

## Results for the first nine months of 2014:

**Organic<sup>(1)</sup> growth in sales: +0.8%**

**Adjusted operating margin before acquisitions<sup>(2)</sup>: 20.2% of sales**

Steady compared with the first nine months of 2013

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

*“Legrand sales in the first nine months were up +3.9% excluding the exchange-rate effect. The broader scope of consolidation resulting from acquisitions added +3.1%. Organic<sup>(1)</sup> growth came to +0.8%, a change in line with the trend in Legrand's market over the same period.*

*Business trends held steady in mature markets with the pace of growth improving in the United States in particular. Sales in new economies rose nearly +3% during the first nine months of the year, reflecting the good increase in the first half that was driven by emerging regions as a whole, and differentiated business trends in the third quarter. In the third quarter alone, sales in China and Turkey thus grew more slowly than in the first half and business in Latin America and Russia showed a decline.*

*Including exchange-rate effects, the change in total sales was +0.2% for the first nine months and +3.3% for the third quarter alone.*

*Over the first nine months, adjusted operating margin before acquisitions<sup>(2)</sup> held steady compared with the same period of 2013 and came to 20.2% of sales (20.0% including acquisitions). Facing differentiated business environments from one country to the next, in particular in new economies, Legrand is reacting and adapting where necessary, pursuing growth initiatives in buoyant markets, and more generally maintaining its ongoing productivity efforts. Free cash flow generation remains very solid and allows the group to self-finance its long-term development.*

*At the same time, Legrand has continued to expand its offering with many new product launches and has pursued its development through external growth acquiring three companies since the beginning of the year, all frontrunners in their respective markets.*

*In view of macroeconomic projections that have become less favorable than at the beginning of the year and the announced basis for comparison effect for the fourth quarter, Legrand's targets set at the start of the year have become challenging. Against this backdrop, Legrand maintains its 2014 objectives and is now targeting the low end of the range<sup>(3)</sup>. Teams are working actively to achieve this.”*

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

<sup>(2)</sup> At 2013 scope of consolidation

<sup>(3)</sup> 2014 targets: organic growth in sales at between 0% and +3% and adjusted operating margin before acquisitions of between 19.8% and 20.2% of sales.

## Key figures

Consolidated data (€ millions)	9 months 2013	9 months 2014
<b>Sales</b>	<b>3,318.6</b>	<b>3,323.9</b>
<b>Adjusted operating income<sup>(1)</sup></b>	<b>670.0</b>	<b>663.2</b>
<i>As % of sales</i>	<b>20.2%</b>	<b>20.0%</b>
		<i>20.2% before acquisitions<sup>(2)</sup></i>
Operating income	647.0	638.0
<i>As % of sales</i>	19.5%	19.2%
<b>Net income excluding minorities</b>	<b>402.1</b>	<b>398.3</b>
<i>As % of sales</i>	<b>12.1%</b>	<b>12.0%</b>
<b>Normalized<sup>(3)</sup> free cash flow<sup>(4)</sup></b>	<b>457.6</b>	<b>462.2</b>
<i>As % of sales</i>	<b>13.8%</b>	<b>13.9%</b>
Free cash flow	352.2	345.9
<i>As % of sales</i>	10.6%	10.4%
<b>Net financial debt at September 30</b>	<b>1,171</b>	<b>1,116</b>

(1) Operating income adjusted for amortization of revaluation of intangible assets at the time of acquisitions and for expense/income relating to acquisitions (€23.0 million in 9M 2013 and €25.2 million in 9M 2014) and, where applicable, for impairment of goodwill (€0 in 9M 2013 and 9M 2014).

(2) At 2013 scope of consolidation

(3) Based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for the first nine months. Normalized free cash flow should reach between 12% and 13% of sales for the full year, taking into account usual seasonality.

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

## Results to September 30, 2014

### Consolidated sales

Sales for the first nine months of 2014 totaled €3,323.9 million, 0.2% higher than in the first nine months of 2013. At constant scope of consolidation and exchange rates, sales rose +0.8% and changes in the scope of consolidation added +3.1%. Excluding the exchange-rate effect (-3.6%), sales increased +3.9%.

In the third quarter alone, sales rose +3.3% compared with the same period of 2013. Sales growth at constant scope of consolidation and exchange rates came to -0.3%. Changes in the scope of consolidation contributed +4.4%. Excluding the exchange-rate effect (-0.7%), sales in the third quarter were up +4.1%.

Taking into account the -3.6% exchange-rate effect observed in the first nine months and applying average exchange rates observed in October 2014 to the rest of the year, the full-year impact would be around -2.5% (9M -3.6% and Q4 approximately +1%), compared with figures previously anticipated of -3%<sup>(1)</sup> in July 2014 and -3.5%<sup>(2)</sup> in May 2014.

<sup>(1)</sup> -3% taking into account the exchange-rate effect observed in the first half of 2014 and applying average exchange rates observed in June 2014 to the rest of the year. This was noted on July 31, 2014 when first-half results were released.

<sup>(2)</sup> -3.5% taking into account the exchange-rate effect observed in Q1 2014 and applying average rates observed in April 2014 to the rest of the year. This was noted on May 7, 2014 when first-quarter results were released.

**Changes in sales by destination at constant scope of consolidation and exchange rates by geographical region:**

	9 months 2014 / 9 months 2013	3 <sup>rd</sup> quarter 2014 / 3 <sup>rd</sup> quarter 2013
France	-2.4%	-3.5%
Italy	-4.9%	-3.0%
Rest of Europe	+3.9%	-0.2%
United States/Canada	+1.3%	+2.0%
Rest of the World	+2.7%	+0.7%
<b>Total</b>	<b>+0.8%</b>	<b>-0.3%</b>
of which mature countries	-0.3%	-0.1%
of which new economies	+2.6%	-0.6%

- **France:** in a market that shows resilience in renovation and continues to retreat in new construction, sales in the first nine months were down -2.4%. Nonetheless, the group has turned in good showings in energy distribution, Voice-Data-Image solutions and assisted living since the beginning of the year. As a reminder, the fourth quarter of 2013 represents a high basis for comparison given +1.7% growth at constant scope of consolidation and exchange rates compared with -3.4% full-year in 2013.

- **Italy:** 2014 first nine-months sales to distributors (sell-in) came to -4.9% compared with -12.2% in the same period of 2013, a 7-point improvement generated as follows:

- around 4 points coming from a slower decline in the downstream sell-out of Legrand products by distributors (sell-out) which came to -3%<sup>(1)</sup> for the first nine months of 2014 compared with -7%<sup>(1)</sup> for the same period of 2013, and
- around 3 points from a reduction in distributor destocking effect, which stood at 2 points<sup>(1)</sup> for the first nine months of 2014 compared with 5 points<sup>(1)</sup> for the same period of 2013.

- **Rest of Europe:** benefitting from an overall favorable basis for comparison in the first half, sales for the region rose +3.9% in the first nine months of the year, fueled by growth in Germany, the Netherlands and Spain in particular. As a whole and excluding Russia, sales in the region's new economies continued to rise over the same period, with good showings in Romania, Hungary, the Czech Republic and Slovakia in particular. At the end of September, sales in Turkey grew more slowly than in the first half and activity in Russia edged down.

- **United States/Canada:** in the first nine months of 2014, sales grew +1.3% compared with the first nine months of 2013, and +7.9% compared to the same period of 2012, reflecting the development of group positions in the region over two years. Since the beginning of the year, Legrand has turned in good performances in wiring devices, Voice-Data-Image solutions and highly energy-efficient lighting control. Residential activity remains favorable and Legrand has recorded positive sales trends in the commercial market.

- **Rest of the World:** sales rose +2.7% for the region as a whole. While growth in China is lower than at the start of the year, the group continued to record good performances in Malaysia and India as well as in some African and Middle Eastern countries including Egypt and South Africa. Sales are almost stable in Latin America.

#### **Innovation**

Legrand is pursuing its innovation strategy and has successfully launched many new products since the beginning of the year. These include the international launch of its Archimod HE modular UPS range, featuring ease of operation and improved performance, as well as the Livinglight Air

<sup>(1)</sup> Estimate

wiring device range launched in Europe, offering innovative esthetics and technology within the Livinglight product family. Legrand also innovated in services to customers by opening its first project store—Innoval Lyon—in September. This all-new concept gives customers an opportunity to explore group offerings in operation in a connected and interactive showroom, and provides training in the installation of Legrand solutions.

### External growth

Legrand has also pursued its strategy of self-financed acquisitions. Since the beginning of the year, the group has announced three acquisitions totaling additional annual sales of over €120 million. Legrand has thus strengthened its positions in growing markets and segments through:

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

Based on acquisitions already announced and their likely consolidation dates, changes in the scope of consolidation should add around +2.7% to growth in consolidated sales in 2014. The impact of acquisitions announced on adjusted operating margin is -0.2 point over the first nine months of 2014 and should remain at this level full year.

### Operating performance

Adjusted operating margin before acquisitions<sup>(1)</sup> stood at 20.2% of sales in the first nine months of 2014, steady compared to the same period of 2013, thanks in particular to ongoing initiatives to improve productivity that included product platforms and lean manufacturing. In addition, faced with contrasting business trends from one country to the other in the third quarter, the group is responding and its teams are working actively. As a result, thanks to its specific processes, Legrand is pursuing active and differentiated management of its businesses, investing to fuel growth in expanding markets on the one hand, and adapting in countries marked by unfavorable economic conditions on the other hand.

Taking acquisitions into account, adjusted operating margin came to 20.0% of sales.

### Cash generation

Over the first nine months, cash flow from operations was a robust €543.4 million, or 16.3% of sales. At the same time, the group pursued its good management of capital employed.

Cash generation was solid in the first nine months with normalized<sup>(2)</sup> free cash flow equal to 13.9% of sales. Taking into account usual seasonality, the full-year figure should reach between 12% and 13% of sales.

This high level of cash generation is a key feature of Legrand's business model and allows the group to self-finance its development over the long term.

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

<sup>(2)</sup> Based on a working capital requirement representing 10% of the last 12 months' sales, and whose change at constant scope of consolidation and exchange rates is adjusted for nine months.

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

#### Key financial dates

- 2014 annual results: **February 12, 2015**
- 2015 first-quarter results: **May 7, 2015**
- General Meeting of Shareholders: **May 29, 2015**

#### ABOUT LEGRAND

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

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