 and replaced with a requirement to present dividends as income in the separate financial statements of the investor, even when the dividend is paid out of pre-acquisition reserves.

Amendments to IAS 39 – Eligible Hedged Items. Adopted by the European Union on September 15, 2009, these amendments clarify the application of hedge accounting to the inflation component of financial instruments and to options used as a hedging instrument.

Amendments to IFRIC 9 and IAS 39 – Embedded Derivatives. Adopted by the European Union on December 1' 2009, these amendments clarify the accounting treatment of embedded derivatives on reclassification of a financial asset out of the 'at fair value through profit or loss' category.

IFRIC 12 – Service Concession Arrangements. Adopted by the European Union on March 25, 2009, this interpretation addresses how to apply existing IASB literature to account for obligations undertaken and rights received in service concession arrangements.

IFRIC 13 – Customer Loyalty Programs. Adopted by the European Union on December 16, 2008, this interpretation addresses how to account for customers loyalty award credits ("points").

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Adopted by the European Union on December 16, 2008, this interpretation provides general guidance on how to assess the limit in IAS 19 'Employee Benefits' on the amount of the surplus that can be recognized as an asset. This amount corresponds to the fair value of the plan assets less the present value of the defined benefit obligation.

Standards, amendments and interpretations early adopted by the Group

The Group early adopted the revised IFRS 3 – Business Combinations and the revised IAS 27 – Consolidated and Separate Financial Statements, which were adopted by the European Union on June 3, 2009. Therefore the adjustment to the carrying amount of deferred tax assets recognized for tax loss carryforwards arising on business combinations made prior to the application of IFRS 3 (revised) led to a €5.5 million reduction in the amount of the 'income tax expense' recognized in the income statement.
The Group also elected to early adopt 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)).

The new standards and interpretations that have not yet been adopted by the European Union and whose application will be compulsory as from the 2010 fiscal year are presented in Note 1 (v).

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.

The subsidiaries excluded from the scope of consolidation are all companies that were acquired or created only recently. In 2009, these companies represented combined non-current assets of around €5.0 million and combined revenue of less than €6.5 million.

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) Fair value of financial instruments

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.

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 hedging instrument that is deemed to be an effective hedge is recognized in equity, as required under paragraph 102 of IAS 39.

The currency risk on the Yankee bonds issued in US dollars (which themselves constitute a hedge of the Group's net investment in the US) was hedged through a swap in euros until 2008. The Group was therefore only able to account for these bonds under IAS 39.102 from the year following the expiry date of the swap, i.e. January 1, 2009. Consequently the unrealized foreign exchange gains and losses on the bonds have been recorded in 'Translation reserves'.

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.

t) 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.

u) 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.

v) 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:

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 July 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.

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 which 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 amortised 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)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Trademarks with indefinite useful lives	1,408.0	1,418.6	1,511.0
Trademarks with finite useful lives	191.3	161.1	54.3
Developed technology	28.6	57.4	102.7
Other intangible assets	141.9	135.6	116.3
	1,769.8	**1,772.7**	**1,784.3**

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

Trademarks can be analyzed as follows:

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
At the beginning of the period	1,617.2	1,590.4	1,593.0
- Acquisitions	33.6	23.7	12.2
- Disposals	0.0	0.0	0.0
- Translation adjustments	0.3	3.1	(14.8)
	1,651.1	1,617.2	1,590.4
Less accumulated amortization	(51.8)	(37.5)	(25.1)
At the end of the period	**1,599.3**	**1,579.7**	**1,565.3**

Trademarks with an indefinite useful life were tested for impairment using a pre-tax discount rate ranging from 9.8% to 10.2% and a growth rate to perpetuity ranging from 2.9% to 3.3%.

No trademarks with an indefinite useful life were found to be impaired in the period ended December 31, 2009.

Sensitivity tests were performed on the discount rates and long-term growth rates used for impairment testing purposes. Based on the results of these tests, a 100-basis point change in these rates would not lead to any impairment losses being recognized on trademarks with an indefinite useful life.

Developed technology can be analyzed as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
At the beginning of the period	572.6	570.3	576.0
- Acquisitions	0.0	0.0	0.0
- Disposals	0.0	0.0	0.0
- Translation adjustments	(1.3)	2.3	(5.7)
	571.3	572.6	570.3
Less accumulated amortization	(542.7)	(515.2)	(467.6)
At the end of the period	**28.6**	**57.4**	**102.7**

Amortization expense related to intangible assets, including capitalized development costs, amounted to €77.8 million in 2009 (€81.0 million in 2008, €84.4 million in 2007).

Amortization of trademarks and developed technology in 2009 breaks down as follows:

(in € millions)	Developed technology	Trademarks	Total
France	15.4	1.8	17.2
Italy	7.7	0.0	7.7
Rest of Europe	2.1	1.4	3.5
USA/Canada	2.6	8.1	10.7
Rest of the World	0.9	3.4	4.3
	28.7	**14.7**	**43.4**

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
2010	17.2	14.0	31.2
2011	11.4	13.6	25.0
2012	0.0	13.3	13.3
2013	0.0	13.3	13.3
2014	0.0	13.3	13.3

Other intangible assets can be analyzed as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Capitalized development costs	101.6	90.9	70.5
Software	12.2	14.4	15.9
Other	28.1	30.3	29.9
	141.9	**135.6**	**116.3**

3) Goodwill (Note 1 (g))

Goodwill can be analyzed as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
France	600.3	600.3	606.5
Italy	311.2	307.6	307.6
Rest of Europe	212.5	213.1	213.3
USA/Canada	301.0	307.6	285.1
Rest of the World	430.1	425.7	403.4
	1,855.1	**1,854.3**	**1,815.9**

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)	December 31, 2009	December 31, 2008	December 31, 2007
At the beginning of the period	1,854.3	1,815.9	1,633.2
- Acquisitions	0.0	117.1	197.2
- Adjustments	(19.9)	(30.0)	22.2
- Impairment	(16.6)	0.0	0.0
- Translation adjustments	37.3	(48.7)	(36.7)
At the end of the period	**1,855.1**	**1,854.3**	**1,815.9**

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 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		

Based on the tests, a €16.6 million impairment loss relative to the goodwill has been recognized in 'Other operating income (expense)'.

In addition, sensitivity tests were performed on the discount rates and long-term growth rates, assuming an unfavorable 50 to 100-basis point change (depending on the region) in each of these two factors and would not lead to additional impairment for the goodwill.

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 following impairment testing parameters were used in the period ended December 31, 2007:

	Recoverable amount	Carrying amount of goodwill	Value in use	
			Discount rate (before tax)	Growth rate to perpetuity
France	Value in use	606.5	12.5%	2%
Italy		307.6	13%	2%
Rest of Europe		213.3	10 to 12.5%	2 to 5%
USA/Canada		285.1	13%	2 to 5%
Rest of the World		403.4	12.5 to 19%	2 to 5%
		1,815.9		

No goodwill impairment losses were identified in the period ended December 31, 2007.

The €4.6 million invested in acquisitions in 2009 corresponded mainly to price adjustments on subsidiaries acquired in prior years.

Acquisitions of subsidiaries (net of cash acquired) came to €123.6 million in 2008, €265.1 million in 2007.

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 12 months ended December 31, 2009, December 31, 2008 and December 31, 2007 has been as follows:

	12 months ended		
(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
- Trademarks	33.6	23.7	12.2
- Deferred taxes on trademarks	(7.9)	(6.4)	(3.9)
- Other intangible assets	-	-	-
- Deferred taxes on other intangible assets	-	-	-
- Goodwill	-	117.1	197.2

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 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**

Total property, plant and equipment includes €17.0 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, 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**

Property, plant and equipment, including finance leases, were as follows as of December 31, 2007:

	December 31, 2007					
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Land	24.0	5.5	14.9	2.4	9.6	56.4
Buildings	124.2	83.6	43.0	20.0	18.7	289.5
Machinery and equipment	127.7	84.1	32.5	20.3	43.0	307.6
Assets under construction and other	35.0	22.8	12.5	20.0	12.9	103.2
	310.9	**196.0**	**102.9**	**62.7**	**84.2**	**756.7**

b) Analysis of changes in property, plant and equipment

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)**

Changes in property, plant and equipment in 2007 can be analyzed as follows:

	December 31, 2007					
(in € millions)	France	Italy	Rest of Europe	USA/ Canada	Rest of the World	Total
Acquisitions	46.0	43.4	14.4	12.9	18.8	135.5
Disposals	(2.8)	(0.2)	(0.5)	(0.9)	(21.8)	(26.2)
Depreciation expense	(54.7)	(27.0)	(18.3)	(14.6)	(16.9)	(131.5)
Transfers and changes in scope of consolidation	(1.9)	(0.3)	(2.2)	0.8	4.3	0.7
Translation adjustments	0.0	0.0	(1.7)	(7.3)	(2.0)	(11.0)
	(13.4)	**15.9**	**(8.3)**	**(9.1)**	**(17.6)**	**(32.5)**

	December 31, 2007						
(in € millions)	Acquisitions	Transfers from 'Assets under construction'	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
Land	0.0	0.5	(10.9)	(0.5)	(2.2)	(1.2)	(14.3)
Buildings	7.4	7.9	(10.0)	(22.0)	1.0	(3.6)	(19.3)
Machinery and equipment	53.9	34.7	(4.4)	(93.3)	0.3	(3.3)	(12.1)
Assets under construction and other	74.2	(43.1)	(0.9)	(15.7)	1.6	(2.9)	13.2
	135.5	**0.0**	**(26.2)**	**(131.5)**	**0.7**	**(11.0)**	**(32.5)**

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

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Land	3.8	3.8	3.8
Buildings	43.9	37.4	27.3
Machinery and equipment	32.2	32.4	36.2
	79.9	73.6	67.3
Less accumulated depreciation	(39.6)	(37.7)	(40.3)
	40.3	**35.9**	**27.0**

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

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Long-term borrowings	20.5	21.5	19.2
Short-term borrowings	2.7	2.5	4.5
	23.2	**24.0**	**23.7**

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

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Due in less than one year	3.3	3.4	5.6
Due in one to two years	3.0	3.2	3.0
Due in two to three years	2.8	3.1	2.6
Due in three to four years	2.1	3.1	2.5
Due in four to five years	1.4	2.4	2.3
Due beyond five years	14.5	18.6	9.1
	27.1	33.8	25.1
Of which accrued interest	(3.9)	(9.8)	(1.4)
Present value of future minimum lease payments	**23.2**	**24.0**	**23.7**

5) Investments in associates and other investments

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Investments in associates (accounted for by the equity method)	0.0	0.0	14.0

The decrease in investments in associates as of December 31, 2008 was due to the full consolidation of Alborz Electrical Industries Ltd, which was previously accounted for by the equity method.

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Other investments	6.5	13.1	8.3

6) Inventories (Note 1 (i))

Inventories are as follows:

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Purchased raw materials and components	172.2	222.1	222.5
Sub-assemblies, work in progress	84.7	104.7	110.2
Finished products	270.6	364.5	369.4
	527.5	691.3	702.1
Less impairment	(100.0)	(88.4)	(77.7)
	427.5	**602.9**	**624.4**

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)	December 31, 2009	December 31, 2008	December 31, 2007
Trade accounts receivable	443.0	569.8	568.5
Notes receivable	108.5	82.9	104.5
	551.5	652.7	673.0
Less impairment	(50.4)	(31.0)	(26.8)
	501.1	**621.7**	**646.2**

In 2009, the Group entered into contracts of transfer of receivables whose terms qualify for derecognition in accordance with IAS 39, for an amount of €18.1 million as of December 31, 2009.

Past-due trade receivables can be analyzed as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Less than 3 months past due	55.9	82.8	70.8
From 3 to 12 months past due	17.0	18.6	13.9
More than 12 months past due	10.2	12.2	16.6
	83.1	**113.6**	**101.3**

Provisions for impairment of past-due trade receivables amounted to €43.5 million as of December 31, 2009 (€27.9 million as of December 31, 2008; €24.6 million as of December 31, 2007). These provisions break down as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Provisions for receivables less than 3 months past due	21.6	7.1	2.5
Provisions for receivables 3 to 12 months past due	11.7	8.6	7.4
Provisions for receivables more than 12 months past due	10.2	12.2	14.7
	43.5	**27.9**	**24.6**

8) Other current assets

Other current assets are as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Employee advances	3.2	3.1	3.7
Other receivables	31.3	41.6	47.8
Prepayments	13.9	18.9	18.5
Prepaid and recoverable taxes other than on income	77.0	76.2	75.5
	125.4	**139.8**	**145.5**

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

Cash and cash equivalents totaled €173.5 million at December 31, 2009 and corresponded to deposits with maturities of less than three months placed with front-ranking banks.

As of December 31, 2008, the Group held French Treasury bonds for a total value of €304.9 million which matured during the first quarter of 2009. The cash thus generated was used to repay short-term and long-term borrowings.

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

Share capital as of December 31, 2009 amounted to €1,052,386,716 represented by 263,096,679 ordinary shares with a par value of €4 each, for 405,224,821 voting rights.

Changes in share capital were as follows:

	Number of shares	Par value	Share capital (euros)	Premiums (euros)
As of December 31, 2007	270,975,739	4	1,083,902,956	1,257,726,503
Exercise of options under the 2004 plan	338,781	4	1,355,124	
Cancellation of shares	(9,138,395)	4	(36,553,580)	(188,280,771)
Exercise of options under the 2003 plan	639,003	4	2,556,012	
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

Share capital consists exclusively of ordinary shares. On February 24, 2006, the par value of the shares was increased to €4.

On March 5, 2008, the Board of Directors approved the cancellation of 9,138,395 shares acquired under the share buyback program. The €188,280,771 difference between the buyback price of the cancelled shares and their par value was deducted from the premium account.

Since February 24, 2006, fully paid-up shares registered in the name of the same shareholder for at least two years carry double voting rights.

In 2009, 281,551 shares were issued upon exercise of stock options granted under the 2004 and 2005 plans (Note 11 (a)), resulting in a €1.1 million capital increase with a €0.2 million premium.

a) Share buyback program and transactions under the liquidity contract

A description of the current €500.0 million share buyback program was published by the Group on May 27, 2009.

Share buyback program

As of December 31, 2009, the Group held 965,647 shares under the program, acquired at a total cost of €21,205,997. These shares are being held for the following purposes:

- For allocation upon exercise of free shares (908,884 shares purchased at a cost of €19,791,463).

- For allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (56,763 shares purchased at a cost of €1,414,534).

During 2009, a total of 3,664,946 shares were sold for €53,076,161 including 3,641,709 shares that were initially allocated upon exercise of stock options and were subsequently re-allocated, as mentioned above.

Also during the period, 254,280 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 December 31, 2009, the Group held 290,000 shares under this contract, purchased at a total cost of €5,160,835.

During 2009, a net 1,571,000 shares of Legrand stock were sold, generating proceeds, net of purchase costs, of €22,735,951.

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:

	December 31, 2009	December 31, 2008	December 31, 2007
Profit attributable to equity holders of Legrand *(in € millions)*	289.8	349.9	421.0
Number of ordinary shares outstanding:			
- At the period-end	263,096,679	262,815,128	270,975,739
- Average for the period	260,132,463	256,389,092	265,729,265
Number of stock options and free shares outstanding at the period end	5,919,305	5,083,315	3,459,034
Sales (buybacks) of shares and transactions under the liquidity contract (net during the period)	5,235,946	(4,498,980)	(11.385.834)
Free shares transferred during the period	254,280		
Basic earnings per share *(euros)* (Note 1 (s))	1.114	1.365	1.584
Diluted earnings per share *(euros)* (note 1 (s)) *	1.104	1.357	1.573
Dividend per share *(euros)*	0.700	0.700	0.500

* Options granted under the 2007 plan (1,557,990 options) and under the 2008 plan (1,962,743 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 December 31, 2009.

In 2009, 281,551 shares were issued upon exercise of stock options granted under the 2004 and 2005 plans, 254,280 shares were transferred under free share plans and a net 5,235,946 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 2009, 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 €1.107 and €1.097 respectively for the 12 months ended December 31, 2009.

Also in accordance with IAS 33, the 977,784 shares issued in 2008 upon exercise of stock options granted under the 2003 and 2004 plans, the net 4,498,980 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 €1.366 and €1.358 respectively for the 12 months ended December 31, 2008.

Also in accordance with IAS 33, the 1,282,363 shares issued in 2007 upon exercise of stock options granted under the 2003 plan, and the net 11,385,834 shares bought back during the period were taken into account on a pro rata temporis basis for the purpose of computing the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If those shares had been issued and bought back on January 1, 2007, basic earnings per share and diluted earnings per share would have amounted to €1.622 and €1.610 respectively for the 12 months ended December 31, 2007.

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

a) 2004 and 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 €1.00 per share for options granted in 2004, and €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 €4.00 for options granted in 2004 and to €5.60 for those granted in 2005.

In 2009:

- 165,717 options granted under the 2004 plan were exercised. This plan expired on March 31, 2009.
- 115,834 options granted under the 2005 plan were exercised. The remaining 57,916 options may be exercised at any time before the plan expires on April 7, 2010.

Information on stock options	2004 Plan	2005 Plan	Total
Date of Board of Directors Meeting	January 30, 2004	February 7, 2005	
Total number of shares that may be acquired on exercise of options	508,250	173,750	682,000
Of which number of shares that may be acquired by corporate officers	*0*	*0*	*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 • 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	January 30, 2008	February 7, 2009	
Starting date of the exercise period for the remaining 1/3 of the options	January 30, 2009	February 7, 2010	
Exercise price	€4.00	€5.60	
Options exercised during 2008	(338,781)		(338,781)
Options forfeited during 2008	(1,667)		(1,667)
Options exercised during 2009	(165,717)	(115,834)	(281,551)
Options forfeited during 2009	(2,085)		(2,085)
Options outstanding as of December 31, 2009	0	57,916	57,916

If all these options were to be exercised, the Company's capital would be diluted by less than 0.1%.

b) 2007, 2008 and 2009 Legrand free shares 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 shares plans	2007 Plan	2008 Plan	2009 Plan	Total
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	
Total number of shares granted	533,494	654,058	288,963	1,476,515
Of which to corporate officers	*26,427*	*47,077*	*23,491*	*96,995*
- Gilles Schnepp	*13,582*	*24,194*	*12,075*	*49,851*
- Olivier Bazil	*12,845*	*22,883*	*11,416*	*47,144*
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)			(8,695)
Free shares vested during 2008	(546)			(546)
Free shares cancelled during 2008	(8,298)	(6,145)		(14,443)
Free shares vested during 2009	(253,880)	(400)		(254,280)
Free shares cancelled during 2009	(6,428)	(9,905)	(6,281)	(22,614)
Total number of free shares outstanding as of December 31, 2009	255,647	637,608	282,682	1,175,937

If all these shares were to be definitively granted, the Company's capital would be diluted by 0.4%.

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**	**Total**
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	
Total number of options	1,638,137	2,015,239	1,185,812	4,839,188
Of which to corporate officers	*79,281*	*141,231*	*93,964*	314,476
- Gilles Schnepp	*40,745*	*72,583*	*48,300*	161,628
- Olivier Bazil	*38,536*	*68,648*	*45,664*	152,848
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	
End of the option exercise period	May 15, 2017	March 5, 2018	March 4, 2019	
Option exercise price	€25.20	€20.58	€13.12	
Options cancelled during 2007	(27,574)			(27,574)
Options cancelled during 2008	(27,468)	(20,439)		(47,907)
Options cancelled during 2009	(25,105)	(32,057)	(21,093)	(78,255)
Outstanding options as of December 31, 2009	1,557,990	1,962,743	1,164,719	4,685,452

If all these options were to be exercised, the Company's capital would be diluted by 1.8% (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**
Risk-free rate	4.35%	3.40%	2.25%
Expected volatility	28.70%	30.00%	38.40%
Expected return	1.98%	3.47%	5.00%

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €9.0 million was recorded in 2009 (€17.5 million in 2008; €7.0 million in 2007) 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 €29.7 million was recorded in 2009 for statutory and discretionary profit-sharing plans (2008: €32.7 million; 2007: €32.5 million).

12) Retained earnings and translation reserves

a) Retained earnings

Consolidated retained earnings of Legrand and its subsidiaries as of December 31, 2009 amounted to €1,568.4 million.

As of the same date, the parent company – Legrand – had retained earnings of €1,805.4 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)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
US dollar	(158.3)	(143.0)	(165.0)
Other currencies	(73.3)	(106.4)	(29.0)
	(231.6)	**(249.4)**	**(194.0)**

In accordance with Note 1 (m), the unrealized €9.8 million foreign exchange gain, as of December 31, 2009, on the Group's Yankee bonds denominated in US dollars was recognized under "Translation reserves."

13) Long-term borrowings

Long-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Facility Agreement	375.8	1,265.8	642.8
8 ½% debentures	269.9	279.2	263.0
Bank borrowing	282.5	220.0	220.0
Other borrowings	141.9	258.0	242.6
	1,070.1	**2,023.0**	**1,368.4**
Debt issuance costs	(2.3)	(2.8)	(4.0)
	1,067.8	**2,020.2**	**1,364.4**

Long-term borrowings are denominated in the following currencies:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Euro	635.6	1,471.8	776.8
US dollar	297.9	423.1	505.5
Other currencies	136.6	128.1	86.1
	1,070.1	**2,023.0**	**1,368.4**

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

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Due in one to two years	108.4	202.0	156.3
Due in two to three years	158.8	129.5	147.7
Due in three to four years	431.0	116.0	115.0
Due in four to five years	76.3	1,239.6	119.2
Due beyond five years	295.6	335.9	830.2
	1,070.1	**2,023.0**	**1,368.4**

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):

	December 31, 2009	December 31, 2008	December 31, 2007
Facility Agreement	3.09%	4.69%	5.10%
8½% debentures	8.50%	8.25%	4.67%
Bank borrowing	2.17%	6.06%	4.99%
Other borrowings	6.18%	5.58%	3.78%

These borrowings are secured as follows:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Assets mortgaged or pledged as collateral	3.4	21.2	17.8
Guarantees given to banks	245.7	180.4	155.0
	249.1	**201.6**	**172.8**

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 December 31, 2009, December 31, 2008 and December 31, 2007:

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Due within one year (short-term borrowings)	87.0	87.1	87.2
Due in one to two years	87.1	87.1	85.3
Due in two to three years	92.1	87.1	87.0
Due in three to four years	196.6	92.0	87.1
Due in four to five years	0.0	999.6	92.0
Due beyond five years	0.0	0.0	291.4
	462.8	**1,352.9**	**730.0**

The Facility Agreement can be analyzed as follows:

(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

(in € millions)	**December 31, 2007**	Maturity	Interest rate
Term Facility	573.8	2013	Euribor + 25bps
Revolving Facility	156.2	2013	Euribor / Libor + 25bps

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 (a)).

c) Bank borrowings

As of December 31, 2009, 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) Unused credit lines

As of December 31, 2009, the Group had access to:

- Drawdown capacity of €1,033.6 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 €105.0 million as of December 31, 2009).
- One facility representing €125.0 million, expiring on September 30, 2012.

14) Provisions

Changes in provisions are as follows:

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

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

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Retirement benefits in France*	41.2	38.1	34.6
Termination benefits in Italy*	39.8	49.4	51.5
Other post-employment benefits*	47.9	56.6	39.0
	128.9	**144.1**	**125.1**

* These items represent the non-current portion of pension and other post-retirement benefits for a total of €128.9 million as of December 31, 2009 (December 31, 2008: €144.1 million; December 31, 2007: €125.1 million). The current portion in the amount of €7.1 million as of December 31, 2009 (December 31, 2008: €6.4 million; December 31, 2007: €7.4 million) is reported under 'Other Current liabilities'. The total amount of those liabilities is therefore €136.0 million as of December 31, 2009 (December 31, 2008: €150.5 million; December 31, 2007: €132.5 million) and is analyzed in Note 15 (a), which shows total liabilities of €247.9 million as of December 31, 2009 (December 31, 2008: €240.5 million; December 31, 2007: €263.9 million) less total assets of €111.9 million as of December 31, 2009 (December 31, 2008: €89.9 million; December 31, 2007: €131.4 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)	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006	December 31, 2005
Defined benefit obligation					
Projected benefit obligation at beginning of period	240.5	263.9	290.6	282.8	249.7
Acquisitions	0.0	0.1	0.0	0.2	3.4
Goodwill allocation	0.0	0.0	0.0	0.0	0.0
Service cost	16.2	16.1	16.8	18.2	17.7
Interest cost	11.1	11.5	11.7	10.3	8.8
Benefits paid	(29.7)	(29.3)	(29.5)	(23.5)	(17.2)
Employee contributions	0.7	0.0	0.0	0.4	0.6
Plan amendments	0.0	0.0	0.0	0.0	0.0
Actuarial loss/(gain)	8.9	(7.5)	(11.0)	13.0	6.6
Curtailments, settlements, special termination benefits	(1.9)	0.2	(2.4)	(0.8)	0.0
Past service cost	(0.1)	0.0	(0.1)	0.2	0.0
Translation adjustments	2.2	(14.3)	(14.5)	(10.2)	13.2
Other	0.0	(0.2)	2.3	0.0	0.0
Projected benefit obligation at end of period (I)	**247.9**	**240.5**	**263.9**	**290.6**	**282.8**
Unrecognized past service cost (II)	**0.0**	**0.1**	**0.0**	**0.2**	**0.0**
Fair value of plan assets					
Fair value of plan assets at beginning of period	89.9	131.4	135.1	133.5	109.9
Acquisitions	0.0	0.0	0.0	0.0	0.5
Expected return on plan assets	6.6	8.2	9.1	10.2	13.5
Employer contributions	12.2	6.4	15.6	8.2	8.2
Employee contributions	0.7	0.5	0.3	0.3	0.3
Benefits paid	(12.3)	(13.3)	(16.3)	(13.9)	(11.3)
Actuarial (loss)/gain	12.8	(32.0)	(1.3)	0.7	0.0
Translation adjustments	2.0	(11.3)	(11.1)	(3.9)	12.4
Fair value of plan assets at end of period (III)	**111.9**	**89.9**	**131.4**	**135.1**	**133.5**
Liability recognized in the balance sheet (I) – (II) – (III)	**136.0**	**150.5**	**132.5**	**155.3**	**149.3**
Current liability	7.1	6.4	7.4	7.7	9.6
Non-current liability	128.9	144.1	125.1	147.6	139.7

Actuarial gains recognized in equity (total recognized income and expenses, net) as of December 31, 2009 amounted to €3.9 million (€2.4 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 €12.0 million and would increase in proportion the value of the defined obligation at December 31, 2009.

The impact on profit is as follows:

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Service cost – rights acquired during the period	(16.2)	(16.1)	(16.8)
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	(11.1)	(11.5)	(11.7)
Other	2.0	(0.2)	2.5
Expected return on plan assets	6.6	8.2	9.1
	(18.7)	**(19.6)**	**(16.9)**

The weighted-average allocation of pension plan assets is as follows as of December 31, 2009:

(as a percentage)	France	United States and United Kingdom	Weighted total
Equity instruments	0.0	57.4	49.3
Debt instruments	0.0	33.8	29.1
Insurance funds	100.0	8.8	21.6
	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 €46.9 million as of December 31, 2009 (December 31, 2008: €50.4 million; December 31, 2007: €43.4 million), corresponding to the difference between the projected benefit obligation of €61.6 million as of December 31, 2009 (December 31, 2008: €61.4 million; December 31, 2007: €58.5 million) and the fair value of the related plan assets of €14.7 million as of December 31, 2009 (December 31, 2008: €10.9 million; December 31, 2007: €15.1 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 France, the calculation was based on a salary increase rate of 3.0%, a discount rate of 5.0% (2008 and 2007: 2.5% and 5.6%, 3.0% and 5.2%, respectively) and an expected return on plan assets of 4.0% (2008 and 2007: 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 €44.8 million as of December 31, 2009 (December 31, 2008: €54.4 million; December 31, 2007: €56.5 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 related benefit obligations amounted to €123.4 million as of December 31, 2009 (December 31, 2008: €110.0 million; December 31, 2007: €133.7 million). This amount is covered by pension fund assets estimated at €90.2 million as of December 31, 2009 (December 31, 2008: €76.1 million; December 31, 2007: €111.1 million) and by provisions.

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 6.3% in 2008, 3.3% and 6.1% in 2007) and an expected return on plan assets of 7.5% (7.5% in 2008 and 8.0% in 2007). In the United Kingdom, the calculation was based on a salary increase rate of 4.6%, a discount rate of 5.7% (3.8% and 6.4% in 2008, 4.4% and 5.8% in 2007), and an expected return on plan assets of 6.6% (6.7% in 2008 and 2007).

16) Short-term borrowings

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Facility Agreement	87.0	87.1	87.2
Commercial paper	105.0	11.7	236.5
Other borrowings	253.5	302.5	331.0
	445.5	**401.3**	**654.7**

17) Other current liabilities

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Tax liabilities	65.5	64.5	79.0
Accrued employee benefits expense	153.4	156.1	160.3
Current portion of statutory and discretionary profit-sharing reserve	29.9	31.5	27.5
Payables related to fixed asset purchases	12.9	16.9	17.2
Accrued expenses	70.8	70.1	48.3
Accrued interest	19.2	38.6	36.0
Deferred revenue	16.2	10.2	8.5
Current portion of pension and other post-employment benefit obligations	7.1	6.4	7.4
Other current liabilities	32.7	38.2	37.2
	407.7	**432.5**	**421.4**

18) Analysis of certain expenses

a) Analysis of operating expenses

Operating expenses include the following categories of costs:

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Raw materials and component costs	(1,019.6)	(1,276.0)	(1,253.6)
Salaries and payroll taxes	(936.0)	(1,049.3)	(1,034.4)
Employee profit-sharing	(29.7)	(32.7)	(32.5)
Total personnel costs	**(965.7)**	**(1,082.0)**	**(1,066.9)**
Depreciation expense	(126.5)	(136.1)	(131.5)
Amortization expense	(77.8)	(81.0)	(84.4)

As of December 31, 2009 the Group had 28,314 employees on the payroll (December 31, 2008: 31,596; December 31, 2007: 33,656).

b) Analysis of other operating income and expense

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Employee profit-sharing	(29.7)	(32.7)	(32.5)
Restructuring costs	(50.7)	(47.6)	(8.2)
Impairment of goodwill	(16.6)	0.0	0.0
Other	(78.7)	(56.4)	(64.8)
	(175.7)	**(136.7)**	**(105.5)**

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

a) Exchange gains (losses)

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Exchange gains (losses)	(13.4)	(25.3)	44.0

In 2007, 2008 and 2009, exchange gains (losses) mainly resulted from changes in the euro/US dollar exchange rate.

b) Finance costs, net

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Interest income	11.9	29.1	42.5
Finance costs	(98.4)	(145.6)	(146.6)
Change in fair value of financial instruments	(1.6)	(6.1)	(5.8)
	(100.0)	(151.7)	(152.4)
	(88.1)	**(122.6)**	**(109.9)**

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

20) Income tax expense (current and deferred)

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

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
France	97.8	100.7	174.8
Outside France	324.8	394.2	420.8
	422.6	**494.9**	**595.6**

Income tax expense consists of the following:

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Current taxes:			
France	(41.6)	(38.3)	0.6
Outside France	(123.1)	(136.5)	(137.7)
	(164.7)	(174.8)	(137.1)
Deferred taxes:			
France	24.2	16.4	(55.6)
Outside France	9.2	15.0	17.7
	33.4	31.4	(37.9)
Total income tax expense:			
France	(17.4)	(21.9)	(55.0)
Outside France	(113.9)	(121.5)	(120.0)
	(131.3)	**(143.4)**	**(175.0)**

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)*	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Standard French income tax rate	**34.43%**	**34.43%**	**34.43%**
Increases (reductions):			
- Effect of foreign income tax rates	(3.82%)	(3.83%)	(0.77%)
- Non-taxable items	1.45%	1.09%	0.36%
- Income taxable at specific rates	1.25%	1.20%	1.34%
- Other	(1.24%)	(3.86%)	(1.84%)
	32.07%	29.03%	33.52%
Impact on deferred taxes of:			
- Changes in tax rates	0.05%	0.01%	(4.08%)
- Recognition or non-recognition of deferred tax assets	(1.05%)	(0.07%)	(0.05%)
Effective tax rate	**31.07%**	**28.97%**	**29.39%**

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)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Deferred taxes recorded by French companies	(336.6)	(360.3)	(377.9)
Deferred taxes recorded by foreign companies	(206.3)	(202.2)	(212.7)
	(542.9)	**(562.5)**	**(590.6)**
Origin of deferred taxes:			
- Depreciation of fixed assets	(71.4)	(79.6)	(57.8)
- Tax loss carryforwards	7.7	5.3	6.1
- Statutory profit-sharing	4.8	4.9	2.7
- Pensions and other post-employment benefits	16.7	21.0	15.2
- Developed technology	(9.6)	(19.3)	(34.6)
- Trademarks	(534.2)	(531.8)	(527.5)
- Impairment losses on inventories and receivables	27.2	22.1	19.7
- Fair value adjustments to derivative instruments	(5.0)	(5.3)	(6.9)
- Translation adjustments	2.1	0.1	0.7
- Non-deductible provisions	52.9	47.5	29.8
- Margin on inventories	13.2	16.4	13.6
- Other	(47.3)	(43.8)	(51.6)
	(542.9)	**(562.5)**	**(590.6)**
- Of which deferred tax assets	82.1	76.4	64.3
- Of which deferred tax liabilities	(625.0)	(638.9)	(654.9)

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

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Deferred taxes – short term	73.0	62.5	42.6
Deferred taxes – long term	(615.9)	(625.0)	(633.2)
	(542.9)	**(562.5)**	**(590.6)**

Tax losses carried forward broke down as follows:

(in € millions)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Net recognized operating losses carried forward	29.0	21.5	24.1
Recognized deferred tax assets	7.7	5.3	6.1
Net unrecognized operating losses carried forward	85.0	95.1	110.5
Unrecognized deferred tax assets	24.0	27.7	32.1
Total net operating losses carried forward	114.0	116.6	134.6

Recognized deferred tax assets in the amount of €6.0 million are expected to be utilized during the year ending December 31, 2010. The remaining recognized deferred tax assets are expected to be utilized no later than five years from December 31, 2009.

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)	**December 31, 2009**	**December 31, 2008**	**December 31, 2007**
Due within one year	32.8	18.5	18.9
Due in one to two years	27.7	13.9	14.8
Due in two to three years	18.8	10.6	11.5
Due in three to four years	11.7	7.8	8.7
Due in four to five years	7.7	5.1	7.0
Due beyond five years	7.0	3.5	7.1
	105.7	**59.4**	**68.0**

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 €7.4 million as of December 31, 2009.

22) Derivative instruments and 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 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.

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

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Other current financial assets	**0.6**	**5.0**	**11.8**
Swaps	0.0	0.0	4.6
Financial derivatives with a positive fair value	0.6	5.0	7.2
Other current financial liabilities	**0.3**	**0.0**	**86.9**
Swaps	0.0	0.0	86.9
Financial derivatives with a negative fair value	0.3	0.0	0.0

The change in other current financial liabilities between December 31, 2007 and December 31, 2008 was mainly due to the expiration of the swap hedging the 8½% debentures (Yankee bonds).

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 December 31, 2009 the breakdown of debt (excluding debt issuance costs) between fixed and variable rate is as follows:

(in € millions)	December 31, 2009
Fixed rates	313.3
Variable rates	1,202.3

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)	1,202.3	-	-
Cash and marketable securities	(173.5)	-	-
Net debt	1,028.8	-	-
Hedges	850.0	-	-
Position after hedging	178.8	-	-

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 2009 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 €4.9 million (2008: €11.0 million; 2007: €13.0 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:

	December 31, 2009		
	(in € millions)		
Period covered	Amount hedged	Benchmark rate	Average guaranteed rate including premium
January 2010 – February 2010	350.0	3-month Euribor	5.51%
March 2010	100.0	3-month Euribor	5.55%
April 2010 – March 2011	700.0	3-month Euribor	3.27%
April 2011 – March 2012	200.0	3-month Euribor	4.15%

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 €0.6 million at December 31, 2009 (December 31, 2008: €1.0 million; December 31, 2007: €6.5 million). The effect of changes in fair value on consolidated profit was a €1.6 million loss in 2009 (2008: €6.4 million loss; 2007: €3.0 million loss), 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.

Interest rate swaps hedging the 8½% debentures	December 31, 2009	December 31, 2008	December 31, 2007
Notional amount *(in $ millions)*	0.0	0.0	400.0
Swaps (assets) *(in € millions)*	0.0	0.0	4.6
Swaps (liabilities) *(in € millions)*	0.0	0.0	86.9

The swaps are measured at fair value in the balance sheet, with changes in fair value recognized in 'Finance costs and other financial income and expense, net' (Note 19 (b)). The changes in fair value had no net effect on consolidated profit in 2009 (2008: no net effect; 2007: €2.8 million loss).

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 December 31, 2009:

(in € millions)	Financial assets Cash and marketable securities	Financial liabilities (before debt issuance costs)
Euro	39.4	995.3
US dollar	39.0	332.2
Other currencies	95.1	188.1
	173.5	**1,515.6**

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 December 31, 2009 the Group has set up forward contracts in Brazilian real and Australian dollar which have a fair value of an amount of €0.3 million.

The table below presents the breakdown of net sales and operating expenses by currency as of December 31, 2009:

(in € millions)	**Net sales**		**Operating expenses (excluding purchase accounting adjustments relating to the acquisition and goodwill impairment)**	
Euro	2,019.2	56%	1,676.4	56%
US dollar	519.6	15%	456.6	15%
Other currencies	1,038.7	29%	865.7	29%
	3,577.5	**100%**	**2,998.7**	**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 US dollar, the Singapore dollar, the British pound and the Russian ruble. 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 a value of zero as of December 31, 2009 (December 31, 2008: €4.0 million; December 31, 2007: €0.7 million). Changes in these hedge's fair value are recognized in 'Exchange gains (losses)' (Note 19 (a)). It did not have any impact in 2009 (2008: €5.4 million gain; 2007: €0.8 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 2009 figures would have resulted in a decrease in net revenue of approximately €142.0 million and a decrease in operating profit of approximately €19.0 million.
In the same way, such increase applied to 2008 and 2007 figures would have resulted in a decrease in net revenue of approximately €163.0 million in 2008 and 148.0 million in 2007 and a decrease in operating profit of approximately €20.0 million respectively in 2008 and 2007.

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 could 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.
No such hedging contracts were set up in 2009.

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 (€1,339.8 million as of December 31, 2009) 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 (d)).

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 December 31, 2009 it stood at 1.68.

Finally, the Group's debt ratings are as of December 31, 2009

Rating agency	Long term debt	In prospect
S&P	BBB	Stable
Moody's	Baa2	Stable
Fitch	BBB	Stable

23) Information relating to corporate officers

a) Short-term benefits

(in € millions)	December 31, 2009	December 31, 2008	December 31, 2007
Advances and loans to corporate officers	0.0	0.0	0.0
Compensation paid to corporate officers*	1.8	2.3	1.8

* 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

	Contract of employement		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)	
Corporate officer	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**	**Yes**	**No**
Gilles Schnepp Chairman and CEO Commencement : 05/22/2008 Expiration : 12/31/2013		x	x			x	x	
Olivier Bazil Vice-Chairman and COO Commencement : 05/22/2008 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 December 31, 2009, the Group's commitment in connection with this agreement amounted to approximately €12.8 million, of which approximately €11.2 million was financed, while the remaining €1.6 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, incluging 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 amployees of an indemnitiy on retirement proportional to the length of their employement 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 indeminity 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 contract of employment (*contrat de travail*), modifications to them or subsequent to them.

d) Share-based payment

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.

Under the 2007 free share and stock option plans, corporate officers were granted 26,427 free shares and 79,281 options.

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

Legrand is the global specialist in products and systems for electrical installations and information networks where people live and work. The following information by geographical segment corresponds to the Group's consolidated reporting system.

12 months ended December 31, 2009 *(in € millions)*	France	Geographical segments Europe Italy	Others	USA/ Canada	Rest of the world	Items not allocated to segments	Total
Total revenue	2,179.6	778.9	873.8	575.0	869.2		5,276.5
Less intra-group transfers	(1,160.9)	(163.8)	(201.3)	(55.4)	(117.6)		(1,699.0)
Revenue	**1,018.7**	**615.1**	**672.5**	**519.6**	**751.6**		**3,577.5**
Cost of sales	(363.4)	(267.8)	(405.3)	(259.1)	(405.0)		(1,700.6)
Administrative and selling expenses, R&D costs	(418.5)	(180.0)	(183.4)	(198.1)	(197.1)		(1,177.1)
Other operating income (expense)	(62.3)	(11.3)	(35.8)	(13.9)	(52.4)		(175.7)
Operating profit	**174.5**	**156.0**	**48.0**	**48.5**	**97.1**		**524.1**
- of which Legrand post-acquisition expenses	(17.7)	(8.0)	(2.6)	(8.5)	(1.3)		(38.1)
- of which goodwill impairment					(16.6)		(16.6)
Adjusted operating profit	**192.2**	**164.0**	**50.6**	**57.0**	**115.0**		**578.8**
- of which depreciation expense	(46.7)	(28.4)	(17.6)	(12.0)	(20.8)		(125.5)
- of which amortization expense	(2.7)	(6.7)	(2.4)	(3.5)	(4.9)		(20.2)
- of which amortization of development costs	(15.3)	(3.3)	0.0	(1.9)	0.0		(20.5)
- of which restructuring costs	(18.0)	1.1	(23.0)	0.5	(11.3)		(50.7)
Exchange gains (losses)						(13.4)	(13.4)
Finance costs and other financial income and expense						(88.1)	(88.1)
Income tax expense						(131.3)	(131.3)
Minority interest and share of (loss)/profit of associates						1.5	1.5
Net cash provided by operating activities						726.3	726.3
Net proceeds from sales of fixed and financial assets						43.8	43.8
Capital expenditure	(26.4)	(24.3)	(12.1)	(5.7)	(15.8)		(84.3)
Capitalized development costs	(22.1)	(6.1)	(0.2)	(2.3)	(0.6)		(31.3)
Free cash flow*						**654.5**	**654.5**
Total assets						5,614.4	5,614.4
Segment liabilities	339.4	173.4	102.1	97.2	161.2		873.3

* 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.

12 months ended December 31, 2008 *(in € millions)*	France	Geographical segments Europe Italy	Others	USA/ Canada	Rest of the world	Items not allocated to segments	Total
Total revenue	2,600.3	1,001.6	1,130.8	640.8	934.6		6,308.1
Less intra-group transfers	(1,454.0)	(235.8)	(236.1)	(59.3)	(120.5)		(2,105.7)
Revenue	**1,146.3**	**765.8**	**894.7**	**581.5**	**814.1**		**4,202.4**
Cost of sales	(410.1)	(328.9)	(556.7)	(296.8)	(477.5)		(2,070.0)
Administrative and selling expenses, R&D costs	(467.9)	(219.7)	(235.9)	(209.7)	(219.7)		(1,352.9)
Other operating income (expense)	(55.1)	(6.9)	(32.2)	(28.0)	(14.5)		(136.7)
Operating profit	**213.2**	**210.3**	**69.9**	**47.0**	**102.4**		**642.8**
- of which Legrand post-acquisition expenses	(27.0)	(12.6)	(3.9)	(9.7)	(1.9)		(55.1)
Adjusted operating profit	**240.2**	**222.9**	**73.8**	**56.7**	**104.3**		**697.9**
- of which depreciation expense	(54.0)	(29.7)	(17.4)	(16.4)	(17.5)		(135.0)
- of which amortization expense	(2.8)	(7.4)	(1.9)	(2.5)	(3.2)		(17.8)
- of which amortization of development costs	(6.0)	(2.8)	0.0	(0.4)	0.0		(9.2)
- of which restructuring costs	(7.1)	(2.4)	(17.1)	(17.0)	(4.0)		(47.6)
Exchange gains (losses)						(25.3)	(25.3)
Finance costs and other financial income and expense						(122.6)	(122.6)
Income tax expense						(143.4)	(143.4)
Minority interest and share of (loss)/profit of associates						1.6	1.6
Net cash provided by operating activities						577.5	577.5
Net proceeds from sales of fixed and financial assets						12.5	12.5
Capital expenditure	(35.6)	(39.9)	(17.6)	(11.2)	(26.7)		(131.0)
Capitalized development costs	(20.1)	(6.1)	0.0	(3.2)	0.0		(29.4)
Free cash flow*						**429.6**	**429.6**
Total assets						6,383.7	6,383.7
Segment liabilities	365.7	205.3	110.2	110.8	126.8		918.8

* 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.

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12 months ended December 31, 2007 *(in € millions)*	France	Geographical segments Europe Italy	Others	USA/ Canada	Rest of the world	Items not allocated to segments	Total
Total revenue	2,626.9	1,006.6	1,087.2	694.7	802.6		6,218.0
Less intra-group transfers	(1,423.7)	(237.6)	(257.4)	(55.0)	(115.5)		(2,089.2)
Revenue	**1,203.2**	**769.0**	**829.8**	**639.7**	**687.1**		**4,128.8**
Cost of sales	(489.4)	(322.1)	(529.4)	(338.0)	(381.6)		(2,060.5)
Administrative and selling expenses, R&D costs	(462.5)	(216.5)	(218.6)	(216.3)	(187.4)		(1,301.3)
Other operating income (expense)	(52.7)	(15.7)	(13.8)	(12.7)	(10.6)		(105.5)
Operating profit	**198.6**	**214.7**	**68.0**	**72.7**	**107.5**		**661.5**
- of which Legrand post-acquisition expenses	(33.2)	(15.7)	(4.8)	(6.5)	(2.3)		(62.5)
Adjusted operating profit	**231.8**	**230.4**	**72.8**	**79.2**	**109.8**		**724.0**
- of which depreciation expense	(54.4)	(26.6)	(18.0)	(14.6)	(16.8)		(130.4)
- of which amortization expense	(2.7)	(6.3)	(0.9)	(2.0)	(2.9)		(14.8)
- of which amortization of development costs	(5.3)	(2.8)	0.0	(0.1)	0.0		(8.2)
- of which restructuring costs	(1.1)	(4.4)	(3.3)	(2.7)	3.3		(8.2)
Exchange gains (losses)						44.0	44.0
Finance costs and other financial income and expense						(109.9)	(109.9)
Income tax expense						(175.0)	(175.0)
Minority interest and share of (loss)/profit of associates						0.4	0.4
Net cash provided by operating activities						685.5	685.5
Net proceeds from sales of fixed and financial assets						38.8	38.8
Capital expenditure	(49.5)	(50.4)	(15.3)	(14.9)	(19.3)		(149.4)
Capitalized development costs	(13.8)	(6.0)	0.0	(2.2)	0.0		(22.0)
Free cash flow*						**552.9**	**552.9**
Total assets						6,109.6	6,109.6
Segment liabilities	373.3	233.6	139.8	96.9	128.3		971.9

* 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.

25) Quarterly data – non-audited

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

(in € millions)	1st quarter 2009	1st quarter 2008	1st quarter 2007
France	260.0	293.3	306.0
Italy	173.4	226.5	223.5
Rest of Europe	170.4	218.3	198.7
USA/Canada	132.5	136.0	158.8
Rest of the world	165.1	174.9	145.7
Total	**901.4**	**1,049.0**	**1,032.7**

(in € millions)	2nd quarter 2009	2nd quarter 2008	2nd quarter 2007
France	265.1	313.9	310.9
Italy	159.1	212.6	206.0
Rest of Europe	162.0	232.8	209.4
USA/Canada	129.6	142.5	168.0
Rest of the world	194.9	215.2	168.7
Total	**910.7**	**1,117.0**	**1,063.0**

(in € millions)	3rd quarter 2009	3rd quarter 2008	3rd quarter 2007
France	232.8	264.9	276.8
Italy	139.2	158.9	170.9
Rest of Europe	163.2	231.3	205.9
USA/Canada	138.2	155.1	168.2
Rest of the world	188.4	209.1	178.0
Total	**861.8**	**1,019.3**	**999.8**

(in € millions)	4th quarter 2009	4th quarter 2008	4th quarter 2007
France	260.8	274.2	309.5
Italy	143.4	167.8	168.6
Rest of Europe	176.9	212.3	215.8
USA/Canada	119.3	147.9	144.7
Rest of the world	203.2	214.9	194.7
Total	**903.6**	**1,017.1**	**1,033.3**

b) Quarterly income statements – unaudited

(in € millions)	1st quarter 2009	1st quarter 2008	1st quarter 2007
Revenue	**901.4**	**1,049.0**	**1,032.7**
Operating expenses			
Cost of sales	(433.9)	(507.6)	(507.3)
Administrative and selling expenses	(262.0)	(288.0)	(270.0)
Research and development costs	(48.2)	(54.8)	(54.8)
Other operating income (expense)	(31.8)	(23.6)	(31.2)
Operating profit	**125.5**	**175.0**	**169.4**
Finance costs	(34.3)	(37.5)	(38.1)
Financial income	4.1	8.3	9.6
Exchange gains (losses)	(11.4)	25.5	3.1
Finance costs and other financial income and expense, net	(41.6)	(3.7)	(25.4)
Share of profit of associates	0.0	0.6	0.5
Profit before tax	**83.9**	**171.9**	**144.5**
Income tax expense	(27.2)	(57.8)	(51.6)
Profit for the period	**56.7**	**114.1**	**92.9**
Attributable to:			
- Equity holders of Legrand	**56.5**	**113.8**	**92.4**
- Minority interests	**0.2**	**0.3**	**0.5**

(in € millions)	2nd quarter 2009	2nd quarter 2008	2nd quarter 2007
Revenue	**910.7**	**1,117.0**	**1,063.0**
Operating expenses			
Cost of sales	(438.6)	(540.6)	(526.7)
Administrative and selling expenses	(243.0)	(298.5)	(276.0)
Research and development costs	(44.7)	(54.4)	(53.0)
Other operating income (expense)	(67.9)	(34.9)	(32.2)
Operating profit	**116.5**	**188.6**	**175.1**
Finance costs	(24.9)	(31.2)	(30.5)
Financial income	2.9	3.3	5.9
Exchange gains (losses)	(1.5)	7.0	5.3
Finance costs and other financial income and expense, net	(23.5)	(20.9)	(19.3)
Share of profit of associates	0.0	(0.6)	0.1
Profit before tax	**93.0**	**167.1**	**155.9**
Income tax expense	(41.2)	(47.2)	(52.7)
Profit for the period	**51.8**	**119.9**	**103.2**
Attributable to:			
- Equity holders of Legrand	**51.4**	**119.3**	**102.8**
- Minority interests	**0.4**	**0.6**	**0.4**

(in € millions)	3rd quarter 2009	3rd quarter 2008	3rd quarter 2007
Revenue	**861.8**	**1,019.3**	**999.8**
Operating expenses			
Cost of sales	(408.0)	(499.9)	(498.3)
Administrative and selling expenses	(228.7)	(274.9)	(260.5)
Research and development costs	(42.2)	(49.8)	(54.8)
Other operating income (expense)	(35.0)	(28.7)	(18.5)
Operating profit	**147.9**	**166.0**	**167.7**
Finance costs	(22.7)	(36.6)	(46.1)
Financial income	2.2	5.0	14.2
Exchange gains (losses)	4.3	(50.7)	21.4
Finance costs and other financial income and expense, net	(16.2)	(82.3)	(10.5)
Share of profit of associates	0.0	0.0	0.6
Profit before tax	**131.7**	**83.7**	**157.8**
Income tax expense	(39.9)	(23.8)	(54.2)
Profit for the period	**91.8**	**59.9**	**103.6**
Attributable to:			
- Legrand	**91.3**	**59.4**	**103.3**
- Minority interests	**0.5**	**0.5**	**0.3**

(in € millions)	4th quarter 2009	4th quarter 2008	4th quarter 2007
Revenue	**903.6**	**1,017.1**	**1,033.3**
Operating expenses			
Cost of sales	(420.1)	(521.9)	(528.2)
Administrative and selling expenses	(253.9)	(283.2)	(275.3)
Research and development costs	(54.4)	(49.3)	(56.9)
Other operating income (expense)	(41.0)	(49.5)	(23.6)
Operating profit	**134.2**	**113.2**	**149.3**
Finance costs	(18.1)	(46.4)	(37.7)
Financial income	2.7	12.5	12.8
Exchange gains (losses)	(4.8)	(7.1)	14.2
Finance costs and other financial income and expense, net	(20.2)	(41.0)	(10.7)
Share of profit of associates	0.0	0.0	0.8
Profit before tax	**114.0**	**72.2**	**139.4**
Income tax expense	(23.0)	(14.6)	(16.5)
Profit for the period	**91.0**	**57.6**	**122.9**
Attributable to:			
- Legrand	**90.6**	**57.4**	**122.5**
- Minority interests	**0.4**	**0.2**	**0.4**

26) Subsequent events

No significant events occurred between December 31, 2009 and the date when these consolidated financial statements were prepared.

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