



# REGISTRATION DOCUMENT

# 2011

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 **legrand**<sup>®</sup>

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# REGISTRATION DOCUMENT INCLUDING THE ANNUAL FINANCIAL REPORT

# 2011



This is a non binding free translation into english of the Registration Document filed with the French Financial Markets Authority (*Autorité des marchés financiers*) on April 5, 2012, pursuant to Article 212-13 of its General Regulations. The French version of the Registration Document can be used in support of a financial transaction if it is supplemented by an information memorandum duly approved by the French Financial Markets Authority. This Document was prepared by the issuer. The signatories assume responsibility for this document. The English version is provided only for the convenience of english speaking users.



## NOTE

References to the “Group” and “Legrand” are to the Company, its consolidated subsidiaries and its minority shareholdings. References to “Legrand France” relate specifically to the Company’s subsidiary Legrand France, which was previously named Legrand SA but was renamed by the Shareholders’ General Meeting dated February 14, 2006, and not to its other subsidiaries.

In this Registration Document, references to “KKR” relate to all companies owned and controlled by investment funds managed by Kohlberg Kravis Roberts & Co. L.P.

In this Registration Document, references to “Wendel” are, unless otherwise specified, to Wendel and/or one or more of its subsidiaries.

The Company’s consolidated financial statements presented in this Registration Document for the financial years ending December 31, 2011 and December 31, 2010 have been prepared in accordance with International Financial Reporting Standards, (“IFRS”), as adopted by the European Union. Since the Group has not applied the carve-out arrangements proposed by the EU and specified in IAS 39, these consolidated financial statements were also prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB). References therefore to the term “IFRS” within this Registration Document relate to international accounting standards as adopted in the European Union or as issued by IASB. The Company prepares and presents its consolidated financial statements in accordance with IFRS as required by French law. IFRS may differ in certain significant respects from French GAAP. The separate financial statements are presented in accordance with French GAAP.

This Registration Document contains information about Legrand’s markets and its competitive position therein, including market size and market share. As far as Legrand is aware, no exhaustive report exists with regard to the industry or the market for electrical and digital building infrastructures. As such, Legrand obtains data on its markets through its subsidiaries which compile information on their relevant markets on an annual basis. This information is derived from formal and informal contacts with industry professionals (notably professional associations), from the sales data of distributors of electrical products, and from building statistics and macroeconomic data. Legrand estimates its position in its markets based on the market data referred to above and on its actual sales in the relevant market.

Legrand believes that the market share information contained in this Registration Document provides fair and adequate estimates of the size of its markets and fairly reflects its competitive position within these markets. However, internal surveys, estimates,

market research and publicly available information, while believed by Legrand to be reliable, have not been independently verified and Legrand cannot guarantee that a third party using different methods to assemble, analyze or compute market data would obtain the same results. In addition, Legrand’s competitors may define its markets differently. Because data relating to market shares and market sizes are Company estimates, they are not data extracted from the consolidated financial statements, and Legrand cautions readers not to place undue reliance on such information.

This Registration Document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. They are mentioned in various sections of this Registration Document and contain data relating to Legrand’s intentions, estimates and targets, concerning in particular its market, strategy, growth, results, financial position and cash position.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of the Group’s future performance. Legrand’s actual financial position, results and cash flows as well as the development of the industrial sector in which it operates may differ significantly from the forward-looking information mentioned in this Registration Document, and even where these elements are consistent with the forward-looking information mentioned in this Registration Document, they may not be representative of the results or developments in later periods. Factors that could cause such differences include, among other things, the risk factors described in chapter 4 of this Registration Document. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

The forward-looking statements referred to in this Registration Document are only made as of the date of this Registration Document. The Group will update this information as necessary in its financial communications. Legrand operates in a competitive environment subject to rapid change. It therefore may not be able to anticipate all of the risks, uncertainties and other factors that could affect its activities, their potential impact on its activities or the extent to which the occurrence of a risk or combination of risks could lead to significantly different results from those set out in any forward-looking statements, it being noted that such forward-looking statements do not constitute a projection or guarantee of actual results.

# 01

## RESPONSIBILITY FOR THE REGISTRATION DOCUMENT AND STATUTORY AUDITORS

01

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## 1.1 – PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

### 1.1.1 – Name and position of the person responsible for the Registration Document

Mr. Gilles Schnepf, Chairman and Chief Executive Officer of Legrand, a French *société anonyme* whose registered office is located at 128 avenue du Maréchal de Lattre de Tassigny, 87000 Limoges, France, registered at the Limoges trade and companies register under the number 421 259 615, hereinafter referred to as “the Company”.

### 1.1.2 – Declaration of the person responsible for the Registration Document including the Annual Financial Report

*“I hereby certify, having taken all reasonable care in this regard, that the information contained in this Registration Document is, to the best of my knowledge, accurate and that there are no omissions that could materially affect its reliability.*

*I further certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with applicable accounting standards and provide a true and fair image of the assets, financial position and results of the Company and of its consolidated businesses, and that the Management Reports that appear in chapter 6 and Appendix 2 provide a true and fair account of developments in the business, the results and the financial position of the Company and of its consolidated businesses, together with a description of the risks and uncertainties to which they are exposed.*

*I have obtained from the Statutory Auditors, upon completion of their work, a letter in which they indicate that they have verified the information concerning the financial situation and financial statements presented in this Registration Document and that they have read the entire Registration Document.*

*The consolidated financial statements for the year ended December 31, 2009 are included for reference in the present document and are the subject of an auditors’ report that appears on page 185 of the 2009 Registration Document filed with the Autorité des marchés financiers under number D. 10-0270 and which contains an observation.*

*The consolidated financial statements for the year ended December 31, 2010 are included for reference in the present document and are the subject of an auditors’ report that appears on page 196 of the 2010 Registration Document filed with the Autorité des marchés financiers under number D. 11-0375.”*

Gilles Schnepf

Chairman and Chief Executive Officer

### 1.1.3 – Incorporation by reference

This Registration Document incorporates by reference the Company’s consolidated financial statements for the year ended December 31, 2009 and the related statutory auditors’ report, as presented on pages 134 to 184 and 185-186 in the Registration Document filed with the *Autorité des marchés financiers* on April 15, 2010 under number D. 10-0270, as well as the Company’s consolidated financial statements for the year ended December 31, 2010 and the related statutory auditors’ report, as presented on pages 142 to 196 and 196-197 in the Registration Document filed with the *Autorité des marchés financiers* on April 27, 2011 under number D. 11-0375.

## 1.2 - STATUTORY AUDITORS

### 1.2.1 - Principal Statutory Auditors

#### PricewaterhouseCoopers Audit

Member of the Versailles Regional Body of

Statutory Auditors (*Compagnie régionale des commissaires aux comptes de Versailles*)

Represented by Gérard Morin

Crystal Park

63, rue de Villiers

92208 Neuilly-sur-Seine, France

Appointed Deputy Statutory Auditors at the Ordinary General Meeting of Shareholders of June 6, 2003, became Principal Statutory Auditors following the merger between Pricewaterhouse and Coopers & Lybrand Audit, and renewed as Principal Statutory Auditors at the Ordinary General Meeting of Shareholders of May 27, 2010 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2015.

#### Deloitte & Associés

Member of the Versailles Regional Body of

Statutory Auditors (*Compagnie régionale des commissaires aux comptes de Versailles*)

Represented by Jean-Marc Lumet

185, avenue Charles-de-Gaulle

BP 136 92524 Neuilly-sur-Seine Cedex, France

Appointed as Principal Statutory Auditors at the Ordinary General Meeting of Shareholders of December 21, 2005 and renewed as Principal Statutory Auditor at the Ordinary General Meeting of Shareholders of May 26, 2011, for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2016.

### 1.2.2 - Deputy Statutory Auditors

#### Mr. Yves Nicolas

Member of the Versailles Regional Body of

Deputy Statutory Auditors (*Compagnie régionale des commissaires aux comptes de Versailles*)

Crystal Park

63, rue de Villiers

92208 Neuilly-sur-Seine, France

Appointed Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of March 2, 2004 and renewed as Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of May 27, 2010 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2015.

#### BEAS

Member of the Versailles Regional Body of

Deputy Statutory Auditors (*Compagnie régionale des commissaires aux comptes de Versailles*)

7-9, Villa Houssay

92524 Neuilly-sur-Seine Cedex, France

Appointed Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of December 21, 2005 and renewed as Deputy Statutory Auditor at the Ordinary General Meeting of Shareholders of May 26, 2011 for a term of six financial years. This appointment expires at the end of the Ordinary General Meeting of Shareholders convened to vote on the financial statements for the financial year ended December 31, 2016.

## 1.3 - FINANCIAL INFORMATION

### 1.3.1 - Person responsible for financial information

**Mr. Antoine Burel**

Chief Financial Officer

Address: 82, rue Robespierre, 93170 Bagnolet, France

Telephone: +33 (0) 1 49 72 52 00

Fax: +33 (0) 1 43 60 54 92

### 1.3.2 - Documents available to the public

The legal documents pertaining to the Company that must be made available to shareholders in accordance with the applicable regulations, and its financial records, may be consulted at the Company's registered office.

Pursuant to Article 222-7 of the General Regulations of the *Autorité des marchés financiers*, the following is a list of the information published or made public by the Company over the last twelve months.

#### List of press releases

Press releases are available from the Company website ([www.legrand.com](http://www.legrand.com)).

Date	Title
April 2011	Legrand reinforces its positions in Brazil and steps up development in energy performance by acquiring SMS
May 2011	2011 first-quarter results: Legrand is in line with 2011 targets. Sustained growth of sales (+13,7%) and adjusted operating income (+15,4%). Targeted acquisitions and innovation
	Legrand steps up growth in digital infrastructure market by acquiring Middle Atlantic Products Inc. in the United States
	Description of share buyback program
	Total number of shares and voting rights - April 2011
June 2011	Total number of shares and voting rights - May 2011
July 2011	2011 semi-annual results: Sales growth: +10.4%. Adjusted operating margin: 21.0%. 2011 targets confirmed
	Total number of shares and voting rights - June 2011
	Semi-annual report on liquidity contract - June 2011
	Total number of shares and voting rights - July 2011
September 2011	Total number of shares and voting rights - August 2011
October 2011	Total number of shares and voting rights - September 2011
November 2011	2011 nine months and third quarter results in line with Group targets. 2011 targets confirmed
	Total number of shares and voting rights - October 2011
December 2011	Total number of shares and voting rights - November 2011



Date	Title
January 2012	Total number of shares and voting rights - December 2011
	Semi-annual report on liquidity contract - December 2011
	Four new appointments to Legrand's Executive Committee
February 2012	2011 annual results: Performance in line with annual and medium-term targets – Successful sales initiatives and improved medium-term growth profile
	Legrand steps up expansion in India and in the UPS market by acquiring Numeric UPS
	Total number of shares and voting rights - January 2012
	Legrand continues to expand in digital infrastructures by acquiring Aegide in the Netherlands
March 2012	Proposal to appoint two new independent Directors to the Board of Directors
	Total number of voting rights and shares – March 8, 2012

#### List of BALO publications

Date	Information
05/11/2011	Notice convening Shareholders' and Members' meeting
06/24/2011	Periodical publications - Commercial and industrial companies (annual accounts)
03/30/2012	Notices convening Shareholders' and Members' meetings

#### Documents filed with the Clerk of the Commercial Court of Limoges ([www.infogreffe.fr](http://www.infogreffe.fr))

Date	Document
06/29/2011	Excerpt from the minutes of the Combined Ordinary and Extraordinary General Meeting of Shareholders of May 26, 2011
	Updated Articles of Association
	Excerpt from the minutes of the Board meeting of May 26, 2011
03/20/2012	Excerpt from the minutes of the Board meeting of February 8, 2012
	Updated Articles of Association

### 1.3.3 - Indicative financial information schedule

The 2012 financial information to be disclosed to the public by the Company will be available from the Company's website ([www.legrand.com](http://www.legrand.com)).

As an indication only, the Company's timetable for the publication of financial information up to December 31, 2012 should be as follows:

2012 first-quarter results: May 4, 2012.

2012 semi-annual results: July 27, 2012.

2012 nine-month results: November 8, 2012.

The Company's Board of Directors met on March 7, 2012 and decided to convene the Company's Annual Combined Ordinary and Extraordinary General Meeting of Shareholders on May 25, 2012.





# 02

## SELECTED FINANCIAL INFORMATION

02

The selected financial information for the years ended December 31, 2011, 2010 and 2009 has been drawn from the consolidated financial statements prepared in accordance with IFRS. These can be found in chapter 10 of this Registration Document and have been audited by PricewaterhouseCoopers Audit and Deloitte & Associés.

Please read this selected financial information in tandem with the information in chapter 6 of this Registration Document, the Group's consolidated financial statements, the Notes thereto (included in chapter 10 of this Registration Document) and all other financial information included elsewhere in this Registration Document.

(in € millions, except percentages)	2011	2010 <sup>(1)</sup>	2009 <sup>(2)</sup>
<b>Sales</b>	<b>4,250.1</b>	<b>3,890.5</b>	<b>3,577.5</b>
total sales growth	+9.2%	+8.7%	(14.9)%
sales growth at constant scope of consolidation and exchange rates <sup>(3)</sup>	+6.4%	+3.6%	(13.9)%
<b>EBITDA <sup>(4)</sup></b>	<b>1,010.1</b>	<b>949.1</b>	<b>745.0</b>
<b>Maintainable EBITDA <sup>(5)</sup></b>	<b>1,028.7</b>	<b>980.6</b>	<b>795.7</b>
<b>Adjusted operating income <sup>(6)</sup></b>	<b>856.7</b>	<b>797.0</b>	<b>587.9</b>
as a percentage of sales	20.2%	20.5%	16.4%
<b>Maintainable adjusted operating income <sup>(5)</sup></b>	<b>875.3</b>	<b>828.5</b>	<b>638.6</b>
<b>Net income <sup>(7)</sup></b>	<b>479.3</b>	<b>419.5</b>	<b>291.3</b>
as a percentage of sales	11.3%	10.8%	8.1%
<b>Free cash flow <sup>(8)</sup></b>	<b>522.7</b>	<b>645.5</b>	<b>654.5</b>
as a percentage of sales	12.3%	16.6%	18.3%
<b>Net financial debt at December 31 <sup>(9)</sup></b>	<b>1,268.8</b>	<b>1,197.5</b>	<b>1,339.8</b>

(1) 2010 data adjusted for the items indicated in note 1A) to the consolidated financial statements referred to in chapter 10 of this Registration Document.

(2) 2009 adjusted operating income and maintainable adjusted operating income restated for €9.1 million on the basis of the same principle as in 2010.

(3) Please see section 6.3.2.8 of this Registration Document for a definition of this term.

(4) EBITDA is defined as operating income plus depreciation of property, plant and equipment and amortization of intangible assets and impairment of goodwill.

(5) Maintainable EBITDA and maintainable adjusted operating income are used to analyze EBITDA and adjusted operating income excluding the impact of restructuring costs (including capital gains or losses on the sale of assets).

(6) Adjusted operating income is defined as operating income adjusted for amortization of intangible assets revalued as part of the purchase price allocation process, plus any acquisition – related expense and income as well as impairment of goodwill.

(7) Net income corresponds to published net income (before non-controlling interests).

(8) Free cash flow is defined as the sum of net cash provided by operating activities and the net proceeds of asset disposals less capital expenditure and capitalized development costs.

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

The table below shows a reconciliation of EBITDA and maintainable EBITDA with net income and operating income:

(in € millions)	2011	2010	2009
<b>Net income</b>	<b>479.3</b>	<b>419.5</b>	<b>291.3</b>
Income tax expense	261.4	227.1	131.3
Exchange (gain)/loss	(10.6)	39.8	13.4
Financial income	(15.0)	(11.7)	(11.9)
Financial expense	97.2	82.9	100.0
<b>Operating profit</b>	<b>812.3</b>	<b>757.6</b>	<b>524.1</b>
Depreciation of property, plant and equipment	111.0	120.2	126.5
Amortization of intangible assets and impairment of goodwill	86.8	71.3	94.4
<b>EBITDA</b>	<b>1,010.1</b>	<b>949.1</b>	<b>745.0</b>
Restructuring charges	18.6	31.5	50.7
<b>Maintainable EBITDA</b>	<b>1,028.7</b>	<b>980.6</b>	<b>795.7</b>

The table below shows a reconciliation of the Group's adjusted operating income and maintainable adjusted operating income with operating income and net income:

(in € millions)	2011	2010	2009
<b>Net income</b>	<b>479.3</b>	<b>419.5</b>	<b>291.3</b>
Income tax	261.4	227.1	131.3
Exchange (gain)/loss	(10.6)	39.8	13.4
Financial income	(15.0)	(11.7)	(11.9)
Financial expense	97.2	82.9	100.0
<b>Operating profit</b>	<b>812.3</b>	<b>757.6</b>	<b>524.1</b>
Purchase accounting adjustments and expense/income related to acquisitions <sup>(1)</sup>	28.5	39.4	47.2
Impairment of goodwill	15.9	0.0	16.6
<b>Adjusted operating income</b>	<b>856.7</b>	<b>797.0</b>	<b>587.9</b>
Restructuring charges	18.6	31.5	50.7
<b>Maintainable adjusted operating income</b>	<b>875.3</b>	<b>828.5</b>	<b>638.6</b>

(1) Purchase accounting adjustments relating to intangible asset revaluations in connection with acquisitions and related expense and income.

The table below shows a reconciliation of the Group's free cash flow with net cash provided by operating activities:

(in € millions)	2011	2010	2009
<b>Net cash provided by operating activities</b>	<b>646.2</b>	<b>749.4</b>	<b>726.3</b>
Net proceeds from sales of tangible and intangible assets	13.5	8.9	43.8
Capital expenditure	(107.1)	(82.5)	(84.3)
Capitalized development costs	(29.9)	(30.3)	(31.3)
<b>Free cash flow</b>	<b>522.7</b>	<b>645.5</b>	<b>654.5</b>

The table below shows the changes in Legrand's net financial debt:

<i>(in € millions)</i>	2011	2010	2009
Short-term borrowings	218.0	216.8	445.5
Long-term borrowings	1,539.1	1,213.0	1,067.8
Cash and cash equivalents	(488.3)	(232.3)	(173.5)
<b>Net financial debt</b>	<b>1,268.8</b>	<b>1,197.5</b>	<b>1,339.8</b>

The table below shows the changes in Legrand's share capital:

<i>(in € millions)</i>	2011	2010	2009
Share capital	1,053.6	1,052.6	1,052.4
Retained earnings	2,064.3	1,810.7	1,568.4
Translation reserves	(172.1)	(132.7)	(231.6)
<b>Equity attributable to equity holders of Legrand</b>	<b>2,945.8</b>	<b>2,730.6</b>	<b>2,389.2</b>

# 03

## GROUP OVERVIEW

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## 3.1 - LEGRAND AND ITS BUSINESS

### 3.1.1 - Overview

Legrand is the global specialist in electrical and digital building infrastructure. Its full range of control-and-command, cable management, energy distribution and “Voice-Data-Image” products and services, which are suitable for the international commercial, industrial, and residential markets makes Legrand a world-wide standard setter. The Group markets its products under internationally recognized general brand names, including *Legrand* and *Bticino*, as well as under well-known local and specialist brands. Legrand, which is close to its markets and focuses on its customer, has commercial and industrial operations in over 70 countries, and markets a wide range of products, including around 190,000 catalog items, in almost 180 countries.

Legrand's development model relies on innovation and the continual launch of new high value-added products, as well as on targeted and self-financed acquisitions of small and medium-sized companies that are leaders on their markets and highly complementary to the Group's business activities.

With 35% of its sales generated in new economies, and almost 22% of its revenues in new market segments (digital infrastructure, energy efficiency, home systems and wire-mesh cable management), the Group has sound growth drivers for the long-term.

Legrand generated revenue of €4,250 million in 2011, of which 77% was generated outside France, and recorded an adjusted operating margin of 20.2%.

The Group is listed on NYSE Euronext, and was included in the CAC 40, FTSE4Good, MSCI World, ASPI, and DJSI Indices at the time this Registration Document was filed.

#### ■ 3.1.1.1 HIGH-POTENTIAL BUSINESSES

Due to deep societal, technological and macroeconomic changes, the market for electrical and digital building infrastructure offers attractive growth prospects over time. These developments have a favorable impact on the Group's expansion in new economies and in new market segments (digital infrastructure, energy efficiency, home systems and wire-mesh cables management).

##### 3.1.1.1.1 New economies

##### **Strong growth and increased exposure to new economies**

New economies account for a steadily growing share of the global economy, due to the fact that their rate of growth is higher than

that of mature countries. The long-term development of electrical and digital building infrastructure, especially in Brazil, India, China, Russia, Turkey, and Mexico, is creating demand for both low-end and high value-added products. Finally, as 20% of the world's population does not have yet access to electricity, Legrand believes that its market offers significant long-term growth potential as electricity generation and supply infrastructure develop.

In 2011, the revenue generated by the Group in new economies increased by around 18% overall, *i.e.* by over 14% at constant scope of consolidation and exchange rates, and accounted for 35% of Legrand's revenue. In 2011, business in new economies was divided between over 120 countries, while Brazil accounted for over 5% of Legrand's total revenue, and other major countries (Russia, China and India) for less than 4% each.

##### 3.1.1.1.2 New business segments

Boosted by technological progress and the emergence of new requirements, digital infrastructure, home systems, energy efficiency and wire-mesh cable management are experiencing very strong growth, particularly in mature countries, where this development is relatively independent of the construction market. Legrand achieved sales growth of almost 32% (or 13% at comparable scope of consolidation and exchange rates) in these new segments in 2011, which accounted for almost 22% of its total revenue.

##### **Digital infrastructure and home systems**

Breakthroughs in electronic and digital technologies have led to sweeping changes in the day-to-day use of electrical appliances. Telephones, televisions, computers, and lighting and sound systems, etc. are becoming increasingly interactive, intuitive, mobile and inter-connected.

In residential buildings, the electrical system must not only supply electrical appliances, but also enable the interactive management of all functions in the home, including the monitoring of energy consumption, comfort (temperatures and lighting management), security, and even audio and video broadcasts.

In commercial buildings, IT and telephony networks increasingly converge with building management systems (lighting, heating and security), and use the IP protocol to communicate, thus making their management and maintenance easier.



Legrand offers its customers solutions that are simple to use and install, and allow smart management of the building, thanks to its digital infrastructure. Over the past few years, the Group has made its mark with numerous innovations, including the *My Home* residential system, the LCS<sup>2</sup> VDI solutions, which offer simplified installation and ensure the optimal performance of the network, and the *Digital Lighting Management* range for optimized lighting management using a digital network.

### Energy efficiency

Buildings currently account for 40% of total world-wide energy consumption.

Legrand is seeing growing demand in all its markets for products and systems that reduce energy consumption and improve the quality of electricity, as a result of the introduction of new regulations such as France's *Grenelle de l'environnement* program, or "energy codes" in the United States, of growing demand for environmentally friendly products, and of increasing energy costs.

Legrand is responding to this demand by offering a series of solutions in the lighting and heating management, shutter control, home automation, stand-by mode, and water-heater management, as well as in the improvement and control of electricity quality (source inversion, reactive energy compensation, energy-efficient transformation, surge protection, and uninterrupted power supply).

Readers are invited to refer to section 5.3.3 of this Registration Document for further information on the energy efficiency business.

### Wire-mesh cables management

Thanks to their flexibility, its ease of installation and its highly ventilated structure, which enables better cables cooling, wire-mesh cable management is experiencing sustained growth, particularly in datacenters. The Group offers a full range of universal cable management via its *Cablofil* brand, which can be installed in all commercial (datacenters, retail outlets, etc.) and industrial buildings throughout the world.

#### 3.1.1.1.3 Medium and long-term growth prospects

Aside from new market segments, new high-potential businesses, like assisted living, electric-vehicle charging stations, or smart grids, for example, offer the Group long-term growth prospects.

### Assisted living

The aging of the population (by 2050, the world's population is expected to include four times as many people over 80 as in 2011) poses a major challenge, both in terms of economic and as societal dependency. Faced with this challenge, and as the result of growing demand from seniors wishing to remain in their homes while remaining independent, Legrand is developing customized solutions including:

- lighting path, which light up automatically to prevent falls;
- easy-fit-socket;
- centralized command systems;
- door entry systems with induction loops that make bells and intercoms easier to hear for people who wear hearing aids.

Moreover, this range, which improves quality of life, has been supplemented by Intervox Systemes' remote assistance terminals. This company joined the Group in February 2011, making Legrand the leader on the French assisted living market.

See section 5.4.3 of this Registration Document for further details on the assisted living business.

### Electric-vehicle charging stations

The electric vehicle charging station market is expected to be a high-potential market in the coming years. In France, for instance, the Ministry of Ecology, Energy and Sustainable Development is forecasting that the number of rechargeable electric (electric or rechargeable hybrid) vehicles will reach 2 million units in 2020, which would amount to the potential installation of around 400,000 public charging stations and of over 4 million private charging stations between now and 2020. The market is expected to receive a specific boost from the introduction of a regulatory framework (the *Grenelle II* Law, approved on July 12, 2010, will make the installation of charging stations in residential and commercial buildings mandatory as of 2012, together with the introduction of a "right to plug in" for joint owners and lessees in existing multi-family homes), and from government incentives for the purchase of electric vehicles.

In order to respond to the requirements of this emerging market, Legrand brought in 2011 and 2012, a full range of charging stations for electric vehicles that covers all requirements to the market including: private charging stations for residential and commercial buildings, and public charging stations.

See section 5.3.3.2 of this Registration Document for further details on the electric-vehicle charging station business.

### Smart grid

A building's electrical and digital infrastructure is a key component of smart grids. In fact, the optimization of energy management for the entire electrical network involves efficient consumption management within the buildings, and the exchange of data between the buildings and the network. These two functions are handled by the electrical and digital building infrastructure, where Legrand is the global specialist.

### ■ 3.1.1.2 PRODUCTS

The Group offers around 190,000 catalog items, which can be divided into four main product and system categories:

- control and command of electric power;
- cable management;
- energy distribution; and
- Voice-Data-Image ("VDI").

Each product category is marketed in Legrand's major geographical markets. The technical features and the design of Legrand's products vary, depending on whether they are intended for commercial, residential or industrial buildings.

Control and command products and systems, cable management, energy distribution, and Voice-Data-Image represented around 41%, 18%, 27% and 14% of the Group's revenue respectively in 2011.

#### 3.1.1.2.1 Control and command of electrical power

Control and command products and systems act as an interface between end-users and their electrical installation, enabling them to access comfort, security and communication functions in their home or workplace, including:

- comfort systems, which include lighting control, temperature control, sound diffusion, and roller blind closing systems. These products range from basic electrical "on-off" switches and wall sockets to thermostats, dimmers, switches activated by infrared presence detectors, time switches and other automated products that enable end-users to control the flow of electricity and data;
- security systems, including emergency lighting, fire and intruder alarms, and access control systems (including audio and video entry phones) for residential and commercial buildings. These security systems are designed to enable rapid set-up by electrical contractors, and to offer maximum flexibility, convenience and security to end-users;
- communication systems, which cover in-home video, telephone and IT networks. Legrand has developed significant know-how in terms of "smart" home management systems, which are known as residential, or home-automation, systems. All the household appliances and electrical networks in the home are connected, which enables the end-user to control security, comfort and energy consumption locally or remotely. These systems are contributing to the development of digital infrastructure in residential buildings.

Legrand has been designing electrical power control and command products and systems since its foundation, and benefits from unique experience, which sets it apart from its competitors.

The Group believes that it has a front-runner position in the global electrical power control and command product design market, and considers itself to be the global market leader in wiring devices (mainly switches and sockets) with an estimated market share of approximately 20%. The Group is one of the only manufacturers offering wiring devices that fit with the main electrical standards in use around the world.

#### 3.1.1.2.2 Cable management

Cable management systems include trunking and ducting, cable routing systems, wire-mesh cable management systems, floor boxes, electrical cable junction boxes, and various systems that enable the secure distribution of electricity and data in buildings. These items are designed to prevent any accidental contact between electrical wires and cables and other electrical or mechanical equipment, or any exposure of these wires and cables that could be hazardous for end-users. Cable management systems include a variety of plastic or metal products, which enable power and data cables to be laid either in the ground, or in a room's surrounds, or even in the ceiling.

Legrand believes that it is the world leader in cable management systems, with an estimated share of around 14% of the accessible market.

#### 3.1.1.2.3 Energy distribution

Energy distribution products include circuit breakers (modular circuit breakers, molded cases circuit breakers, air circuit breakers and residual current protection device), surge protection, electrical measurement components, UPS (*Uninterruptible Power Supply*), and transformers, as well as the distribution panels and systems that enable the installation and connection of these devices. These products enable people and goods to be protected against major electrical risks (e.g. electric shocks, overheating, short-circuits, and surge) and the reliable supply of high-quality electric power to buildings, regardless of whether they are for residential, commercial, or industrial use. They also enable the protection of renewable energy sources.

Legrand believes that it is one of the main manufacturers of energy distribution products, and that it ranks among the top five players in the European and South American energy distribution product markets.

#### 3.1.1.2.4 Voice-Data-Image (VDI)

Legrand offers a full-range of pre-wired systems for IT, telephone and video networks, like the new high-debit data transmission

RJ45 wall socket, fiber optic jacks, connection panels, cabinets, boxes, VDI cable management accessories, and copper and fiber optic VDI cables, all of which enable the organization of VDI (including IP) networks in residential and commercial buildings, and make that organization easier.

Legrand believes that it is one of the four main manufacturers of a certain number of VDI applications (excluding cables, active products and Wi-Fi), and has been very successful in this area, particularly with its new LCS<sup>2</sup> range, which enables simple and quick set-up, and guarantees optimum network performance.

### 3.1.2 - History

The main stages in Legrand's development are:

- 1926: foundation of the Legrand company, specialising in the production and decoration of china;
- 1946: acquisition of Legrand by the Verspieren and Decoster families;
- 1949: Legrand focuses exclusively on the manufacturing of wiring devices;
- 1966: first operations outside France, primarily in Belgium and Italy;
- 1970: Legrand is admitted to the Paris Stock Market;
- 1977: first operations outside Europe and in emerging economies, *via* the acquisition of *Pial*, the leading Brazilian wiring device manufacturer;
- 1984: first operations in the United States with the acquisition of *Pass & Seymour*, the second largest US wiring device manufacturer;
- 1987: Inclusion of Legrand in the CAC 40 Index;
- 1989: acquisition of *Bticino*, the leading Italian electrical device manufacturer; revenue exceeds €1 billion;
- 1995: issue of a 400 million dollar *Yankee* bond maturing in 2025;
- 1996: first operations in India, with the takeover of *MDS*; acquisition of the *The Watt Stopper*, the US leader in the highly energy-efficient lighting systems market;
- 1998: revenue exceeds €2 billion;
- 1999: opening of *Innoval* in Limoges, which is both a showroom and a training centre dedicated to the Group's clients;

- 2000: acquisition of *Wiremold*, the leading manufacturer of cable management systems in the United States;
- 2001: Schneider Electric launches a full friendly tender offer for Legrand; the Brussels Commission opposes the planned merger in October 2001. As Legrand had planned prior to the merger with Schneider Electric, a new organizational structure is introduced with the aim of separating Front Office and Back Office responsibilities (see section 3.3 of this Registration Document);
- 2002: finalization of the "demerger" from Schneider Electric. Legrand is acquired by a consortium consisting mainly of Wendel and KKR;
- 2003: delisting;
- 2005: Legrand becomes the leader in the Chinese electrical device market *via* the takeover of *TCL*, the market leader; revenue exceeds €3 billion;
- 2006: Legrand is listed on NYSE Euronext; Legrand adheres to the Global Compact;
- 2010: first Eurobond issue, amounting to €300 million, and maturing in 2017; publication of the new sustainable development initiative roadmap;
- 2011: Legrand generates revenue of over €4.2 billion, two thirds of which is generated from the position of number one or number two; 35% of sales are generated in emerging economies; Legrand returns to the CAC 40 Index.

## 3.2 - A PROFITABLE-GROWTH STRATEGY, DRIVEN BY LEADERSHIP

Legrand's medium-term strategy, excluding the effects of economic cycles, consists in accelerating its profitable growth, primarily by growing its business in new economies and in promising new business segments through innovation and targeted acquisitions. Thanks to the soundness of its economic

model, and to ongoing efforts to optimize that model, Legrand intends to continue to self-finance its expansion, and to boost its profitable growth profile, thereby creating value.

### 3.2.1 - A market characterized by high entry costs

Legrand believes that access to its market requires new entrants to make a high initial investment, primarily due to:

- differences in national electrical standards, local standards and regulations, and design preferences;
- the need to offer customers an extensive range of products and systems with multiple functionalities; and
- the need to establish relationships with the many players in the industry, regardless of whether they are local electrical

distributors, electrical contractors, product specifiers, or end-users.

Legrand's products are subject to quality and safety controls and regulations. They are governed by standards that are primarily national and international, such as European Union directives, and by product standards adopted by international organizations, like the European Committee for Electro-Technical Standardization, and the International Electro-Technical Commission.

### 3.2.2 - Legrand, a market leader with a unique positioning

#### ■ 3.2.2.1 A GLOBAL PLAYER, SPECIALIZING IN ELECTRICAL AND DIGITAL BUILDING INFRASTRUCTURE

Unlike its large multinational competitors, Legrand focuses on the development, manufacturing and marketing of a full range of products and systems for electrical and digital building infrastructure. This specialization in its business area, without any diversification, has enabled Legrand to acquire a unique technical and commercial expertise, which covers its entire business sector.

This specialization is applied on a global scale, and guaranteed by the Group's presence in over 70 countries through subsidiaries, branches and representative offices, as well as through the marketing of the Group's products in nearly 180 countries.

By leveraging its strong local presence, Legrand has established longstanding commercial relationships with key local distributors and electrical installers, as well as with product specifiers who provide Legrand with thorough knowledge of market trends and demand.

#### ■ 3.2.2.2 A MARKET LEADER WITH FRONT-RUNNER MARKET SHARES

Legrand believes that it is the worldwide leader in wiring devices, with an estimated market share of nearly 20% in 2011. It also estimates that it is the world leader in the cable management segment, with a market share of approximately 14% in 2011.

On a more global basis, Legrand also enjoys market leader or number two positions for one or several products in many key countries, such as:

- France, Italy, Russia, Hungary, Brazil, Chile, Peru, Mexico and China in the wiring device sector;
- the United States, Mexico, France, and other European countries in the cable management sector;
- Spain, France and Australia, in the security lighting products sector;
- India, Brazil and Turkey in the UPS sector;

- Poland, Brazil, Colombia, India, France, and Italy in the modular protection sector.

Overall, the sales generated by Legrand from a position as the market leader or as number two in respective markets, accounted for two-thirds of Group revenue in 2011, while the number of market leader or number two positions has been multiplied by two in five years. Legrand believes that this first-rate competitive positioning makes it the standard-setter for distributors, electrical installers, product specifiers, and end-users, while boosting demand for its products.

### ■ 3.2.2.3 A PORTFOLIO OF RENOWNED BRANDS OFFERING A FULL RANGE OF PRODUCTS AND SYSTEMS

The Group believes that it offers a range of products that distributors, electrical installers, product specifiers, and end-users associate with a high-quality image, and to which they remain loyal. In particular, Legrand believes that electrical installers and product specifiers, who are the main drivers of demand, have trusted the Group's brands, products and systems for many years, given their safety, reliability and ease of installation and use.

Moreover, Legrand believes that its catalogs, which feature around 190,000 product references organized into some 78 product categories, are among the most exhaustive on the market. In addition, Legrand believes that it is the only market player offering a range of wiring devices that is both compliant with most international electrical standards, and that meets the expectations of electrical installers and end-users, primarily due to its easy integration into systems.

Legrand markets its products under globally recognized generalist brands, like *Legrand* and *Bticino*, as well as under an extensive portfolio of 39 specialist brands, like *Ortronics*, *Cablofil* and *Zucchini*, or very widely recognized local brands. Legrand primarily markets its products under the following brands for each geographical area:

- *Legrand*, *Arnould*, *Cablofil*, *Ortronics*, *Planet Watthom*, *Bticino*, *Cofrel*, *Sarlam*, *Zucchini*, *URA*, and *Alpes Technologies* in France;
- *Bticino*, *Legrand*, *Zucchini*, *Cablofil* and *Ortronics* in Italy;
- *Legrand*, *Bticino*, *Cablofil*, *Ortronics*, *Van Geel*, *Kontaktor*, *Baco*, *Electrak*, *Estep Inform* and *Aegide* in the Rest of Europe area;
- under brands backed by the *Legrand* brand, such as *Pass & Seymour*, *Wiremold*, *WattStopper*, *Ortronics*, *Cablofil* and *OnQ*, and through own-brands such as *Vantage*, *PW*, *Electrorack* and *Middle Atlantic Products* in the United States and Canada;
- under brands backed by the *Legrand* brand, like *Pial*, *TCL*, *Luminex* and *Anam*, and under own-brands such as *Legrand*, *Bticino*, *Cablofil*, *Lorenzetti*, *Cemar*, *HPM*, *HDL*, *SMS*, *Ortronics*, *Shidean*, *Numeric UPS*, and *Baco* in the Rest of the World area.

Legrand's brand and trademark portfolio is protected in most of the markets where the Group operates. The protection granted to Legrand's brands is based on their registration or use. Legrand's brands are registered with domestic, European and international agencies for variable periods, usually individual ten-year periods, subject to the laws subjecting ongoing protection to continued use of the brands.

As a general rule, Legrand only grants licenses on its trademarks to third parties in exceptional circumstances. Moreover, with the notable exception of the *TCL* trademark, which the Group uses under license, it does not usually license trademarks belonging to third parties.

### ■ 3.2.2.4 A BALANCED MARKET POSITIONING

Trends in the market for electrical and digital building infrastructure are naturally dependent on economic conditions. However, this market stands up well to the impact of economic cycles because of its diversity:

- the market covers the new-build and renovation sectors, although the last sector is less sensitive to economic cycles than the new-build sector, as it requires lower investments, and benefits from a recurring flow of activity arising from regular maintenance and modernization needs. Legrand estimates that approximately 51% of its revenue was generated by the renovation market in 2011, while the new-build market accounted for around 49% of its revenue in the same year;
- the market breaks down into three sectors, depending on the categories of buildings and end-users: the commercial sector, which includes buildings like hotels, offices and retail outlets, and also public buildings like schools or hospitals, where Legrand estimates that it generated 48% of its 2011 revenue, the residential sector (43% of its 2011 revenue), and the industrial sector (9% of its 2011 revenue), each of which has its own growth momentum;
- the market is characterized by a business flow fuelled mainly by a high level of relatively low-value orders, unlike industries that are more dependent on large public or private projects. The market is therefore mostly fragmented and sustainable, and is less sensitive to the impact of economic cycles than other markets, including the medium and high-voltage or infrastructure market;
- in addition, a certain number of businesses, like the new business segments (digital infrastructure, energy efficiency, home systems, and wire-mesh cable management), or assisted living are more driven by technological, social and societal development than the construction market.

- furthermore, a highly diversified geographical presence limits the Group's dependence on the specific economic performance of one or several countries. In fact, Legrand has commercial and industrial operations in over 70 countries, and markets a

wide range of products in nearly 180 countries. Specifically, Legrand generated 35% of its 2011 revenue in new economies (see section 3.1.1.1.1 of this Registration Document).

### 3.2.3 - A development driven by two growth engines

Legrand is constantly seeking to develop its market share and revenue on a profitable basis, by relying on two self-financed growth engines: organic growth, which is driven by innovation and the regular launch of new products; and targeted acquisitions of companies that are front-runners in their business area.

#### ■ 3.2.3.1 ORGANIC GROWTH SUPPORTED BY INNOVATION AND THE LAUNCH OF NEW PRODUCTS

Legrand's innovation and new product launches are at the heart of Legrand's growth and market share winning strategy. In fact, 38% of the Group's 2011 revenue was generated by products that have been on the market for less than five years.

##### 3.2.3.1.1 A proactive and targeted research and development policy

On average, Legrand dedicates 4 to 5% of its revenue\* to research and development, and around 50% of its investments to new products.

Legrand develops its products by focusing primarily on the following features:

- quality, reliability and overall safety;
- simplicity, ease and speed of installation;
- incorporating new technologies in the product offering, thereby enabling end-users to enjoy the widest possible choice of technology at all times;
- the ability of Legrand's product lines to work together in an integrated system;
- product functionality; and
- new designs.

##### 3.2.3.1.2 A know-how that is recognized for its innovation

Legrand has a long, recognized track record in terms of innovation, and of the development of new products that create value for its economic chain. In fact, Legrand adds higher added-value products to its ranges on a regular basis, including by using materials like leather, wood and steel, together with new high-technology solutions. Examples of these solutions include the universal multimedia socket, the first Wi-Fi wall outlet integrated into a range of wiring devices, a circuit breaker with an automatic reset function, *My Home*, Legrand's home automation range, which simultaneously manages lighting, security, heating and audio and video broadcast in residential buildings in a simple, ergonomic way, the introduction of Zigbee technology in a commercial range, and Ethernet connectivity offering the highest speeds.

Legrand also focuses its efforts on low-end product ranges, which enable it to meet all the requirements in its markets, especially in new economies. In fact, the Group has developed a special expertise in energy efficiency to reduce energy consumption and minimize the environmental impact of buildings, including lighting management, consumption measurement and management solutions, and a range of solar cell equipment protection devices.

##### 3.2.3.1.3 Effective management of research and development activities

Research and development is managed by three industrial divisions (see section 3.3.3 of this Registration Document) that decide on the allocation of projects among the various teams spread across the world at a global level. A significant portion of Legrand's research and development work is carried out in France, Italy, the United States, and China. At December 31, 2011, around 2,070 employees in approximately 19 countries were employed in research and development.

\* Research and development expenses before purchase accounting charges relating to the acquisition of Legrand France and including capitalized development expenses.



This global organizational structure enables the Group to optimize its research and development by designing products that share the same platform. It enables a rationalization of the number of components and a reduction in manufacturing costs, as well as the pooling of development costs and thus the dedication of more resources to high-growth businesses like digital systems. In addition, Legrand anticipates the international roll-out of its products as soon as it designs them. For instance, the new *Kaptika* and *Niloé* wiring device ranges launched in Russia and France respectively will be rolled out very rapidly in other countries, in order to capture the growth in this economic segment in the various geographic zones;

#### 3.2.3.1.4 A substantial patent portfolio

Legrand holds 4,050 active patents in over 70 countries, some of which relate to the protection of the same or similar technologies in several markets.

The Group's patents cover approximately 1,571 different systems and technologies. The average life the Group's patent portfolio is around eight years, which also corresponds to the average life of the patents held by Legrand's competitors.

### ■ 3.2.3.2 ACQUISITION-DRIVEN GROWTH IN A MARKET THAT OFFERS A LARGE NUMBER OF EXTERNAL GROWTH OPPORTUNITIES

Legrand aims to continue making targeted and self-financed acquisitions of companies that enjoy leading positions over the long term, thereby pursuing the expansion of its market share, and fuelling its growth. Given the fragmented nature of the market in which it operates, the Group focuses on acquiring small- and medium-sized companies.

#### 3.2.3.2.1 A fragmented market

The accessible market remains highly fragmented, since around 50% of global revenue is generated by small- and medium-sized companies, which are often local, and typically enjoy only a marginal share of the global market. With an accessible market share of some 6% in 2011, Legrand is the market reference. Market fragmentation is partly due to differing standards and applicable technical norms, and to end-users' habits in each country. Historically, attempts to harmonize standards to make products usable on a very large scale have failed, even within the European Union, due primarily to the size of the investment required to replace existing electrical networks for only limited added-value. As a result, a significant portion of the electrical and digital building infrastructure product and system market has traditionally remained in the hands of small local manufacturers, the potential acquisition of which may represent a growth opportunity for Legrand.

#### 3.2.3.2.2 Recognized experience of growth through targeted, self-financed acquisitions

In the fragmented market context in which Legrand operates, the Group has demonstrated its ability to identify and perform self-financed acquisitions of small- and medium-sized companies that are usually the leaders in their local market and enjoy strong brand awareness, thereby satisfying complementary technology, geographical location, market or product criteria.

In this respect, the ongoing role of Legrand's teams, which are very familiar with local market players, is to identify potential targets. A dedicated corporate development unit is responsible for monitoring the entire acquisition process, and is specifically responsible for coordinating the work performed by the various Group teams that may be involved in a takeover transaction.

Growth through targeted and self-financed acquisitions is a fully-fledged part of the Group's development model, and the Group has acquired, and "stowed" over 130 companies into its consolidation scope since 1954.

Legrand pursued its strategy of growth through external acquisitions in 2011, with the acquisition of SMS, the UPS (Uninterruptible Power Supply) market leader in Brazil, and of Megapower, the market leader in plastic cable management systems in Malaysia, as a joint venture. The Group also reinforced its position in new business segments via the takeover of Electrorack in the United States, which specializes in Voice-Data-Image (VDI) cabinets, of Middle Atlantic Products, the market leader in audio and video cabinet applications in North America, and of Intervox Systèmes, the market leader in remote assistance systems, in France. In early 2012, Legrand acquired Numeric UPS (this transaction remained subject to employee authorizations at the date this Registration Document was filed, but has already received the unanimous approval of Numeric's Board of Directors). Numeric UPS is the market leader in the small and medium-power UPS segment in India. The Group also took over Aegide, the market leader in Voice-Data-Image cabinets in the Netherlands, and a leading player in that market at the European level.

#### 3.2.3.2.3 Financial discipline

The rate of acquisitions takes account of the economic environment and of changes in valuation multiples.

In this context, Legrand maintains a disciplined financial approach, based on a multi-criteria assessment, and specifically uses an assessment matrix, which enables it to ensure that each acquisition:

- increases its local market share; and/or
- expands its product range and technology portfolio; and/or
- boosts its presence on markets with high growth potential; and

- is performed in compliance with its financial criteria, which primarily include:
  - an acquisition price that corresponds to average valuation multiples that are lower than or equal to those applied to comparable companies in the same sector (in terms of market positioning and growth potential), and where the calculation only includes the synergies achievable in the short term, and only covers operating costs, except where an exception is justified,
  - a positive impact on net income from the first year onwards,
  - a value-creation target (a return on invested capital that is higher than the weighted average cost of capital) at the end of three to five years on average, for acquisitions performed during the past 24 months.

### 3.2.4 - A profitable and self-financed business model

#### ■ 3.2.4.1 A MODEL BASED ON PROFITABLE GROWTH

##### 3.2.4.1.1 A market characterized by favorable pricing trends

On a global basis, Legrand's accessible market is characterized by a relative lack of range commoditization, and by a very diffuse flow of business from hundreds of thousands of electricians. These electrical installers, product specifiers, or end-users pay more attention to products' technical features than to their price. Electrical installers, for instance, tend thus to favor market-leading products that can be installed efficiently (safety, quality, reliability, and ease and speed of installation), and that offer the quality expected by the end-user (functionality, design and ease of use), over the price of products. This is one of the reasons why Legrand invests 4% to 5% of its revenue in research and development every year, and provides a steady flow of new products. See section 3.2.3.1 of this Registration Document.

Whilst some deflationary industries are seeing the price of their products eroded, Legrand's market is displaying a different overall trend. In particular, end-user sensitivity to product prices is specifically mitigated by the fact that electrical installations usually account for only a small portion of the total average cost of a new-build construction project (between 6 and 7% for a residential project, for example).

In addition, Legrand enjoys a certain degree of control over its tariff structure, through its ability to innovate on a regular basis, which has been strengthened by the setting up of an organization including around 40 people who are dedicated to managing sale prices. More generally, all the Group's management and finance staff have been trained on, and made aware of price management. On a historical basis, Legrand's sale prices have increased by an overall average of 2% per year between 1991 and 2011.

##### 3.2.4.1.2 Profitability driven by an ongoing improvement in competitiveness

Legrand relies on its efficient and responsive Back Office (see section 3.3.3 of this Registration Document), to constantly improve its competitiveness. Therefore, by drawing inspiration from methods based on creativity and "lean manufacturing", as

well as from innovative approaches like the concept of a product and industry platform, Legrand is continuously optimizing its cost base. A portion of these gains are specifically reinvested in research and development, and in Front-Office initiatives aimed at boosting organic growth.

More generally, the ongoing improvement in productivity, combined with the operational leverage provided by revenue growth and strong commercial positions (two thirds of sales are generated from market leader or number two positions) enables the Group to generate a high level of profitability while consolidating companies where profit margins are lower than the Group's.

The Group's adjusted operating margin amounted thus to 16% on average between 2002 and 2009, and to over 20% in 2010 and 2011.

#### ■ 3.2.4.2 HIGH FREE CASH FLOW GENERATION

By combining a high level of profitability and tight controls on capital employed (working capital requirements and capital expenditure), Legrand's economic model enables the Group to generate high levels of free cash flow over the long-term. Based on a constant working capital requirement to revenue ratio, the free cash flow generated thus amounted to around 13% of revenue in 2009, 2010 and 2011, a much better performance than the one the Group has historically achieved.

Legrand has historically been able to generate high and sustained cash flows, which have enabled it to benefit from significant financial and operational flexibility to self-finance the development of its business through innovation and acquisitions. Between 2002 and 2011, free cash flow amounted to 74% of adjusted operating income, and to over 12% of revenue, compared with 39% and almost 6% respectively between 1990 and 2001. This reflects the structural improvement in Legrand's ability to convert its adjusted operating income into cash, and to generate a significant level of free cash flow on a recurring basis.

The development of product platforms, the systematic application of its "make or buy" approach to all planned investments, the transfer of certain manufacturing processes to low capital



intensive countries, and a reduction in capital expenditure requirements have therefore enabled Legrand to reduce its ratio of capital expenditure to revenue from an average of around 9% between 1990 and 2011 to around 4% between 2002 and 2011. Legrand believes that the development of its business model and its improved operational structure should enable it to maintain

capital expenditure to sales ratio within a normalized range of between 3% and 4%.

At the same time, Legrand lowered its working capital requirement to revenue ratio from an average of 21% between 1990 and 2001 to an average of less than 12% between 2002 and 2011, and of even less than 10% in 2009, 2010 and 2011.

### 3.3 - AN ORGANIZATIONAL STRUCTURE THAT SUPPORTS THE GROUP'S STRATEGY AND CUSTOMERS

03

Legrand has manufacturing and marketing sites and subsidiaries in over 70 countries. In late 2001, Legrand introduced a certain number of operational and organizational initiatives aimed at accelerating growth, increasing the Group's responsiveness, and the generation of free cash flow, in order to self-finance that growth. Following this reorganization, Legrand's organizational structure is based on two distinct roles: sales and marketing activities (the Front Office) and manufacturing, purchasing, logistics and general administration activities (the Back Office).

- The Front Office is organized by country in order to respond to the specific requirements of each market in terms of relations with distributors, electrical installers, product specifiers, and end-users. This aim of this decentralized organizational structure, run by local managers, is to develop sales in accordance with the strategy set out by the Strategy and Development Department and approved by Senior

Management, to raise commercial profitability, and to reduce working capital requirements for each country.

- The Back Office is organized on a centralized basis, and includes the Group's Manufacturing, Research and Development, Purchasing, Logistics and General Administration Departments. Three industrial divisions are responsible for product manufacturing and research and development. Their goal is to make the Group even more competitive, thanks to the optimization of its industrial organizational structure and to the development of new products through intensifying research and development efforts, reducing costs and optimizing capital employed at a global level. The Heads of the various industrial divisions, as well as the Head of each of the main operational departments, report directly to Legrand's Senior Management. This operational structure enables the Group to increase its worldwide efficiency and responsiveness.

#### 3.3.1 - Experienced and motivated directors and management

On average, most members of Legrand's Senior Management team have around 20 years of experience in the electrical and digital building infrastructure industry. In addition, senior and main executive managers held 4% of the Group's share capital at December 31, 2011. As a result, they have a strong incentive to create value for shareholders.

Their experience and commitment have allowed Legrand to create and maintain a unique corporate culture, which inspires

and rewards talent and initiative. The influence of its Senior Management team has enabled Legrand to record sustained growth and a strong financial performance.

The Group has also set up stock-option, and free share award schemes including over 1,500 beneficiaries, in order to create value over the long term and to increase the management team's loyalty to the Group (see sections 8.2 and 8.3 of this Registration Document).

### 3.3.2 - Front Office

Legrand's relationship with its distributors, electrical installers, product specifiers, and end-users represents a strategic priority for the Group. Legrand is extending the marketing coverage for its markets as a whole by prioritizing areas with high long-term growth potential, like new economies, digital infrastructure, home systems and energy efficiency.

#### ■ 3.3.2.1 THE FRONT OFFICE'S ROLE AND RESPONSIBILITIES

The Front Office acts as an interface with Legrand's distributor customers, electrical installers, product specifiers, and end-users. Front Office activities in each country are run by a country manager who reports directly to the Group's Senior Management, and who is responsible for:

- increasing market share and sales;
- increasing commercial profitability; and
- reducing working capital requirements through efficient inventory and accounts receivable management.

The Group's subsidiaries in each country are given significant latitude to manage their business and staff, and country managers are real entrepreneurs.

Local revenue and market share growth is achieved in line with the strategy set out by the Strategy and Development Department and approved by Senior Management.

Furthermore, the Group set up a pricing unit in 2006, which consists of pricing managers throughout the world, and is supported by the local marketing and finance teams who devote part of their time to steering pricing. Their role is to reflect the innovation that Legrand's products bring to the market in pricing, and to adjust sale prices by product category, or even by catalog reference, specifically taking into account trends in raw material and component prices, inflation, and market conditions.

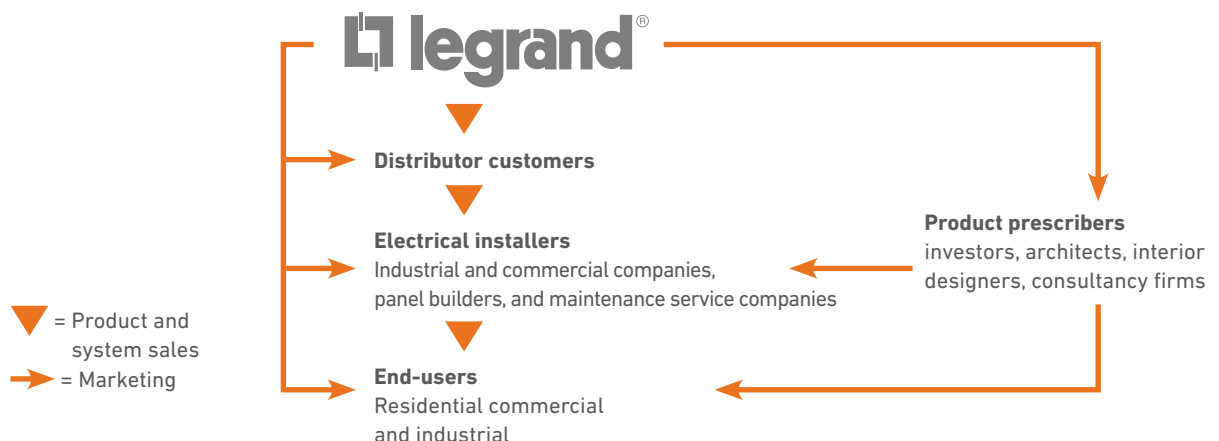
#### ■ 3.3.2.2 AN ECONOMIC CHAIN SUITED TO MARKET FLOWS

As part of its business, Legrand distinguishes between distributors, electrical installers, product specifiers, and end-users.

- Legrand's distributors are electrical device and equipment distributors. Sales to distributors amounted to over 95% of the Group's consolidated revenue in 2011.
- Electrical installers are professionals and individuals who buy, install and use Legrand's products. The professional category includes electricians, business-owners, panel builders, and industrial and commercial companies with a business activity connected to the installation of electrical products and systems.
- "Product specifiers" are the architects, decorators and design firms that fuel the demand for Legrand's products by recommending their installation to end-users or by specifying them in the design of certain building projects.
- "End-users" are the clients who use Legrand's products in the environment where these products are installed or used.

Legrand's relations with its distributors are generally governed by the terms and conditions of sale specific to each local market.

The chart below describes the distribution chain where manufacturers like Legrand sell their products, primarily to distributors, who in turn sell the products to the electrical installers responsible for installing them in end-users' buildings. This is a flow-driven business, as electricians may come to buy products from the distributors several times a week, depending on their requirements. Product specifiers play an active role in this chain by advising electrical contractors and end-users on product and application choices.



### ■ 3.3.2.3 A "PUSH-AND-PULL" STRATEGY

Sales and marketing are the responsibility of the Front Office, where headcount amounted to 19.4% of Legrand's worldwide headcount in 2011 (see section 8.1 of this Registration Document). Marketing efforts are focused on each level of the distribution chain (distributors, electrical installers, product specifiers and end-users), in accordance with the Group's "push-and-pull" strategy, the aim of which is outlined below. These efforts are primarily aimed at providing market players with information, training, and other services relating to Legrand's entire range of products and systems, alongside sales. Legrand believes that making access and use of its products easier for distributors, electrical installers and end-users enables the Group to create significant product and brand loyalty, and to generate demand for its products and systems at each level of the distribution chain.

#### **Selling Legrand's products to electrical equipment distributors ("push")**

As part of the "push" strategy, Legrand maintains close relationships with electrical equipment distributors by focusing on product availability and just-in-time delivery, and by simplifying and accelerating the ordering, stocking and dispatching of its products. The "push" strategy is also based on providing a catalog that covers all the electricians' requirements, and includes new and innovative products. In addition, Legrand makes the access to and use of its catalog easier by making an electronic version available, standardizing packaging sizes and appearance, and by introducing innovative services such as pre-sorted deliveries.

Legrand's "push" strategy includes:

- *priority inventories.* In France, many distributors have agreed to maintain permanent inventories of certain Legrand priority products. In return, Legrand ensures that large amounts of non-priority products are held in its inventory, which, coupled with the efficient management of inventory levels, enables it to fill its distributors' orders quickly. In the event of an emergency, products that are not stocked by distributors can be delivered anywhere in France within 24 to 48 hours via the "Dispo-Express" service;
- *inventory management.* In the United States, Pass & Seymour, one of the Group's US subsidiaries, can access the inventory levels of some of its main distributors on a daily basis. If inventory levels drop below a pre-defined threshold, new inventories are prepared and shipped immediately;
- *intelligent sorting.* In order to optimize the logistics chain, Legrand pre-sorts its products before dispatching them to electrical equipment distributors in France, thereby anticipating the steps these distributors will have to follow in order to distribute the products to their agencies and clients.

This value-added service, which is intended for the largest product flows, decreases the preparation work that the distributors have to perform themselves, reduces dispatch errors, and lowers handling costs, giving Legrand a competitive edge that is appreciated by its customers;

- *setting up logistics platforms.* Legrand is increasing the number of logistics platforms from which it dispatches its products. By reducing the distance between its products and customers, Legrand is improving the service provided, and significantly reducing delivery lead times. After installing logistics platforms in Asia and the Middle East, Legrand has set up a similar platform in Eastern Europe.

Legrand enjoys strong, long-standing commercial relationships with its electrical equipment distributors, and particularly with its two largest distributors, the Sonepar and Rexel wholesale electrical product distribution groups. In 2011, sales to Sonepar and Rexel accounted for approximately 26% of the Group's consolidated revenue, although this percentage varied from country to country. Legrand believes that no other sole distributor or group accounted for more than 5% of the Group's global revenue in 2011. Legrand's other main customers include CED, Comet, FinDea, Graybar, Wesco, Home Depot, Anixter and Lowe's.

The electrical product and system distribution structure in most countries enables Legrand to channel its products towards distributors' centralized distribution centers, and therefore benefit from their market presence and retail outlet infrastructure. This organizational structure also limits the logistics costs and credit risk that Legrand would incur if it had to deal with electrical contractors and end-users directly.

#### **Stimulating demand among electrical installers, product specifiers and end-users ("pull")**

Where its "pull" strategy is concerned, Legrand believes that demand for its products is mostly determined by the requirements that electrical installers, product specifiers and end-users make known to distributors. As a result, Legrand focuses the bulk of its marketing efforts on developing and sustaining demand for its products, by actively promoting them to electrical installers, product specifiers, and end-users. Legrand focuses on providing training, technical handbooks, and business software applications, as well as ensuring reliable and rapid availability of its products.

Legrand offers training programs to local distributors and electrical contractors, including at its *Innoval* international training center in Limoges, France. These training programs are designed to expand electrical contractors' expertise and service offering by familiarizing them with the Group's latest product innovations and installation methods. In fact, the *Innoval* training center offers over 56 separate hands-on programs in

different areas, ranging from home automation, the wiring of electrical cabinets, and fiber-optic cabling to installing security lighting systems, or providing training on current regulations and technical standards. In 2011, the *Innoval* center has welcomed more than 2,850 visiting customers, and over 2,370 customers on training programs. In addition, Legrand offers local training programs in many countries, including Italy, Brazil and the United Kingdom, as well as in Chile and Dubai, where training centers have been opened.

In France, Legrand has designed websites for electrical industry professionals and product specifiers, which are dedicated to each industry segment, from architects to self-employed electricians. After keying in their password, users enjoy quick and easy access to regularly updated data on electrical section charts, catalogs, design software, and order records. Legrand's electronic catalogs include the E-catalog product databases, which are also downloadable on tablets and smartphones, and SpecPartner, a service provided by Pass & Seymour in the United States.

Legrand offers various business software applications, including XL-Pro2 software for the design and wiring of electrical cabinets, and LabelMo, a software suite to help self-employed electricians draw up quotes.

Legrand promotes its products *via* marketing initiatives in particular toward electrical installers. The Group also seeks to stimulate demand among end-users by actively promoting its products through advertising campaigns and targeted marketing events promoting the design and functionalities of its products.

Legrand's call centers, which provide a full range of information on new applications, also contribute to this promotional effort. In France, for instance, Legrand has organized its customer relations by setting up a three-level call center which provides general information about its products at the first level, detailed information on the standards that apply to products at the second level, and information enabling access to customized solutions drawn from Legrand's product portfolio at the third level.

In order to support end-users' interest for simple home DIY, Legrand markets part of its product range in specialist stores, with a particular emphasis on high value-added ranges. This system enables not only to fulfill the demand from customers who want to renovate or improve their electrical installation, but also to communicate with the general public by offering aesthetically or functionally innovative solutions.

### 3.3.3 - Back Office

Legrand's Back Office is centralized at the Group level, and is dedicated to developing new products, reducing costs, and optimizing capital employed. The Back Office organizes and manages the manufacturing process, research and development, purchasing, logistics, and general administration.

In order to improve its competitiveness and the flexibility of its cost structure on an ongoing basis, Legrand intends to pursue the operational initiatives implemented over the past few years. By relying on organizing its product manufacturing and development activities into three industrial divisions, the Group is seeking to optimize its expenditure and its impact on the environment on an ongoing basis, by manufacturing products as near as possible to the areas where they are marketed. In addition, the Group is continuing to rationalize its production system, by setting up product platforms for developing and manufacturing its range of wiring devices, for example. These platforms primarily enable the Group to make significant reductions in the number of components, and to increase the utilization rate of production equipments.

#### ■ MANUFACTURING

Due to the close relationship between manufacturing and the technology employed, Legrand's product manufacturing and development activities are organized into three industrial divisions, which pool specific industrial process and product manufacturing expertise, and are in line with the structure of the Group's markets:

- the Wiring Devices and Home Systems Division, where the aim is to develop ranges that combine comfort, security and communication functions, while adding a strong aesthetic dimension to the products;
- the Energy Distribution and Industrial Applications Division, which aims to develop a broader product and system portfolio, in order to improve its response to commercial and industrial requirements, particularly in terms of protection;
- meanwhile, the Infrastructure and Commercial Systems Division is responsible for developing a dedicated product range for commercial buildings (lighting management, Voice-Data-Image, security, energy efficiency, and cable management).

The role of the industrial divisions is as follows:

- developing new products;
- defining and implementing its industrial plan, in line with its commercial development;
- improving the cost price on an ongoing basis; and
- reducing capital employed.

More specifically, the industrial divisions' ongoing goal is to improve their industrial performance and reduce capital employed by:

- incorporating these criteria as soon as the products are designed, and specifically by developing product platforms;
- streamlining and optimizing industrial sites;
- specializing the plants by product line or technology, in order to reach critical mass. These specialized plants allow Legrand to centralize know-how, and create a benchmark for the rest of the Group, depending on their specific industrial processes;
- systematically applying a "make or buy" approach to all new projects, in order to determine whether to invest in new manufacturing assets or to use sub-contractors; and
- executing lean manufacturing projects, in order to optimize productivity and capital employed.

## ■ RESEARCH AND DEVELOPMENT

Research and development is a vital driver for Legrand's profitable growth, and is the industrial divisions' responsibility. Research and development expenditure (excluding amortization charges relating to the acquisition of Legrand France, and including capitalized development costs) amounts to between 4 and 5% of revenue (see section 3.2.3.1.1 of this Registration Document).

## ■ PURCHASING

As part of its industrial reorganization, Legrand has implemented a centralized purchasing policy since 2003, in order to optimize its purchases and to reduce its consumption costs. The organization of the Group's purchases is characterized by:

- a structure that is adapted to its suppliers' worldwide organization structure, which enables Legrand to negotiate with them on an equal footing (locally or by geographic area), thereby generating economies of scale;
- managing purchases, under the responsibility of user and buyer teams who are intended to maximize the value of the Group's purchases by incorporating the price factor in procurement choice criteria; and

- involving buyers in the new product development process, in order to make savings from the product-design stage onwards, and target our future suppliers.

This new organizational structure has optimized purchasing by:

- consolidating purchases for all the Group's divisions;
- purchasing raw materials and components from countries where costs are lower, and primarily *via* international purchasing offices in Asia, Latin America and Eastern Europe; and
- optimizing raw material and component specifications on an ongoing basis.

## ■ LOGISTICS AND INVENTORY MANAGEMENT

Legrand's main goal in terms of logistics is to ensure the delivery of products to its distributors within the specified timeframe, while adapting the volume and nature of dispatches to the lowest storage, preparation and transport costs. Recent initiatives designed to rationalize inventory management have enabled Legrand to decrease its inventory value to revenue ratio from an average historical level of 17% between 1990 and 2001 to an average level of 14% between 2002 and 2011.

The Group has logistics systems that are suited to local market conditions, in every market where it distributes its products, enabling it to take orders and dispatch products from local inventory or *via* a central or regional distribution center. In addition, the various distribution sites are connected to a central distribution resource planning (DRP) tool, which records inventories, forecasts, and local customer orders every night, in order to schedule supplies at the global level, and so optimize finished product inventory levels.

This replenishment system is also connected to the management systems of the Group's various manufacturing sites, so that they are informed of market requirements almost on a real-time basis. In addition, each site uses cutting-edge planning tools, like *Manufacturing Resource Planning and Kanban*, to optimize the number of components required for assembly and the use of manufacturing capacities.

Legrand believes that its logistics organization must enable it to guarantee a high-quality service to its distributors, in terms of availability as well as flexibility, speed and adaptability.

## 3.4 - OTHER INFORMATION

### 3.4.1 - Suppliers and raw materials

Legrand does not depend on any single supplier for the purchase of the raw materials or components used in the manufacture of its products. It believes that most of the raw materials and components required by its operations will remain available in all of its major markets.

In 2011, plastics accounted for approximately 31% of the raw materials used in manufacturing Legrand products, while metals accounted for around 50%, and the balance consisted mostly of packaging materials (approximately 19%). Legrand uses over 50 plastics of varying grades and colors for the design of its products, which are selected according to their physical properties and their ability to meet certain requirements such as durability, heat

and impact resistance, and ease of molding, injection, or bonding with other components. On average, 47% of the metal purchased by Legrand in 2011 was steel, which is used in mechanisms and structures, while 37% was brass and copper, which are used mainly for their conductive properties.

Legrand also buys a large number of finished and semi-finished electro-mechanical and electronic components intended for incorporation in its products.

The table below sets out the relative share of the Group's raw material and component purchases as a percentage of Group revenue for the 2010 and 2011 financial years:

(% of consolidated revenue)	2011	2010
Raw materials	10.4%	10.5%
Components	20.5%	18.4%
<b>TOTAL</b>	<b>30.9%</b>	<b>28.9%</b>

### 3.4.2 - Property, plant, and equipment

Legrand intends to optimize its industrial processes, improve its efficiency and reduce its production costs by increasing the level of industrial specialization at each site according to specific technologies or product categories, by optimizing its choice of production sites and relocating manufacturing close to its sales areas, by systematically implementing a "make or buy" approach on a Group-wide basis, and by executing lean manufacturing projects aimed at optimizing productivity and capital employed.

The following table sets out the location, size and main business of Legrand's major sites. All of them are fully owned, with the notable exception of:

- the Ospedaletto site which is leased; and
- the Aruda dos Vinhos, Boxtel, Eskisehir, Fairfield, Fort Mill, Huizhou, Madrid, Milan, Mumbai, Murthal, Pantin, Pau, Rancho Cucamonga, Santiago, Scarborough, Shenzhen, Sydney, Tijuana and Wuxi sites, which are rented.

At the date of the current Registration Document was filed, and to the knowledge of the Company, there are no significant charges on the property, plant and equipment described below.

Site or subsidiary	Size (in thousand sq.m')	Principal use	Location
<b>France</b>			
Legrand Limoges	200	Headquarters/Manufacturing/Distribution/ Administrative services/Storage	Limoges and its region
Other French sites	283	Manufacturing/Administrative services/ Distribution	Malaunay (and other sites in Normandy), Sillé-le-Guillaume, Senlis, Saint- Marcellin, Antibes, Strasbourg, Bagnolet, Pantin, Montbard, Pau, Lagord, Pont à Mousson and Belhomert
Verneuil	86	Storage	Verneuil-en-Halatte
<b>Italy</b>			
Bticino Italy Meta System Energy	207	Manufacturing/Distribution/ Administrative services/Storage	Milan, Varese, Erba, Naples, Bergamo, Tradate, Ospedaletto, Alessandria and Reggio nell'Emilia
<b>Portugal</b>			
Legrand Electrica	31	Manufacturing/Distribution/ Administrative services/Storage	Carcavelos and Aruda dos Vinhos
<b>United Kingdom</b>			
Legrand Electric	31	Manufacturing/Distribution/ Administrative services/Storage	Scarborough, West Bromwich, Dunstable and Consett
<b>Spain</b>			
Legrand Espana	40	Manufacturing/Distribution/ Administrative services/Storage	Madrid, Barcelona and Pamplona
<b>Poland</b>			
Legrand Polska	44	Manufacturing/Distribution/ Administrative services/Storage	Zabkowie
<b>Hungary</b>			
Legrand Zrt	34	Manufacturing/Distribution/ Administrative services/Storage	Szentes
<b>Slovakia</b>			
Legrand Van Geel Slovakia	8	Manufacturing/Distribution/ Administrative services/Storage	Kosice
<b>Germany</b>			
Legrand-Bticino	14	Manufacturing/Distribution/ Administrative services/Storage	Soest
<b>United States and Canada</b>			
Wiremold, Ortronics, Pass & Seymour, Vantage, TWS, OnQ, Middle Atlantic Products and Electrorack	205	Manufacturing/Distribution/ Administrative services/Storage	West Hartford, Mascoutah, Rancho Cucamonga, Concord, Pico Rivera, Fort Mill, Fairfield and Anaheim
<b>Mexico</b>			
Bticino de Mexico	67	Manufacturing/Distribution/ Administrative services/Storage	Queretaro and Tijuana
<b>Brazil</b>			
Legrand Brazil, Cemar, HDL and SMS	102	Manufacturing/Distribution/ Administrative services/Storage	Campo Largo, Caxias do Sul, Manaus, Sao Paulo and Aracaju
<b>Colombia</b>			
Luminex	17	Manufacturing/Administrative services/ Storage	Bogota



Site or subsidiary	Size (in thousand sq.m)	Principal use	Location
<b>China</b>			
Rocom, Legrand Beijing, TCL, Legrand, Shidean	103	Manufacturing/Distribution/ Administrative services/Storage	Dongguan, Beijing, Huizhou, Shenzhen and Wuxi
<b>Russia</b>			
Kontaktor, Leten, Firelec	140	Manufacturing/Distribution/ Administrative services/Storage	Ulyanovsk, Dubna and Moscow
<b>Australia</b>			
HPM	48	Manufacturing/Distribution/ Administrative services/Storage	Sydney and Melbourne
<b>India</b>			
Legrand India, Indo Asian Switchgear	64	Manufacturing/Distribution/ Administrative services/Storage	Jalgaon, Nashik, Sinnar, Mumbai, Noida, Murthal and Haridwar
<b>Netherlands</b>			
Legrand Nederland BV	28	Manufacturing/Administrative services/ Storage	Boxtel
<b>Egypt</b>			
EMB Egypt	10	Manufacturing/Distribution/ Administrative services	Sadat City
<b>Turkey</b>			
Legrand Elektrik, Estap, Inform	56	Manufacturing/Administrative services/ Storage	Gebze, Eskisehir and Istanbul

### 3.4.3 - Information by geographical area

Legrand's financial reporting is divided into five geographic areas. Readers are invited to refer to section 6.3.2.9 of this Registration Document for more information on business trends by

geographical area over the past two years, and to section 8.1 of this Registration Document for a breakdown of the Group's average headcount per geographical area and per category (Front Office and Back Office).

### 3.4.4 - Competitors

Legrand has established market positions in France, Italy, and many other European countries, as well as in North and South America and in Asia. Legrand's main direct competitors include the following:

- international players, including:
  - divisions of large multinational companies that compete with Legrand on a number of national markets, although only on some of the products offered by Legrand, like Schneider Electric, ABB, Siemens, General Electric, Panasonic, Eaton, Honeywell International, Tyco, and Johnson Controls;
  - specialized companies which mainly offer one or two product categories, like Commscope (VDI), Aiphone (door entry systems), Lutron (lighting control), Obo Bettermann (cable management), Panduit (VDI and cable management); and
  - multi-specialist companies operating primarily in one or a limited number of countries, like Deltadore in France, Hager Tehalit in Germany and France, Gewiss and Vimar in Italy, Niko in Belgium, Jung in Germany, Simon in Spain, and Leviton and Hubbell and Cooper Industries in the United States and Canada.



# 04

## RISK FACTORS

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At the date of this Registration Document, the risks described below are those identified by the Company that could have an adverse effect on the Group's situation. Other risks not identified as of the date of this Registration Document or the realization of which is not considered, as of this date, likely to have a material

adverse effect on the Group, its activity, financial condition, earnings or development, may exist. The occurrence of one or more of these risks could also have an adverse effect on the Group's situation.

## 4.1 - INDUSTRIAL AND ENVIRONMENTAL RISKS

### ■ ENVIRONMENTAL RISKS

The main industrial processes that take place on Legrand sites center around the injection and molding of plastic components, stamping of metal parts and assembly of plastic, metal and electronic components. On a less frequent basis, painting may be done in addition to the core processes.

Through these activities, some Legrand sites are, like sites belonging to similar companies, subject to extensive and increasingly stringent environmental laws and regulations regarding a broad spectrum of issues including air emissions, asbestos, noise, health and safety, the use and handling of hazardous waste or materials, waste disposal and the remediation of environmental contamination.

Regulatory authorities could suspend Legrand's operations if it fails to comply with relevant regulations, and/or may not renew the permits or authorizations it requires to operate.

Moreover, Legrand may be required to pay potentially significant fines or damages as a result of past, present or future violations of environmental laws and regulations, even if these violations occurred prior to the acquisition of companies or lines of business by Legrand. Courts, regulatory authorities or third parties could also require, or seek to require, Legrand to, on the one hand, undertake investigations and/or implement remedial measures regarding either current or historical contamination, of current or former facilities or offsite disposal facilities. Any of these actions may harm the Group's reputation and adversely affect its operations, financial condition, results of operations and cash flows.

Legrand has designed and developed an environmental risk prevention and measurement policy. This policy includes regulatory monitoring supported by a network of environmental correspondents appointed at each Group site who interface with their functional equivalents in each Industrial Division and at the Group's headquarters. In addition, Legrand relies on its

environmental risk identification policy for its ISO 14001 site certification process and the identification of corresponding Significant Environmental Aspects (SEAs). Furthermore, environmental audits are conducted as needed on the Group's historic sites and during the process of acquiring new companies as well.

Any suspected or confirmed cases of pollution are reported to the Group through the use of specific environmental reporting (see chapter 5 of this Registration Document). It sets up provisions on its financial statements when environmental assessments are made or remedial efforts are probable and the costs can be reasonably estimated.

### ■ RISKS RELATED TO THE SHUTDOWN OF AN INDUSTRIAL OR LOGISTICS SITE

Events of natural or other origin sometimes occur (such as fires, natural disasters, health risks, machine breakdowns, etc.) that could disrupt or interrupt a site's activity.

By actively taking steps to prevent industrial and logistical risks and replacing and modernizing logistic and production tools, Legrand is able to systematically limit the likelihood that such risks will occur. For example, Legrand conducts joint audits with experts from the Group's insurance companies to evaluate the level of fire prevention installations and takes any action deemed necessary.

In addition, all significant Group subsidiaries are part of a process to define a business continuity plan aimed at ensuring the maintenance or restoration of critical functions in the shortest possible time-frame following a disruption.

Finally, Legrand has taken out a global insurance policy to cover direct property damage and potential operating loss resulting from accidents (see section 4.5 of this Registration Document).

## 4.2 - RISKS RELATED TO OPERATIONS

### ■ RISKS RELATED TO CHANGES IN ECONOMIC CONDITIONS AFFECTING THE BUILDING SECTOR

The Group's business could be affected by the impact that changes in general and local economic conditions have on the building sector. The sale of Legrand's products is mainly determined by the demand for such products from electrical professionals and building contractors. This in turn is primarily a function of the level of activity in the renovation and new construction sectors for residential, commercial and industrial buildings. Accordingly, as an example, the increase in activity in the French building market overall is estimated at 4.6% in 2011, compared to a 6.6% drop in 2010 (source: Euroconstruct November 2011). Over the same period, Legrand reported a 5.6% increase in net sales in France in 2011 at constant structure and exchange rates, versus a 0.6% increase in 2010. The sensitivity of activity in these sectors to changes in general and local economic conditions varies according to sector. The impact of these changes may vary in time and significance across the markets and geographic zones in which Legrand operates. As is customary in its sector, Legrand does not have a customer order book which allows it to accurately predict future demand for the Group's products. If the volume of sales should decline, Legrand's profitability could be affected because certain costs are fixed over the short term.

Consequently, generalized or localized economic downturns in the countries in which Legrand markets its products could have an adverse effect on its business, financial condition, results or cash flows.

To anticipate these risks, the Group keeps a close eye on business trends and on profitability by geographic zone, in close collaboration with its local managers (see section 3.3.2 of this Registration Document).

### ■ RISKS RELATED TO COMPETITION

The market for the Group's products is competitive in terms of pricing, product and service quality, development and timing of new product launches.

Due to their size, some of Legrand's local competitors, which are mentioned in section 3.4.4 of this Registration Document, may have superior financial and marketing resources. The Group's competitors may have the capacity and the ability to launch products with superior characteristics or at lower prices, to integrate products and systems more effectively than Legrand does, to secure long-term agreements with some of the Group's

customers or to acquire companies targeted for acquisition by Legrand. Legrand could lose market share if it is not able to offer a broad product range, prices, technologies or quality which are at least comparable to those offered by its competitors or if it does not take advantage of new business opportunities arising from acquisitions. The Group's net sales and profitability could consequently be affected. Furthermore, in order to remain competitive, Legrand regularly launches new products that, if not well-received, could negatively affect Legrand's business in the countries where these products are launched.

Some competitors could benefit from better knowledge of their national markets and long-established relationships with electrical professionals and, as a result, have a competitive advantage. In addition, as the market for the Group's products evolves towards systems that combine traditional equipment and computerized systems, increased competition from new market entrants could lead to a decline in the Group's sales, a loss of market share or an increase in its sales and marketing expenses, or research and development costs for the markets and products in question.

Moreover, in markets where the end-user is particularly sensitive to price rather than product appeal or features, imports of less expensive products manufactured in low-cost countries and sold at lower prices, including counterfeit products, could lead to a decrease in the Group's market share, an/or a decrease in the average selling price of its products in the markets in question.

Legrand is aware of these risks and therefore engages in ongoing research and development and marketing efforts to increase the added value of its products, while maintaining a tight rein on costs and preserving its market share (see section 3.3.3 of this Registration Document).

### ■ RISKS RELATED TO ACQUISITIONS

The Group's growth strategy relies in part on the acquisition of local manufacturers that provide new technologies, new product lines, access to new markets and/or synergies with Legrand's existing operations. Legrand may not be able to consummate transactions or obtain financing on satisfactory terms, successfully integrate acquired businesses, technologies or products, effectively manage newly acquired operations or realize anticipated cost savings. Legrand may also experience problems in integrating acquired businesses, including the possible incompatibility of systems and business cultures and inconsistencies in procedures (including accounting systems and

controls) and policies, the departure of key employees and the assumption of liabilities, particularly environmental liabilities. All these risks could have a material adverse impact on the Group's business, financial condition, results and cash flows.

To minimize the impact of these risks, a dedicated team closely works with country managers to identify appropriate targets and coordinates the acquisition process with the various central departments - finance, legal, industrial, logistics, marketing, etc. (as described in section 3.2.3.2 of this Registration Document). The integration of acquired companies is supervised by a multidisciplinary steering committee which includes General Management.

When these acquisitions are first consolidated in the financial statements, they result in recognition of goodwill or trademarks that can be significant. The value of these intangible assets is reviewed every year (see note 1 (H) to the consolidated financial statements in chapter 10 of this Registration Document). A significant decline in the income of these companies could lead to recognition of impairment that could have a material adverse effect on Legrand's financial condition and results. The hypotheses used in impairment test of goodwill take into account both known and anticipated trends in sales and results by CGU (Cash Generation Unit) at the time of calculation. Rates used can vary from one year to another depending on market conditions (risk premium, interest rates). As note 3 to the consolidated financial statements in chapter 10 of this Registration Document states, Legrand recognized an impairment of goodwill that totaled €15.9 million over 2011, whereas no impairment was recognized for 2010.

#### ■ RISKS RELATED TO DEPENDENCE ON SUPPLIERS

In 2011, purchases from Legrand's top ten suppliers accounted for nearly 12% of total consumption (raw materials and components), with no single supplier accounting for 3% or more.

Moreover, to ensure a secure source of supplies, Legrand policy calls for diversifying resources whenever a recognized risk of dependence is identified. Legrand thus makes the identification of alternative suppliers an integral part of its supplier risk analysis.

#### ■ RISKS RELATED TO INFORMATION SYSTEMS

Legrand's international operations and scope require multiple, linked information systems with growing exchange volume. Legrand could be the target of viruses or other malicious intrusion attempts that could hamper the Company's operations and the quality of its customer service.

Given these risks, Legrand relies on a team dedicated to improving the quality and security of the information systems. During the rollout of new information solutions, particular focus is placed on the issue of security (and specifically on access). An information security charter is provided to each employee in order to foster best practices in using computer applications.

#### ■ RISKS RELATED TO THE ABILITY TO RECRUIT AND RETAIN QUALIFIED PERSONNEL

Legrand's key personnel have been with the Group for many years and have extensive knowledge of Legrand and its business and, more generally, its sector as a whole. The loss of any one of these key personnel could constitute a loss of industry and Group know-how, and could result in Legrand's competitors potentially being able to obtain sensitive information. The loss of key personnel could also adversely affect the Group's ability to retain its most important distributors, to continue the development of its products or to implement its strategy. Legrand's future success thus depends in part on the loyalty of its executive officers and other key employees and its ability to continue to attract, motivate and retain highly qualified personnel.

In this context, Legrand has therefore implemented mechanisms to motivate and retain employees (see section 3.3.1 of this Registration Document) and has also made efforts to develop its human resources (see section 5.4.1 of this Registration Document).

#### ■ RISKS RELATING TO INTERNAL CONTROL WEAKNESSES AND/OR FRAUD

Legrand's international scope entails complex administrative, financial and operational processes through entities with internal controls at different levels of development, operating in different legal environments and using heterogeneous information systems.

In this context, Legrand may face significant internal control risks in connection with erroneous and/or inappropriate transactions or operations. Legrand may also be the victim of fraud (theft, embezzlement, etc.).

Legrand has, however, developed a structured, formalized process for the continuing review of its internal control (see section 7.4.7 of this Registration Document). This is based on rules and procedures disseminated to all subsidiaries, and compliance is backed by regular reviews and audits. These rules and procedures are regularly updated to keep in step with changes in Legrand's business processes. The Company's fundamental principles also include an ethics component with requirements impressed upon all staff members.

## 4.3 - LEGAL RISKS

### ■ RISKS RELATED TO EXISTING OR FUTURE REGULATIONS AND COMPLIANCE WITH DOMESTIC AND INTERNATIONAL STANDARDS

Legrand's products, which are sold in almost 180 countries, are subject to numerous regulations, including trade, customs and tax regulations applicable in each of these countries and on the international level. Changes to any of these regulations and their applicability to the Legrand's business could lead to lower sales or increased operating costs, and result in a decrease in Legrand's profitability and income.

In addition, Legrand's products are subject to quality and safety controls and regulations arising from national and international standards, such as European Union directives, and product norms and standards adopted by international organizations such as the European Committee for Electrotechnical Standardization and the International Electrotechnical Commission. A change or more stringent application of these quality and safety standards could require the Group to make capital expenditures or implement other measures to ensure compliance, the costs of which could have a material adverse effect on the Group's business, financial condition, results and cash flows.

The Group cannot give assurance that it has been or will be at all times in compliance with such standards and regulations, that it will not incur material costs or liabilities in order to ensure compliance with such regulations in the future, or that it will be able to fund any such potential future liabilities.

In order to follow regulatory developments, Legrand has established a compliance department that is in charge of managing related risks.

In addition, in the majority of markets where it sells its products, Legrand is subject to local and international competition regulations. Any issues regarding these regulations could have a material impact on the Group's activities, its financial condition, results and cash flows.

Given this risk, Legrand has prepared a competition charter to make each member of staff aware of the general legal principles regarding competition. The dissemination of this charter was accompanied by the implementation of training sessions for more than 1,500 members of staff throughout the Group's subsidiaries to strengthen their familiarity with this issue. This move to heighten awareness of the importance of strict respect of trade regulations is reinforced regularly under the supervision of Legrand's Legal Department.

### ■ RISKS RELATED TO INTELLECTUAL PROPERTY

The Group's future success depends to an extent on the development and protection of its intellectual property rights, particularly its Legrand and Bticino brands. Legrand could also incur significant expenses for monitoring, protecting and enforcing its rights. If Legrand fails to adequately protect or enforce its intellectual property rights, its competitive position could suffer, which could have an adverse effect on its business, financial condition, results and cash flows.

Furthermore, the Group cannot guarantee that its activities will not infringe on the proprietary rights of third parties. If this were to happen, Legrand could be subject to claims for damages and could be prevented from using the contested intellectual property rights.

To minimize this risk, Legrand pays particular attention to defending its intellectual property, and relies on a dedicated team at its corporate office. This team monitors patents and trademarks, fights counterfeits and takes joint action with other major market players in professional organizations (such as Gimelec, ASEC, etc.).

### ■ RISKS RELATED TO THE PRODUCTS SOLD

Despite product testing, Legrand's products might not operate properly or might contain errors and present defects, particularly upon the launch of a new range of products or enhanced products. Such errors and defects could cause injury to persons and/or damage to property and equipment. Such accidents have in the past and could in the future result in product liability claims, loss of revenues, warranty claims, costs associated with product recalls, litigation, delay in market acceptance or harm to the Group's reputation for safety and quality. Legrand cannot guarantee that it will not face material product liability claims or product recalls in the future, or that it will be able to successfully dispose of any such claims or effect any such product recalls at acceptable costs. Moreover, a product liability claim or product recall, even if successfully concluded at a nominal cost, could have a material adverse effect on the Group's reputation for safety and quality, and on its business, financial condition, results and cash flows.

Given these risks, the implementation of a structured customer service has enabled it to identify product defects and take appropriate corrective action more quickly. Customer claims are

systematically recorded and evaluated in real time. If necessary, an instant alert procedure is set in motion with industry contacts and the team responsible for product expertise.

## 4.4 - FINANCIAL RISKS

### ■ CREDIT AND COUNTERPARTY RISKS

Legrand derives a significant portion of its revenues from sales to its two largest distributor customers – Sonepar and Rexel (see note 7 to the consolidated financial statements in chapter 10 of this Registration Document). Legrand's sales to Sonepar and Rexel represented approximately 26% and 27% of its net sales in 2011 and 2010, respectively. In addition, sales to its ten largest customers (including Sonepar and Rexel) represented around 36% of the Group's net sales in 2011 (35% in 2010).

Legrand enters into short-term agreements with its distributors, which, as a result, have no long-term contractual obligation to purchase its products. Due to the nature of its relationship with its distributors, it often has a number of significant receivables outstanding from its distributors that it might not be able to recover were either of them to become insolvent or bankrupt. Furthermore, Legrand cannot guarantee that it will continue to maintain its relationship with its distributors or that, in the event that these relationships were suspended or terminated, electrical professionals and end-users will continue to purchase Legrand's products through alternative distributors. The temporary or permanent interruption of its relationship with its distributors could have a material adverse effect on the Group's business, financial condition, results and cash flows.

Legrand manages its outstanding receivables carefully (see section 3.2.4.2 of this Registration Document). Thus, the situation of outstanding customer receivables is monitored carefully at each of Legrand's product distribution subsidiaries. The Group's Finance Department reviews specific indicators monthly using reporting and analysis tools. These indicators are part of the elements considered to be key to assessing the commercial performance of Legrand's subsidiaries and the individual performance of their respective management teams.

### ■ RISKS RELATED TO LITIGATION

Section 10.5 (Legal proceedings and Arbitration) of this Registration Document describes main legal proceedings in which Legrand is involved.

### ■ LIQUIDITY RISK

The banking and financial indebtedness of the Group is described in section 6.5.2 of this Registration Document as well as in notes 13 and 16 to the consolidated financial statements in chapter 10 of this Registration Document. The Group may be at a disadvantage with regard to competitors that are not in a comparable debt situation. Even if in the past the Group has demonstrated its capacity to generate significant levels of free cash flow enabling it to finance its growth, its capacity to comply with the covenants stipulated in certain borrowings (in particular the 2006 Credit Facility and the bank loan described in notes 13 (A) and 13 (C) respectively of chapter 10 of this Registration Document), to refinance or redeem its borrowings according to the provisions thereof, will depend on its future operating performance and could be affected by a number of factors beyond the Company's control (economic environment, conditions of the debt market, changes in regulations, etc.). The method used to calculate the ratio of these contractual obligations is discussed in note 22 (B)(5) to the consolidated financial statements in chapter 10 of this Registration Document.

Legrand could therefore be forced to devote a significant part of its cash flow to the payment of the principal and interest on its debt, which could consequently reduce the funds available to finance its daily operations, investments, acquisitions or the payment of dividends. In spite of this, the Group enjoys an investment-grade rating from the major rating agencies.

Liquidity risk management is discussed in note 22 (B)(5) to the consolidated financial statements in chapter 10 of this Registration Document. The maturity schedule of the various borrowings is set out in note 13 to the consolidated financial statements in chapter 10 of this Registration Document.

In addition, readers should refer to section 19.9 of Appendix 2 (Management Report on the separate financial statements for the year ended December 31, 2011) relating to agreements entered into by the Company and which would be altered or lapse in the event of a change of control of the Company.

## ■ MARKET RISKS

### Interest-rate risk

The Group is exposed to risks associated with the effect of fluctuations in interest rates (see note 22 (B)(1) to the consolidated financial statements in chapter 10 of this Registration Document). The use of derivative instruments includes the risk that counterparties will default on their obligations and terminate hedging agreements. In addition, the Group might be required to post cash-collateral in a restricted or pledged account equal to the level of the Group's commitments in order to cover liabilities arising from interest rate fluctuations or to pay costs, such as transaction fees or brokerage commissions, in the event the hedging arrangements are terminated.

Swap agreements entered into between Legrand and credit institutions could provide that the swap counterparty may require Legrand to post collateral into a pledged or restricted account equal to its net liability determined on a marked-to-market basis, pursuant to the provisions of the relevant hedging agreement.

The Group manages this risk by using a combination of fixed and floating rate debt and through interest rate hedging arrangements. Details regarding interest rate risk are discussed in note 22 (A) and 22 (B)(1) to the consolidated financial statements in chapter 10 of this Registration Document.

### Exchange rate risk

The Group has certain assets, liabilities, revenues and costs denominated in currencies other than the euro and the dollar. These are most notably the Russian ruble, the Brazilian real, the Chinese RMB, the Australian dollar, UK sterling, the Mexican peso, the Turkish pound, the Indian rupee and the Polish zloty. The preparation of the Group's consolidated financial statements, which are denominated in euros, requires the conversion of these assets, liabilities, revenues and costs into euros at the then applicable exchange rates. Consequently, fluctuations in the exchange rate for the euro versus these other currencies could affect the amount of these items in the Group's consolidated financial statements, even if their value remains unchanged in their original currency. These translations have in the past resulted, and could in the future result, in material changes to the Group's results and cash flows from one period to another.

In addition, to the extent that the Group may incur expenses that are not denominated in the same currency as that in which corresponding sales are made, exchange rate fluctuations could cause the Group's expenses to increase as a percentage of net sales, thus affecting its profitability and cash flows. However, where possible and when justified economically, the Group seeks to balance its revenues and costs by geographic region, which gives a certain degree of protection.

The details regarding the exchange rate risk are discussed in note 22 (B)(2) to the consolidated financial statements in chapter 10 of this Registration Document.

### Raw materials risk

Legrand is exposed to the risk generated by changes in the prices of raw materials. Legrand may not immediately or in the long term be able to pass on increases in costs of raw materials and components through price increases on its products. Its costs could therefore increase without an equivalent increase in sales.

The financial instruments used by Legrand to manage its exposure to raw materials risk are described in note 22 (B)(3) to the consolidated financial statements in chapter 10 of this Registration Document.

### Risks related to pension benefit obligations

In most of the countries where Legrand operates, its subsidiaries have pension benefit obligations to their employees. These obligations can be funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has defined-contribution as well as defined-benefit plans (see note 15 to the consolidated financial statements in chapter 10 of this Registration Document).

Defined-contribution plans are plans where the Group pays defined contributions to a separate entity. Thus, the Group has no legal or implied obligation to pay new contributions if the fund does not have enough assets to pay benefits to all employees for their years of service in the current period and prior periods.

Defined-benefit plans specify the amount of benefits that employees will receive upon retirement. The Group thus has a legal or implied obligation to pay new contributions if the fund does not have enough assets to pay benefits to all employees for their years of service over the current period and prior periods. Stock market gains and losses can lead to fluctuations in the value of assets invested in securities. In 2011, the actuarial trend in such assets was a €2.5 million decrease.

If the amounts with respect to the Group's retirement benefits were to become due and payable and the insurance and annuity contracts and other investments that the Group has entered into with respect to these liabilities were not sufficient to cover such liabilities, Legrand could be required to make significant payments with respect to such retirement benefits. Any such payments could have an adverse effect on Legrand's business, financial condition, results or cash flows.



## 4.5 - INSURANCE

Within the context of its risk and insurance management policy, which is centralized at Group headquarters, Legrand has taken out global insurance programs through insurance brokers to cover its major risks.

Legrand believes that the coverage offered to the Group's subsidiaries by these insurance programs provide adequate coverage for the principal insurable risks faced by the Group. These insurance programs are contracted from leading insurance companies without recourse to a captive reinsurance structure. They provide global coverage for the Group under umbrella policies that take into account the risks and activities related to the Group's operations, including property damage and the resulting operating losses, D&O (Directors' and Officers') liability, and product liability.

Legrand intends to continue its practice of maintaining global insurance programs where practicable, increasing coverage where necessary and reducing insurance costs through risk protection and prevention and through self-insurance (adapted deductibles).

In a relatively stable insurance market, levels of coverage set up in 2011 remained unchanged compared to the previous financial year.

### ■ CIVIL AND ENVIRONMENTAL LIABILITY

The Group's main insurance plans relate to civil liability before and after product delivery, as well as environmental claims and cover in particular (subject to customary deductibles, exclusions and limits) physical injuries, property damage and

consequential loss, removal/reinstallation expenses, product withdrawal or recall expenses, damage to property of others, and decontamination expenses. The limit on this civil liability and environmental coverage is €60 million per claim, while the limit on coverage for civil liability relating to products after delivery is €90 million per claim per year.

These insurance programs consist of a master insurance policy set up in France and local policies in the countries where the Group operates.

### ■ PROPERTY DAMAGE/OPERATING LOSS INSURANCE

Property damage/operating loss insurance policy covers (subject to customary deductibles, exclusions and limits):

- direct property damage that could affect the various sites; and
- operating losses resulting from any event of a sudden and accidental nature (such as fire, storm, explosion, electrical damage, water damage, etc.).

This insurance program also includes a master insurance policy and local policies in the countries where the Group is present. The plan offers a contractual global maximum indemnity per event (combining direct property damage/operating losses) of €500 million with additional limitations notably for certain acts of God or certain specific guarantees such as machine breakage and IT and electrical risks.



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## 5.1 - COMMITMENT TO SUSTAINABLE DEVELOPMENT

### 5.1.1 - A structured policy

Legrand's sustainable development policy is founded on four values presented and defined in the Group's Charter of Fundamental Principles: behavioral ethics, customer awareness, resource enhancement and innovation. This policy is structured around three aspects of Group life:

■ **Corporate Governance:** the Group aims to ensure growth that is at once profitable, lasting and responsible, meeting the needs of its stakeholders to the best of its ability in terms of economic choices as well as business ethics;

■ **environment:** the Group considers protection of the environment a fundamental concern for all of its businesses. This applies at every stage from product design, manufacturing and distribution to marketing;

■ **commitments in the workplace and the community:** Legrand pursues its business development with particular attention to employee working conditions and its responsibility as an employer and a member of society in general.

Our policy is implemented in these three areas according to eight major principles:

Sectors	Principles
1. Corporate Governance	1. Applying ethical commitments on a day-to-day basis 2. Integrating suppliers into the sustainable development process
2. Environment	3. Developing products with High Environmental Performance 4. Limiting the environmental impact of the Group's business 5. Promoting Energy Efficiency
3. Workplace and Community	6. Investing in Group employees 7. Improving access to electricity 8. Promoting assisted living

These principles are themselves reflected in objectives and actions for the Group's different businesses and entities. Monitoring progress and assessing action taken are consolidated in particular through the use of indicators, a selection of which is reviewed by the Group's Statutory Auditors. Please refer to section 5.1.4. for more information.

The deployment of this policy is overseen by the Director of Sustainable Development and Strategic Processes who reports to the Director of Strategy and Development. This central structure is based on several expert operational divisions (Legal, Human Resources, Quality and Environment managers for the industrial divisions, etc.) which, in turn, are in charge of managing a network of correspondents located within each of the Group's subsidiaries. These divisions are involved directly in the sectors that comprise Sustainable Development (Corporate Governance, Environment, Workplace and Community). These networks of correspondents

represent about 300 people throughout the Group. A Sustainable Development Steering Committee comprising all of the Group's operational divisions and the Chairman and CEO meets three times a year to approve and monitor the actions of the Sustainable Development policy.

This organizational structure gives Legrand General Management coherent oversight of these actions in all Group entities, which makes it possible to adjust the Sustainable Development policy and apply it to all Group entities in accordance with defined deployment policies, while gradually integrating new acquisitions.

The ongoing analysis of the GRI and ISO 26000 references is also a factor in assessing the Group's social and environmental responsibility policy. The results of this analysis will be integrated into the Group's response to the new requirements under the Grenelle 2 agreements, which are applicable to fiscal years beginning on or after January 1, 2012.

## 5.1.2 - Legrand and the United Nations global compact

### ■ CONFIRMATION OF THE GROUP'S COMMITMENT TO THE GLOBAL COMPACT

*"The Legrand Group stands by its commitment to the ten Global Compact principles.*

*Since we joined the Global Compact in 2006, we have made consistent efforts, within our sphere of influence, to favor progress in areas relating to human rights, working standards, protection of the environment and the fight against corruption. In perfect accord with our Group's Charter of Fundamental Principles, these principles are incorporated into our strategy through our Sustainable Development processes.*

*This results in a model for business development founded on social, societal and environmental values, which we actively promote in all our subsidiaries and in relationships with our stakeholders in all parts of the world.*

*In the interest of transparency and continued progress, we are including in this Registration Document a progress report on the Legrand Group's project."*

Gilles Schnepf  
Chairman and Chief Executive Officer, Legrand Group

### ■ GLOBAL COMPACT PRINCIPLES AND CORRESPONDING SECTIONS OF THIS REGISTRATION DOCUMENT

Global Compact principle	Registration Document sections
1. Businesses should support and respect the protection of internationally proclaimed human rights; and	5.2.2. Integrating suppliers into the Sustainable Development process 5.4.1.4. Combating discrimination and favoring diversity 5.4.1.1. Preventing risks and guaranteeing the health and safety of employees
2. Businesses should ensure that they are not complicit in human rights abuses.	5.2.1. Applying ethical commitments on a day-to-day basis 5.4.1.4. Combating discrimination and favoring diversity 5.4.1.1. Risk prevention and ensuring the health and safety of employees
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	5.2.1. Applying ethical commitments on a day-to-day basis 5.2.2. Integrating suppliers into the Sustainable Development process
4. Elimination of all forms of forced or compulsory labor;	5.4.1.3. Improving social dialog in a globalized context where change is occurring at a faster pace
5. The effective abolition of child labor; and	
6. The elimination of discrimination in respect of employment and occupation.	5.4.1.4. Combating discrimination and favoring diversity
7. Businesses should support a precautionary approach to environmental challenges;	5.3.2. Limiting the environmental impact of the Group's business
8. The undertaking of initiatives to promote greater environmental responsibility; and	
9. The encouragement of the development and diffusion of environmentally friendly technologies.	5.3.1. Developing products with High Environmental Performance 5.3.3. Promoting Energy Efficiency
10. Businesses should work against corruption in all its forms, including extortion and bribery.	5.2.1. Applying ethical commitments on a day-to-day basis 5.2.2. Integrating suppliers into the Sustainable Development process

### 5.1.3 - 2011-2013 roadmap

The 2011-2013 roadmap has 28 targets, for which the Group publishes an annual progress report.

The roadmap was presented and approved by the Board of Directors at its May 2011 meeting.

2011-2013 commitments and targets			Progress (measured over three years)
Corporate governance	<b>Applying ethical commitments</b>	5.2.1.	
	1. Structuring dialog with stakeholders	5.2.1.1.	57%
	2. Training ethics representatives	5.2.1.2.	28%
	3. Training employees	5.2.1.3.	33%
	<b>Integrating suppliers into the process</b>	5.2.2.	
	4. Extending evaluation of suppliers	5.2.2.1.	30%
	5. Continuing to train buyers	5.2.2.2.	33%
	6. Formalizing expectations with suppliers and subcontractors	5.2.2.3.	25%
Environment	<b>Developing HEP* products</b>	5.3.1.	
	7. Complying with RoHS for all products	5.3.1.1.	50%
	8. Excluding the use of REACH substances	5.3.1.2.	48%
	9. Internationalizing product environmental profiles	5.3.1.3.	30%
	10. Increasing the proportion of eco-designed products	5.3.1.4.	33%
	<b>Limiting environmental impact</b>	5.3.2.	
	11. Recomputing the carbon footprint	5.3.2.1.	50%
	12. Extending ISO 14001 certification	5.3.2.2.	87%
	13. Limiting water consumption and waste production	5.3.2.3.	33%
Social	<b>Investing in Group employees</b>	5.4.1.	
	14. Consolidating health and safety indicators	5.4.1.1.	100%
	15. Overseeing risk evaluation	5.4.1.1.	100%
	16. Promoting an active approach to prevention	5.4.1.1.	100%
	17. Enabling employees to have a medical appointment	5.4.1.1.	92%
	18. Guaranteeing compliance with the Prevention Charter	5.4.1.1.	25%
	19. Preparing a directive for MSD** prevention	5.4.1.1.	25%
	20. Developing management training	5.4.1.2.	50%
	21. Extending talent management	5.4.1.2.	97%
	22. Enabling managers to have an individual appraisal review	5.4.1.2.	92%
	23. Promoting dialog in the workplace	5.4.1.3.	33%
	24. Training teams in non-discriminatory practices	5.4.1.4.	33%
	25. Guaranteeing non-discriminatory HR procedures	5.4.1.4.	33%
	26. Encouraging the hiring of more female managers	5.4.1.4.	17%
	<b>Increasing access to electricity</b>	5.4.2.	
	27. Strengthening the partnership with Electricians Without Borders	5.4.2.1.	33%
	28. Pursuing electrification program initiatives	5.4.2.2.	25%

\* HEP: High Environmental Performance.

\*\* MSD: musculoskeletal disorders.

The principles of "Promoting Energy Efficiency" and "Promoting assisted living" are explained in further detail in sections 5.3.3. and 5.4.3. of this Registration Document.

Progress in the achievement of targets is calculated over the lifetime of the roadmap. Accordingly, 33% progress means that the Group is keeping up the pace to achieve the target at the end of 2013. These calculations are based on an evaluation methodology

developed with the various operational departments involved and based on actual achievements.

## 5.1.4 - A commitment to continuous improvement

Monitoring the progress of targets takes place through a non-financial data reporting process involving:

- the entities and countries which directly contribute to the data;
- the operational departments and Industrial Divisions which analyze the data;
- the Sustainable Development Department, which consolidates the data and applies them to the commitments of the roadmap.

Reporting enables the various units to capitalize on good practices and share them within the Group. It should be noted as regards the various reporting tools, that:

- Human Resources reporting covered 93% of Group headcount in 2011. Eleven new entities or organizations were integrated between 2010 and 2011, including two acquisitions (Indo Asian in India and Méta System in Italy). New acquisitions are integrated the year following their entry into the Group's scope of consolidation. It should be noted, however, that the integration of the Turkish entity Inform, which was acquired in 2010, has been moved back to 2012. No entities left the scope of consolidation during 2011;
- prevention reporting covered 90% of Group headcount in 2011. Ten new entities or organizations were integrated in 2011. New acquisitions are integrated between one and three years following the year of entry into the Group's scope of consolidation. No entities left the scope of consolidation during 2011;
- environment reporting covers production sites, administrative sites of over 200 people and sites with storage capacity exceeding 15,000 sq.m. In 2011, this reporting covered over 90% of the Group's sales, with the integration of a new unit, ESTAP. New acquisitions are integrated between one and three years following the year of entry into the Group's scope

of consolidation. No entities left the scope of consolidation during 2011;

- if an entity is sold, it immediately exits the scope of reporting mentioned above.

For more information on the Group's reporting tools, please refer to section 5.3.4. of this Registration Document for Environment reporting, and section 5.4.4. for issues involving the Social dimension and topics related to Prevention.

The reliability of data applied through these reporting tools is the prerequisite for any effective measurement of results, and hence any implementation of improvements.

In order to ensure their reliability, the Group chose to anticipate the external certification requirement for these data as specified in Grenelle 2 agreements (which is applicable to fiscal years beginning January 1, 2012). As a result, the reporting process, associated references and selected indicators determined in late 2010 were reviewed according to an agreed procedure by the Group's Statutory Auditors so that the data at end 2011 could be prepared in a reliable manner.

Actions for improvement were identified, such as more specific definitions of indicators and calculation methods, and the establishment of a control process for these data as close to their sources as possible, through the formal involvement of the internal control teams in the main entities.

This audit process was repeated by the Statutory Auditors on a selection of data at end 2011, which was certified as having obtained a moderate level of assurance. Please refer to section 5.5. of this Registration Document for further details about the scope and results of this audit.

### 5.1.5 - Non-financial communication and inclusion of Legrand shares in sustainability indexes

To promote transparency and openness, in particular towards investors and shareholders, Legrand regularly responds to requests relating to its non-financial performance. An area dedicated to SRI analysts has been created on the Company's website ([www.legrand.com](http://www.legrand.com)) with the aim of improving access to information.

At end 2011, Legrand shares are included in various indexes of listed companies that satisfy certain ESG criteria (Environment, Social, Governance):

- Dow Jones STOXX Sustainability Index (DJSI STOXX);
- FTSE4Good (London Stock Exchange);
- ASPI Eurozone (Advanced Sustainable Performance Indices);
- Ethibel Excellence Europe;
- ECPI Ethical EMU Equity.

## 5.2 - CORPORATE GOVERNANCE: 2011 POLICIES AND RESULTS

The Group plans to ensure profitable, lasting and responsible growth for its operations and meet the expectations of its stakeholders to the best of its ability in terms of economic choices as well as business ethics.

The Charter of Fundamental Principles sets out the rules of behavior and business conduct that every employee must observe. This Charter may be consulted at [www.legrand.com](http://www.legrand.com). It has been translated into around ten languages and incorporates a practical guide. All Legrand entities subscribe to it.

Management of rules and tools of good governance is guaranteed jointly by the Company Secretary and the Director of Human Resources, both of whom are the Group's Ethics Managers. This organizational structure is applied in the subsidiaries through a network of 60 ethics representatives who are responsible for providing local guidance on the proper application of the Group's principles, and to relay the issues that merit greater involvement from Group central departments.

The themes of corporate governance related to business ethics are overseen by the Legal Department, which reports to the Company Secretary. In September 2011, a compliance program was formalized that involves all of the constituent areas of business ethics: corruption and fraud risk management, ensuring compliance with rules concerning competition law, and compliance with securities trading ethics. This program is organized around five principles:

- a strong commitment by the Group's senior management;
- a methodology for Group risk analysis;

- clear policies and control mechanisms;
- training and communication initiatives;
- an internal audit process and implementation of action plans in response to risks.

Management of this compliance program is assigned to an internal multidisciplinary committee that meets quarterly under the leadership of the Legal Department. Its two main missions are to define a set of work priorities and monitor the results achieved. This Compliance Committee reports annually on its work to the Group Risk Committee, which reports to the Audit Committee and the Board of Directors.

Oversight of the proper application of corporate governance principles is provided by the Group's Internal Audit Department, whose work programs and internal control methodology include specific due diligence audits for these matters. Please refer to chapter 7 of this Registration Document for details on the Group's internal control principles.

## 5.2.1 - Applying ethical commitments on a day-to-day basis

As part of its 2011-2013 roadmap, the Group broke down the application of ethical commitments according to the three targets detailed below.

2011-2013 targets	Progress at end 2011
Progressively structuring dialog with Group's stakeholders	57%
Training Group's ethics representatives in human rights and combating corruption	28%
Continuing to train Group's staff to comply with the Charter of Fundamental Principles and its supplement on competition	33%

### ■ 5.2.1.1 STRUCTURING DIALOG WITH THE GROUP'S STAKEHOLDERS

Due to its business activity, the Group has historically been strongly involved with the actors in the electrical sector. It conducts its activities in a sustainable framework by establishing reciprocal, bilateral relationships with customers and suppliers. Similarly, the Group puts its employees and local communities at the center of its corporate social responsibility policy. It promotes knowledge sharing and dialog on CSR.

However, to progress further, in 2011, the Group began to map its stakeholders, with the purpose of evaluating existing relationships with regard to social and environmental responsibility and identifying areas of involvement for the Group. These principles will be gradually fleshed out and proposed to the functional divisions and subsidiaries responsible for the issues identified.

#### Relationships with customers

Listening to customers is part of the Group's four values. Customer relationship management is formalized through standard contracts that specify terms of sale and are adapted to various geographical areas under the responsibility of the France Director, the Export Director or the Sales Director in each country.

Customer relations is reflected in particular through various processes and procedures, such as training, quality of service, and management of customer dissatisfaction.

The Group's relationships with its distributors, electricians, specifiers and users are central to its strategy. Legrand has over 70 showrooms and 15 training centers, including Innoval in Limoges, which has welcomed nearly 70,000 people since 1999, including 2,855 visiting customers and 2,773 customer trainees during 2011. Assessments of service quality are conducted with key customers. Meetings are held every two years with distributors to develop, monitor and discuss business relationships. Regular meetings are also organized with specifiers to discuss their

expectations. Since 2006, 500 people have met at Group headquarters for this purpose.

The availability of Group products with regard to its customers is key to customer satisfaction. As a result, Legrand monitors the service rate for each of its subsidiaries to measure the Group's ability to fill orders from its customers in the desired quantities and time frame. Customer satisfaction also depends on the Group's ability to guarantee the authenticity of its products to customers. Accordingly, the Copytracer device, which is currently installed on the new generation of modular breakers whose use is to be gradually extended, applies a specific mark to the Group's products, thus making it possible to differentiate between original products and copies and other counterfeits that are often synonymous with risk for users.

Moreover, since 2009, the process of managing customer dissatisfaction has been further improved. In particular, reasons for dissatisfaction are classified according to different levels of severity, with those that may have implications for the safety of goods or people, or present a major financial challenge, being taken into account in a specific manner.

A procedure for product risk management is also in place and applicable to all Group products irrespective of brand and destination market, thus providing accelerated internal processing procedures for potentially critical situations. About 80% of the countries where the Group operates are covered by the procedures described above.

In addition, in 2011, the Group launched a new IT project named Solutio, whose objective is to enable direct communication between the after-sales departments of each subsidiary, the quality teams at the Industrial Divisions and the central Product Risk Management Department. Information is shared in real time, and technical issues or customer dissatisfaction is registered immediately for faster processing.

For more information on product risk management, please refer to section 4.3 of this Registration Document - Legal risks (risks related to the product sold).

### Relationships with suppliers

The Group seeks to establish long-lasting and balanced relationships with its suppliers. To achieve this, it relies on a centralized Group Purchasing Department with an international presence and structured by a Quality Management System (QMS) that provides the foundation for the relationship with suppliers regardless of their location.

The Group Purchasing Department has been ISO 9001 certified since 2007 for its European sites and for Turkey, and it is planning to gradually extend this QMS outside of Europe.

The QMS allows for quarterly monitoring by the Purchasing Department management team of collective and individual performance indicators for the purchasing function.

Group purchases represent nearly 31% of sales for raw materials and components, to which purchases of services and investments have to be added. All of these purchases are made with two major families of suppliers:

- "Group Panel" suppliers, who, as major players in their market and key Legrand partners, support the Group in its international projects. "Leader" Buyers and Quality Professionals establish a close, privileged and sustainable relationship with them. These 470 partners meet the Group's multi-site needs and account for one third of purchases;
- local suppliers, who meet the specific needs of a site and are managed locally by operational buyers.

Supplier relations are structured to encourage feedback as part of a continuous improvement process. They follow various operational stages whose scale changes according to the type of provider and the challenges and risks that it faces:

- approval and contracting;
- visits and audits;
- risk and incident management;
- "Supplier Days", which are days to discuss supplier expertise and innovation with the actors involved in product development. Leader buyers organized 34 meetings in 2011;
- performance monitoring, along with the establishment of an improvement plan if necessary.

This monitoring is conducted monthly by the operational buyers and annually by the leader buyers. Internal users evaluate various points: product quality, timeliness of delivery, relationship quality, logistics, technical collaboration with the research and development teams, price level and relevance to need, and the results are shared with suppliers. In 2011, 281 "Panel Group" suppliers on 27 sites in Europe and seven sites outside of Europe were monitored. The deployment of this monitoring process internationally is part of the Group Purchasing Department's performance indicators.

Moreover, for Legrand, the use of local suppliers is a means of establishing its activities securely within the economic areas in which its sites are located. For example, nearly 20% of all non-production purchases from sites in the Limousin region of France are made from suppliers in the Haute-Vienne and neighboring departments.

Regarding the integration of suppliers into the Group's Sustainable Development policy, please refer to section 5.2.2 of this Registration Document.

### Relationships with Group employees

Many initiatives involving employees in the Group's CSR strategy were conducted in 2010 and continued in 2011: implementation of actions to raise awareness of Sustainable Development at sites, voluntary participation in meetings such as the Sustainable Development Forum, which brought together several hundred employees at Group headquarters, and proposals for action on the Group intranet site.

Legrand's subsidiaries ensure that employees know their rights and the social policy of the Group, through the use of various media: distribution of manuals to employees, display of written notices in public, accessible places, and on the Group intranet site.

For more information on social dialog, organizations representing employees and unions and collective agreements, please refer to section 5.4.1.3 of this Registration Document.

In 2010, as part of the policy to promote social dialog within the Group, and at the request of certain trade unions, Sustainable Development negotiations began in France. Like the negotiations for Prospective Employment and Competencies Management, and the agreement on preventing psycho-social risks at work and improving the quality of working life (both of which were approved unanimously), the negotiation process, which is expected to take several years (2010-2012), is committed to:

- discussing many issues (environmental, social and community, particularly in terms of diversity);
- interesting all employees in Group policy in this topic.

Finally, the achievement of Group development objectives is based on a set of key high-performing employees. Over recent years, Legrand has implemented a plan to allocate performance shares to its employees. These allocations affected more than 1,500 people in 2011, and they are at the center of the plan to motivate and retain the Group's human capital. These allocations are determined each year on the basis of the Group's overall performance and according to a rigorous selection process conducted by an ad hoc committee whose purpose it is to identify in all of the Group's subsidiaries the employees who perform best and create the most value. This policy caused the Board of Directors to expand the categories of eligible beneficiaries and geographical areas. As a result, the number of beneficiaries



has increased by 70% over the last two years and two thirds of allocations are currently made to employees of international subsidiaries.

This plan is a strong element of the Group's remuneration policy. In recent years, this policy was also accompanied by specific measures that went beyond regulatory requirements to give employees a share of the Group's earnings. As a result, a special bonus was paid in 2010 for 2009 earnings to all Group employees in France. In addition, an improvement to the profit-sharing and incentive formula resulted in an increase of nearly 30% of the corresponding amounts paid in 2011 for 2010 earnings. Finally, since Legrand paid dividends for 2010 earnings that were higher than the previous two years, it negotiated the payment of a bonus for an individual amount of €300, which was paid in November 2011 to Group employees in France.

Further details on the profit-sharing and incentive plans are available in section 8.4 of this Registration Document.

With regard to the Group's actions favoring its employees, please refer to section 5.4.1. of this Registration Document.

### Relationships with local communities

The Group is involved in local development through its participation in competitiveness clusters, support for training and education efforts and participation in local charity work.

Since 2005, Legrand has been a founding member of two competitiveness clusters in France. These structures were designed to bring businesses, training centers and research units together in a given territory and engage them in a partnership to develop innovative joint projects.

- ELOPSYS, on the theme of microwaves and photonics in the Limousin region;
- S2E2 (*Science et Système de l'Énergie Électrique*, Science and Electrical Power System), on the theme of electrical energy for the Centre and Limousin regions.

Ten or so research projects are underway, including:

- AFFICHECO, whose purpose is to quantify the energy savings that can be made in homes, based on the display of consumption levels. Experiments were performed with project partners on more than 50 homes (sociologists from the University of Tours, Veolia and Energio). This project will have an impact that is social (behavior in reaction to the display of consumption levels), environmental (reduction of fuel consumption) and economic (recommendations of suitable solutions);
- RWU (Remote Wake-Up), whose purpose is to eliminate standby consumption of remotely operated equipment. Models and prototypes were produced with two laboratories (X.Lim in Limoges and Ampère in Lyon), SOREC, an SME specializing in electronics (Romorantin), ST Microelectronics (Tours) and

the University of Orleans. The results can be applied to home automation products but also to household appliances such as television sets.

The Group is also involved in the world of teaching to support training initiatives, especially in innovative fields that are a source of opportunities for the electrical industry, such as access to electricity, energy consumption control, well-being, health and safety functions, and assisted living.

These areas are aligned with the principles of Legrand's Sustainable Development policy and the Higher Education Relations Department implements technical support actions and partnerships with teachers, trainers and students who are future specifiers and program implementers in the electrical sector.

As a result, Legrand has developed partnerships and exchanges with top engineering schools such as ICAM (Institut Catholique des Arts et Métiers), the ESIR/Rennes 1 (École Supérieure d'Ingénieurs de Rennes and the University of Rennes), the École Centrale Paris, Telecom Sud Paris, the Université des Sciences in Limoges, and the CNAM (Conservatoire National des Arts et Métiers) of the Pays de la Loire.

Legrand also provides training support, for example, as part of energy engineering for electro-mobility in order to promote skills in design and manufacturing and after-sales of electric vehicles and charging infrastructures in association with the IUT (University Institute of Technology) of Mantes and the University of Versailles St-Quentin.

In addition, Legrand supports promotional initiatives for the business lines in its sector through efforts to identify certain talent:

- Legrand is an official partner of WORLDSKILLS France, a trade Olympics in which the Gold Medal winners from each business line participate in the World Olympics final, which took place in London in October 2011;
- Legrand organizes the "*Trophée des jeunes Talents ELEC*" in its own name, which recognizes the best apprentice electricians (about 3,700 candidates).

Legrand encourages actions to benefit local communities, be they social or environmental. These actions are defined by the Group's subsidiaries, according to local needs, or by the Sustainable Development Department, which has a privileged partnership with Electricians Without Borders (EWB) for development aid or emergency aid.

The total budget allocated to charitable activities amounted to approximately €1 million in 2011 in monetary or material donations.

In India, a subsidiary of the Group is involved with local NGOs to benefit the environment (tree planting in public spaces), health (lectures on stress management and campaign for

ophthalmologic assessments) or education (donation of school supplies to students).

In Colombia, Legrand is a member of the Board of Directors of the Asoalamos Association, which includes executives from the top companies in the region. This association forges close ties with the local community, and some government agencies (Civil Defense, Local Mutualized Aid Committees, local municipalities, etc.) to implement measures aimed at the community, through, for example, a Safety Committee, an Environmental Affairs Committee etc.

In the social domain, the Group belongs to FACE (*Fondation Agir Contre l'Exclusion*), a French foundation that fights against social exclusion. The Brazilian subsidiary is participating in the Pescar project, which provides academic support and training for disadvantaged children. US and Canadian entities are involved in health efforts through donations to the National Multiple Sclerosis Society, the Canadian Cancer Society, and to the Salvation Army.

Please refer to section 5.4.2. of this Registration Document for more information on the partnership with EWB and to section 5.4.1.4. of this document for more information about social actions related to diversity.

#### ■ 5.2.1.2 TRAINING GROUP ETHICS REPRESENTATIVES IN HUMAN RIGHTS AND COMBATING CORRUPTION

The fight against corruption and respect for human rights are part of the principles of the Group's Charter of Fundamental Principles, in reference to the Universal Declaration of Human Rights and the Declaration of the International Labor Organization (ILO). This document has been translated into 12 languages, including Chinese and Russian. Since 2009, 60 ethics representatives have been put in place in the Group's different entities. They are local contacts for the dissemination and promotion of the Charter of Fundamental Principles and its supplements.

A Group monitoring and warning procedure has also been in place since 2009. A generic e-mail address was created as a place for employees to send their questions and problems, and training sessions are held regularly, especially for the ethics representatives, to help them identify and manage potentially difficult situations related to ethical issues in their entities. Additional training materials are available, such as guides, to facilitate understanding of the charter.

In mid-2011, a special training session for ethics representatives was also conducted via webcast. Various Group functions (Internal Audit, Legal, Human Resources, Exports, Sustainable Development) contributed to the definition of the messages and were assisted by the participation of a lawyer who specializes in corruption. Communication support tools such as guides

and presentations were created and made available to ethics representatives to facilitate their work in this area.

With particular regard to the risks of its downstream economic chain, since 2009, Legrand has implemented a detection procedure for economic actors subject to sanctions and/or considered to be exposed to money laundering or the financing of terrorist activities. This customer compliance program ("Know Your Customer") relies on consolidated data through a financial services provider specializing in this field. Every two months, an updated list of companies categorized as exposed or sensitive, covering all the Group's markets, is communicated to Legrand. This list is compiled from lists defined by the US Office of Foreign Assets Control (OFAC) and the European Commission. All of these elements are forwarded to the Group's subsidiaries, which confirm several times a year that their customer portfolios do not include companies from these lists.

#### ■ 5.2.1.3 CONTINUING TO TRAIN GROUP'S EMPLOYEES TO COMPLY WITH THE CHARTER OF FUNDAMENTAL PRINCIPLES AND ITS SUPPLEMENT ON COMPETITION

Since 2010, compliance with competition law and good business practices are based on several initiatives:

- creation of a competition charter and a specific guide;
- online training module for Group employees (approximately 2,500 employees were able to participate in online training sessions on competition law);
- specific intervention in Executive Committee and commercial meetings in the various entities;
- inclusion of the subject in the Group's training programs for managers in charge of industry, research and development and marketing;
- more widespread internal communication (in-house magazine, intranet).

In addition, local initiatives are worth noting. Accordingly, the Group's Chinese entities have created a welcome booklet containing all of the Group's charters translated into Chinese, which is issued to all new employees.

Since 2006, the Group's internal control program has included an annual assessment of key controls, which are reviewed by the Internal Audit Department. Proper distribution to all employees (including new hires) of the Charter of Fundamental Principles and supplemental charters is a specific part of the key controls, whose effective application is reviewed annually. In 2011, the Group's forty main subsidiaries were reviewed for this control, and it was revealed that the Group charters were distributed properly.

Finally, joint audits between Internal Audit Department and Legal Department are performed annually in the Group's subsidiaries considered to be most at risk for non-compliance with good business practices. During these audits, efforts to raise awareness of these principles may be conducted with local teams based on the practices identified.

This entire process is part of the Group Compliance Committee's priority areas for action (please refer to section 5.2 of this Registration Document for more information).

## 5.2.2 - Integrating suppliers into the sustainable development process

As part of its Sustainable Development commitments, it is essential for the Group that its partners, including suppliers, are following similar policies.

As a result, in 2007, in accordance with Legrand's adherence to the UN Global Compact, the Group Purchasing Department launched an awareness campaign to solicit the signing of the Global Compact by its "Panel Group" suppliers. In 2011, 64% of Purchasing sales from the "Panel Group" was made with suppliers that adhere to the Global Compact, versus 62% in 2010 and 58% in 2009.

Meanwhile, Legrand is committed to sustainable purchasing. For example, in 2009, through its participation in the CDAF (*Compagnie des Dirigeants et Acheteurs de France*), it helped to develop an inter-company Mediation Charter called "Ten Commitments for Responsible Purchasing". It governs the relationships between prime contractors and their suppliers, including Small and Medium Enterprises. Legrand was one of 28 original signatories to this Charter in 2010. In early 2012, the Charter had 235 signatories

committed to responsible purchasing in a partner relationship with their suppliers.

The new Legrand General Purchasing Conditions published in early 2012 take into account the balance of the customer-supplier relationship, in the spirit of this Charter. Moreover, a mediation process has been established in the event of a dispute.

The integration of suppliers into the Group's Sustainable Development policy also requires an adjustment of the supplier relationship management "tools" and the implementation of new targets.

Since 2007, the Purchasing Specifications contract document has included Legrand's Sustainable Development requirements for its suppliers, particularly in terms of compliance with the regulations and laws in force for both environmental and social matters. For example, the ten Global Compact principles are restated. In 2011, a section dedicated to "social, societal and environmental responsibility of suppliers" was included in supplier agreements.

The process of incorporating suppliers into Legrand's Sustainable Development commitments is structured around three targets:

2011-2013 targets	Progress at end 2011
Extending evaluation of suppliers based on Sustainable Development criteria	30%
Continuing to train Group buyers in responsible purchasing	33%
Formally informing suppliers and subcontractors of the Group's expectations concerning the development of High Environmental Performance products	25%

To facilitate the monitoring and implementation of these targets, a Sustainable Purchasing project manager was appointed in 2011 within the Group Purchasing Department.

#### ■ 5.2.2.1 EXTENDING EVALUATION OF SUPPLIERS TO INCLUDE SUSTAINABLE DEVELOPMENT CRITERIA

The evaluation of suppliers on Sustainable Development criteria takes place through two major processes: risk assessment and analysis.

In 2008, a Sustainable Development questionnaire was included in the supplier assessment procedure. The questionnaire is used to help assess the maturity of the suppliers involved in terms of Sustainable Development, during site visits conducted by buyers and purchasing quality representatives. It includes 28 questions addressing the supplier's social, workplace health and safety and environmental commitments. At end 2011, the Group had about a hundred completed questionnaires from some of its strategic suppliers. The data made it possible to compare suppliers on five themes (environmental, social, health and safety, quality and organization), and to set a target for each relevant purchasing family. Leader buyers were the main players in this analysis.

In addition, this document was the basis for the establishment of a segment survey that was presented to the profession in February 2011 as part of the work of the Sustainable Purchasing group on the professional union GIMELEC of which Legrand is a member.

With regard to supplier risk analysis, a campaign has been conducted annually since 2009 by leader and operational buyers. The supporting analysis grid includes 14 criteria and is reviewed at the beginning of each year for any necessary changes. The results are presented annually to the Group Risk Committee (for more information on the Risk Committee, please refer to section 7.4 of this Registration Document).

In 2011, 73% of purchases was covered by this analysis (which included 41 sites across 23 countries), versus 58% in 2010 (35 sites in 19 countries) and 45% in 2009 (30 sites in 18 countries). It led to the implementation and monitoring of action plans for providers deemed to be at risk.

#### ■ 5.2.2.2 CONTINUING TO TRAIN GROUP BUYERS IN RESPONSIBLE PURCHASING

Supplier relation actors, including buyers and purchasing quality representatives, are regularly involved in the Group's Sustainable Development policy, either through general awareness-raising efforts (Group strategy, education about audits or rating agencies, etc.), or through operational training, particularly with regard to High Environmental Performance products

(Product Environmental Profiles, substance management, etc.). These events bring people together and contribute to the development of a discussion network.

In early 2011, a special section on Sustainable Development was introduced in a standard training module for buyers (country purchasing managers, leader buyers and operational buyers). This section lists the Group's commitments as well as the main principles of the UN Global Compact and the role of buyers in the sustainable purchasing process with a special focus on themes related to ethics. In 2011, 36 buyers were trained in ten countries (China, Brazil, Mexico, France, Italy, Russia, Hungary, the Netherlands, Poland and Egypt). This module is used in particular for the initial training of new buyers.

Sustainable purchasing awareness training was also given to purchasing quality representatives, who assist buyers during supplier audits. They are all important links in the assessment of Group suppliers throughout the world.

Finally, buyers and project leaders were also briefed on the concept of the Product Environmental Profile (PEP) by the Group Environment Department, thus enabling them to better understand the concepts of environmental impact from products and purchased components. Please refer to paragraph 5.3.1.3. for more information on the concept of PEPs.

#### ■ 5.2.2.3 FORMALLY INFORMING SUPPLIERS AND SUBCONTRACTORS OF THE GROUP'S EXPECTATIONS CONCERNING THE DEVELOPMENT OF HIGH ENVIRONMENTAL PERFORMANCE PRODUCTS (HEP) <sup>(1)</sup>

One of Legrand's commitments is to include High Environmental Performance levers in the development and marketing of its products. This development occurs in compliance with the requirements of the RoHS Directive<sup>(2)</sup>, the exclusion of REACH regulation substances<sup>(3)</sup> and in the availability of PEPs<sup>(4)</sup>.

Legrand is gradually involving its suppliers in this HEP product process according to groups of goods.

For example, since 2008, in response to substances regulations such as REACH, suppliers of raw materials, in particular, of plastics, are invited to send Legrand their Material Safety Data Sheets (MSDS) via a generic e-mail address. Since 2011, a panel of central materials laboratory experts has joined buyers to identify the types of materials and items purchased with a high probability of containing REACH substances and conduct constructive consultations with the appropriate suppliers as a

(1) For more information on HEP product development in the Group, please refer to section 5.3.1.

(2) RoHS: Restriction of Hazardous Substances.

(3) REACH: Registration, Evaluation, Authorization of Chemicals.

(4) PEP: Product Environmental Profile.

priority. To comply with this regulation, a "REACH process" was established.

In 2011, a questionnaire for collecting data from suppliers was established to enable the production of internal PEPs. It will be evaluated with suppliers in 2012.

## 5.3 - ENVIRONMENT: 2011 POLICIES AND RESULTS

In both the production and development of its products, Legrand favors materials and processes that respect both people and their environment. Through this approach, the Group aims to reduce the impact of its operations on the ecosystem, while at the same time enhancing business performance and the appeal of its products and services.

To carry out this process successfully, Legrand encourages grassroots action on its production and R&D sites. These actions are coordinated by the Group Industrial Divisions, which challenge their teams to improve performance. At the same time, the Group Environment Department manages the Group's policy from within the Strategy and Development Division and contributes to environmental reporting by providing data analysis.

A total of about 50 people worldwide work with each of the three environmental managers in the Industrial Divisions and the Group Environment team.

For example, the environmental representatives on the production sites are used to ensure the implementation of the Group's environmental policy. They are responsible in particular for implementing environmental diagnostics. Within the framework of Legrand's operational organization, they also help implement improvement plans, in most cases as part of an Environmental Management System.

All 85 industrial sites and the most important logistics and administrative sites, contribute to Group environmental reporting by producing about fifty indicators, such as energy and water consumption, VOC emissions, waste production, and environmental action initiatives and investments. References available in English and in several local languages provide support for the policy. A selection of the data from this reporting is presented in section 5.3.4.

Moreover, employees awareness of environmental issues is raised in a number of ways:

- training: in total, Group employees received nearly 15,300 hours of training dedicated to the environment in 2011, representing an increase of 34% over 2010. After a downturn in 2010, 2011 saw a return to higher levels of training, thus demonstrating the Group's commitment to this issue;
- dedicated events: Sustainable Development Month, newsletters, brochures and posters provided to all Legrand sites, Sustainable Development Forum held at Legrand headquarters in Limoges.

### 5.3.1 - Developing High Environmental Performance Products

For Legrand, designing and manufacturing products with High Environmental Performance means taking action on different elements: control of substances, recyclability, controlling the

environmental impact of the Group's manufacturing processes, eco-design, and supplying customers with information on the environmental impact of products.

The 2011-2013 Group roadmap builds on these key elements. Legrand is committed to incorporating the key elements of High Environmental Performance Products in the development and marketing of its offerings through the achievement of four targets:

2011-2013 targets	Progress at end 2011
Complying with the requirements of RoHS regulations beyond the strict scope of their application for all Group products	50%
Excluding the use of REACH "candidate list" substances for future product developments whenever an alternative, technically and economically viable solution exists	48%
Making Product Environmental Profiles (PEPs) available internationally and to all parties involved in the building sector	30%
Increasing the proportion of eco-designed products in the Group's offer which present reduced environmental impact in a multi-criteria lifecycle analysis	33%

#### ■ 5.3.1.1 COMPLYING WITH THE RESTRICTIONS OF ROHS REGULATIONS BEYOND THE STRICT SCOPE OF THEIR APPLICATION FOR ALL GROUP PRODUCTS

The Group complies with all restrictions on the use of hazardous substances, in particular the EU's RoHS Directive. This affects a very limited part of the Group's product offering. Nevertheless, since 2004, Legrand has made it a goal to eliminate RoHS substances from all of its solutions, starting with those marketed in Europe, whether they are covered by the scope of application of the Directive or not.

As a result, all welding on products sold in Europe has been lead-free since 2007. The use of lead-free PVC (mainly in the manufacture of cable management moldings) was extended throughout the Group from 2009.

A program to replace hexavalent chromium in metal surface treatment processes led to the elimination in mid-2011 of all Chromium 6 emissions in the Group's European units.

This approach is gradually being extended to the Group's products designed and produced outside of Europe for markets outside of Europe; e.g., the Group's US subsidiaries conducted a diagnostic of their offering in 2011 to identify areas for improvement. Similarly, China and South America have initiated a process to identify RoHS substances.

#### ■ 5.3.1.2 EXCLUDING THE USE OF REACH "CANDIDATE LIST" SUBSTANCES FOR FUTURE PRODUCT DEVELOPMENTS WHENEVER AN ALTERNATIVE, TECHNICALLY AND ECONOMICALLY VIABLE SOLUTION EXISTS

Since 2008, Legrand has been actively involved in the application of European REACH regulations, in particular by facilitating the transmission of data on the relevant substances in the economic chain (upstream and downstream):

- collection of data from strategic suppliers via their Material Safety Data Sheets, the key component of REACH provisions for the transmission of product information. The management of Material Safety Data Sheets is being brought into line with REACH at all Group entities;
- provision to the Group's European customer service departments, for all brands, of a customer response system connected to the Group's intranet site;
- a full page dedicated to REACH posted on the Legrand website for the use of all stakeholders.

Beyond regulatory requirements, Legrand has undertaken to remove, in all future product development, substances included in the REACH "candidate list" whenever a technically and economically viable alternative is available.

Achieving this goal requires the early use of the restrictions put in place by REACH starting with the design of new products.

For example, plasticizers used for the formulation of flexible PVC are subject to demanding restrictions starting with the design of products that include this material. As a result, none of the many phthalates included among the 73 substances currently listed by REACH is used by Legrand for its European production. Consequently, no substitutions will be made in the scope of application of European regulations.



To strengthen and sustain this proactive policy, a REACH expert committee consisting of Group material and process experts and supported by the purchasing organization was created in 2011. Its role is, upon the publication of lists of candidate substances, to focus on promoting alternative product design solutions and defining their manufacturing process.

In addition, as it has done for the RoHS Directive, the Group has established a process for reference identification of some of the products that contain REACH "candidate list" substances. At the end of 2011, 48% of Group Research and Development teams had implemented this process.

### ■ 5.3.1.3 MAKING PRODUCT ENVIRONMENTAL PROFILES (PEPS) AVAILABLE INTERNATIONALLY AND TO ALL PARTIES INVOLVED IN THE BUILDING SECTOR

Since the early 2000s, Legrand has been interested in LCA (Life Cycle Analysis) techniques to calculate the environmental impacts of its products scientifically and provide factual information that goes beyond preconceptions. It is from these LCA results that Legrand built the Product Environmental Profile (PEP) for its products and, more importantly, improved their environmental performance.

However, Legrand favors an approach that includes other industrial partners, as it believes this to be the most appropriate approach to provide objective information about the process. As a result, since the early 2000s, Legrand has developed calculation software with other actors in the electrical industry and in partnership with LCA experts, which is based on standards of the ISO 14040 series. This EIME (Environmental Improvement Made Easy) software is now the basic tool for LCA calculation of Legrand products.

In addition, Legrand is a leading member of the PEP Ecopassport association. This association was launched in France in 2010, and it has established and developed a type III environmental declaration program that complies with the requirements of the LCA and ISO 14025 environmental standards, which govern environmental communication.

This program was developed by the electrical industry in France and strictly regulates the LCA process and the environmental information it provides: a review of selected materials, information on hazardous substances when present, environmental impacts on air, water and natural resources from the calculation of 11 indicators. All phases of product life are taken into account, from the extraction of raw materials needed for manufacturing to the end of product life, as well as the production, distribution, implementation and product use stages.

By offering all of these environmental data in a single document, the PEP provides the economic chain with serious and reliable information that allows a technical choice to be made with a stronger environmental dimension.

The PEP and PEP Ecopassport program have been recognized by the Grenelle Environment Forum in France and are becoming more widely available and used internationally.

Legrand already has more than 500 PEPs available on its brands' websites or upon request from customer services departments. Thanks to the efforts of R&D teams, 30% of Group sales is generated by products covered by PEPs (versus 24% in late 2010). The Group's goal is to achieve a rate of 50% by end 2013.

In the longer term, the Group's objective is to systematically expand the provision of environmental information. French and Italian R&D teams regularly assist global R&D teams with projects to develop new products for their markets. For example, the new Legrand Excel Life range, which was jointly developed by the Australian, Chinese and French teams, has been the object of several PEP publications.

Moreover, in 2011, all Legrand North America (LNA) R&D teams were trained in LCA techniques and PEP preparation. About 3% of LNA sales are already covered by PEPs.

PEPs are also an information tool for the recycling sector (recycling potential, recovery, location of substances, etc.) and facilitate the end-of-life processing of Legrand products in anticipation of likely changes to the European WEEE Directive.

It is in this specific area that Legrand is currently acting to recover and recycle products. Historically, the Group is a pioneer as, for over 20 years, it has organized the recovery and recycling of self-contained emergency lighting units. This has enabled more than 200 metric tons of products to be recycled every year (including about 70 metric tons from nickel-cadmium batteries).

The WEEE Directive has structured and regulated such initiatives in Europe. Under its leadership, eco-organizations have established collecting points for products marketed to households. To respond to the new obligations, Legrand has joined up with organizations operating collection systems in association with local authorities and DIY outlets, to recycle and process waste.

Since 2010, recycling processes adapted to the construction industry, such as the "WEEE pro" process in France with the eco-organization Recylum, have been commissioned. Legrand has participated as a founding member in the launch of this professional process, which recovers a wide range of products for all electrical equipment manufacturers. The Group's sale forces are trained to promote membership of the Recylum network among their customers. Currently, approximately 1,200 partners have joined the Recylum network in France. All are equipped with special containers to collect end-of life products. About 60% of

these partners are wholesalers, and the remainder installers or specialized landfills.

Similar initiatives have been implemented in European countries affected by the directive.

#### ■ 5.3.1.4 INCREASING THE PROPORTION OF ECO-DESIGNED PRODUCTS IN THE GROUP'S OFFER WHICH PRESENT REDUCED ENVIRONMENTAL IMPACT IN A MULTI-CRITERIA LIFECYCLE ANALYSIS

An eco-designed product is a product that, on the basis of multi-criteria indicators, has a smaller environmental impact throughout its life cycle (using the methodology described in ISO 14040). The comparison refers to the older generation of the product or a targeted competitor's product, or even the industry standard product (as established by a trade association or a standard such as NF, BAES, etc.).

LCA techniques that make it possible to prepare PEPs are a powerful tool in the eco-design of products. Accordingly, in the design and industrialization phases, environmental impact analysis generally leads to optimization of previously established technical solutions.

In the end, only the most carefully developed products from an environmental perspective can claim the title of "eco-designed", thus providing a constant challenge for Legrand R&D teams.

Under the PEP Ecopassport program, Legrand classifies products into three categories:

- casings (cable management, industrial cabinets), which do not consume energy during use. The choice of materials is paramount in reducing the environmental impact. The focus is on reducing volume and choosing environmentally friendly materials;
- active products (such as emergency lighting units), which consume energy in use. It is in this usage phase that the environmental impact is greatest, therefore the major goal is reduced consumption;
- finally, passive products, which do not consume electricity themselves but marginally dissipate electrical energy (switches, protection devices, etc.). These constitute an intermediate category where the balance between material content and electricity dissipation is particularly sensitive and requires the full use of LCA tools.

Among the eco-friendly products offered by Legrand in 2011, the new range of modular circuit breakers optimize their overall environmental impact with total estimated savings of 10,400 metric tons of CO<sub>2</sub> for all products this type sold in an entire year, compared to equivalent products from an earlier generation.

The new range of Excel Life switches and outlets launched in 2011 in Australia provides another example of eco-designed products from Legrand. The presence of PEPs has been welcomed by many in the Australian market.

In 2011, with the training that took place at Legrand North America Research and Development centers, nearly 67% of Group R&D centers have conducted LCAs, versus 59% in 2010. The Group's goal is to achieve a coverage rate of over 80% of its R&D centers by the end of 2013.

The eco-design policy also applies to packaging. More specifically, it makes it possible to improve the ratio of packaging volume to product volume.

Packaging experts have defined the best practices that are implemented by all R&D teams, such as the use of cardboard with a high recycled matter content, water-based ink-jet printing, and the use of acrylic glue with a lower VOC, etc.

In 2011, Legrand received the Oscar of the packaging industry for the new eco-designed Niloé range of equipment, launched in large retail outlets in 2012. The new packaging has been minimized, with a shell that covers only the front of the product. This new packaging is a reflection of the principle "Less is more". The size is smaller but it is better: it has a large space explaining the product to the consumer and it is more convenient because opening it is much easier, and so is recycling it. There is no printing on the shell. All communication is done using cardboard printed on both sides by an FSC and Imprim' vert-certified supplier/printer.

Additional indicators are discussed in section 5.3.4 below.



## 5.3.2 - Limiting the environmental impact of the Group's business

As part of its 2011-2013 roadmap, the Group is committed to improving the environmental performance of its sites and logistical flows through the achievement of three targets:

2011-2013 targets	Progress at end 2011
Determining a new way to calculate the Group's carbon footprint. Using it to determine new areas for improvement for the Legrand Climact project, which take into account the Group's growth targets	50%
Systematically obtaining ISO 14001 certification for the Group's industrial sites, in particular new sites	87%
Limiting water consumption and waste production by applying the best practices and environmental techniques in the Group to industrial sites joining Legrand	33%

### ■ 5.3.2.1 DETERMINING A NEW WAY TO CALCULATE THE GROUP'S CARBON FOOTPRINT AS PART OF A 2011-2012 PROJECT USING THE GHG PROTOCOL INTERNATIONAL METHODOLOGY.

In 2011, Legrand confirmed its commitment to combat climate change by signing the 2°C Challenge Communiqué. This declaration was launched by the Prince of Wales Foundation working group on climate change (Corporate Leaders Group on Climate Change).

In addition, every year Legrand contributes to the work of the Carbon Disclosure Project (CDP), aimed at providing quality information on initiatives to combat global warming.

In this context, in 2010, Legrand launched the Carbon Footprint project, which was deployed during 2011.

The goal of this project is to develop more reliable CO<sub>2</sub> emissions reporting by using the GHG Protocol methodology and identify levers for action that are most relevant to making the Legrand Climact initiative more dynamic.

As a result, the new methodological approach isolates Scope 1 and 2 emissions, i.e., CO<sub>2</sub> emissions directly related to the Group's activities, from indirect Scope 3 emissions, which correspond to greenhouse gas emissions generated by the Group's activities with other players.

More specifically, a distinction is made between:

■ **Scope 1 emissions:** these are Group emissions related to the consumption of fossil fuels (almost entirely natural gas) used mainly for heating buildings, and to a lesser degree for some industrial processes. Consumption by company cars, which are used overwhelmingly by sales forces in the various countries where the Group operates, is also taken into account. Finally, the contribution of refrigerant leakage was evaluated and taken into account;

■ **Scope 2 emissions:** these are indirect greenhouse gas emissions related to electricity consumption, mainly for industrial processes and marginally for heating and lighting buildings. The specific carbon content of electricity in each country was taken into account.

Total Scope 1 and 2 emissions corresponded to 187,000 metric tons of CO<sub>2</sub> equivalent in 2011 and remained stable at constant scope of consolidation.

As for Scope 3 emissions, the following items were evaluated and are ranked in decreasing order of percentage of emissions: raw materials (49%), goods and services purchased (28%), logistics (14%), end of product lifespan (4%), investments (2%), home-to-office commutes (2%), upstream losses for fuel production and transportation and line losses for electricity, business travel and waste (1%).

Total Scope 3 emissions reached 1.66 million metric tons of CO<sub>2</sub> equivalent and are therefore much higher than Scope 1 and 2 emissions.

The results of the full calculation confirm that, as a materials processing and assembly company, the Group does not have a high carbon intensity. Analysis of the contributing factors shows that, in descending order, the items related to raw materials, goods and services purchased, logistics and industrial site consumption are the main causes, directly or indirectly, of greenhouse gases.

This finding confirms the three priorities for action of the Legrand Clim'act initiative: eco-design, optimization of logistics flows and the limitation of energy consumption on Group sites (for more information, please refer to section 5.3.1.4. of this Registration Document).

This methodological work to make results more reliable will be supplemented in 2012 by an action plan that will determine the specific CO<sub>2</sub> emissions reduction goals for the Group.

### Energy consumption on Group sites

As part of the Carbon Footprint initiative, a Group energy consumption inventory was conducted. This improvement initiative has led to an upward revision of the energy consumption for the sites of the Russian entity Kontaktor.

Accordingly, for 2011, energy consumption on the Group's sites amounted to 527 GWh, compared to 454 GWh in 2010, an increase of 16% at current scope of consolidation, but 0.3% at constant scope of consolidation, after the 2010 revised values for the sites of the Russian entity Kontaktor are taken into account. Compared to the organic change in 2010/2011 sales, the Group's energy consumption fell 5.9% between the two years under consideration, based on 2010 revised data.

The Group already incorporates energy efficiency measures in its new constructions and rehabilitation or maintenance of its premises. As a result, the Group's best performing solutions in this area are implemented, particularly in terms of lighting management.

Since 2007, the Group has implemented best practices that were developed as part of the Lean Manufacturing initiative, which is particularly concerned with optimizing operations areas, controlling energy consumption through programmed on/off switches, optimization of heating with heat recovery systems, and more efficient management of lighting and compressed air. Early initiatives took place on French industrial sites. At these sites, the priority energy consumption sources were identified, consumption associated with each work station was analyzed and metering and sub-metering was installed. The Group is determined to extend this internationally and to leverage an approach that has been proven in both buildings and industrial processes.

In France, the Group is opting to be even more energy efficient, with the implementation of solutions that exceed regulatory standards. This was the case, for example, with the Aix en Provence sales office, which was established in 2009 in offices that meet the low-energy buildings criteria.

Other initiatives enable the Group to emphasize its commitment in these areas. Accordingly, Legrand North America has joined the White House's Better Building, Better Plants initiative for more efficient buildings and factories as a Challenge Partner by pledging to achieve ambitious energy savings and management and reporting targets. This initiative aims to create jobs in the United States by encouraging the renovation and energy upgrading of office buildings and industrial sites. As a Challenge Partner, Legrand North America has undertaken a series of high-impact actions, including:

- reducing energy consumption in its buildings by 25% over ten years;

- the implementation of a showcase project on a pilot site that will reduce energy consumption by 10% in just two years;
- the deployment of market innovation to achieve the goals of energy efficiency gains more quickly;
- regular progress reports on achievement of goals and lessons learned in the deployment of innovation and energy efficiency solutions.

The installation of sub-meters has already begun on 14 Legrand North America administrative, industrial and logistical sites. This program makes possible the instant measurement of energy consumption, identification of potential savings through management of lighting and other equipment connected to the network and the identification of improvements to the facility to further improve its energy performance.

### Energy consumption related to Group logistics flows

The Group continued its efforts to optimize logistics flows in 2011. As a result, CO<sub>2</sub> emissions associated with transporting products stabilized in the context of an increase in Group sales.

In addition, as part of its Lean Manufacturing initiative, the Group designs and implements:

- simplified flows to reduce the distances traveled by the products and components between production and storage sites in sales areas, and the "global cost", which takes into account environmental criteria, is analyzed;
- grouping of different stages in production on a single location, thus reducing transport between sites.

The choice of transport modes and organization of logistic flows also offer scope for improvement. Recent measures taken include:

- the use of rail transport between the Paris region and Marseille for routing a portion of containers headed to North Africa, or for our inter-site exchanges between France and Italy;
- use, as far as possible, of the same mode of transport for reception and shipping at the International Distribution Center, thus reducing the number of empty journeys;
- reduced use of air freight.

A new methodology in place since 2010 makes it possible to map a scope that corresponds to approximately 95% of Group flows.

Various initiatives have been undertaken since 2009 to reduce employee travel, including the promotion of webcasts and conference calls. Moreover, environmental information is regularly published on the Group intranet site and an automatic calculator allows users to translate the impact of travel into greenhouse gas emissions.

### ■ 5.3.2.2 HARMONIZING THE ISO 14001 CERTIFICATION OF THE GROUP'S INDUSTRIAL SITES THROUGH THE DEPLOYMENT OF THE POLICY FOR NEW ENTITIES

The environmental risk assessment of Group sites is performed in two ways: by ensuring that the site is operated in compliance with applicable rules and by conducting an inventory of industrial risks to the environment. Where necessary, corrective action plans are adopted. The target is the continual improvement of environmental performance, which normally results in ISO 14001 certification.

Given the Group's acquisition policy, significant effort is required each year. In 2011, six industrial units joined the list of ISO 14001-certified sites: Caxias dos Sul in Brazil, Estap in Turkey, Pico-Riveral in the United States, Beijing in China, Castellalto in Italy and Boxtel in the Netherlands.

Accordingly, by the end of 2011, 87% of industrial and logistic sites integrated within the Group for more than five years were ISO 14001 certified.

The Group is determined to commit its new acquisitions to this certification process as soon as possible, by supporting the new industrial sites as they achieve the required levels. This commitment represents a significant ongoing effort, especially in some countries where the regulatory or standards framework is far below the ISO 14001 certification criteria. Accordingly, considering that new industrial sites have recently joined the Group and that the implementation of improvement initiatives requires a certain amount of time, Legrand considers it ambitious to be able to maintain a minimum certification rate greater than 80% over the period 2011-2013.

### ■ 5.3.2.3 LIMITING WATER CONSUMPTION AND WASTE PRODUCTION BY APPLYING THE GROUP'S BEST PRACTICES AND ENVIRONMENTAL TECHNIQUES TO INDUSTRIAL SITES JOINING LEGRAND

#### Control of water consumption

Group water consumption represented 1,390,000 m<sup>3</sup> in 2011, down 6.2% compared to 2010 and 1.3% at constant scope of consolidation.

In fact, like greenhouse gases emissions for the GHG protocol (see section 5.3.2.1.), the main water consumption, which is related to

employee accommodation and food services on industrial sites are no longer taken into account whenever technically possible.

In 2011, based on the data that appeared in the environmental reporting, Legrand has identified the sites that consume the most water. The management of the three Group Industrial Divisions has been made aware of the situation and has begun to consider ways to optimize usage on these sites.

It should be noted that two Group sites in Brazil (Itu and Manaus) have not submitted data on their water consumption. This is primarily due to the lack of stability in the process for gathering such information, and has a limited impact on the relevant consolidated indicators. Action plans have been specially designed for these sites to enable them to achieve required Group levels.

All Legrand industrial facilities are monitored in terms of potential pollutions from discharges into the water. For surface treatment workshops, water must be treated prior to discharge and treatment facilities are strictly maintained and regularly renovated.

As a result, after the reconfiguration of the treatment plant for industrial effluents from the Limoges metal parts production site conducted in 2009, the improvement of water treatment for the Kontaktor unit is being studied.

In addition, the Group's subcontractors for surface treatment are historic local suppliers, for which the same regulatory constraints are applied. Logistical proximity enables Group buyers to verify easily that these subcontractors implement a compliant and optimal effluent treatment system.

For more information on the inclusion of suppliers in the Group's Sustainable Development initiative, please refer to section 5.2.2. of this Registration Document.

#### Waste management

Total waste amounted to 43,400 metric tons in 2011, up 1.7% compared to 2010 at current scope of consolidation but down 1.4% at constant scope of consolidation.

Recycling is a sensitive issue for Legrand, especially on its industrial sites. Sorting instructions are regularly updated to maintain a historically high rate of recycling in the Group.

From an operational perspective, Legrand is working to reduce its waste in two main ways:

- better sharing of good practices in the field, with the identification of local improvement initiatives to limit the quantities of waste at the source;
- better identification of kinds of waste in order to improve sorting and thus facilitate recycling.

Some waste is directly reused in the production process; as a result, the runners in the injection molding are ground up and reincorporated with virgin materials in the thermoplastic injection processes.

However, scraps from the metal cutting process are considered production waste that is routinely recycled outside the company.

For the sake of reliability of environmental reporting, the definition of indicators was restated in 2011. This led to the reclassification as scrap of certain quantities that, in previous years, had been declared recycled waste.

This methodological change automatically contributed to a lower recycling rate, which went from 84% in 2010, to 79% in 2011. The Group's objective is to maintain a waste recycling rate of over 80%.

It should be noted that two Group sites in Brazil (Itu and Manaus) and a one in China (Wuxi) did not report waste-related data in 2011, due to the lack of maturity of their corresponding information collecting processes. The sites of the Russian entity Kontaktor also have reporting processes that have not yet stabilized, which may affect the quality of their data. All of these elements, however, have only a limited impact on the corresponding consolidated indicators. Action plans have been specially designed for these sites to enable them to achieve required Group levels.

### 5.3.3 - Promoting energy efficiency

Buildings account for 40% of the world's energy consumption and a quarter of its CO<sub>2</sub> emissions. Growing awareness of global warming, the potential for financial gains from energy savings and new regulatory requirements all favor the move to environmentally-efficient electrical solutions for buildings which perform better and consume less.

In order to respond to these changes, which represent new challenges for electrical infrastructure, starting in 2009, the Group launched an ambitious project: the Energy Efficiency Project.

From now on, the Group's three Industrial Divisions include market expectations and new regulations and standards trends (such as low energy buildings or Green buildings) in their strategies. To give more visibility to various stakeholders, the Group structures its marketing approach by type of building (offices, hotels, etc.) and develops simple solutions that are accessible to as many buildings (especially small buildings) as possible. Similarly, in its traditional activities (such as light management), the Group adds offers specifically dedicated to energy efficiency (UPS, energy compensation) that become inseparable from traditional electrical power.

The Group Energy Efficiency Initiative was initially launched in France and Italy and currently extends to over 15 subsidiaries in Europe, Asia, North America and the Middle East, via local marketing teams who have been made aware of sustainable building and energy efficiency issues and now incorporate these dimensions into their marketing approach. Other subsidiaries will be integrated into the initiative in 2012. Particular attention is paid to emerging economies, which have real energy challenges ahead.

As a result, the growth achieved in 2011 with Energy Efficiency offers is greater than the average growth of the Group.

#### ■ 5.3.3.1 SUPPORTING PLAYERS IN THE ELECTRICAL INDUSTRY

The Group places a special emphasis on customer involvement in the promotion of more responsible electricity consumption, communicating good practices related to electrical systems in various ways:

- **group training and information centers** offer seminars and online training dedicated to environmental and energy regulations and to green building techniques in accordance with the main standards in use, making key notions readily accessible;
- **a specific symbol and an eco-label** have been created to enable the Group's customers to easily identify energy efficiency solutions. They are repeated in the communication materials of Group subsidiaries around the world. Legrand is also committed to providing its customers with accurate information regarding the benefits of its offerings, such as CO<sub>2</sub> savings, financial savings, and depreciation periods. Calculations are based on regulatory or standard specifications, and/or evidence from recognized outside experts. Information is also backed up with concrete examples of installations presenting solutions in specific applications and building types;

■ **promoting energy efficiency** through participation in conferences, trade shows or websites dedicated to these topics. For example:

- in Brazil: participation in FIEE, EXPOSEC, and Predialtec trade fairs and the "Energy Saving Week" initiative with the distributor Sonepar,
- in Russia: membership of several associations, including the Franco-Russian Center for Energy Efficiency, and the Association of European Business (AEB).

In addition, Legrand is a member of the Green Building Council (GBC) in several countries, including the United States, the United Arab Emirates, Vietnam, Singapore and China, and supports various different green building initiatives, including LEED, Green Star, BREEAM, and HQE.

The Group is also involved with government authorities in the construction of the regulatory framework for energy efficiency in buildings, for example, in France (RT2012 and Effinergie label), the UK (Part L and Smart Home), and the USA (ASHRAE).

### ■ 5.3.3.2 PROVIDING SOLUTIONS FOR ENERGY EFFICIENCY

The Group offers solutions for all types of residential and commercial buildings, both new builds and those undergoing thermal renovation.

These solutions are easy to install, adapt and use, and cover all electrical system requirements. They are also within the technical reach of the Group's usual partners in the sector.

#### **Solutions to manage the energy consumed by applications, and thus reduce waste, reduce electric bills and prolong the life of electrical systems**

##### **Lighting management**

Lighting control systems and sensors, including those developed by WattStopper, the leader in the US market, offer savings of up to 55% on lighting consumption in an office building, which represents, for example, 2,500 kg of CO<sub>2</sub> saved per year for an office building of 2,000 sq.m.

These products are rounded out by products from Sarlam, a French architectural lighting specialist. With the help of this expertise, Legrand has been deploying lighting management offers aimed at all markets since 2010. Based on sensors, it is compatible with low-energy light bulbs and requires limited installation. It generates a swift return on investment thanks to its energy efficiency.

##### **Specific electricity management**

Many household and office appliances cannot operate without electricity. These are referred to as "energy specific" goods (computers, printers etc.). Legrand offers a range of programming devices to turn off office computers, lighting and ventilation at set times. Products also include a switch control displaying programmed circuits for time-controlled cuts that can result in savings of up to 20% on energy consumption for equipment. This can mean significant savings, particularly for IT equipment, which represents the third largest item on energy bills for commercial buildings. For example, this represents a saving of 800 kg of CO<sub>2</sub> for a department with 100 people using computers in France.

##### **Heating management**

Heating is the largest item on household energy bills, and more accurate, automated temperature control can cut it drastically. In addition to programmable thermostats, Legrand's offering includes the "Fil Pilote 3 zones" option allowing separate control of three different sections of the home, adjusting temperatures in each according to priorities and energy requirements. More broadly, the automation of heating, hot-water supplies, lighting and standby mode can save up to 10% on energy use.

#### **Solutions for energy management in buildings: measuring and displaying consumption, monitoring the electrical system, securing high- and low-current infrastructures**

##### **Measuring energy consumption and estimating potential reductions**

Analyzing, measuring and monitoring the electrical system is an essential step in changing consumption habits, which leads to average savings of around 10% on energy consumption. Alptec analyzers from Alpes Technologies allow the full analysis of circuits (failures, surges, etc.) in commercial and industrial buildings, to identify and correct defects. In residential buildings, Arteor solutions allow the centralized control of all electrical equipment and the accurate tracking of total consumption, in particular with the 2010 launch of an interface for measuring, indicating and reducing consumption. Moreover, WattStopper has launched an Energy Calculator, a free online tool enabling individuals to calculate their own potential energy savings.

##### **Quality of electricity**

Acquired in 2008, Legrand subsidiary and leader in its field, Alpes Technologies rounds out the Group's offering in terms of electrical power and quality. Alongside network analysis tools, this subsidiary offers a full range of services and products

contributing to the quality of electricity and the reduction of environmental impacts, in particular using reactive energy compensation and harmonics filtration technologies. Since 2010, Alpes Technologies has been rolling out products in several countries including Poland, Russia, Chile, Belgium and Portugal. These solutions make possible significant savings of CO<sub>2</sub>. For example, the installation of a capacitor bank of 75 kVAr in a 1,000 sq.m supermarket in France saves 1.6 metric tons of CO<sub>2</sub> per year.

#### Innovative transformers that reduce power loss

Legrand, in particular its Italian brand EDM, markets low-loss dry transformers. These transformers are more economical and less polluting than traditional transformers and reduce CO<sub>2</sub> emissions by more than 800 kg a year for an IT building with two 250 sq.m rooms.

#### UPS <sup>(1)</sup>

Through its subsidiaries <sup>(2)</sup>Inform (Turkey), SMS (Brazil) and Meta System Energy (Italy), Legrand offers conventional UPS ranges, high-tech modular UPS facilities for critically important systems (data centers and financial institutions) and photovoltaic power inverters. The energy efficiency of these solutions is based on an intelligent power factor correction circuit, which optimizes the absorption of energy input. Efficiency remains at a consistently high level even at low capacity, so that energy performance is not dependent on any capacity variations.

### Energy supply management solutions: integrating renewable energy and powering electric vehicles

#### Photovoltaic panel connection

Legrand provides solutions for panel connections. For residential systems, installation by a professional is simplified with the availability of a pre-wired electrical box. For commercial systems, Legrand is gradually expanding its offer. The emphasis is on safety with connections that are reliable and long-lasting.

#### Electric vehicle charging stations

To address the major changes taking shape in the transport sector and to meet the needs of users, Legrand offers:

- a home-style electrical plug, Green'up Access, for charges of 14A (3.2 kW);
- a range of charging stations (Green'up Premium) suitable for homes, corporate or public parking areas, apartment buildings and public roads.

In addition, Legrand is a founder member of the EV Plug Alliance, an association of European manufacturers whose aim is to promote a label guaranteeing compliance with the IEC's (International Electrotechnical Commission) Mode 3, type 3 standard. This socket will offer the highest levels of safety, thanks to secure sockets eliminating all potential contact with live electricity (in compliance with French standard NF C 15 100).

## 5.3.4 - Overview of environmental indicators

A reporting tool is deployed in the Group to collect, administer and manage environmental data. This tool is available on the intranet site.

This application includes a document giving a general introduction to the reporting process and a user guide. Online aids and data consistency checks and mandatory commentary zones are incorporated into the application to assist entities with qualitative data entry.

The tables below show the main Group environmental indicators. All data correspond to the scope of Environment reporting, which covers over 90% of Group sales.

For more information on rules for the integration of new acquisitions into the reporting process, please refer to section 5.1.4. of this Registration Document.

(1) UPS: Uninterruptible Power Supply

(2) In February 2012, the Legrand Group announced the takeover of India-based Numeric UPS.



### 5.3.4.1 ENVIRONMENTAL INDICATORS - PRODUCTS

The table below shows the main indicators monitored by the Group as regards the development of High Environmental Performance products.

	2009	2010	2011
Share of Group sales generated by products with PEPs	17%	25%	30%
Share of Group design departments conducting Product Life Cycle Analyses (LCAs)	49%	59%	67%

### 5.3.4.2 ENVIRONMENTAL INDICATORS - INDUSTRIAL SITES

The table below shows the main indicators monitored by the Group as regards impact related to site activities. Data below is at current scope of consolidation.

The comments associated with the data presented are detailed in section 5.3.2. of this Registration Document.

	2009	2010	2011
Energy consumption (GWh)	449	454	527 ✓
Direct energy consumption (mainly gas) (GWh)	181	178	253 ✓
Indirect energy consumption: (electricity) (GWh)	268	276	274 ✓
Total CO <sub>2</sub> emissions for Scopes 1 and 2 of the carbon footprint (thousands of metric tons of CO <sub>2</sub> equivalent)	166	168	187*
Emissions from product transport (thousands of metric tons of CO <sub>2</sub> equivalent**)	-	89	88,9
CO <sub>2</sub> emissions related to energy consumption (thousands of metric tons of CO <sub>2</sub> equivalent) Scopes 1, 2 and 3*** of the carbon footprint	-	-	1847
ISO 14001 certified sites (%)	84%	82%	87%
Water consumption (in thousand m3)	1430	1480	1,390 ✓
Waste produced (in thousands of metric tons)	43	42.7	43.4 ✓
% of waste reclaimed	82%	84%	79%
Volatile Organic Compounds (VOCs)**** (metric tons)	52	52	69

\* Assessment complies with the requirements of the GHG Protocol.

\*\* Data not available for 2009.

\*\*\* Data not available for 2009 and 2010.

\*\*\*\* VOC: changes to the indicator are brought about mainly by an increase in the number of processes included in the scope of the estimates.

Additional details:

- the energy consumption of the Group's sites amounted to 527 GWh, versus 454 GWh in 2010, an increase of 16% at current scope of consolidation, but 0.3% at constant scope, after taking into account the revision of the 2010 values for the sites of the Russian entity Kontaktor. Compared to the organic changes to 2010/2011 sales, the Group's energy consumption fell 5.9% between the two years under consideration, based on the revised 2010 data (please refer to section 5.3.2.1 of this Registration Document for more information on these changes);
- the Group's water consumption was 1,390,000 m<sup>3</sup> in 2011, down 6.2% over 2010 and 1.3% at constant scope of consolidation

(please refer to section 5.3.2.3 of this Registration Document for more information on these changes);

- waste produced totaled 43,400 metric tons in 2011, up 1.7% compared to 2010 at current scope of consolidation but down 1.4% at constant scope of consolidation (please refer to paragraph 5.3.2.3 of this Registration Document for more information on these changes).

✓ This symbol identifies indicators that have been audited by the Statutory Auditors for fiscal 2011 with a moderate level of assurance.

### ■ 5.3.4.3 ENVIRONMENTAL INDICATORS - OTHER

	2009	2010	2011
Environment training and awareness campaigns (hours)	17300	11440	15300

## 5.4 - WORKPLACE AND COMMUNITY: 2011 POLICIES AND RESULTS

Legrand continues its business development while paying particular attention to the working conditions of its employees and its responsibilities as an employer and a social actor. It bases its Human Resources policy on four principles: prevention and safety, skills management, social dialog and diversity

### 5.4.1 - Investing in employees

#### ■ 5.4.1.1 RISK PREVENTION AND ENSURING THE HEALTH AND SAFETY OF EMPLOYEES

The Prevention Charter is the Group's policy on risk prevention. It was updated in 2009 and defines three principles: compliance with all national rules and laws, integration of safety and environmental priorities in industrial activities and harmonization of prevention strategies across the Group.

The deployment of the Esculape project, which was launched in 2005, gradually implements a workplace health and safety management system throughout the Group that complies with the International Labor Office's ILO-OSH 2001 reference. This reference is a framework for the structured and comprehensive management of professional risks, which allows the Group to advance in its operations and its methods.

The prerequisite for Legrand is strict compliance with the regulations in force. Regulatory changes are incorporated through the regulatory monitoring structures in every country in which the Group has industrial activities. Accordingly, the "SécuRisk" software makes regulatory compliance diagnostics possible in France and Italy. It is backed up by monitoring of new developments in regulations and case law, allowing regular updates of audit terms of reference. It may be offered to other countries, as the need arises.

Integrating safety into industrial policies is part of the Legrand culture in all functions and at all levels.

Safety training is a major occupational concern, be it for risk prevention in the workplace, first aid training or fire prevention efforts. Delegations of authority are established to formalize the responsibility of the managers of each Group entity, especially when it comes to the prevention of professional risks.

For all French employees, job descriptions are designed to ensure that occupational health and safety are recognized as a responsibility for all employees, whatever their rank and position.

For example, a Group directive on workplace equipment was drawn up in 2009. The directive calls for purchasing contracts to contain clauses ensuring that newly acquired machinery complies with all applicable legal provisions. It also requires a compliance inspection to be conducted each time equipment is moved, even within the Group. Lastly, it defines rules that must be respected to ensure proper maintenance of machinery being used (in particular, regular checks that safety mechanisms are in good working order). These rules are already being promoted throughout the Group's French entities, and they may be gradually extended.

Another example is that the principle of not introducing new substances classified as CMR (carcinogenic, mutagenic or toxic for reproduction) into the manufacturing process, insofar as a technical solution exists, was added to Group Purchasing specifications.



The harmonization of prevention strategies is encouraged by the Human Resources Department's information system, which includes a description of employee responsibilities in every definition of a function. This tool also facilitates the general management of specific safety-related authorizations.

Shared reporting tools help consolidate data prevention statistics to promote best practices throughout the Group.

Historically, the Group has always chosen to define its objectives in terms of preventive measures implemented. The Group believes this to be the most effective way to build solid foundations and improve over the long term.

Accordingly, each Group entity improves its management of workplace health and safety through the establishment of appropriate measures in compliance with the Group's prevention policy.

Overall, in various Group subsidiaries, there exists a desire to better prepare employees regarding risks to their health and safety. This is reflected in the percentage of employees trained in these concepts: 51% in 2011, versus 43% in 2010.

The 2011-2013 roadmap formalizes the Group's commitments to promote an active professional risk prevention policy as defined by the Esculape project. As a result, the objectives used serve to implement the workplace health and safety management system based on the ILO-OSH 2001 standard:

2011-2013 targets	Progress at end 2011
Consolidation of health and safety indicators for more than 95% of Group employees*.	
Integration of new Group entities no later than the third reporting period after their entry into the Group	100%
Ensuring that at least 85% of Group employees undergo a formal risk assessment*	100%
Promotion of an active approach to prevention by enabling more than 85% of Group employees* to be represented by a Health and Safety Committee	100%
Enabling 75% of Group employees to benefit from medical or paramedical interviews at least once every five years*	92%
Ensuring compliance with the Prevention Charter, promoting it in new Group entities in the year following their integration	25%
Preparation of a Group Directive on the prevention of musculoskeletal disorders (MSDs)	25%

\* Excluding acquisitions that took place within the last three years.

These targets reflect the Group's high standards, given the integration of new acquisitions and ongoing developments in industrial processes (new technologies, new products).

During 2011, the Group appointed a person for the specific purpose of overseeing these six objectives, which contributed to good results in these areas.

**Objective 1: Consolidation of health and safety indicators for more than 95% of Group employees. Integrating new Group entities no later than the third reporting period after their entry into the Group.**

This indicator aims to show that the Group is striving to make progress in the prevention of professional risks. It also seeks to guarantee the representative nature of the results reported.

An application available on the intranet site has been used since 2006 to consolidate all of the workplace health and safety indicators.

In 2011, the reference and the user manual for the application were revised following observations made as part of an audit conducted in the first half of the year by the Group's Statutory Auditors. A webcast was also conducted with prevention representatives as a reminder of the importance of reliable reporting. This webcast also served to inform them of the results of the audit.

These actions have made it possible to improve the Group's results substantially. Almost 100% of employees were covered by the reporting in 2011. This indicator is up four points and the number of connected sites is up over 20%.

The next step will be the preparation of interim (quarterly) reporting that includes key indicators. There will be improved monitoring of the results of accident reporting, which can be used to change trends if necessary and lead to better responsiveness. It also aims to improve the annual reporting process by involving prevention representatives from all Group entities more regularly.

Periodic reporting will also be used for targeted communications on selected themes to improve the reliability of indicators. It will be an opportunity for increased sharing of experiences, which will create new opportunities for progress in the field of risk control.

For accident reporting, the involvement of Prevention Department teams led to significantly improved results in 2011 (please refer to section 5.4.4.1. for data on this topic).

### **Objective 2: Ensuring that at least 85% of Group employees undergo a formal risk assessment.**

The evaluation of different forms of professional risk constitutes the foundation of any prevention initiative. Most Group entities are already conducting this evaluation using their own tools.

In addition, an assessment method is being developed to allow entities that do not have their own risk assessment methodology to conduct this assessment using a common tool.

For 2011, 90.3% of Group workforce are included within the scope of formal risk assessments. In 2012, the risk assessment methodology will be completed and gradually distributed throughout the Group.

### **Objective 3: Promotion of an active approach to prevention by enabling more than 85% of Group employees to be represented by a Health and Safety Committee**

Legrand has chosen to base its prevention policy on the ILO-OSH 2001 reference. This reference, thanks to the tripartite nature of the organization that drafted it, places employees and their representatives at the heart of the prevention initiative.

Historically, Health and Safety Committees (employee representative bodies for safety issues), have been present in many countries, at the initiative of Country Divisions and in accordance with local laws.

Starting in 2005, the Group decided to apply the principle of employee representation generally, especially for industrial and logistics sites of a certain size.

A procedure was drafted by the Group to support the gradual deployment of the initiative, especially in countries where local law does not require it. The next step will be the deployment of this procedure in the area(s) where it is deemed to be needed the most following the 2011 reporting campaign.

In 2011, 90.8% of Group employees were represented on Health and Safety Committees. Entities located within the Asia and Europe area (excluding Italy and France) are the priority areas for improvement for 2012.

### **Objective 4: Enabling 75% of Group employees to benefit from medical or paramedical interviews at least once every five years**

Monitoring of employee health is indispensable to guaranteeing that work does not adversely affect employees. It is also one of the essential requirements of the ILO-OSH 2001 reference.

A procedure was developed to define the minimum rules applicable to the topic throughout the Group.

It provides for a medical or paramedical interview at least once every five years.

The next step will be the deployment of the Group directive in the area(s) where it is deemed to be needed the most following the 2011 reporting campaign.

For 2011, the health of 69% of Group employees is monitored through a professional medical interview. For countries where the process is not yet in place, starting in 2012, the Group will deploy the Directive, which will be gradually phased in until 2013. This will occur in particular in countries in Asia, North America and Europe (excluding Italy and France, which have been assessed as having made sufficient progress in this).

### **Objective 5: Ensuring compliance with the Prevention Charter, promoting it in new Group entities in the year following their integration.**

The Prevention Charter is the Group's policy on professional risks. It is signed by the Group Chairman and CEO and was updated in 2009. It has been widely distributed to employees and is available on the intranet site.

The roadmap targets set by the Group are designed to ensure the implementation of this prevention policy. The consolidated indicators make it possible to monitor compliance with the key commitments.

The next step will be the promotion of the prevention charter among Group entities and the provision of additional tools to ensure its implementation.

### **Objective 6: Preparation of a Group Directive on the prevention of musculoskeletal disorders (MSDs)**

Musculoskeletal disorders are the leading cause of occupational disease in the Group. They result in debilitating pain.

These disorders mainly affect the neck, shoulders, elbows, wrists, hands, fingers and back, and generally result from an imbalance between biomechanical stresses and the functional capacity of the operator.

A draft directive is being prepared by Prevention representatives. It will then be submitted to various committees (HR, occupational

physicians, industrialization engineers, OH&S) before final approval.

It will address various risk factors at all stages starting with workstation design.

The next step will be the finalization of the draft and its submission to the various committees.

### Psychosocial Risk Prevention

Psychosocial risk prevention is a major occupational concern for Legrand. In June 2010, an agreement on method for psychosocial risk prevention and improving the quality of work life was signed for France with all unions. The agreement involves a major training element. Accordingly, the Health, Safety and Working Conditions Committees and management are gradually receiving special training to assist them in the identification of individual problems.

Local correspondent groups will be set up to provide local support in preventing psychosocial risks as part of a continuous improvement program.

The agreement led to the creation in 2011 of an anonymous questionnaire that was sent to all French employees of the Group. The goal was to identify key risks and protection factors by occupational category, business line and geographical area.

The survey contents and methods were developed with employee representatives in partnership with a company doctor. The administration and processing of the survey were the responsibility of an independent external evaluator, ARACT Limousin (Regional Association for the Improvement of Working Conditions). The results were released to employees in November 2011. A presentation of the results for each site will be conducted during the first half of 2012 for the gradual implementation of an action plan.

Other Group entities also took psychosocial risks into account. These include, for example, Italy, which has implemented a psychosocial risk evaluation program. Another example is the project initiated in Colombia consisting of various phases: such as risk analysis and qualitative diagnosis by sector.

In addition, since 2009, internal training programs have been discussing emotional intelligence and harassment prevention.

#### ■ 5.4.1.2 REINFORCING COMPETENCY MANAGEMENT AND FAVORING STAFF MOBILITY

With nearly 33,000 employees around the world and sales and production units in over 70 countries, Legrand pursues its business development with particular attention to employee working conditions and its responsibility as an employer and social actor.

In starkly contrasting economic environments, in particular between the emerging and developed economies, the Group has prioritized managing the human resources of each entity by taking into account the challenges they face and their business priorities. This allows the Group to provide the best possible resources to meet each entity's needs, while at the same time promoting employee commitment.

Legrand's approach to human resource management is structured around:

- management of local human resources by each subsidiary;
- cross-functional human resource management at Group level, focusing on key positions and resources.

The Group's Human Resources reporting mechanism was adapted in 2011 as part of a continuous improvement process to better meet the expectations of the various participants.

This system has enabled the Group to progress to a new stage in international human resources management:

- better knowledge of Human Resources country activity and projected Human Resources developments;
- improved monitoring of some key HR indicators for improved responsiveness;
- improved management of Group Human Resources performance.

In addition, as part of its 2011-2013 roadmap, the Group is committed to developing its human resources by developing the skills and career paths of its employees through three objectives:

2011-2013 targets	Progress at end 2011
Building a new management training offer adapted to the challenges and changes in the Group by the end of 2012	50%
Systematizing the management of Group's talents, in particular talents by managing 90% of key positions by the Group by the end of 2013	97%
Enabling 90% of Group managers to benefit from the individual appraisal reviews by the end of 2014	92%

### Objective 1: Building a new management training offer adapted to the challenges and changes in the Group by the end of 2012

In an unpredictable environment, managers play an essential role in maintaining and developing the commitment of their employees. To accomplish this, they need new benchmarks to inform and guide their actions.

Regularly adapting managerial training programs to changing organizational developments and new challenges to the Group therefore constitutes a key performance driver.

Several managerial training sessions were conducted in 2011, both across entities and locally within subsidiaries.

For example, a Group training program to develop and retain the loyalty of key employees in all subsidiaries is gradually being developed. Its goals are to strengthen the sense of belonging to the Group, develop a business network and support skills development. It concerns employees positioned in strategic areas (such as marketing, R&D, and industrial) who have to play an intermediary role for the Group in their geographic areas. The people affected are, in most cases, new employees in a subsidiary or employees who have taken on a new responsibility. This new internal training policy started as a pilot scheme in 2009 among employees in Hungary and China. In 2010, it was extended to participants from ten different countries and was continued in 2011 with 47 participants from 14 countries. This program will continue to be deployed in 2012 through the strengthening of employee loyalty within the Group.

Moreover, at the local level, each subsidiary invests in its employees by taking into account marketing challenges and organizational and technological changes. Managerial training sessions tailored to local contexts are held at various entities to meet specific needs.

- In the USA, a program called LEAP ("Leaders Engaged in Accelerating Performance") was implemented in 2011. This program provides the tools and techniques to develop the leadership capabilities of managers. In 2011, 69 people attended these training sessions. This program will continue in 2012 with a comparable number of participants.
- In China, within the ROCOM entity, a "Traditional Chinese Culture" training session is in place for all managers, supervisors and engineers to reinforce the importance of certain values (discipline, integrity, environmental protection, etc.). In 2011, 250 people attended this training program and 285 additional people will follow the program in 2012.
- In Mexico, managerial skills development training sessions (leadership, customer care, development of strategic thinking, teamwork) were attended by 33 managers. This program

alternates online learning sessions with two classroom sessions over two days.

Along with training, many coaching programs were conducted within the Group in 2011. These actions made it possible to support talented people as they acquire a new job and in their personal development. On various sites, team building activities were also implemented to support the creation of new teams and the inclusion of new challenges.

### Objective 2: Harmonizing management of Group talents by managing 90% of key positions by the Group by the end of 2013

The optimal management of talent is a major challenge for the Group. As currently deployed, in the main subsidiaries, it relies on various processes and tools such as:

- organization and staff review process (OSR);
- prospective employment and competencies management;
- management of staff mobility.

In an ever-changing environment, the challenge consists of maintaining this process optimally in major subsidiaries and deploying it in other countries, with entities that in most cases have no local HR structure.

In order to encourage the convergence of practices, Legrand has made the Talentis HR application for human resources teams and managers in France available to subsidiaries. This system is called Talentis, and in 2008, it received awards from *Entreprise et Carrières*, CEGOS (a Paris-based management and training consultancy) and *Echos.fr* for its usefulness and effectiveness. It is deployed in 51 countries (nine countries more than in 2010). It makes it possible to handle talent management by storing Group employees' data (such as CVs) and data from the Organization and Staff Review Process. The system is gradually being extended to different functionalities.

The OSR (Organization and Staff Review) process has existed for over ten years. It helps to identify the impact of upcoming organizational changes on jobs and facilitates employee career development discussion. This process also helps to identify certain specific situations (potential, specific expertise etc.) and key post succession planning as well as development planning. The ultimate aim is to match the Company's organizational needs with its resources as closely as possible to improve the Group's performance.

This process is operational in the 30 major countries of the Group. In 2011, 87% of the Group's key positions have been taken into account. It has also made possible the identification of a list of talented employees to be considered a priority for the Group for development or (to give an example) mobility activities.

In 2012, the OSR process will develop and allow even more accurate identification of "Group talents" and associated future action plans. Communication of guidelines and developments for 2012 will be made with regard to various national HR departments through webcasts. More specifically, a number of new players in the HR function in different countries will be trained in this process.

Prospective employment and competencies management and its typical job functions have been deployed in France for several years. Combined with individual appraisal reviews, it identifies any disparities between competencies required for each position and those of the person holding the position. This makes an important contribution to identifying training priorities. The Prospective Employment and Competencies Management agreement signed with all the trade unions represented in France in 2009 formalizes an employment policy designed to underpin competitiveness, while at the same time enabling employees to better manage their own careers in a rapidly changing environment.

Internationally, a simplified approach integrating transferable skills is proposed. It was integrated into the individual appraisal reviews conducted in Brazil in 2011. Discussions with Chile, Peru and Venezuela were also held on this theme. This approach will be gradually extended to other Group entities, in accordance with local practices and legislation.

Management of staff mobility promotes employability and is a way of developing competencies. It contributes to both personal progress and business performance.

The Legrand Group has a wide range of professional positions, business sectors and geographical locations, making for multiple opportunities and possibilities for career development. Employee mobility platforms allow Group-wide management of talented staff in key positions, favoring the emergence of new dynamics for professional progress. Vacancies are posted on the Group intranet site, which helps to drive professional and geographical mobility.

Legrand encourages staff members' mobility plans with support including visits to host sites, training that can cover intercultural skills in the case of a move to another country, and financial incentives. Monitoring of talent is organized in the early stages of employees' careers.

As a result, people in the Volunteer for International Experience (VIE) program who join our subsidiaries are regularly monitored at various stages of their mission. When their contract ends, a full assessment is conducted and a detailed analysis of employment opportunities is performed by the Mobility Committee.

Group talented employees who are identified as part of the OSR process as ready for mobility are systematically taken into account in the various Group Mobility Committees.

These career opportunities constituted drivers for developing diversity, retention of key employees, and increased commitment.

### **Objective 3: Enabling 90% of Group managers to benefit from the individual appraisal reviews by the end of 2014**

These individual appraisal reviews are an opportunity for exchange between the manager and the employee. They are an important part of management action and represent a key tool for the management of performance, personal development action plans and employees looking for new positions or work locations.

Individual appraisal reviews are already established practice at a large number of Group entities. In 2011, a research project on gradual convergence between subsidiaries was conducted, respecting cultural diversity and the local practices of the countries, in order to establish a common approach to the concepts of goals, performance, skills and mobility.

Accordingly, in 2011, Brazil continued its process of deploying individual appraisal review processes by integrating the new format into management skills and the various levels within the company. Beyond the actions already carried out in previous years for various countries, a number of discussions took place in 2011 with country HR Departments (Egypt, Chile, Peru, Eastern Europe) in preparation for the deployment of an individual appraisal review process that was better harmonized for these entities.

In 2012, based on discussions with various subsidiaries in 2010 and 2011 and given the changing needs identified in people management, the Group will propose changing the individual appraisal review process to a more international format. Once this work is completed, a project of additional voluntary and gradual deployment for this process will be launched in the various Group subsidiaries in 2013.

The percentage of individual appraisal reviews carried out in recent years has increased in the managers category. Accordingly, 72.6% of Group managers were given a personal interview in 2009, 80% in 2010, and 82.5% in 2011.

### ■ 5.4.1.3 IMPROVING SOCIAL DIALOG IN A GLOBALIZED WORLD IN WHICH THE PACE OF CHANGE IS ACCELERATING

For Legrand, labor relations play a key part in the Group's ability to implement change in an optimal manner. Legrand is therefore

involved in encouraging corporate relationships and promoting the role of representative bodies.

Accordingly, as part of its 2011-2013 roadmap, the Group is committed to the successful completion of change initiatives in industrial developments through the following goal:

2011-2013 targets	Progress at end 2011
Improving social dialog in a globalized world in which the pace of change is accelerating	33%

Improving social dialog first and foremost requires having representative bodies to discuss various company themes and conclude a number of collective agreements.

On this basis, social dialog has improved within the Group in 2011:

- 86% of Group employees are employed in entities in which there is an employee representative body or union. During 2011, representative organizations were created in two additional entities (in Turkey and Scandinavia);
- 1,092 information or consultation meetings with employee representative bodies or unions were held in 2011 at constant scope, or 38% more than in 2010;
- 58% of Group employees are covered by collective agreements or conventions applicable in their entity, an increase of more than 10 points compared to 2010;
- 111 new collective agreements were signed in 2011 within the Group in both mature countries and in emerging countries.

For example, in India, there were several wage agreements; in Brazil, there were agreements for mandatory profit sharing and hours compensated; in China, there were agreements on working hours and protection of employees, especially women, at work.

In France, many agreements were signed over the last two years, including in 2010 the agreement on method for psychosocial risk prevention and improving the quality of working life, and the agreement of April 8, 2010 on the powers assigned to the Legrand Central Works Council. In 2011, 20 local agreements (mandatory annual negotiations and working hours) were signed, one agreement on mandatory Group profit sharing as well as two amendments to NTIC (New Information and Communication Technologies) agreements and optional profit sharing.

In France, the role played by staff representatives is a valuable one and employees are made aware of the importance of voting at elections in the workplace.

Managers are trained in labor relations so they can fulfill their role in promoting good communications with the local workforce.

"Management of Labor Relations" meetings are held monthly between senior managers and HR to set labor relations strategy.

At European level, a training project for the social partners of the Group's European Works Council was formalized in 2011. This project is to be finalized and implemented in 2012.

Adapting to markets involves organizational changes and therefore the adaptation of resources and funding. These organizational changes take place within the framework of local social relationships.

Once the adjustment decisions have been made, the Group puts in place measures to support those affected (transfer, training, coaching, help with setting up or taking over a business, etc.).

For example, in 2011:

- in France, a pooling of Customer Services between various Group brands was implemented to better handle the increasingly technical nature of offerings and systems. The organization of both Customer Service Departments has been redesigned under a common management. The teams, which were involved at an early stage, were offered either increased expertise through training and evaluations or reclassification to other positions within the Group, in accordance with their personal situation (e.g., geographical restrictions). Special adaptation of tools (telephone system), with additional investment, was approved to allow both services to operate with remote management;
- in Australia, as part of the transfer of the Collingwood plant to Prestons, vocational retraining services were offered to the employees in question to assist them in finding a new job.

### ■ 5.4.1.4 COMBATting DISCRIMINATION AND FAVORING DIVERSITY

Efforts against discrimination and a commitment to promoting diversity have been strong guiding principles for the Group since 2004, when it published its first Ethical Charter. This commitment, formalized in 2009 in the Charter of Fundamental Principles, can be seen in Legrand's membership of the UN Global



Compact and is regularly demonstrated by internal actions of the Director of Human Resources and the Group Diversity Manager.

The Group believes that the deployment of an effective diversity policy is based on a diagnosis of the situation, formalization and monitoring of commitments, and measurement and control of the objectives set.

The objectives were formalized as part of the 2011-2013 Sustainable Development roadmap, in which the Group committed itself to promoting diversity in teams and preventing all forms of discrimination.

2011-2013 targets	Progress at end 2011
Educating and training teams in the principle of non-discrimination	33%
Guaranteeing that the Group HR processes comply with the principle of non-discrimination and equality of opportunity	33%
Encouraging gender parity in Group management and guaranteeing better employment conditions for women. In particular, at least 25% of managers hired in France in 2011, 30% in 2012 and 35% in 2013 will be women.	17%

### Objective 1: educating and training teams in the principle of non-discrimination

This objective builds on the observation that there is no "natural inclination" to promote diversity and that in order to be implemented, the policy against discrimination must be supported by all employees.

To gain support, it is necessary to communicate with employees and educate them about the Group's commitment so that they can participate in its implementation. In this way, they can be guarantors of consistency between their actions and Legrand's policies.

In addition, the Chairman and CEO and Human Resources Director have restated their commitment in a video statement available on the Group intranet site.

Traditionally, for the past several years, Legrand has devoted one week to specific diversity initiatives.

For three years, these communication and awareness initiatives have been deployed with a growing number of employees. In 2009, while actions taken were designed mainly to educate French employees about disabilities, in 2010 and again in 2011, the number of actions and themes covered has grown in number. In particular, these initiatives included:

- speeches by external experts who are known to the employees of the Human Resources Department and employee representatives and involved in negotiating Professional Equality and Sustainable Development agreements;
- in many subsidiaries, employees themselves were involved in raising awareness through their testimonies. Quizzes and posters were also used as communications media in Australia, the UAE, the USA, Germany, Italy, Canada, etc.;
- during a webcast that brought together all international subsidiary HR managers, the role of Group Diversity Manager

was introduced, as were the Group's policy to promote diversity and the initiatives implemented to manage it.

### Objective 2: guaranteeing that the Group HR processes comply with the principle of non-discrimination and equality of opportunity

To prevent all forms of discrimination, the Human Resources processes must be transparent and objective and based on skills assessment. The Group launched a review of its Human Resources processes to verify compliance with the principle of non-discrimination. An international working group on best practices consisting of Human Resources Managers from four countries (France, Italy, Turkey, USA), worked on the recruitment process and produced a recruitment guide based on the principle of non-discrimination to be distributed to all Group HR employees. This work will continue in 2012.

### Objective 3: encouraging gender parity in Group management and guaranteeing better employment conditions for women. In particular: at least 25% of managers hired in France in 2011, 30% in 2012 and 35% in 2013 will be women.

In 2010, 22% of Group managers were women, with considerable disparities across countries and regions worldwide. The Group decided to set a higher recruitment target for female managers so that this percentage can increase.

In 2011, a guide detailing how to avoid hiring discrimination was distributed to all Human Resources Managers involved. The Group's recruitment partners (agencies) were also informed of the Group's stance. Committee mobility processes were modified to increase the visibility of female candidates. The Group Human Resources Department has committed to ensuring that there is at least one female candidate considered at mobility platforms for each key position to be filled, insofar as possible.

Nevertheless, 2011 results were down, as only 18% of managers hired within France were women.

In 2012, the Group will be continuing its efforts to increase the number of women managers through the signature of a Group agreement on professional equality between men and women in France. Negotiations were begun in 2011. The agreement will bring changes to the layout and organization of working hours and increased attention to women's careers. A national commission will ensure its implementation through communication and training actions. This agreement will be accompanied by special measures, targets and indicators that will result in concrete and pragmatic action plans.

Moreover, for three years now, Legrand has striven to reduce the pay gap between men and women wherever it is found. In France, a budget equivalent to 0.14% of payroll was spent in 2011 to reduce male/female inequality.

The framework letter sent to Group managers in France during the annual compensation review campaign is explicit and invites them to be particularly vigilant about workplace equality. If a lump sum for gender equality is negotiated, it must be used after allocation of performance increases to make up the shortfall as needed for identified cases.

In France, the Group has implemented a plan that allows employees to request a review of their working conditions (coefficient, compensation, career management) and ensures that these comply with the principle of nondiscrimination. As a result, the Diversity Manager has examined about ten cases in 2011.

Moreover, to facilitate the monitoring of Group agreements and commitments, a network of four professional equality guarantors has been established in the French entities. They have a mediating and advisory role, guarantee the exchange of good practices, and must also ensure that no discriminatory situation could occur in terms of recruitment, professional training, career path and development, women's access to positions of responsibility,

compensation policy, reconciliation of private and professional life, and part-time work. Finally, these "professional equality references" participate in drafting a code of good conduct.

Alongside the goals laid down in the 2011-2013 roadmap, Legrand has special initiatives for disabled people, with whom it has been involved for many years.

Regarding the inclusion of disabled people, improvements were made at sites in France in to accommodate disabilities. A number of employees received an adjusted workspace, a safe parking space for disabled people was built, the restaurant was made more easily accessible, and an access ramp to the training rooms was created. Rooms can be reserved to accommodate any reduced-mobility people present.

The continuation of these initiatives shows Legrand's desire to carry out a proactive policy that lasts for the long term.

In Italy, for example, BTicino chose to collaborate and fund "Studying with the Senses", a project promoted by the Associazione Controluce (Backlight Association), as part of the Museo Tattile (Touch Museum) of Varese and the Territorial School of Varese. Within this framework, a series of training courses and tools for teachers to support children's learning through the use of sensory systems, and particularly the inclusion and acceptance of children who have sensory and/or cognitive limitations, have been put in place.

The continuation of these initiatives shows Legrand's desire to conduct a proactive policy which lasts for the long term.

Finally, the Group's various subsidiaries are involved locally at their initiative in supporting the volunteer sector. Accordingly, the Dubai structure subsidizes SENSE, a local association that helps disabled children. In Brazil, the subsidiary is involved with the Mercedes Institute, which also supports children with disabilities, and an institution for the blind, the Associação Ituana de Assistência ao Deficiente Visual.



## 5.4.2 - Increasing access to electricity

Acting to increase access to electricity represents major challenges for the economic development of many countries, and also for the electrical industry.

The 2011-2013 roadmap has formalized the Group's commitments to act for access to electricity, as part of emergency situations or development aid, through two targets:

2011-2013 targets	Progress at end 2011
Strengthening the partnership with Electricians Without Borders	33%
Pursuing specific initiatives related to electrification programs	25%

### ■ 5.4.2.1 STRENGTHENING THE PARTNERSHIP WITH ELECTRICIANS WITHOUT BORDERS

Under the partnership agreement with the NGO Electricians Without Borders and through donations of equipment or funds, since 2007 Legrand has contributed to the involvement of EWB in over forty electricity access or emergency aid projects in Africa, Asia and Latin America, being action in over 20 countries (Argentina, Benin, Burkina Faso, Cambodia, Central African Republic, Congo, Ethiopia, Haiti, India, Laos, Madagascar, Mali, Mauritania, Nepal, Niger, Pakistan, Peru, Senegal, Sudan, Chad, and Vietnam).

For example, in 2011, the Legrand Group participated in the "Green energy to 24 villages in the Province of Phongsaly" project in Laos, in the form of financial contributions or donations of equipment. The main objective is to improve the daily lives of families through sustainable access to electricity using renewable energy. The project targets the poorest people in the Province. Moreover, the transfer of skills that is an integral part of the project makes it possible for local populations to autonomously deploy simple hydroelectric solutions safely. One or two pilot installations are made per village and are intended for collective use by extremely poor families identified by village leaders. The choice to deploy the initiative in 24 villages made it possible to adapt the method and to ensure reproducibility. The core of the project is to share the skills and experience of Electricians Without Borders in small-scale hydroelectric generation with groups of rice farmers in northern Laos.

Several initiatives have also been set up to educate the electrical industry on access to electricity.

For example, in France:

- in 2009 and again in 2011, as part of the "ELEC Young Talent Trophy", a competition organized by Legrand for students in the electricity sector, Electricians Without Borders and Legrand offered the winner the opportunity to participate in a humanitarian project in India and Senegal;
- in 2011, under the leadership of the France Director, all the sales teams of Group brands have mobilized to help finance the program "1000 solar street lights installed in Haiti" led by

Electricians Without Borders. Many actions have been carried out by teams, sporting events, fairs, concerts and business operations that have helped raise funds from industry players, electrical contractors and distributors, and have helped to bring light to nearly 20,000 people in Haiti.

Other actions will be launched in 2012 to fund the program "Electricity for health and education in Africa", and enable the provision of electricity to health and education facilities on this continent.

### ■ 5.4.2.2 PURSUING SPECIFIC INITIATIVES RELATED TO ELECTRICITY PROGRAMS

At the same time as our special partnership with Electricians Without Borders, our subsidiaries are involved locally and at their own initiative in development assistance projects. Since 2008, the Group has set up a guide to help them with regard to the choice of philanthropic projects which they wish to support.

This support is given in different ways: training, donation of equipment, and development of products for the entry-level market.

For example, Legrand Singapore has supported a development assistance project in Cambodia. electrical systems were refitted and made safe in the twelve buildings making up the Prey-Veng hospital, the province's only fully equipped hospital. Three young people from the orphanage near the hospital were also trained in the techniques used.

Legrand provided equipment to the association Les Mains Ouvertes Sénégal to open the Frédéric Ozanam training center in Warang near Mbour. The Building Trades section includes a staff of 12 young people who will be trained in the electrical trades, with the renovation of the existing building and construction of new buildings, including an applied center for the hotel and restaurant trades that is expected to partially open in fall 2012, as their first practical work.

Some product lines dedicated to the entry-level market are being developed in Russia, Brazil and China. These solutions directly contribute to facilitating access to electrical equipment among the poorest populations. In China and Brazil, three of the 13 lines

under development are involved. More than 10,000 hours were devoted to this development.

In Brazil, the Group already offers safe and easy-to-install product lines tailored to specific local needs of self-help housing

projects, such as modular circuit breakers for the entry-level market as well as distribution boxes. These products are easily used by individuals with, for example, a ready-to-install package (circuit breakers and distribution boxes).

### 5.4.3 - Promoting assisted living

Life expectancy is rising, and with it the proportion of elderly people in the world population. In 2050, the world's population will have more than four times the number of octogenarians it had in 2010. In the countries where this trend is most marked, safety at home and the prevention of domestic accidents are major issues.

To meet these societal changes, which pose new challenges for communication and electrical infrastructure, the Group is involved in promoting assisted living and home care in a partnership structure.

Legrand's solutions for assisted living for elderly people or people with health problems work on three levels: prevention of dependence and risk, emergencies and communication, and strengthening social ties.

#### ■ 5.4.3.1 PROVIDING SUPPORT AND PREVENTION SOLUTIONS

Legrand offers an extensive range of ergonomically designed, user-friendly products that provide practical solutions to ease access and increase safety in homes, specialized institutions and other buildings, by helping to offset sensory, cognitive and motor deficiencies. Legrand has developed a range of specific products such as easy-use plugs, door intercoms with deaf aid loops, boosting of doorbell ring volumes, automatic light paths to help prevent falls, etc. This range of products to enhance the quality of life of elderly people is complemented by the telesupport terminals marketed by Intervox Systemes.

More specifically, Legrand develops solutions to make obstacles easier to see, make finding one's bearings in a building easier and prevent falls. With the aid of secure lighting systems, in the event of a power failure there is still enough light inside the house or building to allow safe movement in all situations; Several experiments, including those conducted with the Corrèze General Council, showed that the installation of the automatic light path solution led to a significant reduction in falls (up to 30%) and hospitalizations (up to 20%).

Safety at home also requires the use of technical sensors, including smoke, gas, and carbon monoxide detectors.

Home automation products in particular can provide precious assistance for people with diminishing capacities for independent living. Automatic systems can make it safer for them to get around and reduce or help in daily tasks. The My Home automation solutions offer centralized or remote controls.

Home automation thus allows "extended accessibility" to certain features of the building that would no longer be accessible without the help of automatic controls, such as roller shutters or heating. Similarly, *Céliane* lighting control systems and Bticino door-entry systems make it possible to program home environments from a single control point, with lighting, hearing and access set to match personal needs and preferences. This automatic management of certain tasks further strengthens housing safety. For example, in the case of smoke detection, transmission of the alert to the outside world and the activation of certain features (lighting, shutters, etc.) are automatic and appropriate.

These home automation solutions are often supplied with specially adapted fittings such as soft touch switches and easy-to-fit plugs. *Céliane* systems can also be coupled with remote control systems to offset specific motor or sensory deficiencies.

Enabling people with health problems to stay at home also requires facilitating communication with the outside world. Transmission of housing aspects through the home automation features also means direct or indirect transmission of information about the person occupying it.

For example, a simple smoke detector not connected with the outside world will not allow a person with health problems to respond appropriately in an emergency. Automatic transmission to the outside allows a helpline to take over and manage the alert from a distance in a controlled manner. Through alarm devices worn by the person him- or herself, the solutions of the subsidiary Intervox also make it possible to set off a voluntary or automatic alarm (fall sensor) and send a transmission to a remote support center, in the event of illness, for example.

Strengthening social ties is also indispensable as part of home health care.

Access to broadband internet makes it possible to upgrade remote assistance technology solutions. Assistance of this kind is historically based on the transmission of the voice, but data transmission is now possible, thus opening the door to multiple additional services.

Intervox connected solutions are evolving alongside these technologies, through the offer of VISIOVOX videophone touch pads, which allow access to services (such as weather, newspapers, shared calendars, shared photo frames, and information from local authorities, etc.) and maintaining contact with friends and family.

#### ■ 5.4.3.2 INVOLVEMENT OF MANY PARTNERS

Legrand has for a number of years been involved in initiatives favoring independence and continued life at home for people who require assistance. The Company takes an approach that associates multidisciplinary expertise with a range of partnerships including the direct participation of users, families, healthcare and welfare professionals, and research organizations. Legrand, which is currently the leader in home automation solutions for assisted living, is a founding member of Autonom'lab, a customs laboratory in the Limousin region, built on the European Living

Labs model. It is also a founding member of the *Centre National de Référence* for health and home-living set up in 2009 by France's Ministries of Health and Industry. Alongside its partners, Legrand is involved in a wide variety of research and development projects. These include Geropass, a project headed by a group of geriatricians that focuses on outfitting homes with automated equipment to meet the needs of elderly residents in real estate developments.

In 2010 Legrand signed a partnership with the Creuse General Council that embodies its close involvement with France's municipalities and its nationwide reach. Legrand will contribute to the partnership in two main ways:

- helping to train the participants (electricians, support teams, home visitors, etc.) who work for the Creuse General Council;
- support by Legrand of implementation of the products.

Finally, as part of a collaboration with one of its main distributors, the Group has established a network of "Well-Being" electrical contractors to train qualified installers in terms of knowledge of age-related risks and adaptation of housing in terms of safety and prevention. Accordingly, Legrand encourages the electrical industry to invest in the market for assisted living and improved housing for the elderly. This approach complements the remote assistance solutions proposed to local authorities and individuals.

## 5.4.4 - Overview of social indicators

Two reporting tools are deployed in the Group to collect, administer and manage social and prevention-related data:

- a Lotus Notes computer application for social data;
- a special software package available on the Group intranet site for prevention data.

Both applications include a general overview document for the reporting process and a user guide. Online help and data consistency checks and mandatory comments are included for these applications as support for qualitative data entry for these entities.

For more information on rules for including new acquisitions in the reporting process, please refer to section 5.1.4. of this Registration Document.

### ■ 5.4.4.1 HEALTH AND SAFETY INDICATORS

The table below summarizes the main health and safety indicators for the Group. The data presented correspond to the Prevention scope of reporting, which covers all Group employees excluding acquisitions under three years, in accordance with the integration rules described in section 5.1.4 of this Registration Document, or 27,951 people.


	2009	2010	2011
<b>Risk control:</b> (Proportion (%) of Group employees for whom risk indicators are consolidated)	93.5%	95%	99.9%
<b>Risk assessment:</b> (% of Group workforce within the scope of formal risk assessments)	83%	86.6%	90.3%
<b>Health and Safety Committees:</b> (% of Group workforce represented by a Committee)	85%	87%	90.8%
<b>Workplace health:</b> (Number of people who have had a (para)medical interview within the last five years)	70%	62%	69%
<b>Frequency of workplace accidents leading to absence:</b> (Number of accidents x 1,000,000)/(Hours worked)	9.02	9.60	8.64 ✓
<b>Severity of workplace accidents:</b> (Number of days absence x 1,000)/(Hours worked)	0.20	0.24	0.24 ✓
<b>Frequency of accidents suffered by sub-contractors:</b> (Number of subcontractor accidents occurring on a Group site x 1,000)/(Number of employees on the Legrand site in question)	0.88	1.71	1.14
<b>Training:</b> (Proportion as a % of Group employees who received health and safety training)	49%	43%	51%

✓ This symbol identifies indicators that have been audited by the Statutory Auditors for 2011 with a moderate level of assurance.

#### 5.4.4.2 SKILLS MANAGEMENT AND MOBILITY INDICATORS

##### Group workforce at the end of 2011

The Group follows more specifically the concept of “registered workforce”, which includes employees with both fixed-term and open-ended employment contracts. The total registered workforce at the end of 2011 amounted to 31,061 persons.

The tables below summarize the main indicators for Group employees in terms of workforce. All data correspond to the HR scope of reporting, which covers 93% of the overall workforce, or 29,009  people.

##### Geographical breakdown

For the breakdown by geographical area, please refer to section 8.1 of this Registration Document.

	2009	2010	2011	Change 2010/2011
Mature countries	50%	48%	45%	-3%
New economies	50%	52%	55%	+3%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	






Additional note: the breakdown covers 100% of employees with fixed-term or open-ended employment contracts

##### Breakdown by professional category – Worldwide

	2009	2010	2011
Managers	18%	18%	22% 
Non-Managers	82%	82%	78% 

Additional note: the breakdown of professional categories is included in the social reporting user guide. The increase in the number of managers observed in 2011 is related to better consideration of these definitions by certain Group entities.

##### Breakdown by seniority – Worldwide

	2011
Employees < 5 years	26% 
Employees ≥ 5 years and < 16 years	36% 
Employees ≥ 16 years and < 26 years	23% 
Employees ≥ 26 years and < 36 years	11% 
Employees ≥ 36 years	4% 

Note: in 2009 and 2010, data for the breakdown by age was based on employees with fixed-term or open-ended employment contracts. Beginning in 2011, Legrand revised this indicator and now determines it based only on employees with open-ended employment contracts. Consequently, the 2009 and 2010 data were not included due to non-comparability with 2011 data.

 This symbol identifies indicators that have been audited by the Statutory Auditors for 2011 with a moderate level of assurance.

### Breakdown by age – Worldwide

	2009	2010	2011
Employees < 26 years	13%	12%	12% ✓
Employees ≥ 26 years and < 36 years	29%	29%	30% ✓
Employees ≥ 36 years and < 46 years	29%	30%	30% ✓
Employees ≥ 46 years and < 56 years	22%	22%	21% ✓
Employees ≥ 56 years	7%	7%	7% ✓

Additional note: the age pyramid takes into account employees with fixed-term or open-ended employment contracts.

### Breakdown by type of contract

	2009	2010	2011
Open-ended Worldwide	-	76%	78%
Fixed-term Worldwide	-	24%	22%

Additional note: this data has only been consolidated since 2010. Moreover, it should be noted that the proportion of fixed term-type contracts is structurally impacted by the large number of temporary contracts in China, which is the common local practice.

### Developments during 2011 (hirings and departures) – Worldwide

	2009	2010	2011
Share of total open-ended employment contracts in hiring (excluding transformation of fixed-term into open-ended contracts)	20%	24%	23% ✓
Open-ended contract turnover	-	-	11%

The "open-ended contract turnover" (no data available for 2009 and 2010) takes into account resignations, retirements, dismissals for personal reasons, redundancies for economic reasons, departures by stipulated agreement, employees with an open-ended contract not remaining in the company at the end of their trial period, and other reasons (according to the methodology recommended by the GRI). This "open-ended contract turnover" indicator is calculated based on the total number of terminated open-ended contracts divided by the open-ended contract workforce at the beginning of the year.

Moreover, it should be noted that the proportion of fixed-term contracts is structurally impacted by the large number of temporary contracts in China, a current local practice.

Departures*	2009	2010	2011
Of which resignations	45%*	62%*	42% ✓
Of which retirement	4%	3%	6% ✓
Of which other departures	51%	35%	52% ✓
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\* Additional note: in 2011, the departure data only take into account employees with open-ended contracts (2009 and 2010 data taking into account the scope of employees with fixed-term and open-ended contracts). The "other departures" indicator takes into account conventional agreements, dismissals for personal reasons and for economic reasons, employees with an open-ended contract not remaining in the company at the end of their trial period, and various other reasons.

✓ This symbol identifies indicators that have been audited by the Statutory Auditors for 2011 with a moderate level of assurance.

### Skills management and mobility

The tables below summarize the main Group indicators in terms of skills management and mobility. Data below is at current scope of consolidation.

#### Number of training hours per employee per year – Open-ended and fixed-term contracts

	2009	2010	2011
Worldwide	16 hours	13 hours	14 hours
Managers	38 hours	24 hours	20 hours
Non-managers	11 hours	11 hours	12 hours

#### Performance rate of Individual Appraisal Reviews – Worldwide

	2009	2010	2011
Managers	73%	80%	82.5%

### 5.4.4.3 DIVERSITY INDICATORS

The tables below summarize the main Group indicators in terms of diversity. Data below is at current scope of consolidation.

#### Percentage of disabled workers – Worldwide

	2009	2010	2011
Percentage of disabled workers	2.2%	2.4%	2.4%

*Additional note: for France, the rate of disabled workers is 6.03% at end 2011, above the legal minimum of 6% (as provided by law, including subcontracting in a protected environment).*

#### Breakdown of employees by gender – Worldwide – Open-ended and fixed-term contracts

	2009	2010	2011
Women	41%	41%	39%
Men	59%	59%	61%

### Breakdown of employees by gender and age – Worldwide – Open-ended and fixed-term contracts

	2009	2010	2011
Female employees < 26 years	7%	7%	6% ✓
Male employees < 26 years	6%	5%	5% ✓
Female employees ≥ 26 years and < 36 years	12%	12%	12% ✓
Male employees ≥ 26 years and < 36 years	17%	17%	18% ✓
Female employees ≥ 36 years and < 46 years	10%	10%	10% ✓
Male employees ≥ 36 years and < 46 years	20%	20%	20% ✓
Female employees ≥ 46 years and < 56 years	9%	9%	8% ✓
Male employees ≥ 46 years and < 56 years	13%	13%	13% ✓
Female employees ≥ 56 years	3%	3%	3% ✓
Male employees ≥ 56 years	4%	4%	5% ✓

Additional note: at end 2011, the average age of male employees is 40 years old and 38 years old for female employees.

### Breakdown of employees by gender and occupational categories – Worldwide – Open-ended and fixed-term contracts

	2009	2010	2011
Percentage of female managers	22%	22%	22% ✓
Percentage of male managers	78%	78%	78% ✓
Percentage of female non-managers	45%	45%	44% ✓
Percentage of male non-managers	55%	55%	56% ✓

### Hiring by gender and by geographical area – Worldwide

	2009	2010	2011
Percentage of women hired	53%	58%	51%
Percentage of men hired	47%	42%	49%

Additional note: these data take into account employees with fixed-term and open-ended contracts, excluding conversion of fixed-term into open-ended contracts

✓ This symbol identifies indicators that have been audited by the Statutory Auditors for 2011 with a moderate level of assurance.



## 5.5 - REPORT OF THE STATUTORY AUDITORS

### Statutory Auditors' limited assurance report on a selection of environmental, social and prevention indicators published in the 2011 Registration Document

*Statutory Auditors' limited assurance report on a selection of environmental, social and prevention indicators published in the 2011 Registration Document (financial year ended December 31, 2011).*

*This is a free translation into English of the original report issued in the French language and is provided solely for the convenience of English speaking readers.*

Further to your request and in our capacity as Statutory Auditor of Legrand, we have performed a review with the aim of providing limited assurance on the environmental, social and prevention indicators<sup>(1)</sup> selected by Legrand and identified by the sign ✓ in the part 5 of the Registration Document of Legrand for the financial year 2011 (the "Indicators").

These indicators have been prepared under the responsibility of Legrand's Senior Management in accordance with the internal reporting criteria that include all procedures related to the reporting of:

- environmental indicators,
- social indicators,
- health and safety indicators.

These procedures are available for consultation at the Sustainable Development & Strategic Group Process department and summarized in the part 5 of the Registration Document (hereinafter the "Reporting Criteria"). It is our responsibility to express a conclusion on the selected Indicators based on our review.

#### ■ NATURE AND SCOPE OF OUR WORK

We conducted our work in accordance with professional standards applicable in France.

We conducted the following procedures in order to provide limited assurance that the selected Indicators identified by the sign ✓ did not contain any material anomalies for the selected entities<sup>(2)</sup>. A higher level of assurance would have required more extensive work.

For the selected Indicators, we have:

- assessed the Reporting Criteria with respect to their relevance, reliability, objectivity, clarity and completeness;
- carried out interviews with the people responsible for the application of the Reporting Criteria in the Sustainable Development & Strategic Group Process department;
- performed consistency checks on the application of the internal Reporting Criteria in the selected entities, verified the submission of the selected Indicators by these entities at the various consolidation levels and tested calculations on a sampling basis.

We were assisted in our work by experts in environment and sustainable development under the responsibility of Mr. Eric Dugelay for Deloitte & Associés and Mr. Thierry Raes for PricewaterhouseCoopers Audit.

(1) These indicators are as follows [The contribution to Group indicators of entities selected for our work is given in brackets. It takes into account the work carried out during site visits and distance review.]: Water consumption (21.7%), Energy consumption (16.3%), Waste (23.3%); Number of employees at end of year (distribution by age, gender, seniority and occupational category) (45.7%), Share of hiring on permanent contracts in total recruitments (excluding conversion from non-permanent to permanent contract) (28.0%); Among the departures related to permanent contracts: share of resignations (19.5%), retirements (19.5%), other types of departures (19.5%); frequency rate of work-related accidents (25.5%) and severity rate of work-related accidents (25.5%).

(2) Social Indicators: Huizhou (China), Italy (except Italy Meta Systems entity), France, United States.  
Environmental Indicators: Huizhou (China), Varese (Italy), plant Magré 1-2-3 (France), Pass & Seymour (USA).  
Health and safety indicators: Huizhou (China), Varese (Italy), Limoges (France), Pass & Seymour (USA)

## ■ CONCLUSION

Based on our work, we did not identify any material anomaly likely to call into question the fact that the selected Indicators identified by the ✓ sign have been prepared, in all material aspects, in accordance with the 2011 Reporting Criteria.

Without prejudice to the conclusion of our review, as expressed above, we draw your attention to the following points detailed in pages 57 and 58 of the Registration Document:

- two Brazilian sites (Itu and Manaus) reported neither waste data nor data relative to water consumption for 2011, due to the lack of maturity and stability in the information collection process.
- the Wuxi site in China did not report waste data for 2011 by lack of maturity in information collection process. The reporting process of the sites belonging to the Russian entity Kontaktor is not yet stabilized and could affect the quality of their data.

Nevertheless, these points do not have any material impact on the selected consolidated Indicators.

Neuilly-sur-Seine, March 28, 2012

The Statutory Auditors

### **PricewaterhouseCoopers Audit**

Gérard Morin  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

### **Deloitte & Associés**

Jean-Marc Lumet  
185, avenue Charles de Gaulle  
92524 Neuilly-sur-Seine Cedex

# 06

## MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2011

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## 6.1 - PRELIMINARY DISCLAIMER

This selected financial data of the Company should be read together with the consolidated financial statements and their related notes in chapter 10 of this Registration Document. Financial statements of the Company have been prepared in accordance with IFRS and IFRIC interpretations as adopted by the European Union. The following information includes forward-looking statements based

on estimates relating to the future activity of Legrand and which may differ materially from actual results.

All percentages may be calculated on non-rounded figures and therefore may vary from percentages calculated on rounded figures.

## 6.2 - 2011 HIGHLIGHTS

In 2011, the Group's consolidated sales totaled €4,250.1 million, up 9.2% from €3,890.5 million in 2010; organic growth contributed 6.4%, while changes in the scope of consolidation accounted for 4.5%.

Adjusted operating income came to €856.7 million for the year, a rise of 7.5% from €797.0 million in 2010. Adjusted operating margin stood at 20.2% of 2011 sales.

Net income, which reached €479.3 million in 2011, was up 14.3% on 2010.

The Group made five acquisitions in 2011 at a total cost of €342.4 million.

The Group has continued to diversify its sources of financing and expand the maturity of its debt, thus reinforcing its already strong balance sheet structure. Following a successful €400 million bond issue maturing in March 2018, which came after a €300 million bond issue in 2010, the Group renewed the revolving facility of its syndicated loan for a total amount of €900 million in the second half of 2011, extending its initial maturity by a maximum of six years.

Finally, reflecting the share's strong performance, gradual increase in float and regular increase in liquidity, Legrand became a CAC 40 component stock in December 2011.

## 6.3 - OPERATING PROFITS

### 6.3.1 - Introduction

The Group reports its finances and results of operations on the basis of five geographic zones corresponding to the zone of origin of the products sold. Information concerning the results of operations and finances for each of these five geographic zones is presented for the years 2011 and 2010 in note 24 to the consolidated financial statements shown in chapter 10 of this Registration Document. Each zone represents either a single

country or the consolidated results of a number of countries and distinct markets. These five geographic zones are:

- France;
- Italy;
- Rest of Europe (including principally Russia, Turkey, Spain, Belgium, the United Kingdom, Poland, the Netherlands, Germany, Portugal, Greece and Austria);

- United States and Canada; and
- Rest of the World (including principally Brazil, China, India, Australia, Mexico, Chile and Colombia).

Since local market characteristics are the determining factor in the Company's performance and net sales by zone, consolidated financial information for multi-country zones does not always accurately reflect the financial performance of each national market. In fact, operations in the Group's geographic zones vary

significantly from one country to the next. Furthermore, products may be manufactured and sold locally or instead be imported from or exported to another member of the Group. These factors may distort the comparison of results in the various geographic zones. Consequently, with the exception of information and data relating to net sales, the discussion of results hereafter focuses primarily on consolidated results, with reference to national markets where these have a material impact on consolidated accounts.

## 6.3.2 - Factors that affect the results of operations

### 6.3.2.1 NET SALES

Markets in the countries and regions in which Legrand operates have different characteristics, principally as a result of local economic conditions and standards of living, which affect the level of renovation and new construction of homes, stores and office buildings, as well as the level of investment in industrial facilities. Underlying demand is also linked to the rate of real-estate turnover, since newly acquired properties are frequently renovated or refurbished.

Changes in consolidated net sales principally reflect the following factors:

- changes in sales volume (*i.e.*, the number of products sold in each period) due to changes in product demand and business levels in all markets;
- product mix;

- changes in sales prices (including quantity discounts and rebates, cash discounts for prompt payment, general price changes relating to local market conditions, and specific price changes, such as those designed to pass on changes in raw material prices);
- fluctuations in exchange rates between the euro and the different billing currencies, which affect the level of consolidated net sales after conversion; and
- changes in the subsidiaries consolidated by Legrand, principally as a result of acquisitions or disposals (which are referred to as "changes in the scope of consolidation").

The table below presents a breakdown by geographic zone of the Company's consolidated net sales (by destination) for the years ended December 31, 2011 and 2010. Sales "by destination" means all sales by the Group to third parties on a given geographic market.

(in € millions, except %)	Legrand Year ended December 31			
	2011		2010	
	€	%	€	%
<b>Net sales by destination</b>				
France	984.1	23.1	919.2	23.6
Italy	623.6	14.7	590.4	15.2
Rest of Europe	804.6	18.9	757.7	19.5
United States and Canada	615.3	14.5	560.4	14.4
Rest of the World	1,222.5	28.8	1,062.8	27.3
<b>TOTAL</b>	<b>4,250.1</b>	<b>100.0</b>	<b>3,890.5</b>	<b>100.0</b>

**6.3.2.2 COST OF GOODS SOLD**

Cost of goods sold consists principally of the following:

*Cost of raw materials and components.* The cost of raw materials and components accounted for, on average, approximately 64% of consolidated cost of goods sold over the last two financial years. Likewise, approximately 66% of the cost of raw materials and components relates to components and semi-finished goods, and approximately 34% relates to raw materials, on average. The breakdown between raw materials, components and semi-finished products varies according to the product mix, trends in market prices and choices in industrial organization, in particular with the systematic application of a "make or buy" approach to all projects.

Legrand purchases most of its raw materials and components locally. However, Company policy is to increase the percentage of raw materials and components purchased by the Group on world markets in order to benefit from economies of scale. The cost of raw materials and components may also fluctuate with macro-economic trends, which explains, for example, the steep and near-universal rise in raw material and component prices from 2005 to 2008, and more recently in 2010 and 2011.

*Production costs.* In general, these costs change on an aggregate basis in proportion to fluctuations in production volumes and due to inflation, and decline, as a percentage of sales as a result of productivity initiatives and economies of scale associated with higher production volumes.

*Other items included in production costs are:*

- depreciation of fixed assets;
- subcontracting costs; and
- other general manufacturing expenses, such as expenses linked to energy consumption.

The main factors that influence cost of goods sold as a percentage of net sales include:

- trends in net sales;
- production volumes, insofar as the Company achieves economies of scale through higher production volumes, thereby spreading fixed production costs over a larger number of units produced;
- the mix of products sold, insofar as consumption and production costs vary depending on the cost of the specific technology, raw materials and other components needed to manufacture a given product;
- initiatives to improve operating efficiency, including the implementation of measures to improve productivity (in particular through deployment of lean manufacturing initiatives) and the optimization of inventory management;
- effective purchasing following deployment of the cost-reduction policy through the centralization, internationalization and standardization of purchasing management at Group level;

- product life cycles, insofar as the Company typically incurs higher production costs associated with surplus manufacturing capacity during the initial stages of product launches and when Legrand is phasing out products from its catalogs;

- changes in the prices of raw materials, components and semi-finished goods due to local or global economic conditions; and
- trends in inflation for other cost components (salaries, energy, etc.).

**6.3.2.3 ADMINISTRATIVE AND SELLING EXPENSE**

Legrand's administrative and selling expense consists principally of the following:

- salary costs and benefit charges for administrative staff and sales personnel;
- other administrative expense, including expense relating to logistics and information systems;
- advertising expense;
- amortization of intangible assets, such as marks revalued following acquisitions; and
- other selling expense, such as printing costs for catalogs and expense incurred in connection with travel and communications.

**6.3.2.4 RESEARCH AND DEVELOPMENT EXPENSE**

Research and development expense consists principally of the following:

- salary costs and benefit charges for research and development employees;
- amortization expense for patents and other revalued assets recorded in connection with purchase accounting adjustments for the acquisition of Legrand France;
- other miscellaneous expense related to research and development, such as software, prototypes and patent registration costs;
- expense related to the use and maintenance of administrative offices, as well as expense related to information systems, in each case, concerning research and development activities; and
- amortization of capitalized development expense. Costs incurred on significant 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, considering its technical, commercial and technological feasibility, will be a success, and the costs can be reliably quantified.

Once these conditions are satisfied, a portion of the relevant development expense is capitalized. Development costs are amortized from the starting date of the sale of the product on a straight-line basis over the period of its expected benefit, not exceeding a period of ten years.

#### ■ 6.3.2.5 OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense includes restructuring expense and other expense and provisions.

#### ■ 6.3.2.6 OPERATING INCOME

Operating income consists of net sales, less cost of goods sold, administrative and selling expense, research and development expense, and other operating expense. Operating income does not include interest expense (described below).

#### ■ 6.3.2.7 FINANCE COSTS

Net interest expense principally corresponds to interest paid on amounts made available to the Company under its 2006 credit facility, Yankee bonds, the 2010 and 2011 bond issues, and other bank borrowings (for a description of these arrangements, see paragraph 6.5 of this chapter), less interest income arising from the investment of cash and cash equivalents.

#### ■ 6.3.2.8 DISCUSSION AND ANALYSIS OF CHANGES IN NET SALES

In the discussion below, changes in net sales are analyzed by distinguishing variations due to changes in the scope of consolidation, organic growth (changes in net sales "using constant scope of consolidation and exchange rates"), and the impact of exchange-rates variations in the euro and other currencies. The Company believes that this measure is a useful tool for analyzing changes and trends in its historical consolidated

net sales over different periods. Measures of organic growth are computed by making the following three adjustments.

##### 6.3.2.8.1 Companies acquired during the current period

Where companies are acquired during the current period, the net sales of the acquired company are reflected in the consolidated statement of income for only the portion of the current period from the date of first consolidation of such company. The calculation of the change in consolidated net sales at constant scope (*i.e.*, excluding the effects of the acquisition) takes into account sales of the acquired company, based on sales information of the acquired company prepared in a manner consistent with internal accounting policies, for the portion of the prior period equal to the portion of the current period during which Legrand actually consolidated the entity.

##### 6.3.2.8.2 Companies acquired during a prior period

Where companies were acquired during the prior period, net sales of the acquired company are reflected in the consolidated statement of income for the entirety of the current period but only for the portion of the prior period from the date of first consolidation of such company. The calculation of the change in consolidated net sales at constant scope (*i.e.*, excluding the effects of the acquisition) takes into account the sales of the acquired company, based on sales information of the acquired company prepared in a manner consistent with internal accounting policies, for the portion of the previous year during which it was not consolidated.

##### 6.3.2.8.3 Using constant exchange rates

Consolidated historical net sales include the effects of exchange rate differences between the euro and other currencies. To analyze the variation of consolidated net sales excluding the effects of these exchange rate changes, Legrand uses constant exchange rates (calculated by adjusting net sales reported for a given financial year using the exchange rates for the prior financial year) to compare year-to-year changes in net sales.

### ■ 6.3.2.9 BREAKDOWN OF CHANGES IN NET SALES FROM 2010 TO 2011

The following table presents the breakdown of changes in net sales as reported by zone of **destination** (market where sales are recorded) between 2010 and 2011.

Sales (in € millions except %)	Year ended December 31					
	2010	2011	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	919.2	984.1	7.1%	1.4%	5.6%	0.0%
Italy	590.4	623.6	5.6%	1.5%	4.2%	(0.1)%
Rest of Europe	757.7	804.6	6.2%	3.5%	5.6%	(2.8)%
USA/Canada	560.4	615.3	9.8%	11.7%	3.6%	(5.1)%
Rest of the World	1,062.8	1,222.5	15.0%	5.7%	10.4%	(1.4)%
<b>CONSOLIDATED TOTAL</b>	<b>3,890.5</b>	<b>4,250.1</b>	<b>9.2%</b>	<b>4.5%</b>	<b>6.4%</b>	<b>(1.7)%</b>

The following table presents the breakdown of changes in net sales as reported by zone of origin (zone of origin of the products sold) between 2010 and 2011.

Net sales (in € millions except %)	Year ended 31 December					
	2010	2011	Total change	Change in the scope of consolidation	Organic growth	Impact of exchange rates
France	1,043.1	1,110.0	6.4%	1.0%	5.3%	0.0%
Italy	622.6	661.7	6.3%	2.5%	3.7%	0.0%
Rest of Europe	737.2	784.9	6.5%	3.1%	6.6%	(3.1)%
USA/Canada	571.7	628.0	9.8%	11.8%	3.5%	(5.1)%
Rest of the World	915.9	1,065.5	16.3%	6.2%	11.1%	(1.4)%
<b>CONSOLIDATED TOTAL</b>	<b>3,890.5</b>	<b>4,250.1</b>	<b>9.2%</b>	<b>4.5%</b>	<b>6.4%</b>	<b>(1.7)%</b>

### ■ 6.3.2.10 OTHER FACTORS AFFECTING THE GROUP'S NET INCOME

- The acquisition of Legrand France in 2002 and associated purchase accounting adjustments and transactions related thereto have affected net income. In particular, the significant intangible assets recorded in connection with the acquisition of Legrand France increased the amortization charges of the Group. The purchase accounting adjustments relating

to the acquisition of Legrand France principally concern the revaluation of trademarks that are being amortized on a straight-line basis until 2021 at the latest, and patents that are being amortized on a declining-balance basis until 2011.

- Acquisitions made since 2002 have also had an impact on the Group's net income. This is because intangible assets revalued as part of the purchase price allocation of entities acquired generate additional amortization.



## 6.4 - YEAR-ON-YEAR COMPARISONS: 2011 AND 2010

(in € millions)	Legrand Year ended December 31	
	2011	2010 <sup>(1)</sup>
<b>Net sales</b>	<b>4,250.1</b>	<b>3,890.5</b>
<b>Operating expense</b>		
Cost of goods sold	(2,028.0)	(1,812.8)
Administrative and selling expense	(1,137.4)	(1,051.2)
Research and development expense	(201.6)	(183.1)
Other operating income (expense)	(70.8)	(85.8)
<b>Operating income</b>	<b>812.3</b>	<b>757.6</b>
Interest expense	(97.2)	(82.9)
Interest income	15.0	11.7
Foreign exchange gain/loss	10.6	(39.8)
<b>Finance costs and other financial income and expense, net</b>	<b>(71.6)</b>	<b>(111.0)</b>
<b>Income before taxes</b>	<b>740.7</b>	<b>646.6</b>
Income taxes	(261.4)	(227.1)
<b>Net income for the year</b>	<b>479.3</b>	<b>419.5</b>
<b>Net income attributable to:</b>		
■ Legrand	<b>478.6</b>	<b>418.3</b>
■ Minority interests	<b>0.7</b>	<b>1.2</b>

(1) 2010 figures restated for items detailed in note 1 A) appended to the consolidated financial statements in chapter 10 of this Registration Document.

The table below shows the calculation of adjusted operating income (defined as operating income adjusted for amortization of the revaluation of intangible assets and for expense/income relating

to acquisitions, and, if applicable, for impairment of goodwill) and maintainable adjusted operating income (i.e., excluding restructuring charges) for the periods under review.

(in € millions)	2011	2010 <sup>(1)</sup>
<b>Net income for the year</b>	<b>479.3</b>	<b>419.5</b>
Income taxes	261.4	227.1
Foreign exchange (gain)/loss	(10.6)	39.8
Interest income	(15.0)	(11.7)
Interest expense	97.2	82.9
<b>Operating income</b>	<b>812.3</b>	<b>757.6</b>
Purchase accounting adjustments and expense/income related to acquisitions	28.5	39.4
Impairment of goodwill	15.9	0.0
<b>Adjusted operating income</b>	<b>856.7</b>	<b>797.0</b>
Restructuring charges	18.6	31.5
<b>Maintainable adjusted operating income</b>	<b>875.3</b>	<b>828.5</b>

(1) 2010 figures restated for items detailed in note 1 A) appended to the consolidated financial statements in chapter 10 of this Registration Document.

## 6.4.1 - Net sales

Consolidated net sales rose 9.2% to €4,250.1 million in 2011, compared with €3,890.5 million in 2010, reflecting:

- a 6.4% rise in net sales, at constant scope of consolidation and exchange rates; and
- a 4.5% increase in net sales due to changes in scope of consolidation from 2010 to 2011, relating in particular to the first-time consolidations of Meta System, Electrorack and Intervox (over 12 months), Middle Atlantic Products (over 7 months) and SMS (over 5 months).

These factors were partly offset by:

- a 1.7% decline in net sales due to changes in exchange rates between 2011 and 2010.

Pursuing its strategy of profitable value-creating growth, Legrand stepped up its development in 2011 by strengthening its commercial organization and conquering new market positions. This approach enabled the Group to record 11.2% growth in sales excluding exchange-rate effects (+9.2% including exchange-rate effects), driven by:

- robust organic growth (+6.4%), buoyed by many successful new product launches, plus vigorous pace in new economies (organic growth over 14%) and new business segments (organic growth of 13%);
- targeted, self-financed bolt-on acquisitions of small and mid-size companies with strong positions on high growth potential markets, whose consolidation contributed 4.5% to the Group's growth.

At constant scope of consolidation and exchange rates, sales in the second half of the year were affected by the reversal in the favorable basis for comparison observed in the first half which had a negative impact in particular in Europe.

Comments below concern sales by destination.

**France.** Sales rose 7.1% in 2011 to reach €984.1 million compared with €919.2 million in 2010. This reflected organic sales growth of 5.6%, driven by very robust performances in digital infrastructures and wire-mesh cable management, as well as strong showings in wiring devices, energy distribution and industrial applications, plus a change in the scope of consolidation, due mainly to the integration of Intervox over 12 months, which made a positive 1.4% contribution. Business also benefited from successful new-product launches, including the Niloé range of wiring devices and the Puissance3 energy distribution offering. Moreover, Legrand enhanced its sales organization, opening a new showroom in the Paris region and inaugurating the "Lab

by Legrand" in Paris, where individuals, architects, decorators, distributors and electrical contractors can experience the Group's high-end wiring devices in a unique setting.

**Italy.** Overall, sales in Italy rose 5.6% to €623.6 million for 2011, compared with €590.4 million in 2010. In a sluggish market, this increase came essentially from a 4.2% organic growth, driven by robust sales in cable management, industrial applications, energy-performance systems and the newly launched Living&Light ranges of wiring devices, as well as changes in scope of consolidation due mainly to the integration of Meta System over 12 months, which made a positive 1.5% contribution. As noted, second-half growth was impacted by the reversal of the particularly favorable basis for comparison effect observed in the first half of the year. The Group also opened a new concept store in Milan an innovative, interactive setting that offers a direct experience of Bticino's many applications and solutions.

**Rest of Europe.** Sales in the Rest of Europe zone rose 6.2% to €804.6 million in 2011 compared with €757.7 million in 2010, driven by 5.6% organic growth, reflecting very good performances in Russia, Turkey, and Eastern Europe and strong showings in Austria and Switzerland, which more than offset declining sales in Southern Europe. A change in scope of consolidation made a 3.5% contribution in 2011, due primarily to complementary consolidation of Inform over six months and partially offset by an unfavorable exchange rate impact of 2.8%. More generally, new economies account for nearly half of business in this region.

**United States and Canada.** Sales in the US/Canada region rose 9.8% to €615.3 million in 2011, compared with €560.4 million in 2010. The increase was driven by 3.6% organic growth in net sales, with strong showings overall and particularly in wiring devices and highly energy-efficient lighting controls, as well as a positive 11.7% contribution from change in scope of consolidation, due primarily to integration of Electrorack over 12 months and Middle Atlantic Products over seven months. These positive effects were partially offset by an unfavorable exchange rate impact of 5.1%. These performances were driven by renovation business and dynamic sales teams, whereas the new-construction market continues to lag well below historic levels.

**Rest of the World.** Sales in the Rest of the World zone rose 15.0% to €1,222.5 million in 2011, compared with €1,062.8 million in 2010. The increase derived from 10.4% organic sales growth – spurred by strong sales growth in new economies, with excellent showings in China, India, the United Arab Emirates, Saudi Arabia, Chile and Peru – and from 5.7% growth contributed by a change in scope of consolidation, due essentially to integration of SMS

over five months and complementary consolidation of Indo Asian Switchgear over eight months in 2011. These positive factors were partially offset by an unfavorable exchange rate impact of 1.4%.

These results exceed Legrand's 2011 target, which called for organic growth up 5% from 2010.

## 6.4.2 - Cost of sales

The consolidated cost of sales rose 11.9% from €1,812.8 million in 2010 to €2,028.0 million in 2011, mainly as a result of:

- increases in the volumes of raw materials and components used due to growth in sales;
- significantly higher prices for raw materials and components (more than offset in value by higher sales prices); and
- consolidation of new acquisitions;

partly offset by:

- exchange-rate effects, with the euro gaining ground against most other currencies; and
- continuing efforts to raise productivity, in particular through lean manufacturing action plans. Overall, at constant scope of consolidation and exchange rates, production costs rose by 1.3% from 2010 to 2011.

The cost of sales thus rose from 46.6% of sales in 2010 to 47.7% in 2011.

## 6.4.3 - Administrative and selling expense

Consolidated administrative and selling expense increased by 8.2% to €1,137.4 million in 2011, compared to €1,051.2 million in 2010, essentially because of:

- reinforcement of the Group's sales teams and vectors (including showrooms and concept stores), particularly in fast-growing markets (a key contributing factor to the rise in 2011 sales); and
- consolidation of new acquisitions;

partly offset by:

- exchange-rate effects, with the euro gaining ground against most other currencies.

Overall, at constant scope of consolidation and exchange rates, administrative and selling expense rose 4.9% from 2010 to 2011.

As a percentage of sales, administrative and selling expense declined from 27.0% in 2010 to 26.8% in 2011.

## 6.4.4 - Research and development expense

In 2011, Legrand actively pursued its strategy for innovation and launched many new products, including:

- major new wiring-device ranges for the international market – Living&Light, Niloé, and Matix;
- dedicated wiring-device ranges – Yi Pin and K2 in China, Myrius in India, Titanium in the US, Newden in South Korea, Zuli in Brazil and Excel Life in Australia;
- the first iPad applications designed to control My Home residential systems;

- the Puissance3 energy distribution offering in France, soon to be deployed on international markets, including DPX3 protection systems for commercial buildings, which integrate in particular measurement of energy consumption, the new DX3 modular program, the XL3 125 cabinet;

- new LCS2 and Ortronics enclosures for digital infrastructures;
- new cable management lines for low-end market segments in Turkey and Russia;

- Watt Stopper's energy-efficient Digital Lighting Management solutions in the United States.

In accordance with IAS 38 "Intangible Assets", the Group has implemented an internal measurement and accounting system for development expense to be recognized as intangible assets. As a result, €29.9 million in development expense was capitalized in 2011 compared to €30.3 million in 2010. Amortization charges for capitalized development costs amounted to €26.2 million in 2011 compared to €25.1 million in 2010.

Consolidated research and development charges totaled €201.6 million in 2011 and €183.1 million in 2010. Excluding the impact of the capitalization of development costs and purchase accounting charges relating to the acquisition of Legrand France, as well as the tax credit for research and development activities, R&D expense increased by 12.3% to €200.6 million in 2011 (4.7% of net sales) compared to €178.7 million in 2010 (4.6% of net sales).

(in € millions)	Calculation of research and development expense	
	2011	2010 <sup>(1)</sup>
<b>Research and development expense</b>	<b>(201.6)</b>	<b>(183.1)</b>
Amortization related to acquisition and R&D tax credit	4.7	9.6
Amortization of capitalized development costs	26.2	25.1
<b>RESEARCH AND DEVELOPMENT EXPENSE BEFORE CAPITALIZED DEVELOPMENT COSTS</b>	<b>(170.7)</b>	<b>(148.4)</b>
Capitalized development costs	(29.9)	(30.3)
<b>RESEARCH AND DEVELOPMENT EXPENSE FOR THE YEAR</b>	<b>(200.6)</b>	<b>(178.7)</b>

(1) 2010 figures restated for items detailed in note 1 A) appended to the consolidated financial statements in chapter 10 of this Registration Document.

In 2011, R&D operations had 2,070 employees in around 16 countries, up from 1,859 in 2010.

## 6.4.5 - Other operating income and expense

In 2011, other operating income and expense decreased by 17.5% to €70.8 million, compared to €85.8 million in 2010. This reflected in particular:

- lower restructuring charges, mainly in the Rest of Europe and Rest of World zones; and
- a decline in allocations to provisions; and partially offset by:
- impairments of goodwill in 2011 in an amount of €15.9 million, whereas no impairments were recognized with respect to 2010.

## 6.4.6 - Operating income

Consolidated operating income rose 7.2% to €812.3 million in 2011 compared to €757.6 million in 2010. The increase was primarily due to:

- a 9.2% rise in sales;
- a 17.5% decline in other operating income and expense; and
- consolidation of new acquisitions;

partly offset by:

- an 11.9% rise in the cost of sales;
- an 8.2% rise in administrative and selling expense; and
- a 10.1% rise in research and development expense.

As a percentage of sales, consolidated operating income declined to 19.1% in 2011 compared to 19.5% in 2010.

### 6.4.7 - Adjusted operating income

Adjusted operating income is defined as operating income adjusted for amortization of the revaluation of intangible assets and for expense/income relating to acquisitions, and, if applicable, for impairment of goodwill. Adjusted operating income rose 7.5% from €797.0 million in 2010 to €856.7 million in 2011, reflecting gains in almost all geographical zones. These broke down as follows by zone:

- a 3.2% decline to €261.1 million in France in 2011, compared to €269.7 million in 2010 and representing 23.5% of sales in 2011 compared to 25.9% in 2010;
- a 9.7% rise to €216.9 million in Italy, up from €197.7 in 2010 and representing 32.8% of sales in 2011 compared to 31.8% in 2010;
- a 12.4% rise in the Rest of Europe zone, with Turkey, Russia and Poland the main contributors, setting the figure for 2011 at €99.6 million compared to €88.6 million in 2010, representing 12.7% of sales in 2011 compared to 12.0% in 2010;

- a rise of 32.2% to €105.0 million in the US and Canada in 2011 compared to €79.4 million in 2010, representing 16.7% of sales in 2011 compared to 13.9% in 2010; and
- a rise of 7.7% in the Rest of the World zone, with Australia and Mexico standing out, for a total of €174.1 million in 2011 compared to €161.6 million in 2010, representing 16.3% of sales in 2011 compared to 17.6% in 2010.

Against this backdrop, total adjusted operating income as a percentage of sales stood at 20.2% (20.6% excluding acquisitions), reflecting Legrand's capacity to:

- fuel growth by investing in innovation and strengthening its commercial organization (sales teams, showrooms, concept stores) in fast-growing markets, while pursuing efforts to enhance its productivity initiatives;
- take account of the rising cost of raw materials and components consumed in sales prices management.

This result exceeds Legrand's target for 2011, which called for adjusted operating margin of at least 20%.

### 6.4.8 - Finance costs and other financial income and expense

Consolidated net interest expense rose 15.4% from €71.2 million in 2010 to €82.2 million in 2011. It represented 1.9% of net sales in 2011 compared to 1.8% in 2010. The rise is due to higher

interest rates whereas average gross indebtedness was slightly lower than in 2010.

### 6.4.9 - Foreign exchange gains and losses

Foreign exchange gains came to €10.6 million in 2011, compared to a loss of €39.8 million in 2010. This was essentially attributable to the euro's rise against most other currencies, compared to an overall decline against the same currencies in 2010. These

exchange-rate effects were partly linked to inter-company positions, being therefore balanced by translation reserves evolution.

### 6.4.10 - Income tax

In 2011 Legrand's pre-tax income amounted to €740.7 million, showing a rise from 2010 when it was €646.6 million. This was attributable to the rise in operating income and increased foreign-exchange gains, partly offset by the rise in net interest expense. Consolidated income tax amounted to €261.4 million

in 2011, compared to €227.1 million in 2010. The higher charge for 2011 is essentially attributable to the rise in pre-tax income.

### 6.4.11 - Net income

Consolidated net income increased by 14.3% to €479.3 million in 2011, compared to €419.5 million in 2010, mainly resulting from:

- a €54.7 million rise in operating income;
- a €50.4 million rise in foreign-exchange gains;

partially offset by:

- a €11.0 million increase in net interest expense; and
- a €34.3 million rise in income tax.

## 6.5 - CASH FLOWS AND BORROWING

For information concerning the share capital of the Company, investors should refer to note 10 to the consolidated financial statements referred to in chapter 10 of this Registration Document.

### 6.5.1 - Cash flows

The table below summarizes cash flows of the Company for the years ended December 31, 2011 and 2010.

(in € millions)	Legrand Year ended December 31	
	2011	2010
Net cash of operating activities	646.2	749.4
Net cash of investing activities*	(465.3)	(392.5)
Net cash of financing activities	76.2	(310.1)
Increase (reduction) in cash and cash equivalents	256.0	58.8

\* Of which capital expenditure and capitalized development costs

(137.0)

(112.8)

For a full description of cash flows, investors should refer to the consolidated statement of cash flows provided in the consolidated financial statements of the Company.

#### ■ 6.5.1.1 NET CASH OF OPERATING ACTIVITIES

Net cash provided by operating activities totaled €646.2 million at December 31, 2011, compared to €749.4 million at December 31, 2010. This €103.2 million decrease was attributable to a €144.6 million rise in working capital requirement, partially offset by a €41.4 million rise in cash flow from operations (defined as net cash of operating activities, plus or minus variations in other operating assets and liabilities). The rise in cash flow from operations was related to the increase in operating income in 2011.

#### ■ 6.5.1.2 NET CASH OF INVESTING ACTIVITIES

Net cash used in investing activities for the year ended December 31, 2011 amounted to €465.3 million, compared to €392.5 million for the year ended December 31, 2010. This increase was primarily due to a rise in the amount invested in

acquisitions of subsidiaries and in capital expenditure, plus capitalized development costs whereas the proceeds of sales of fixed assets increased slightly.

Total acquisitions of subsidiaries (net of cash acquired), purchase of minority shareholdings and investments in non-consolidated entities amounted to €342.4 million in 2011.

Capital expenditure and capitalized development costs amounted to €137.0 million for the year ended December 31, 2011 (of which €29.9 million related to capitalized development costs), for an increase of 21.5% from €112.8 million recorded for the year ended December 31, 2010 (of which €30.3 million related to capitalized development costs).

#### ■ 6.5.1.3 NET CASH OF FINANCING ACTIVITIES

Net cash used in financing activities amounted to €76.2 million in 2011, compared to a €310.1 million requirement in 2010. This rise in net cash used in financing activities is primarily due to a decline in reimbursements of borrowings and bank overdrafts as well as a €400 million rise in bond issues in March 2011 vs. €300 million in February 2010 that was partly offset by the rise in dividends paid by Legrand.

## 6.5.2 - Debt

Gross debt of the Group (defined as the sum of long-term and short-term borrowings, including commercial paper and bank overdrafts) amounted to €1,757.1 million at December 31, 2011, compared to €1,429.8 million at December 31, 2010. Cash and marketable securities amounted to €488.3 million at December 31, 2011, compared to €232.3 million at December 31, 2010. Total net debt (defined as gross debt, less cash and marketable securities) amounted to €1,268.8 million at December 31, 2011 compared to €1,197.5 million at December 31, 2010.

The ratio of net debt to shareholders' equity was 43% at December 31, 2011, compared to 44% at December 31, 2010.

At December 31, 2011, the Group's gross debt consisted of the following:

- €700.0 million in bonds issued in February 2010 and March 2011;
- €302.1 million in Yankee Bonds;

- €282.5 million in bank borrowing taken out in May 2007 and March 2009;
- €227.2 million under the 2006 credit facility;
- €245.3 million in other debt, consisting mainly of bank borrowings, overdrafts and debt related to acquisitions.

The repayment schedule for the non-current portion of these borrowing appears in note 13 to the consolidated financial statements referred to in chapter 10 of this Registration Document.

Cash and cash equivalents (€488.3 million at December 31, 2011 and €232.3 million at December 31, 2010) consist primarily of very short-term bank deposits placed with leading financial institutions, rounded out by notes issued by leading companies.

A description of loans and financial covenants included in Group's bank loans and credit facility contracts is presented in note 13 and in note 22 B)-(5) to the consolidated financial statements referred to in chapter 10 of this Registration Document.



## 6.6 - CAPITAL EXPENDITURE

From 1990 to 2003, Legrand appropriated an average of 8% of annual consolidated net sales per year to capital expenditure (this figure does not include capitalized development expenses, which were not recorded at that time). Historically, annual capital expenditures have varied between 3% and 12% of consolidated net sales over the last 20 years with year-to-year variations resulting from the cyclical nature of investment requirements.

In 2011, capital expenditure and capitalized development expenses as a percentage of consolidated net sales amounted to 3.2% (compared with 2.9% in 2010). This decrease in capital

expenditure compared to historical levels is mainly the result of continuing initiatives to optimize productivity and capital employed, including a systematic application of a "make or buy" approach; the transfer of certain production activities to low-cost, less capital-intensive countries; internationalization of purchasing; optimization of manufacturing facilities; and outsourcing of production. The effects of these measures were partly offset by the capitalization of some development costs pursuant to IAS 38. In 2011, capital expenditure rose by 21.5% compared to the previous year.

## 6.7 - OFF BALANCE SHEET COMMITMENTS

The Group does not have any off balance sheet arrangements that have or can be considered reasonably likely to have a current or future impact on its finances, changes in its finances, revenues, expenses, results, operating income, cash, capital expenditure or capital reserves, and that would be material to

investors. (See note 21 to the consolidated financial statements referred to in chapter 10 of this Registration Document.) There is no significant off balance sheet commitment given linked to acquisitions.

## 6.8 - CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's contractual obligations, commercial commitments and principal maturity dates on a consolidated basis as of December 31, 2011.

At December 31, 2011 (in € millions)	Payments due by period				
	Total	< 1 year	1 – 3 years	4 – 5 years	> 5 years
Borrowings	1,739.2	215.4	467.1	54.5	1,002.2
Capital lease obligations	17.9	2.6	3.1	2.4	9.8
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>1,757.1</b>	<b>218.0</b>	<b>470.2</b>	<b>56.9</b>	<b>1,012.0</b>

## 6.9 - VARIATIONS IN EXCHANGE RATES

A significant number of the Group's foreign subsidiaries operate in countries outside the euro zone. In 2011, approximately 50% of the Group's net sales were denominated in currencies other than the euro. As a consequence, the Group's consolidated operating income has been and could in the future be significantly affected by variations in exchange rates between the euro and such other currencies.

In order to prepare the consolidated financial statements, the Group must convert assets, liabilities, income and expenses that are recognized in other currencies into euros. Variations in foreign currency exchange rates affect such items in the Group's consolidated financial statements, even if the value of the item remains unchanged in its original currency. To the extent that the Group incurs expenses that are not denominated in the same currency as the related revenues, changes in foreign exchange rates could cause the Group's expenses to increase as a percentage of net sales, affecting its profitability and cash flows.

The Group uses end-of-period exchange rates for the translation of balance sheet data and period average exchange rates for the translation of income statement and cash flow data. In translating financial statements of subsidiaries operating in inflationary economies, non-monetary assets are recorded at historical rates of exchange, and gains or losses arising from the translation of the financial statements of such subsidiaries are included in the consolidated income statement under "Exchange and translation gains (losses)".

The following table shows, for the periods and dates indicated, noon buying rate information for euro/U.S. dollar exchange rates from 2007 through 2011 expressed in euros per U.S. dollar. This exchange rate information is provided as an indication only and does not represent the exchange rates used by Legrand in the preparation of its consolidated financial statements.

(euro per U.S. dollar)	Period-end rate	Average rate <sup>(1)</sup>	High	Low
2007	0.68	0.73	0.78	0.67
2008	0.71	0.68	0.76	0.63
2009	0.69	0.72	0.80	0.66
2010	0.75	0.76	0.84	0.69
2011	0.77	0.72	0.77	0.67

(1) The average exchange rate for the euro is calculated as the average of the month-end figures for the relevant year-long period or the average of the noon buying rates on each business day for the relevant month-long period.

Readers are referred to note 22 B) (2) appended to the consolidated financial statements mentioned in chapter 10 of the present Registration Document for a description of management of exchange risk.

## 6.10 - QUANTITATIVE AND QUALITATIVE DISCLOSURES RELATING TO FINANCIAL RISKS

Legrand's exposure to financial risk mainly concerns the following areas:

- interest-rate risk;
- exchange-rate risk;
- commodity risk;

- credit risk;
- liquidity risk.

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 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 price risks, and as such are limited in duration and amount.

This strategy is centralized at Group level. Its implementation is deployed by the Financing and Treasury department, which recommends appropriate measures and implements these 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 tracking of the Group's positions and effective oversight of the management of financial risks.

A detailed description of risks and Legrand's risk management appears in note 22 to the consolidated financial statements referred to in chapter 10 of this Registration Document.

## 6.11 - SUMMARY OF CRITICAL ACCOUNTING POLICIES

The accounting policies described below are those the Company considers critical in preparing its consolidated financial statements.

- intangible assets;
- fair value of financial instruments;
- financial and commodity-market derivatives;
- accounting for stock option plans;
- employee benefits;

- deferred taxes; and
- use of estimates.

These policies include significant estimates made by management using information available at the time the estimates are made. A more detailed description of the significant accounting policies used by the Company in preparing its consolidated financial statements is included in note 1 to the consolidated financial statements referred to in chapter 10 of this Registration Document.

## 6.12 - NEW IFRS PRONOUNCEMENTS

In 2011, standards and interpretations published by the IASB but not compulsory at December 31, 2011 were as follows:

- IFRS 7 amended – Financial Instruments Disclosures – transfers of financial assets;
- IFRS 9 – Financial Instruments;
- IAS 12 amended – Income Taxes;
- IFRS 10 – Consolidated Financial Statements;
- IFRS 11 – Joint Arrangements;
- IFRS 12 – Disclosure of Interests in Other Entities;

- IAS 27 – Consolidated and Separate Financial Statements;
- IAS 28 – Investments in Associates;
- IFRS 13 – Fair Value Measurement;
- IAS 19 amended – Employee Benefits; and
- IAS 32 amended – Financial Instruments: Presentation.

Summaries of these publications and their possible consequences as regards the financial information provided by the Group are presented in note 1 B) to the consolidated financial statements referred to in chapter 10 of this Registration Document.

## 6.13 - TRENDS AND PROSPECTS

Legrand fully met its 2011 targets, demonstrating both the soundness of its business model and its ability to achieve medium-term targets for growth and profitability.

In 2012, given uncertain macroeconomic expectations, Legrand has retained a target for organic growth <sup>(1)</sup> in sales of about zero. The Group will also pursue growth through acquisitions, while transactions made in 2011 will already raise 2012 sales by 2.6%. In these conditions, the Group is targeting an adjusted operating margin for 2012 equaling or exceeding 19% of sales, including acquisitions <sup>(1)</sup>.

With 35% of sales generated in new economies and close to 22% in new market segments, leading market positions in 2/3 of its businesses, responsive teams and ongoing efforts to improve productivity, Legrand is confident in the soundness of its business model and in its capacity to create value on a sustainable basis through profitable, self-financed growth. As a result, and taking into account 2012 targets mentioned above, Legrand confirms its medium-term objectives:

- 10% total annual average growth in sales <sup>(2)</sup>;
- 20% average adjusted operating margin, including acquisitions <sup>(1)</sup>.

(1) Small or medium-size acquisitions in areas complementary to the group's own.

(2) Excluding exchange-rate effects or major economic downturn.

## 6.14 - TABLE OF CONSOLIDATED FINANCIAL RESULTS OVER THE LAST FIVE YEARS

<i>(in € millions except number of shares, earnings per share and number of employees)</i>	2007	2008	2009	2010	2011
<b>End of period share capital</b>					
Share capital	1,083.9	1,051.3	1,052.4	1,052.6	1,053.6
Number of shares <sup>(1)</sup>	270,975,739	262,815,128	263,096,679	263,161,346	263,388,995
<b>Earnings</b>					
Net sales	4,128.8	4,202.4	3,577.5	3,890.5	4,250.1
Income before taxes, depreciation and amortization	813.5	712.0	643.5	838.1	938.5
Income taxes	(175.0)	(143.4)	(131.3)	(227.1)	(261.4)
Net income	422.6	351.5	291.3	419.5	479.3
Dividends paid	133.1	180.0	182.8	183.7	231.4
<b>Earnings per share</b>					
Earnings before taxes, depreciation and amortization <sup>(2)</sup>	3.061	2.777	2.474	3.196	3.573
Net earnings attributable to Legrand <sup>(2)</sup>	1.584	1.365	1.114	1.595	1.822
Dividend per share	0.50	0.70	0.70	0.70	0.88
<b>Employees</b>					
End of period number of employees	33,656	31,596	28,314	29,422	31,066
Personnel costs	1,066.9	1,082.0	965.7	1,018.9	1,092.8

(1) At the General Meeting of February 24, 2006, shareholders decided to carry out a 1-for-4 reverse stock-split.

(2) Earnings per share are calculated on the basis of the average number of ordinary shares outstanding during the year, i.e., 265,729,265 shares in 2007; 256,389,092 shares in 2008; 260,132,463 in 2009; 262,274,181 in 2010; and 262,628,527 in 2011.

## CORPORATE GOVERNANCE

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## 7.1 - ADMINISTRATION AND MANAGEMENT OF THE COMPANY

### 7.1.1 - Board of Directors

The Company is managed by a Board of Directors currently made up of ten members, all appointed or reappointed for four-year terms from May 27, 2010. The Company has three specialized Committees which facilitate the work of the Board and prepare its deliberations: the Audit Committee, the Nominating and

Compensation Committee and the Strategic Committee. Information about the work of the Board of Directors and its specialized Committees during the 2011 financial year can be found in paragraph 7.4.2 of this chapter.

#### ■ DIRECTORS

The table below contains information about the Company's Directors.

##### Gilles Schnepf

Age 53

128 avenue du Maréchal de Lattre de Tassigny  
87000 Limoges

Gilles Schnepf has been a Director of the Company since 2002 and has been Chairman of the Board of Directors and Chief Executive Officer since 2006. He is also Chairman of the Board of Directors and Chief Executive Officer of Legrand France. After graduating from the *École des Hautes Études Commerciales* (HEC), he started his career at Merrill Lynch France where he became Vice President. He then joined Legrand in 1989 as Deputy Chief Financial Officer. He became Company Secretary of Legrand France in 1993, CFO in 1996 and Chief Operating Officer in 2000.

Mr. Schnepf holds 2,004,224 Legrand shares.

##### Mandates and other positions in French or foreign companies:

**Current – Legrand Group (no compensation in the form of attendance fees or any other compensation is paid or due for the mandates exercised in the Group's subsidiaries):**

- Chairman and Chief Executive Officer of Legrand\*
- Mandates in various Group subsidiaries (see page 256)

##### **Current – outside the Legrand Group:**

- Director of Saint-Gobain\*

##### **Previous positions over the last five years and now discontinued:**

- Mandates in various Group subsidiaries

##### Olivier Bazil

Age 65

128 avenue du Maréchal de Lattre de Tassigny  
87000 Limoges

After completing his studies at the *École des Hautes Études Commerciales* ("HEC") and Harvard Business School, he joined the Company in 1973 as Deputy to the Company Secretary, responsible for financial information and development of the Group's growth strategy. He became Chief Financial Officer of Legrand France in 1979, Deputy Chief Operating Officer in 1993 and was Vice-Chairman and Chief Operating Officer until the end of the General Meeting of the Shareholders of May 26, 2011.

Mr. Bazil holds 1,986,934 Legrand shares.

##### Mandates and other positions in French or foreign companies:

**Current – Legrand Group (After stepping down from his role as Vice-Chairman and Chief Operating Officer after the Company's General Meeting on May 26, 2011, Mr. Olivier Bazil shall also step down from his mandates in Group subsidiaries during 2012):**

- Director of Legrand\* (since 2002)
- Mandates in various Group subsidiaries (see page 257)

##### **Current – outside the Legrand Group:**

- Director of Firmenich International SA
- Member of the Supervisory Board of La Société Civile du Château Palmer
- Chairman of Fritz SAS

##### **Previous positions over the last five years and now discontinued:**

- Mandates in various Group subsidiaries

\* Listed company.



**Mattia Caprioli**

Age 38

Stirling Square

7 Carlton Gardens

London SW1Y 5AD

United Kingdom

Mattia Caprioli is a member of Kohlberg Kravis Roberts & Co., based in London. He has been actively involved in the investments of Inaer, Bond Aviation, Alliance Boots, AVR/Van Gansewinkel, Legrand, PagesJaunes Groupe, Selenia and Toys R Us. He is a Director of Alliance Boots and Inaer Aviation Group. He is responsible for developing KKR's business in Italy. Before joining KKR in 2001, he worked at Goldman Sachs International in London, handling mergers, acquisitions and financings in a variety of industries. He holds a Master's of Science, Summa Cum Laude, from L. Bocconi University in Milan, Italy. Mr. Caprioli holds 500 Legrand shares.

**Jacques Garaïalde**

Age 55

Stirling Square

7 Carlton Gardens

London SW1Y 5AD

United Kingdom

Jacques Garaïalde has been a member of senior management at KKR since 2003. Effective January 1, 2004, Jacques Garaïalde became a partner of KKR's management company. Before joining KKR, Mr. Garaïalde was a partner of Carlyle, in charge of the Europe Venture Partners fund. From 1982 to 2000, he worked at the Boston Consulting Group where he was the Managing Partner responsible for first Belgium (1992-1995), then France and Belgium (1995-2000). Between 1979 and 1981, he held various positions at Esso France. Jacques Garaïalde is also a Director of the Pages Jaunes Groupe, Tarkett, the *Société d'Investissement Familiale* (SIF), Médiannuaire Holding, Visma and Sorgenia. Jacques Garaïalde received his MBA from INSEAD (Fontainebleau) and is a graduate of the *École Polytechnique*. Mr. Garaïalde holds 500 Legrand shares.

**Francois Grappotte**

Age 75

128 avenue du Maréchal de Lattre de Tassigny

87000 Limoges

Having studied at the *École Nationale d'Administration* (ENA), Mr. Grappotte began his career at the Ministry of Industry and Treasury Department of the Ministry of the Economy and Finance. In 1970, he joined Banque Rothschild, serving successively as Assistant Director, Deputy Director and Director. In 1973, he joined *Compagnie Électro Mécanique* as Company Secretary, before being appointed Chief Executive Officer and then Vice-Chairman and Chief Executive Officer. Mr. Grappotte joined Legrand in 1983 as Chief Executive Officer and became Chairman and Chief Executive Officer in 1988. Mr. Grappotte is also member of the Supervisory Board of *Établissements Michelin* (France). Mr. Grappotte holds 1,916,000 Legrand shares.

**Mandates and other positions in French or foreign companies:****Current:**

- Director of Alliance Boots (since 2007)
- Director of Legrand\* (since 2007)
- Director of Inaer Aviation Group (since 2010)

**Previous positions over the last five years and now discontinued:**

- None.

**Mandates and other positions in French or foreign companies:****Current:**

- Managing Director of Kohlberg Kravis Roberts & Co. Ltd.
- Director of Legrand\* (since 2003)
- Chief Executive Officer of Médiannuaire Holding (since 2006)
- Chairman of the Board of Directors of PagesJaunes Group\* (since 2006)
- Member of the Executive Committee of Société d'Investissement Familiale (SIF) (since 2007)
- Director of Tarkett (since 2007)
- Director of Visma AS (since 2010)
- Director of Sorgenia SpA (since 2011)

**Previous positions over the last five years and now discontinued:**

- Director of Nexans\* (2001-2011)
- Director of EVCA - European Private Equity & Venture Capital Association (2009-2011)

**Mandates and other positions in French or foreign companies:****Current:**

- Director and Honorary Chairman of the Legrand\* Board of Directors
- Director and Honorary Chairman of the Legrand France Board of Directors (Chairman of the Board and Chief Executive Officer until early 2006)
- Member of the Supervisory Board of Michelin

**Previous positions over the last five years and now discontinued:**

- Member of the Advisory Council of Banque de France
- Director of BNP Paribas\* (1999-2011)

\* Listed company.

**G rard Lamarche**

Age 50

Avenue Marnix 24

B - 1000 Bruxelles

Belgium

G rard Lamarche holds a degree in Economics from the University of Louvain-La-Neuve and of the Management Institute of the INSEAD (Advanced Management Program for Suez Group Executives). He also took part in Wharton International Forum training in 1998-1999 (Global Leadership Series). He began his career in 1983 at Deloitte Haskins & Sells in Belgium and then became a Mergers and Acquisitions consultant in the Netherlands in 1987. In 1988, G rard Lamarche joined Soci t  G n rale in Belgium as investment manager, controller from 1989 to 1991 and strategic operations advisor from 1992 to 1995. He joined Compagnie Financ re de Suez as *Charg  de mission* with the Chairman and Secretary of the Executive Committee (1995-1997), then took part in the merger between Compagnie de Suez and Lyonnaise des Eaux, which became Suez Lyonnaise des Eaux (1997), before being appointed Deputy Manager in charge of Planning, Control and Accounting. In 2000, G rard Lamarche's career took an industrial turn, and he joined NALCO (US subsidiary of the Suez Group - a world leader in industrial water processing) as Director and Managing Director. In March 2004, he was appointed Senior Executive Vice President in charge of Finance of the Suez Group, becoming Executive Vice President, CFO of GDF SUEZ and Member of the Management Committee and the Executive Committee of the GDF SUEZ Group in July 2008. On April 12, 2011, G rard Lamarche was appointed to the Board of Directors of the Bruxelles Lambert Group (GBL). He has been Managing Director since January 2012.

Mr. Lamarche holds 2,700 Legrand shares.

**Thierry de La Tour d'Artaise**

Age 57

Chemin du Petit-Bois - BP 172

69134 Ecully Cedex

Between 1979 and 1983, Thierry de La Tour d'Artaise was an Audit Manager with Coopers & Lybrand. In 1983, he was appointed Internal Auditing Manager at Chargeurs SA. Mr. Thierry de La Tour d'Artaise was then appointed as Chief Administrative and Financial Officer (1984-1986) and Chief Executive Officer (1986-1993) of Croisi res Paquet before joining Groupe SEB as Chief Executive Officer (1994-1996) and Chairman and Chief Executive Officer (1996-1998) of Calor SA. He was appointed Deputy Chairman and Chief Executive Officer of Groupe SEB in 1999 and has been Chairman and Chief Executive Officer of Groupe SEB since 2000. Mr. Thierry de La Tour d'Artaise has a degree from the  cole Sup rieure de Commerce de Paris and is a Certified Public Accountant. Mr. de La Tour d'Artaise holds 1,250 Legrand shares.

**Mandates and other positions in French or foreign companies:****Current:**

- Director of Legrand\* (since 2006)
- Managing Director of the Bruxelles Lambert Group (since 2011)
- Director of Total\* (since 2012)

**Previous positions over the last five years and now discontinued:****GDF SUEZ Group:**

- Director of Suez Environnement Company
- Director of Electabel (Belgium)
- Director of International Power Plc (UK)
- Director of GDF Suez Belgium
- Director of GDF SUEZ CC
- Director of GDF Suez  nergie Services
- Director of Aguas de Barcelona (Spain)
- Chairman of the Board of Directors and Director of Cosutrel (Belgium)
- Chairman of the Board of Directors and Director of Genfina (Belgium)
- Director of Distrigaz(s) (Belgium)

**Outside GDF SUEZ Group:**

- Director of KKR Guernsey GP Limited (USA)
- Director of BNP PARIBAS Fortis (Belgium)
- Director of EUROPALIA International

**Mandates and other positions in French or foreign companies:****Current:**

- Chairman of the Board of Directors and CEO of SEB SA\*
- Chairman of SEB Internationale (SAS)
- Director of Legrand\*
- Director of Plastic Omnium\*
- Director of Club M diterran e\*
- Permanent Representative of Sofinaction, Director of la Lyonnaise de Banque
- Director of Zhejiang SUPOR (China)

**Previous positions over the last five years and now discontinued:**

- Director of Groupe SEB Japan
- Director of Groupe SEB Mexicana
- Director of Siparex Associ s
- Member of the Supervisory Board of Rowenta Invest BV

\* Listed company.

**Frédéric Lemoine**

Age 46

89 rue Taitbout

75009 Paris

Frédéric Lemoine holds a degree from HEC (1986) and the *Institut d'études politiques de Paris* (1987). A former student of the *Ecole Nationale d'Administration* ("Victor Hugo" promotion), he is a tax inspector. In 1992-1993, he was head of the Ho Chi Minh City Heart Institute in Vietnam and was Company Secretary of the Alain Carpentier Foundation which supports this hospital from 2004 to May 2011. From 1995 to 1997, he was Deputy Chief of the cabinet of the Labour and Social Affairs Minister (Jacques Barrot), responsible for coordinating social security and hospital reform; he was also responsible for the mission to the Secretary of State for Health and Social Security (Hervé Gaymard). From 1997 to 2002, he worked with Serge Kampf and Management Board at Capgemini, first as an executive officer and then as Chief Financial Officer of the Group, before being appointed Group Vice President in charge of finance for Capgemini Ernst & Young. From May 2002 to June 2004, he was Deputy General Secretary to the office of the President of France, Jacques Chirac, with particular responsibility for economic and financial affairs. From October 2004 to May 2008, he was Senior Advisor at McKinsey and from March 2005 to April 2009, he chaired the Areva Supervisory Board. Since April 2009, he has been Chairman of the Management Board of Wendel. Mr. Lemoine holds 500 Legrand shares.

**Eliane Rouyer-Chevalier**

Age 59

Immeuble Columbus

166-180 Boulevard Gabriel Peri

92245 Malakoff Cedex

Eliane Rouyer-Chevalier holds a Masters in Economics from Université Paris II Assas. She joined the Accor group in 1983 as Manager of international finance and currency cash pooling, before becoming Investor Relations and Financial Communications Director in 1992. In 2010, she joined the Executive Committee at Edenred, a company born from the splitting of the Accor group, as Director of Internal and External Communications, Press Relations, Finance and the Corporate Social Responsibility policy.

She chairs the French Association of Investor Relations (CLIFF) since 2004 and the Financial Communications Observatory since 2005.

Ms. Rouyer-Chevalier holds 500 Legrand shares.

**Patrick Tanguy**

Age 51

89 rue Taitbout

75009 Paris

After graduating from the HEC business school in 1983, Patrick Tanguy joined Bain in 1984, becoming a partner in 1990. In 1991, he joined Strafor-Facom, where he was successively Sales and Marketing Director for Steelcase Strafor, then Executive Vice President at Airborne. In 1993, he was appointed Executive Vice President of DAFSA, and became Chairman in 1996. After a year as chair of the Courrier-Express division of the Hays group in France, he became Chairman of the Technal group in Toulouse from 1999 to 2004. Before joining Wendel in 2007, he was Chairman of Monné-Decroix in Toulouse and then Chairman of Prezioso-Technilor in Lyon. Since September 2007, he has been Managing Director of Wendel and a member of its Investment Committee and Management Committee.

Mr. Tanguy holds 500 Legrand shares.

**Mandates and other positions in French or foreign companies:****Current:**

- Chairman of the Management Board of Wendel\* (since April 2009)
- Director of Groupama SA (since 2005)
- Director of Legrand\* (since 2009)
- Director of Saint-Gobain\* (since 2009)
- Director of Bureau Veritas\* (since 2009)

**Previous positions over the last five years and now discontinued:**

- Member of the Supervisory Board of Wendel\* (2008-2009)
- Chairman of the Supervisory Board of Areva\* (2005-2009)
- Censeur on the Supervisory Board of Générale de Santé\* (2006-2009)
- Director of Flamel Technologies (2005-2011)

**Mandates and other positions in French or foreign companies:****Current:**

- Member of the Edenred\* Executive Committee
- Director of Legrand\* (since 2011)

**Previous positions over the last five years and now discontinued:**

- None.

**Mandates and other positions in French or foreign companies:****Current:**

- Managing Director of Wendel\*, Member of the Investment Committee and the Management Committee
- Director of Legrand\* (since 2010)
- Chairman of Coda (SAS)
- Director of Deutsch Group SAS
- Director of Wendel Japan KK
- Manager of Winvest Conseil Sàrl
- Manager of Oranje-Nassau Parcours
- Director and Member of the Audit Committee of DSP Group\*

**Previous positions over the last five years and now discontinued:**

- Chairman of the Management Board of Monné-Decroix (2004-2005)
- Chairman of the Management Board of Prezioso-Technilor (2005-2007)
- Chairman of Compagnie de Butterfly (SAS)

\* Listed company.

On the date this Registration Document was filed and as far as the Company is aware, none of the Company Directors:

- have family links with other Company Directors;
- have been convicted of fraud within the last five years;
- have been associated with any bankruptcy, receivership or liquidation within the last five years;
- have been convicted of any offense and/or received a official public penalty issued by the statutory or regulatory authorities (including professional bodies); and
- have been prohibited by a court from sitting on an administrative, management or supervisory body of an issuer or from taking part in the management or conducting of the affairs of an issuer over the last five years.

### 7.1.2 - General Management of the Company

Mr. Gilles Schnepf is responsible for the general management of the Company. He is also Chairman of the Board of Directors. He was appointed on March 17, 2006.

Readers are invited to refer to paragraph 7.1.1 of this Registration Document for information about Mr. Gilles Schnepf.

### 7.1.3 - Service agreements

Mr. Olivier Bazil stepped down as Vice-Chairman and Chief Operating Officer after the General Meeting held on May 26, 2011, as he had reached the age limit set in the Company Articles of Association. After he had stepped down, a services agreement was entered into between the Company and Mr. Olivier Bazil, as Director and member of the Strategic Committee, so that the latter could continue to monitor and contribute useful clarifications to the Board of Directors and the Strategic Committee on the Company's strategic projects, particularly projects for which he was responsible during his mandate. This services contract, which was authorized by the Board of Directors on May 26, 2011, came to an end on December 31, 2011.

The Board of Directors suggested to the General Meeting, which had been called on May 25, 2012, that this services contract be approved. It was dealt with in the fourth resolution (see draft resolutions in Appendix 4 of this Registration Document).

On the date this Registration Document was filed, and as far as the Company is aware, there is no services contract in force entered into between members of the Company's administration or management bodies and the Company or any of its subsidiaries which stipulates the awarding of benefits.

## 7.2 - REMUNERATION AND BENEFITS OF DIRECTORS

### 7.2.1 - Compensation and benefits accruing to the Company's Executive Directors

The summary tables of all of the components of due and paid compensation for the 2011 and 2010 financial years to Mr. Gilles Schnepf, Chairman and Chief Executive Officer, and Mr. Olivier Bazil, who stepped down as Vice-Chairman and Chief Operating

Officer after the General Meeting of May 26, 2011 as he had reached the age limit set in the Company's Articles of Association and who asserted his retirement rights as of May 31, 2011, are presented below.

Information about the application of the Afep-Medef Code of Corporate Governance ("Code of Corporate Governance"), especially the recommendations of October 2008 on executive

directors' compensation are outlined in paragraph 7.4 of this Registration Document.

## ■ 7.2.1.1 COMPENSATION AND BENEFITS ACCRUING TO EXECUTIVE DIRECTORS

**Table 1 – Summary of compensation, stock options and shares allocated to each Executive Director**

		2010 Attributable <sup>(1)</sup>	2010 Attributed <sup>(1)</sup>	2011 Attributed
Compensation <b>due in respect of</b> the financial year (detailed in Table 2 below)				
Gilles Schnepf, Chairman and Chief Executive Officer	(in euros)	1,400,365	1,400,365	1,473,371
Olivier Bazil, Vice-Chairman and Chief Operating Officer <sup>(2)</sup>	(in euros)	1,330,963	1,330,963	781,003
Options allocated <b>in respect of</b> the financial year				
Gilles Schnepf, Chairman and Chief Executive Officer	Number of options	-	-	-
	Value (in euros)	-	-	-
Olivier Bazil, Vice-Chairman and Chief Operating Officer <sup>(2)</sup>	Number of options	-	-	-
	Value (in euros)	-	-	-
Performance shares allocated <b>in respect of</b> the financial year				
Gilles Schnepf, Chairman and Chief Executive Officer	Number of shares	65,737	65,737	30,710
	Value (in euros)	1,870,875	1,870,875	758,230 <sup>(3)</sup>
Olivier Bazil, Vice-Chairman and Chief Operating Officer <sup>(2)</sup>	Number of shares	62,151	62,151	-
	Value (in euros)	1,768,817	1,768,817	-
Options allocated <b>in the course of</b> the financial year <sup>(4)</sup> (detailed in Table 4 below)				
Gilles Schnepf, Chairman and Chief Executive Officer	Number of options	158,177	134,351	-
	Value (in euros)	863,646	733,556	-
Olivier Bazil, Vice-Chairman and Chief Operating Officer <sup>(2)</sup>	Number of options	149,551	83,295	-
	Value (in euros)	816,548	454,791	-
Performance shares allocated <b>in the course of</b> the financial year <sup>(4)</sup> (detailed in Table 6 below)				
Gilles Schnepf, Chairman and Chief Executive Officer	Number of shares	43,938	38,373	65,737
	Value (in euros)	981,136	856,869	1,870,875
Olivier Bazil, Vice-Chairman and Chief Operating Officer <sup>(2)</sup>	Number of shares	41,542	23,790	62,151
	Value (in euros)	927,633	531,231	1,768,817

(1) The difference between attributable and attributed sums corresponds to the voluntary reduction in compensations and benefits applied in respect of 2009 financial year (paid in 2010) to executive directors, at their own initiative.

(2) Termination of Mr. Olivier Bazil duties after the General Meeting of May 26, 2011 as he had reached the age limit set by the Company's Articles of Association. Mr. Olivier Bazil decided to take retirement with effect from May 31, 2011.

(3) Pursuant to IFRS 2, performance shares were valued by an independent expert.

(4) Please see Sections 8.2 and 8.3 of this Registration Document on the stock option and performance share plans put in place by the Company.

Table 2 – Breakdown of compensation for each Executive Director

(in euros)	2010		2011	
	Amounts due	Amounts paid	Amounts due	Amounts paid
<b>Gilles Schnepf, Chairman and Chief Executive Officer</b>				
Fixed compensation	550,000	550,000	625,000	625,000
Bonus	825,000	392,500	844,161	825,000
Exceptional bonus	-	-	-	-
Attendance fees <sup>(1)</sup>	20,000	20,000	-	20,000
Benefits in kind <sup>(2)</sup>	5,365	5,365	4,210	4,210
<b>TOTAL</b>	<b>1,400,365</b>	<b>967,865</b>	<b>1,473,371</b>	<b>1,474,210</b>
<b>Olivier Bazil, Vice-Chairman and Chief Operating Officer <sup>(3)</sup></b>				
Fixed compensation	520,000	520,000	245,833	245,833
Bonus	780,000	727,810	332,037	780,000
Exceptional Bonus <sup>(4)</sup>	-	-	199,488	199,488
Attendance fees <sup>(5)</sup>	25,200	25,200	1,814	21,814
Benefits in kind <sup>(2)</sup>	5,763	5,763	1,831	1,831
<b>TOTAL</b>	<b>1,330,963</b>	<b>1,278,773</b>	<b>781,003</b>	<b>1,248,966</b>

(1) Attendance fees received or due from the Company. The Chairman and Chief Executive Officer has also waived his right to receive attendance fees as of 2011 during its duties as executive director. No compensation (attendance fees or other) is paid or due for mandates held in Group subsidiaries.

(2) Company car and cellphone.

(3) Termination of Mr. Olivier Bazil duties after the General Meeting of May 26, 2011 as he had reached the age limit set by the Company's Articles of Association. Mr. Olivier Bazil decided to take retirement with effect from May 31, 2011.

(4) Termination benefit.

(5) Total attendance fees received or due from the Company and from the Bticino subsidiary in Italy. The Vice-Chairman and Chief Operating Officer also waived his right to receive attendance fees from the Company as of 2011 for his work as Director during his duties as executive director; he stepped down as Vice-Chairman and Chief Operating Officer following the General Meeting of May 26, 2011. No compensation (attendance fees or other) were paid or due for the mandates held in other Group companies.

### Fixed compensation of Mr. Gilles Schnepf and Mr. Olivier Bazil

For the 2011 financial year, the Board of Directors, on the proposal of the Nominating and Compensation Committee, decided to increase the fixed compensation of Mr. Gilles Schnepf and Mr. Olivier Bazil based on their performance and the results of the study conducted by an outside consultant. Their respective fixed compensations had not changed in the last three years. The Board decided that in the absence of any new proposal by the Nominating and Compensation Committee, this fixed compensation would remain the same for three years.

The fixed compensation of Mr. Olivier Bazil was calculated on a prorata basis for his work as Executive Director in 2011.

### Bonuses for Mr. Gilles Schnepf and Mr. Olivier Bazil

The bonuses of Mr. Gilles Schnepf and Mr. Olivier Bazil in respect of 2011 financial year were determined, for a portion, according to a quantitative criterion linked to the Group's financial performance and for which targets had been set at the beginning of 2011. The quantitative part of the bonus, whose target value had been set at 50% of fixed compensation, could vary between 0% and 100% of this fixed compensation. The other part of the bonus, whose target value had also been set at 50% of fixed compensation (which could vary between 0% and 100% of this fixed compensation) was determined according to three qualitative criteria: 20% linked to organic growth (sales growth, innovation and increased market share), 15% linked to external growth policy and 15% linked to general criteria such as sustainable development and labor relations concerns.

Mr. Gilles Schnepf's bonus, as determined by the Board of Directors on the proposal of the Nominating and Compensation Committee, was €844,161, which corresponds to 67.5% of the quantitative and qualitative objectives being met.

Mr. Olivier Bazil's bonus, as determined by the Board of Directors on the proposal of the Nominating and Compensation Committee on a prorata basis of his duties as Vice Chairman and Chief Operating Officer, was €332,037, which corresponds to 67.5% of the quantitative and qualitative objectives being met.

#### **Mr. Olivier Bazil's termination benefit**

Upon his retirement, after a 38-year career with the Group, Mr. Olivier Bazil received a termination benefit of €199,488 calculated in accordance with the Metalworking Industry Collective Agreement and the Company agreements applicable within the Group according to which any Group employee that retires must be paid a termination benefit proportional to the years of service. Mr. Olivier Bazil also received a supplementary pension benefit granted to French members of the Group's Executive Committee.

#### **■ 7.2.1.2 STOCK OPTIONS AND PERFORMANCE SHARES ALLOCATED TO EXECUTIVE DIRECTORS**

Company plans for the grant of options to purchase or subscribe to shares and the grant of performance shares implemented by the Company are outlined in paragraph 8.2 of this Registration Document.

For allocations of performance shares made in respect of the 2011 financial year (i.e. the 2012 plan), the Board of Directors at the start

of 2011 set the targets to be achieved in terms of economic income. In view of his retirement, Mr. Olivier Bazil was granted no allocation of performance shares in respect of the 2011 financial year. In light of the level of achievement of targets in terms of economic income, the Board of Directors on March 7, 2012, decided to make an initial allocation of 30,710 performance shares to Mr. Gilles Schnepf (see chapter 8 of this Registration Document). Moreover, the Board of Directors, further to a proposal from the Nominating and Compensation Committee, decided to toughen the performance conditions applicable to the vesting of all of the performance shares allocated to Mr. Gilles Schnepf, this decision to take effect as of the setting-up of the 2012 performance share plan in respect of the 2011 financial year, thereby potentially cancelling part or all of the initial allocation. These performance conditions are designed to foster sustainable value creation and come in addition to those used to determine the initial allocation. A first performance criterion thus makes the vesting of the full initial allocation conditional upon an increase in economic income over a four-year period preceding the vesting of performance shares, thereby providing evidence of sustainable value creation. Should this criterion not be met, however, a second criterion would be examined to determine whether the Group's performance, as measured by economic margin, was above that of a panel of peers over the same period.

In respect of the financial year 2011, the vesting of performance shares allocated to Mr. Gilles Schnepf is thus subject to a twofold set of performance conditions, one of which is applied at the time of initial allocation and the other at the time of vesting.

In respect of this and past plans, no discount is applied and the Company has implemented no hedging instruments for options and performance shares.



**Table 4 – Options for the subscription or purchase of shares awarded by the Company and any Group company to each Executive Director during the financial year**

The Company or any other Group company did not grant any options for the subscription or purchase of shares to executive directors during 2011 financial year.

**Table 5 – Options for the subscription or purchase of shares exercised by each Executive Director during the financial year**

Executive Director	Date of plan	Number of options exercised during the year	Exercise price
Mr. Gilles Schnepf	N/A	Nil	N/A
Mr. Olivier Bazil <sup>(1)</sup>	N/A	Nil	N/A

(1) Termination of Mr. Olivier Bazil duties after the General Meeting of May 26, 2011 as he had reached the age limit set by the Company's Articles of Association. Mr. Olivier Bazil decided to take retirement with effect from May 31, 2011.

**Tableau 6 – Performance shares allocated during the financial year to each Executive Director by the Company and any Group company**

In total, executive directors as a whole received 127,888 performance shares corresponding to a valuation of €3,639,692, which were allocated as follows:

Executive Director	Date of plan	Number of shares allocated during the financial year	Value of shares on the basis of methods used for consolidated financial statements	Vesting date	Exercisable from	Performance conditions
Mr. Gilles Schnepf	03/03/2011	65,737	€1,870,875	03/04/2013	03/05/2016	<sup>(1)</sup>
Mr. Olivier Bazil <sup>(2)</sup>	03/03/2011	62,151	€1,768,817	03/04/2013	03/05/2016	<sup>(1)</sup>

(1) Performance conditions mentioned in paragraph 7.4.4 of this Registration Document.

(2) Termination of Mr. Olivier Bazil duties after the General Meeting of May 26, 2011 as he had reached the age limit set by the Company's Articles of Association. Mr. Olivier Bazil decided to take retirement with effect from May 31, 2011.

**Tableau 7 – Vested performance shares for each Executive Director**

Executive Director	Date of plan	Number of shares vested during the year	Vesting conditions <sup>(1)</sup>
Mr. Gilles Schnepf	03/04/2009	12,075	N/A
Mr. Olivier Bazil <sup>(2)</sup>	03/04/2009	11,416	N/A

(1) Contrary to the Code of Corporate Governance, executive directors are not subject to any conditions of acquisition as they have each already substantially invested in the Company's share capital and are already subject to the requirement to hold at least 30% of all shares acquired until the termination of their duties (including options and performance shares) (see paragraph 7.4.4.1 of this Registration Document).

(2) Termination of Mr. Olivier Bazil duties after the General Meeting of May 26, 2011 as he had reached the age limit set by the Company's Articles of Association. Mr. Olivier Bazil decided to take retirement with effect from May 31, 2011.



### 7.2.1.3 COMPENSATION AND BENEFITS DUE ON TERMINATION OF EXECUTIVE DIRECTOR'S POSITIONS

Table 10

Executive director	Employment contract <sup>(1)</sup>		Supplementary pension entitlement <sup>(2)</sup>		Indemnities or benefits due or which may become due as a result of termination or change of office		Indemnities relating to non-competition clause <sup>(3)</sup>	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>Gilles Schnepf</b>								
Chairman and CEO		X	X			X	X	
Commencement: 05/22/2008								
Expiration: 12/31/2013								

(1) In line with the recommendations of the Code of Corporate Governance, the Board of Directors on March 4, 2009, took due note of the decision of Mr. Gilles Schnepf to renounce his contract of employment with immediate effect and without consideration.

(2) In 2001, the 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, 2011, the Group's commitment in connection with this agreement amounted to approximately €10.9 million, of which approximately €0.3 million was financed, while the remaining €10.6 million is accrued in the accounts. In addition, a provision for €3.1 million was recognized for Social Security contributions due on the capital component of annuities according to the level of the pension. At December 31, 2011, the Executive Committee has seven members, including the Chairman and Chief Executive Officer.

Supplementary pension entitlements are calculated to set total pensions, including these supplementary entitlements and all other amounts received after retirement, at the equivalent of 50% of the average of the two highest amounts of annual 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 legal retirement age. In the event of the beneficiary's death, the Group will pay the surviving spouse 60% of the supplementary pension.

Executive director's pension entitlements at retirement would represent roughly 1% of his compensation (fixed compensation and bonus) per year of service with the Group.

(3) As an executive director, Mr. Gilles Schnepf is subject to a two-year covenant not to compete that is enforceable at the Group's initiative. In consideration of this, should the Group decide to enforce the covenant, Mr. Gilles Schnepf would receive a monthly indemnity equal to 50% of his average monthly compensation (fixed compensation and bonus) for his last 12 months with the Group.

## 7.2.2 - Compensation for non-executive directors

The table below presents the amounts paid in attendance fees for 2010 and 2011 for the participation of the Directors in the work done in the previous year. The amount of fees is adjusted

according to actual attendance at meetings of the Board of Directors and, in the case of committee members, meetings of Board committees.

**Table 3 - Attendance fees and other payments to non-executive directors**

Non-executive directors	Gross amounts paid during 2010 <sup>(1)</sup> (in euros)	Gross amounts paid during 2011 (in euros)
<b>Olivier Bazil</b>		
Attendance fees	(2)	(2)
Other payments	(2)	345,000 <sup>(2)</sup>
<b>Mattia Caprioli</b>		
Attendance fees	19,000	18,000
Other payments	-	-
<b>Arnaud Fayet <sup>(3)</sup></b>		
Attendance fees	24,000	4,167
Other payments	-	-
<b>Jacques Garaïalde</b>		
Attendance fees	39,000	40,000
Other payments	-	-
<b>Edward Gilhuly <sup>(4)</sup></b>		
Attendance fees	23,000	23,000
Other payments	-	-
<b>Francois Grappotte</b>		
Attendance fees	20,000	20,000
Other payments	-	-
<b>Jean-Bernard Lafonta <sup>(5)</sup></b>		
Attendance fees	11,667	-
Other payments	-	-
<b>Gérard Lamarche</b>		
Attendance fees	42,000	43,000
Other payments	-	-
<b>Thierry de La Tour d'Artaise</b>		
Attendance fees	18,000	18,000
Other payments	-	-
<b>Frédéric Lemoine</b>		
Attendance fees	23,333	35,000
Other payments	-	-
<b>Ernest-Antoine Seillière <sup>(4)</sup></b>		
Attendance fees	19,000	19,000
Other payments	-	-

Non-executive directors	Gross amounts paid during 2010 <sup>(1)</sup> (in euros)	Gross amounts paid during 2011 (in euros)
<b>Patrick Tanguy <sup>(6)</sup></b>		
Attendance fees	-	20,833
Other payments	-	-
<b>TOTAL</b>	<b>239,000</b>	<b>586,000</b>

(1) The amounts stated in the 2010 Registration Document are net amounts.

(2) Termination of Mr. Olivier Bazil duties after the General Meeting of May 26, 2011 as he had reached the age limit set by the Company's Articles of Association. Attendance fees paid in 2010 and 2011 for 2009 and 2010 financial years appear in summary table no. 2 of paragraph 7.2.1.1 of this Registration Document. Mr. Olivier Bazil received €345,000 under a services contract entered into with the Company which was in force until December 31, 2011. For more information on this contract, please refer to paragraph 7.1.3 of this Registration Document.

(3) Resigned on February 10, 2010.

(4) Resigned on May 26, 2011.

(5) Resigned on May 5, 2009.

(6) Director whose co-optation was approved by the General Meeting on May 27, 2010.

On March 7, 2012 the Board approved the payment of attendance fees, i.e. €339,667, in respect of 2011 financial year.

Executive directors waived their right to receive attendance fees from 2011 during the exercise of their duties as executive directors.

### 7.2.3 - Shareholding by directors

Readers are invited to refer to paragraph 7.1.1 of this Registration Document.

### 7.2.4 - Other benefits granted to directors

The Company has not granted any loan, advance or guarantee to any of its directors.

### 7.2.5 - Provisions and charges recognized on the financial statements of the Company or its subsidiaries in connection with payments of retirement benefits, pensions and other benefits

In addition to the provisions made in accordance with applicable legal provisions, the Company made a provision of €10.9 million under the agreement entered into between the Group and an insurance company to provide pension, retirement and other similar arrangements to members of the Executive Committee

qualifying for the French pension system for salaried workers. Furthermore, a provision of €3.1 million was recorded in the financial statements for an additional 30% contribution in respect of annuities exceeding 8 times the social security ceiling.

## 7.3 - FUNCTIONING OF THE BOARD AND MANAGEMENT

### 7.3.1 - Operation of administrative bodies

The Company's Board of Directors has adopted internal rules pursuant to the Articles of Association and which aim to complete and set them, within the framework of current legal, regulatory and statutory provisions, details of the composition, organization and functioning of the Board of Directors and its Committees, as well as the rights and obligations of Directors.

The main rules relating to the composition, organization and functioning of the Company's administration and management bodies determined by the internal rules and the Company's Articles of Association are outlined hereunder.

#### ■ 7.3.1.1 BOARD OF DIRECTORS

##### 7.3.1.1.1 Missions and duties of the Board of Directors

The Board of Directors determines the broad lines of the Company's business activities and ensures their implementation. Subject to the powers expressly allocated to shareholder meetings and within the limitations of the Company purpose, it shall be referred to for any matters concerning the correct functioning of the Company and it shall decide by its deliberations the matters that concern it.

The Board of Directors rules on how the Company is managed. It is also authorized to allow the Chairman to issue special pledges on the issuing of bonds.

The Board of Directors may decide to set up specialized Committees to consider the matters submitted to them by the Board of Directors or its Chairman. It sets the composition and powers of its Committees, without prejudice to the powers of the Board itself; these can never be delegated to the Committees.

The Board's strategy and decisions are made within the context of the Company's sustainable development policy.

In particular, the Board of Directors is responsible for:

- evaluating and approving Company and Group decisions on strategic, economic, labor, financial and technology policies and ensuring that the executive management implements them;
- for the operations listed below, for suggesting them to shareholders when these operations are the responsibility of the General Meeting, or to give prior authorization to the Chief Executive Officer (or Chairman, as applicable) to proceed to

their conclusion and implementation when these operations are the responsibility of the executive management:

- the granting of any power or authorization relating to the issuance or buy-back of shares or equity-based securities,
- the taking out or termination of borrowings, whether in the form of debt securities or otherwise, or the voluntary early repayment of all loans, advances or borrowings in excess of €100 million,
- the creation of joint venture(s) or any acquisition of a business in an amount exceeding €100 million and the acquisition of any shareholding or business, or the entering into of any joint venture contract, where such transaction involves an amount in excess of €100 million,
- the sale or transfer of asset(s) or business(es) in excess of €100 million and the disposal of any shareholding or businesses in excess of €100 million,
- the annual budget (including industrial investments) and the approval of the Group's three-year business plan established by the Company and its subsidiaries,
- the appointment, replacement or removal of any or all of the Company's Statutory Auditors,
- mergers or proposed mergers concerning the Company, or more generally, any transaction regarding the transfer or disposal of all or substantially all of the Company's assets,
- any transaction leading to a capital increase or decrease, including, as the case may be, through the issuance of equity-based securities (securities exchangeable, convertible or redeemable for shares of the Company, or preference shares), except for grants of bonus shares or stock options in the ordinary course of business,
- any creation of double voting rights or any modification of voting rights relating to shares in the Company,
- changes to corporate governance, including any amendments to corporate governance rules applicable to the Company, including in particular any modifications to the composition and functioning of the Board of Directors, and more generally, any modification of the internal rules,

- proposed appointment of new members to the Board of Directors; any proposed appointment of one or more new Directors to the Board of Directors,
- the listing of any financial instrument issued by the Company on a regulated market other than the Eurolist market of Euronext,
- a declaration of bankruptcy, the appointment of an ad hoc authorized agent, liquidation, voluntary dissolution or voluntary liquidation of the Company, and any decision that would result in insolvency proceedings (*procédure collective*) or the appointment of an ad hoc authorized agent,
- any proposed resolution to amend the Company's Articles of Association,
- the entry into any agreement or settlement, or the acceptance of any compromise, concerning any litigation where the amount in controversy exceeds €100 million, and
- the granting of a security interest in the Company's assets, where secured commitment or the asset furnished as security involves an amount in excess of €100 million;
- examining and approving reports on the operations of the Board of Directors and its Committees to be included in the annual report;
- examining and approving, upon the recommendation of the Nominating and Compensation Committee, the presentation of Directors to be included in the annual report, and in particular, the list of independent Directors and the criteria adopted;
- the appointment of temporary replacements of Directors, as necessary, and proposals for the appointment and reelection of Directors at the Ordinary General Meeting of Shareholders;
- set, upon the recommendation of the Nominating and Compensation Committee, the compensation of the Chairman, Chief Executive Officer and Chief Operating Officers, and allocate attendance fees;
- upon the recommendation of the Nominating and Compensation Committee, approvals of all proposed stock option plans and grants of bonus shares, and, more generally, profit-sharing plans based on the results of the Group for Group managers and employees;
- supervision of the quality of information disclosed to the Company's shareholders and the market through the financial statements or in the event of significant transactions;
- approving the Management Report, as well as sections of the annual report dealing with corporate governance or presenting the Company's policy relating to compensation and stock option plans; and
- the review of any issues relating to the efficient operations of the Company and the Group.

The Board of Directors has exclusive authority to modify the Company's internal rules.

### 7.3.1.1.2 Composition of the Board of Directors

#### Composition

The Company's Board of Directors has at least three members and no more than 18 members (subject to the exception provided for by law in the event of a merger). At least two of these must be independent and have no interests in the Company in accordance with the internal rules.

Subject to the legal exceptions, each Director must own at least five hundred shares, registered in their name, for the entire duration of their mandate. Directors mandates run for four years. They end after the Ordinary General Meeting of Shareholders to approve the financial statements from the past year (held the year in which the Director's mandate expires). They may be reappointed for consecutive terms without limit.

When the legal conditions are met, the Board of Directors may appoint provisional members of the Board for the remaining term of office of their predecessor. Pursuant to the law, provisional appointments are submitted for approval at the following Ordinary General Meeting of Shareholders. Physical persons over 70 cannot be appointed as members of the Board of Directors if their appointment means that over a third of the Board members are over this age. If, during their mandate, more than a third of Board members are over 70, the oldest member of the Board of Directors is considered as having resigned following the Ordinary General Meeting of Shareholders called to approve the financial statements for the past year and held in the year the age limit is reached.

The Board of Directors currently has ten members including the Chairman and Chief Executive Officer, the Honorary Chairman, a former executive director, four shareholders' representatives (two of which are put forward by Wendel and two by KKR) and three independent Directors.

There is only one female Director among these ten members. At the General Meeting of May 25, 2012, the Board of Directors suggested that two female Directors be appointed. In the event of a favorable vote, the Board of Directors would have, following the General Meeting of May 25, 2012, 12 members, including three women (*i.e.*, in view of the Board composition as at December 31, 2011, 25% women), and would thus be compliant, from 2012, with the provisions of the French Commercial Code (20% from 2014) and with the recommendations of the Code of Corporate Governance (20% from 2013). For more information on the composition of the Board, readers may refer to paragraph 7.1.1 of this Registration Document.

### Independent Directors

#### *Presence of independent Directors*

The Board of Directors ensures that at least two of the Directors are independent. At the date this Registration Document was filed, Ms. Eliane Rouyer-Chevalier, Mr. Gérard Lamarche and Mr. Thierry de La Tour d'Artaise were independent Directors (*i.e.* taking into account the membership of the Board of Directors at December 31, 2011, independent Directors account for 30% of the Board).

At the General Meeting of May 25, 2012, the Board of Directors proposed the appointment of two Directors that meet the independence criteria of the Company's internal rules – Ms. Christel Bories and Ms. Angeles Garcia-Poveda. In the event of a favorable vote, the Board of Directors would have, following the Combined Ordinary and Extraordinary General Meeting of Shareholders of May 25, 2012, 12 members, including five independent Directors (*i.e.*, given the composition of the Board of Directors at December 31, 2011, 42%).

#### *Definition of independent Director*

A Director is considered to be independent if he or she has no relationship with the Company, its management or the Group which might compromise such Director's free judgment or create a conflict of interest with the Company, its management or the Group.

Under the Board of Directors' internal rules, an independent Director must not:

- be, or have been within the last five years, an employee or corporate officer of the Company or the Group or an employee or Director of a controlling shareholder (whether control is exercised alone or in concert within the meaning of Article L.233-3 of the French Commercial Code) or of a consolidated company;
- be, or have been within the last five years, a corporate officer of a company for which the Company, directly or indirectly, is a Director or for which a Company executive officer or employee is a Director;
- be a client, supplier, investment or corporate banker:
  - of significant importance to the Company or its Group,
  - or for which the Company or Group represents a significant portion of such person's business;
- have a close family relationship with managers of the Company or the Group;
- have been an auditor of the Company or a Group company during the last five years;
- have been a manager of the Company or a Group company during the last five years;
- have been a Director of the Company for more than 12 years; or

- receive or have received significant additional compensation from the Company or the Group, excluding Directors' attendance fees, and including participation in any stock option plan or other performance-based compensation.

Directors representing significant direct or indirect shareholders of the Company may be deemed to be independent if those shareholders do not control the Company within the meaning of Article L.233-3 of the French Commercial Code. However, when a Director represents a Company shareholder that directly or indirectly holds over 10% of the Company's share capital or voting rights, the Board of Directors, in response to a report from the Nominating and Compensation Committee, should systematically make inquiries as to the independent nature, taking into account the composition of the Company's share capital and the existence of a potential conflict of interest.

#### *Independent Director Qualification Procedure*

Director independence is reviewed by the Nominating and Compensation Committee, which prepares a report on this subject for the Board of Directors. Each year, before the Company's annual report is published, the Company's Board examines each Director's position with respect to the independence criteria defined above, using the Nominating and Compensation Committee's independence report as a reference.

The Company's Board must report its finding on Director independence to the Company's shareholders in the annual report.

### 7.3.1.1.3 Operation of the Board of Directors

#### *Chairman of the Board of Directors*

The Board of Directors appoints from among its members a Chairman who will be an individual aged, at the time of his/her appointment, less than 65 years. When the Chairman has reached this age limit, he is considered as having resigned at the end of the Ordinary General Meeting of Shareholders that approved the financial statements for the past financial year (held in the year this age limit is reached).

The Chairman may be reelected. The compensation of the Chairman is determined by the Board of Directors.

The Chairman of the Board organizes and directs the work of the Board, on which he must report back to the General Meeting. He / she monitors the proper operation of the bodies of the Company and ensures, in particular, that the members of the Board are in a position to exercise their duties.

The Board of Directors may appoint among its members a Vice-Chairman who will replace the Chairman in case of unavailability of the latter. The Vice-Chairman is subject to the same age limit as the Chairman.

### Meetings of the Board of Directors

The Company's Board of Directors may meet as often as required in the interest of the Company, and in any event, must meet at least five times per year.

Members of the Board of Directors are called to Board meetings by the Chairman, or, in the event of unavailability of the Chairman by the Vice-Chairman.

The Chief Executive Officer may also ask the Chairman to call a Board meeting on a specific matter. When the Board of Directors has not met for over two months, at least one-third of the members of the Board of Directors may call on the Chairman to convene the Board of Directors on a specific agenda.

The Chairman is bound by the requests made to him under the previous paragraph.

Subject to the above, the agenda is decided by the Chairman and can only be set, if required, at the time of the meeting.

Notices are issued by any means, even verbally, at the registered office or in any other place indicated in the meeting notice, in France or abroad. The Company's internal rules state that meeting notices, which can be sent by the secretary of the Board of Directors, can be issued by letter, telex, telegram, fax, e-mail or verbally.

If the meeting notices so state, Board meetings may be held by videoconference or electronic telecommunication or teletransmission methods, provided that they allow participants to ensure effective participation in the Board meeting, in which deliberations are relayed continuously. Directors participating in Board meetings using such means are deemed present for the purposes of quorum and majority requirements.

If one or more Directors notify the Chairman of the Board that they cannot attend a Board meeting, the Chairman must attempt to organize a Board meeting using the means described in the preceding paragraph.

Board meetings held by videoconference or by other electronic means cannot adopt certain decisions set forth by law.

The Chairman shall strive to issue meeting notices five days prior to the actual meeting. He shall also strive to take account of the agenda constraints of the Board members so as to ensure the presence of as many members as possible at each meeting.

Deliberations take place subject to the conditions of quorum and majority provided for by law. In the event of a tie, the Chairman has a casting vote. The Board may appoint a secretary who can be chosen from outside the shareholders and members.

### Attendance register

An attendance register is maintained at the Company's registered office and contains the names of the Board members who were physically or otherwise present (e.g., by telecommunication or teletransmission), represented, excused or absent at each

meeting. Proxies granted by mail, fax, telex, telegram or electronic mail are annexed to the attendance register.

### Minutes

Deliberations of the Board are evidenced by minutes established, signed and maintained in accordance with regulatory requirements.

The minutes of each Board meeting must include:

- the name of each Director present (either physically or by means of telecommunication or teletransmission), represented, excused or absent;
- the occurrence of any disruptive technical problem arising during a videoconference or teleconference, if any;
- the name of other persons attending all or part of the Board meeting;
- a summary of the discussions and deliberations of the Board of Directors; and
- questions raised and the reservations of participating Directors, if any.

### English versions of documents

Upon the request of a Director, Board meeting notices and minutes are translated into English. However, such translations are made for information purposes only, and only the French version is binding.

### Evaluation of the Board of Directors

At least once a year, a portion of a Board meeting agenda is devoted to reviewing the operations of the Board of Directors, which is thereafter described in the Company's annual report.

### Director access to information

In order to allow Board members to carry out their duties effectively, the Chairman of the Board must provide each Director with all documents necessary to consider items on Board meeting agendas.

Directors may request any documents they believe relevant for the preparation of the meeting, provided that they submit such requests with reasonable notice.

When required by confidentiality, in particular where sensitive financial information is concerned, information may be communicated during the meeting.

In addition, Directors receive all relevant information on significant events or transactions for the Company.

### Compensation

Attendance fees allocated at the General Meeting of Shareholders are divided between Board members upon the proposal of the Nominating and Compensation Committee. The allocation of



Directors' fees takes into account Directors' participation on the Board and its specialized Committees.

### ■ 7.3.1.2 COMMITTEES

The Board of Directors has established specialized Committees to facilitate the Board's work and the preparation of its discussions. The Committees consider issues falling within the scope of their competence and submit opinions, proposals and recommendations to the Board.

The three specialized standing Committees are:

- the Audit Committee;
- the Nominating and Compensation Committee; and
- the Strategic Committee.

#### Composition of permanent Committees

The Board appoints Committee members upon the recommendation of the Nominating and Compensation Committee. They can be removed by the Board following a consultative recommendation from the Nominating and Compensation Committee. The Audit Committee Chairman is an independent Director appointed by the members of the said Committee, upon the recommendation of the Nominating and Compensation Committee. The Strategic Committee Chairman is appointed by the members of the said Committee and among them, upon the recommendation of the Nominating and Compensation Committee. The Nominating and Compensation Committee Chairman is appointed from among the members of the Committee by its members. Committee members are appointed for a term determined by the Board, which in no case can be for a longer duration than their term of office as a member of the Board of Directors.

#### Operation of permanent Committees

Each Committee determines its annual meeting schedule, taking into account the schedules for Board meetings and General Meetings of Shareholders.

Each Committee meets as often as required to consider issues falling within its domain of competence upon convocation by the Chairman of the Committee or by half of its members. If the Chairman of the Board considers that a Committee has not met as often as necessary, he may cause a Committee meeting to be convened. The Chairman may also convene a Committee meeting if he deems it necessary for the Committee to give an opinion or a recommendation to the Board on a specific topic.

The Chairman of each Committee establishes the Committee meeting agenda and gives notice of Committee meetings to Committee and Board members within a period of time sufficient to allow each Committee member to prepare for the meeting. The notice must contain the Committee meeting agenda and all information and documentation useful to the examination of agenda items.

Committee meetings may be held at the Company's registered office or at any other location.

In performing its duties, each Committee may contact the Company's principal executives after having informed the Chairman of the Board of Directors of its intention to do so and subject to briefing the Board of Directors on the exchange with such principal executives.

#### Ad hoc Committees and Executive Committee

In addition to these permanent Committees, the Board of Directors may create one or more temporary or permanent *ad hoc* Committees at any time, including with respect to conflicts of interest. The Board is authorized to determine the composition and internal rules of such *ad hoc* Committees.

Finally, the Chief Executive Officer may set up an Executive Committee and may determine its composition and powers.

### 7.3.1.2.1 Audit Committee

#### Role of the Audit Committee

The Committee assists the Board of Directors in finalizing separate and consolidated financial statements, and in preparing the information made available to the Company's shareholders and the market. It monitors the effectiveness of internal control and risk management systems. It is also responsible for ensuring monitoring of matters relating to the production and control of accounting and financial information and the legal auditing of financial statements.

Specifically, it is charged by the Board with the following:

- with respect to internal control and risk management:
  - to assess the effectiveness and quality of the Group's internal control procedures, so that they ensure the Company and consolidated financial statements give a true and fair view of the Company and its Group and comply with accounting standards,
  - to monitor the implementation and effectiveness of risk management procedures,
  - to receive the internal control and risk management report drawn up in compliance with Article L.225-37 of the French Commercial Code and to make any observations it sees fit,
  - ensure the relevance and quality of the Company's financial communication;
- with respect to the financial statements:
  - to examine the draft annual and semi-annual separate and consolidated financial statements, in order to verify the manner in which they are established and to ensure the relevance and application of the accounting standards used; to this end, the Audit Committee may interview, outside the presence of the managers or Directors that actively exercise functions within the business, any person who in one way or another participates in the preparation or control of the accounts (Finance Department, Internal Auditors, Statutory Auditors),



- to examine the methods and scope of consolidation used in the financial statements,
- to ensure the adequate treatment of significant transactions at the Group level, and
- to keep up to date on the Group's financial and cash position, as well as its significant commitments;
- with respect to external controls, the Audit Committee has the essential role of guaranteeing the control of Company and consolidated financial statements by the Statutory Auditors and the independence and objectivity of these auditors by:
  - ensuring that the Statutory Auditors fulfill their mission of legal certification of annual and consolidated accounts,
  - managing the selection process of the Company's Statutory Auditors and examining questions relating to the appointment, renewal or termination of the mandate of the Company's Statutory Auditors, and
  - examining the amount and details of compensation paid by the Group to the Statutory Auditors and the group to which they belong; to this end, the Audit Committee is required to obtain information on the fees paid by the Company and the Group to the Statutory Auditors and the group to which they belong and ensure that the amount, or the proportion of such amount in the revenue of the auditors and the group to which they belong, does not compromise the independence of Statutory Auditors.

#### Composition of the Audit Committee

The Audit Committee has a maximum of five members. At least one must be an independent Director.

Executive directors and salaried employees of the Company or its subsidiaries may not serve on the Audit Committee.

At least one member of the Audit Committee must possess special expertise in financial or accounting matters and be independent. The Company also ensures that Audit Committee members have knowledge of the Company's business, activities and industry.

#### Operation of the Audit Committee

A meeting of the Audit Committee is validly held if at least a majority of its members are present. Decisions are taken by simple majority vote.

The Audit Committee must regularly report on its activities to the Board of Directors, and in any event, at the time of the approval of the annual and six-monthly financial statements.

### 7.3.1.2.2 Nominating and Compensation Committee

#### Role in appointments

The Nominating and Compensation Committee is charged with the following:

- to examine and make proposals to the Board of Directors concerning candidates for the following roles: Board members, Chief Executive Officer, Chairman of the Board of Directors, members and Chairman of the Auditing Committee and Strategic Committee; with this in mind, it must assess the skills, knowledge and experience required, describe the role and assess the time required by the role;
- evaluating proposals submitted by interested parties, including management and the shareholders;
- periodically examining the efficient operations of the Board and managers' performance; and
- annually assessing each Director's independence in the context of the criteria contained in the internal rules.

#### Role in determining compensation

With respect to the compensation granted to the Chairman of the Board and the managers of the Company, the Nominating and Compensation Committee:

- provides its opinion on all forms of compensation, including benefits in kind and insurance or retirement benefits received from Group companies or affiliated entities;
- examine and make proposals to the Board of Directors on the compensation of the Chairman, the Chief Executive Officer and Chief Operating Officers, and regarding bonuses; to do this, it shall define the rules for setting the bonuses, ensuring that these rules are consistent with the annual assessment of Directors' performance and with the Company's medium-term strategy; it also controls the effective application of these rules;
- ensures that the Company complies with its obligations regarding compensation disclosure. To this end, an annual report is prepared by the Committee and submitted for the approval of the Board of Directors to be subsequently included in the Company's Annual Report. In addition, the Committee ensures that all information required by law with respect to compensation is clearly and completely communicated in the annual report.

With respect to Director compensation, the Committee:

- makes proposals on the allocation of attendance fees pursuant to the internal rules;
- makes recommendations on any compensation granted to Directors entrusted with additional responsibilities.

With respect to stock option plans and all other forms of compensation through shares or equity-based compensation, the Committee is responsible for:

- reviewing the general policy on entitlement to such methods of compensation and submitting proposals as necessary to the Board of Directors;
- reviewing information provided on such compensation in the annual report and to the General Meetings of Shareholders;
- submitting proposals to the Board of Directors regarding the selection of a particular compensation plan from among the plans authorized by law and expressing the reasons for and consequences of such choice; and
- preparing Board of Directors' decisions regarding such compensation plans, as well as salary savings plans, for managers, employees or group of employees of the Company, or its subsidiaries.

#### **Composition of the Nominating and Compensation Committee**

The Nominating and Compensation Committee has a maximum of five members.

#### **Operation of the Nominating and Compensation Committee**

A meeting of the Nominating and Compensation Committee is validly held if at least half of its members are present at the meeting. Decisions are taken by simple majority vote.

The Nominating and Compensation Committee meets at least twice a year. In any event, the Committee must meet before the agenda of the General Meeting of Shareholders is approved, to examine the proposed resolutions that fall within its jurisdiction.

#### **7.3.1.2.3 The Strategic Committee**

The Strategy Committee is responsible for assisting the Board of Directors in determining the Company's strategy, and in particular:

- examining major projects relating to the strategic development and positioning of the Group, and in particular, strategic partnerships and major investment or disposal transactions; and
- examining the draft annual budget and the three-year business plans of the Company that are submitted to the Board of Directors. To this end, the Committee may interview the Company's managers on the assumptions used to prepare or modify such budgets and business plans.

#### **Composition of the Strategic Committee**

The Strategy Committee has a maximum of five members.

#### **Operation of the Strategic Committee**

A meeting of the Strategic Committee is validly held if at least half of its members are present at the meeting. Decisions are taken by simple majority vote. In the event of a tie, the vote of the Strategic Committee Chairman will carry the vote.

The Strategic Committee meets as many times as necessary, and in any event, at least two times per year.

#### **7.3.1.3 DIRECTORS' CHARTER**

In keeping with its corporate governance responsibilities, the Board of Directors adopted a Directors' Charter, which has been integrated into the internal regulations. This Directors' Charter sets forth the rights and obligations of the Directors and is binding upon each Director.

Before accepting the position of Director, each Director must ensure that he is familiar with the general and specific obligations of the position, such as those arising from law or regulation, the Company's Articles of Association, the internal rules, the Directors' Charter described below and all other applicable documents or laws.

- Directors must be competent and play an active role.
- The Director must try to act under all circumstances in the Company's interests. It undertakes to defend and promote Company values.
- Directors must dedicate sufficient time and attention to their role. They must be diligent and take part, whenever possible, in all Board meetings and, if applicable, any Committee meetings.
- To enhance transparency, the annual report includes information on Directors' attendance at Board and Committee meetings.
- Directors must attend the General Meetings of Shareholders.
- Each Director must personally hold at least 500 shares of the Company throughout his term as Director.
- Directors have a duty of loyalty and diligence.

To this end, each Director commits to:

- bring to the Board's attention any potential or actual conflict of interest, and refrain from taking part in the debates and voting on the matter in question,
- not be personally involved in companies that are competitors of the Company and its Group, without notifying the Board of Directors and obtaining its permission.
- Directors have a duty of confidentiality regarding all non-public information obtained in connection with the performance of their duties.

- The Director must ensure that he receives all documents and information necessary to do their job in good time. It falls to him/her to request the Chairman to disclose any documents she/he considers essential for their information.

A Director who does not consider that sufficient information has been provided may ask for additional information from the Board or the Chairman.

- Directors must possess broad knowledge of the specifics of the Company, its activities and the industry in which it operates.
- Each Director may, on appointment and throughout his/her term as Director, receive training on the Company, its activities and its businesses.
- The Director shall respect the provisions of the Company's Code of Conduct with respect to trading and market activities.

## 7.3.2 - Operation of Management

### Choice relating to general management of the Company

The Board of Directors shall decide, under the conditions set out in the Company's Articles of Association, whether the General management is performed by the Chairman of the Board of Directors or by another individual bearing the title of Chief Executive Officer.

Shareholders and third parties are to be informed of this decision in accordance with applicable laws and regulations. Responsibility for the exercise of the powers of general management can be changed at any time. The Board of Directors must discuss whether to keep the current system whenever the mandate of the Chairman of the Board of Directors or the Chief Executive Officer comes to an end.

When the Chairman of the Board of Directors is responsible for the general management of the Company, the following provisions relating to the Chief Executive Officer apply.

### Chief Executive Officer

The Chief Executive Officer must always be a physical person aged under 65 at the time they are appointed. When the Chief Executive Officer has reached this age limit, he is considered as having resigned from the role after the Ordinary General Meeting of Shareholders called to approve the financial statements from the past year and held in the same year the age limit is reached.

The Chief Executive Officer can always be reelected.

The Chief Executive Officer may or may not be a Director. If the Chief Executive Officer is not a Director, he/she attends meetings of the Board of Directors in an advisory capacity, except if the Board decides otherwise by a simple majority.

If the Chief Executive Officer is temporarily unable to perform his functions, the Board of Directors may appoint a Director to act as Chief Executive Officer.

Subject to internal limitations and non-invocable to third parties that the Board of Directors may fix to its powers in the internal rules, the Chief Executive Officer is vested with the widest powers to act under any circumstances on behalf of the Company. These powers are to be exercised within the limits resulting from the Company's corporate purpose and the powers expressly reserved by law to General Meetings of Shareholders and to the Board of Directors.

The internal rules list certain major decisions which require prior authorization from the Company's Board of Directors (See paragraph 7.3.1.1 of this Registration Document).

The Board of Directors shall determine the compensation and duration of the role of Chief Executive Officer. If the Chief Executive Officer is a Director, this term of office may not extend beyond his/her term of office as a Director.

### Chief Operating Officers

On the proposal of the Chief Executive Officer, the Board of Directors may appoint a maximum of five (5) Chief Operating Officers to assist him. Chief Operating Officers must always be a physical person. They may or may not be Directors.

In agreement with the Chief Executive Officer, the Board shall determine the scope and duration of the Chief Operating Officer's powers, which may not exceed the powers of the Chief Executive Officer as well as the duration of the Chief Executive Officer's role. The Board shall determine the compensation of each Chief Operating Officer.

If the Chief Executive Officer leaves, the Chief Operating Officer shall remain in office unless a new Chief Executive Officer is appointed (unless a decision to the contrary is taken by the Board).

Chief Operating Officers can be re-appointed and are subject to the same age limits as the Chief Executive Officer.

### 7.3.3 - Code of Conduct with respect to trading and market activities

In 2006, the Group adopted a Code of Conduct with respect to trading and market activities, which was reviewed in the first six months of 2011 to take into account AMF recommendation no. 2010-07 of November 3, 2010 on the prevention of insider misconduct by executives of listed companies.

This Code, adopted by the Board of Directors on June 2, 2006, applies to Company officers, similar persons, insiders and occasional insiders. The Board has appointed the Group's

Company Secretary to be in charge of ethical duties, responsible for ensuring compliance with the Code of Conduct.

The main provisions of this Code of Conduct aim to control the Company securities transactions that may be carried out by persons with regular access to privileged information about the Company (see paragraph 7.4.2 of this Registration Document).

## 7.4 - REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The Chairman's report relating to corporate governance and internal controls is drawn up pursuant to Article L.225-37 of the French Commercial Code and after discussion with the Audit Committee, the Company's Statutory Auditors, and the Group's Audit and Internal Control Department. The Chairman's report was approved by the Board of Directors on March 7, 2012.

The Company makes formal reference to the principles of corporate governance for listed companies set out in the the Afep-Medef Code of Corporate Governance issued in December 2008

completed by the recommendations issued in April 2010 ("Code of Corporate Governance"). As this Code allows for the principle of "comply or explain", those recommendations with which the Company does not comply in the strict sense are explicitly indicated in this report, as are the reasons for non-compliance. This Code of Corporate Governance can be viewed on the MEDEF website: [www.medef.fr](http://www.medef.fr).

### 7.4.1 - Composition of the Board of Directors

At December 31, 2011, the Board had 10 members. The duration of mandates was reduced to four years for any renewals or appointments after the General Meeting of May 27, 2010. The biography and list of mandates outside the Group of Directors can be found in chapter 7 of the Company's Registration Document available from the AMF website ([www.amf-france.org](http://www.amf-france.org)) and from the Company's website ([www.legrand.com](http://www.legrand.com)). In accordance with the Company's Articles of Association, each Director must hold at least 500 Company shares. For historical reasons linked to the Company's shareholding, the composition of the Board

and its specialized Committees reflected the two majority shareholders, acting in concert, efforts to seek a lasting balance among Directors representing these shareholders, independent Directors and management (please refer to chapter 9 of the Registration Document for further details on the Company's shareholding on the date of this Registration Document). For this reason, and contrary to the recommendations of the Code of Corporate Governance, Directors' mandates representing these shareholders have not been staggered.

*Composition of the Board of Directors*

Name	Duties	Date of first appointment	Expiry date of mandate <sup>(1)</sup>
Mr. Gilles Schnepf	Chairman and CEO	12/10/2002	2014
Mr. François Grappotte	Honorary Chairman	12/10/2002	2014
Mr. Olivier Bazil <sup>(2)</sup>	Director	12/10/2002	2014
Mr. Mattia Caprioli	Director	07/25/2007	2014
Mr. Jacques Garaïalde	Director	06/06/2003	2014
Mr. Gérard Lamarche <sup>(3)</sup>	Director	04/06/2006	2012
Mr. Thierry de La Tour d'Artaise <sup>(3)</sup>	Director	04/06/2006	2012
Mr. Frédéric Lemoine	Director	05/05/2009	2014
Ms. Eliane Rouyer-Chevalier <sup>(3)</sup>	Director	05/26/2011	2015
Mr. Patrick Tanguy	Director	02/10/2010	2014

(1) The term of office will end at the General Meeting called to approve the financial statements of the previous financial year.

(2) Termination of Mr. Olivier Bazil duties after the General Meeting of May 26, 2011 as he had reached the age limit set by the Company's Articles of Association.

(3) Independent Director.

### Independent Directors

Ms. Eliane Rouyer-Chevalier and Mr. Gérard Lamarche and Mr. Thierry de La Tour d'Artaise are independent Directors.

In accordance with the Company's internal rules, which can be viewed on the Company's website, Directors' independent status is discussed every year by the Nominating and Compensation Committee which draws up a report on this matter. The situation of each Director is then examined by the Board of Directors with regard to the independence criteria defined by the Company's internal rules, based on the report by the Nominating and Compensation Committee. The qualification of a Director as "independent" defined by the Company's internal rules includes the independence criteria set out in the Code of Corporate Governance.

During its meeting of February 8, 2012 the Board of Directors renewed its assessment that Ms. Eliane Rouyer-Chevalier, Mr. Gérard Lamarche and Mr. Thierry de La Tour d'Artaise could be qualified as independent in accordance with the stipulations of the Company's internal rules.

At December 31, 2011, the proportion of independent Directors within the Company's Board of Directors is 30%. The composition of the Company's Board of Directors, which is no longer controlled by majority shareholders, is not compliant with the Code of Corporate Governance, which recommends that half of the Board members of uncontrolled companies should be independent Directors. This non-compliance with the Code of Corporate Governance was justified by the Company's historical shareholding, and particularly by the existence of a shareholders

agreement concluded between both majority shareholders, acting in concert, in order to organize Company governance.

However, a change in the composition of the Board of Directors and its specialized Committees in terms of independence is expected during 2012 to comply with the Code of Corporate Governance. At the General Meeting of May 25, 2012, the Board of Directors proposed the appointment of two Directors that meet the independence criteria of the Company's internal rules – Ms. Christel Bories and Ms. Angeles Garcia-Poveda. In the event of a favorable vote, the Board of Directors would have, following the General Meeting of Shareholders of May 25, 2012, 12 members, including five independent Directors (i.e., given the composition of the Board of Directors at December 31, 2011, 42%).

### Diversity of membership of the Board of Directors

Every year, the Board investigates the desirable balance of its composition and that of its Committees, particularly as regards the representation of women, the diversity of skills and internationalization, so as to ensure shareholders and the market that their work is carried out with the necessary independence and objectivity.

At December 31, 2011, the Board included only one female Director among its members. At the General Meeting of May 25, 2012, the Board of Directors suggested that two female Directors be appointed, Ms. Christel Bories and Ms. Angeles Garcia-Poveda. In the event of a favorable vote, the Board of Directors would have, following the General Meeting of Shareholders of May 25, 2012, 12 members, including three women (i.e., given the Board composition as at December 31, 2011, 25% women), and would

thus be compliant, from 2012, with the recommendations of the the Code of Corporate Governance (20% from 2013).

Following the General Meeting of Shareholders of May 25, 2012 and given the composition of the Board of Directors at December 31, 2011, Belgian, Spanish, French and Italian nationalities will be represented on the Board, subject to the appointments of Ms. Christel Bories and Ms. Angeles Garcia-Poveda being approved.

#### Plurality of mandates

Mr. Gilles Schnepf, Chairman and Chief Executive Officer, is also a member of the Board of Directors of another French listed company.

## 7.4.2 - Preparation and organization of Board work

Taking the information below into account, the Company's practices in terms of preparing and organizing the work of the Board and its Committees are in compliance with the recommendations of the Code of Corporate Governance except for certain rules on the composition and organization of the Board and its Committees described hereunder.

#### Internal rules and Code of Conduct with respect to trading and market activities

The Company's Board of Directors has adopted internal rules (including a Directors' Charter) which can be viewed on the Company's website: [www.legrand.com](http://www.legrand.com)

The Group has also adopted a Code of Conduct with respect to trading and market activities, which is available from the Company's website. Its main purpose is to define the rules governing dealings in Company's shares by Company officers, similar persons, insiders and occasional insiders. Under this Code, executive directors and persons with access to inside information are prohibited from effecting, directly or indirectly, whether for their own account or on behalf of some other person, transactions in Legrand shares (i) as a minimum, during the 30 days preceding publication of annual, half-yearly and quarterly financial statements, and the two trading days following their publication, and (ii) where they are apprized of a project of a nature to constitute inside information, throughout the period from the date a meeting of the Board of Directors is called to consider this project and the date of its official public announcement by Legrand. The content of this Code was revised in the first half of 2011 to take into account the AMF recommendation no. 2010-07 of November 3, 2010 on prevention of insider misconduct by executives of listed companies.

#### Directors' Charter

To promote good governance, the Board of Directors has adopted and integrated into its internal rules a Directors' Charter setting out the rights and duties of Directors, which each Director must respect.

#### Conflicts of interest

Article 7 of the Directors' Charter explicitly states that every "Director agrees to make the Board of Directors aware of any actual or potential conflict of interest and to refrain from taking part in the corresponding discussions and voting". Furthermore, in accordance with the Directors' Charter, Directors cannot be personally involved in companies that are competitors of the Company and its Group, without notifying the Board of Directors and obtaining its consent.

As far as the Company is aware, there is no conflict of interest.

#### Information on Directors

In order to allow Board members to carry out their duties effectively, the Chairman of the Board must provide Directors with all documents and information necessary to consider items on Board meeting agendas at least 48 hours prior to the meeting.

Directors may request any documents they believe relevant for the preparation of the meeting, provided that they submit such requests with reasonable notice.

When required by confidentiality, in particular where sensitive financial information is concerned, information may be communicated during the meeting.

In addition, Directors receive all relevant information on significant events or transactions for the Company.

#### Board of Directors

In 2011, the Board met seven times.

Attendance of Directors at Board meetings was satisfactory, with the attendance rate 81% for the year. Participation in meetings of specialized Committees averaged 95%. Representatives of the Central Works Council attend the meetings of the Board of Directors.

In order to allow it to perform its duties in the best conditions, the internal rules of the Board state that its deliberations should be prepared in certain fields by specialized Committees: the Audit Committee, the Strategic Committee, and the Nominating and



Compensation Committee. At Board meetings, these Committees present detailed reports on their work.

In 2011, the Board met to consider the following agenda:

■ *Company results:*

- approval of the consolidated and company financial statements for the financial year ended December 31, 2010 and the related reports, the quarterly consolidated financial statements at March 31, 2011, the half yearly consolidated financial statement and the related report at June 30, 2011, and the consolidated quarterly financial statements at September 30, 2011,
- report of the Audit Committee on its review of the annual, half-yearly and quarterly consolidated financial statements as well as the Company financial statements and the related management reports, on the summary of the statutory auditors, the press release figures, the work of external auditors and the budget for their fees, the Group's risk management approach and the internal audit plan,
- review and approval of the press release on the annual, half-yearly and quarterly consolidated financial statements,
- proposal for appropriation of earnings,
- presentation of forecast financial statements at December 31, 2010 and at June 30, 2011;

■ *governance:*

- resignation of two Directors and proposal for the appointment of a new Director,
- termination of the Vice-Chairman and Chief Operating Officer duties, as he had reached the age limit set by the Company's Articles of Association,
- approval of a regulated agreement on a special mission to be assigned to a Director,
- self-evaluation of the performance of the Board of Directors and its Committees (summary and proposals),
- changes to the Board of Director's internal rules and review of the Code of Conduct with respect to trading and market activities,
- report of the Nominating and Compensation Committee on directors' applications, particularly that of Ms. Eliane Rouyer-Chevalier as an independent Director, the fixed compensation and bonuses of executive directors, determination of overall allocation of performance shares, allocation of performance shares to executive directors and employees, allocation of attendance fees, determination of an exceptional compensation to be paid to a Director for a special mission assigned by the Board of Directors, procedure for the renewal of status of independent directors,

and approval of parts of the Registration Document on the compensation of executive directors;

■ *financial management of the Company:*

- financing of the Company and the Group,
- renewal of annual powers granted to the Chairman and the Vice-Chairman for bonds, endorsements and sureties,
- delegation of financial powers to the Board of Directors to be proposed to the General Meeting of Shareholders;

■ *Company strategy and growth:*

- Strategic Committee report on the 2011 budget, on projected acquisitions, and on a review of acquisitions made and of strategic guidelines for future acquisitions,
- presentation of operational matters (annual review of sustainable development process and equal opportunity for employment and compensation policy, presentation of the intranet space for Directors and the impact of the Internet on the Group's relations with its stakeholders and presentation of the talent management policy);

■ *preparation for the Annual General Meeting:*

- convening of the annual Combined Ordinary and Extraordinary Meeting of Shareholders (proposed agenda and resolutions),
- production of reports for the General Meeting (report by the Chairman of the Board on corporate governance and internal control, and the special reports on the allocations of stock options and performance shares);

■ *others:*

- implementation of the delegation approved under the seventh resolution of the Combined Ordinary and Extraordinary Meeting of Shareholders of May 26, 2011,
- disclosure of the list of agreements stipulated by Article L.225-39 of the French Commercial Code; and
- confirmation of capital increase following the exercise of options and confirmation of capital increase resulting from the expiry of the vesting period of the performance shares plan, for French residents, implemented by the Board of Directors on March 4, 2009.

### Audit Committee

The powers and operation of the Audit Committee are outlined in the Board's internal regulations. An excerpt of these regulations can be found in paragraph 7.3 of this chapter, page 112.

### Membership and duties

The Audit Committee is made up of three members appointed by the Board of Directors, including one independent Director: Mr. Jacques Garaïalde, Mr. Gérard Lamarche and Mr. Patrick Tanguy.

Their biographies and education can be found in chapter 7 of the Company's Registration Document. It is chaired by Mr. Gérard Lamarche, an independent Director, who has financial and accounting skills. Mr. Gérard Lamarche is Managing Director for the Bruxelles Lambert Group. Mr. Jacques Garaïalde, Managing Director of Kohlberg Kravis Roberts & Co. Ltd, and Patrick Tanguy, Managing Director and member of the Wendel Investment Committee and Management Committee, are also skilled in financial and accounting matters.

The composition of the Audit Committee is not compliant with the recommendations of the Code of Corporate Governance as two-thirds of its members are not independent Directors. This non-compliance was justified by the Company's historical shareholding and the governance implemented by the Company's two majority shareholders acting in concert.

The Audit Committee assists the Board of Directors in finalizing separate and consolidated financial statements, and in preparing the information made available to the Company's shareholders and the market. It monitors the effectiveness of internal control and risk management systems. It is also responsible for ensuring monitoring of matters relating to the production and control of accounting and financial information and the legal auditing of financial statements. In particular, its main roles are:

- assess the effectiveness and quality of internal control procedures for the collection and control of information to ensure that such information is reliable, review the Group's internal audit plan and the work schedule of the Statutory Auditors, apprise itself of the Group's internal audit programs;
- analyze and monitor the risks, and track the implementation and effectiveness of the Group's risk management processes;
- review the financial statements of the Company and the Group as communicated by the Company at least 48 hours before its meeting;
- ensure that the accounting methods used for the preparation of the consolidated and parent company financial statements are consistent and accurate, and that material transactions at Group level are adequately addressed, calling on the assistance of outside experts as necessary;
- guarantee the effective verification of parent company and consolidated financial statements by the Statutory Auditors, and their independence and objectivity;
- guide the process for selecting or renewing the terms of the Statutory Auditors;
- consider any financial or accounting issue submitted to it by the Chairman of the Board or by the Chief Executive Officer, as well as any issue of conflict of interest of which it is apprized; and
- examine the report by the Chairman of the Board of Directors on internal control and risk management.

The Audit Committee meets 24 hours before the review of the annual, half-year and quarterly financial statements by the Board of Directors, not 48 hours before as recommended by the Code of Corporate Governance. This is due to the fact that Audit

Committee members expressed a desire to avail of more time for in-depth analysis of the documents communicated to them in advance.

Meetings of the Audit Committee may take place by telephone or video-conference; a quorum exists when at least half of the members are present.

The Audit Committee may interview the Group Chief Financial Officer and/or members of his staff, the head of internal control, or receive the observations of the Statutory Auditors without the members of the general management being present.

#### **Work done in 2011**

The Audit Committee met on four occasions during the 2011 financial year. Attendance for the year was 100%.

In 2011, the Audit Committee met to consider the following agenda:

#### ■ *Company results:*

- presentation of parent company and consolidated annual financial statements at December 31, 2010, of quarterly consolidated financial statements at March 31, 2011, of half-year consolidated financial statements at June 30, 2011 together with the half-year financial report, and the financial statements for the quarter ended September 30, 2011 (review of work of Statutory Auditors),
- review of intangible assets and pension commitments,
- review of key figures in the press release on annual, quarterly and half-year consolidated financial statements and prospects for 2011;

#### ■ *risk management and internal control:*

- review of the internal control and risk management section of the report of the Chairman of the Board,
- risk management,

#### ■ *auditing and relations with external auditors:*

- recommendations concerning the renewal of mandates for a Statutory Auditor and a deputy Statutory Auditor,
- assignments of Statutory Auditors and budget for auditors' fees,
- review of the internal audit plan;

#### ■ *others:*

- presentation of the Registration Document, and
- modification of the Audit Committee's internal rules.

The Audit Committee reports to the Board of Directors on the performance of its duties.

#### **Nominating and Compensation Committee**

The powers and operation of the Nominating and Compensation Committee are outlined in the Board's internal rules. An excerpt of these regulations can be found in paragraph 7.3 of this chapter, page 112.



**Membership and duties**

The Nominating and Compensation Committee is made up of three members appointed by the Board of Directors, including one independent Director: Mr. Jacques Garaïalde, Mr. Gérard Lamarche (independent Director) and Mr. Frédéric Lemoine. It is chaired by Mr. Frédéric Lemoine.

The composition of the Nominating and Compensation Committee is not compliant with the recommendations of the Code of Corporate Governance as the majority of its members are not independent Directors. This non-compliance was justified by the Company's historical shareholding and the governance implemented by the Company's two majority shareholders acting in concert.

In particular, the Nominating and Compensation Committee is responsible for approving:

- all proposals of candidates for membership of the Board, Chief Executive Officer, Chairman of the Board, members and Chair of the Audit Committee and the Strategy Committee;
- all proposed succession plans for executive directors;
- all types of compensation to managers, including benefits in kind received from any Group company or any affiliated company, as well as any provisions relating to their retirement;
- the establishment of stock option plans, and any other types of compensation based on shares or indexed on or otherwise connected with shares, for managers or employees or groups of employees of the Company or its subsidiaries.

The Chairman and Chief Executive Officer is involved in the Committee's work as far as examining directorship applications are concerned, as well as the succession plan for executive directors.

The Nominating and Compensation Committee meets as often as necessary.

Meetings of the Nominating and Compensation Committee may be held by telephone or videoconference; a quorum exists when at least half of the members are present.

**Work done in 2011**

The Nominating and Compensation Committee met on three occasions during the 2011 financial year. Attendance for the year was 86%.

In 2011, the Committee met to consider the following agenda:

- *compensation:*
  - compensation of executive directors in respect of the 2010 financial year (amount of compensation: fixed compensation, quantitative and qualitative bonuses, insurance, retirement

supplement, non-competition clause, benefits in kind, subsidiary attendance fees; allocation of stock options and performance shares and setting of performance conditions),

- attendance fees (allocation for 2010 financial year, increase of individual allocation and amendment to the allocation rules for 2011),
- rules for the compensation of executive directors for 2011 financial year (setting fixed compensation, principles for calculating bonuses, principles for the allocation of stock options and performance shares),
- implementation of plans for performance shares allocated in 2011 for the 2010 financial year (individual allocations of performance shares to employees and to executive directors, setting the number of shares to be held by executive directors, plan rules),
- principles of option and performance shares plans to be allocated in 2012 for the 2011 financial year;
- *composition of the Board of Directors and its Committees:*
  - procedure for the review of the status of independent Directors,
  - compliance with the law and the Code of Corporate Governance as regards well balance between male and female representation within the Board of Directors,
  - examination of the various directorship applications, particularly that of Ms. Eliane Rouyer-Chevalier as independent Director,
  - termination of the Vice-Chairman and Chief Operating Officer duties and examination of a regulated agreement,
  - study of the succession plan following the termination of the Vice-Chairman and Chief Operating Officer duties.
- *others:*
  - approval of part of the report of the Chairman of the Board of Directors on corporate governance and internal control, and of certain sections of the Registration Document.

The Nominating and Compensation Committee reports on its work to the Board of Directors.

**Strategic Committee**

The powers and operation of the Strategic Committee are outlined in the Board's internal rules. An excerpt of these regulations can be found in paragraph 7.3 of this chapter, page 112.

**Membership and duties**

The Strategic Committee is made up of four members appointed by the Board of Directors: Mr. Olivier Bazil, Mr. Jacques Garaïalde, Mr. Frédéric Lemoine and Mr. Gilles Schnepf. It is chaired by Jacques Garaïalde, and its responsibilities include:

- examining major projects relating to the strategic development and positioning of the Group, and in particular, strategic partnerships projects and main investment or divestment transactions; and
- reviewing the draft annual budgets and development plans of the Company submitted to the Board of Directors. In this capacity, the Strategic Committee consults with the managers of the Company concerning the assumptions on which such plans and budgets are based or amended.

The Strategic Committee meet whenever necessary.

Meetings of the Strategic Committee may take place by telephone or video-conference; a quorum exists when at least half of the members take part.

**Work done in 2011**

The Committee met on four occasions during the 2011 financial year. Attendance for the year was 100%.

In 2011, the Strategic Committee met to consider the following agenda:

- *acquisitions:*
  - review of acquisitions made from 2005 to 2011,
  - strategic orientations for future acquisitions,
  - projected acquisitions;
- *budget:*
  - presentation of the 2010 estimate and the projected 2011 budget, and
  - approval of the 2011 budget.

The Strategy Committee reports on its work to the Board of Directors.

**Evaluation of the Board of Directors and its Committees**

In compliance with internal rules, the work of the Board of Directors is reviewed and assessed at least once a year. This is a separate point on the agenda of the meeting concerned, and is reported on in the Company's annual report.

A self-evaluation was carried out at the end of 2010. The summary at the start of 2011 revealed that Directors were satisfied on the whole with the functioning of the Board and its Committees.

In the course of 2011, the Board of Directors deployed the following improvements in response to requests made by Directors during the self-evaluation:

- presentations on operational or cross-over matters were made during 2011 regarding the Group's strategy (impact of the Internet on the Group's relations with its stakeholders and talent management policy) and on the annual review of the sustainable development process, as well as the Group's policy on equal opportunity for employment and compensation;
- the invitation to the worldwide launch of the new line "Living & Light" wiring devices from BTicino and the visit of a site where the Group's products are showcased (the Horizon Tower in Boulogne-Billancourt);
- the implementation of a secure Internet site for Directors which allows them to view documentation relating to Board and Committee meetings, information about the Company's governance (Articles of Association, internal rules, Code of Conduct with respect to trading and market activities), and the various presentations made to shareholders at the Annual General Meeting;
- the increase in the individual allocation of attendance fees so as to better reflect market practices and encourage the involvement and work of the Directors.

In November 2011, a questionnaire was sent to Company Directors to assess the functioning of the Board and its Committees for the 2011 financial year.

**7.4.3 - Limits on the powers of the Chief Executive Officer**

The Board of Directors, at its meeting of March 17, 2006, decided to combine the functions of Chairman and Chief Executive Officer, both to be assumed by Mr. Gilles Schnepf. This decision was made as the Company was listed on the stock exchange. Combining the two functions corresponds both to Company tradition and to the reality of Legrand's operating model.

Subject to the transactions and decisions that require prior approval from the Board of Directors in accordance with Article 1 of the internal regulation (which can be viewed at [www.legrand.com](http://www.legrand.com)), the Board of Directors did not place any limitation on the powers of the Chief Executive Officer.

## 7.4.4 - Principles and rules for determining the compensation and benefits of executive directors

Compensation of executive directors is set by the Board of Directors on the basis of recommendations made by the Nominating and Compensation Committee.

### ■ 7.4.4.1 COMPENSATION AND BENEFITS OF EXECUTIVE DIRECTORS

#### Contract of employment of the Chairman and CEO

In accordance with the Code of Corporate Governance, the Board of Directors, on March 4, 2009, acknowledged the termination of the contract of employment between Mr. Gilles Schnepf and the Company, with immediate effect and without compensation.

#### Termination benefits

With the exception of benefits due on retirement (this information is noted in section 7.2.1.3 of this chapter) and of the covenants not to compete described below, executive directors do not benefit from any commitment concerning components of compensation, indemnities or other benefits that might be due as a result of the termination of their office or assignment to a different position, or subsequently ("golden parachutes").

A non-competition agreement was entered into between the Company and Mr. Gilles Schnepf for two years with the main purpose of submitting the latter to the restrictions under a covenant not to compete. If this non-competition clause is implemented by the Company, this would occasion the payment of a monthly indemnity equal to 50% of his average fixed compensation and bonuses received over the last 12 months with the Group. The amount of this indemnity would be in line with the recommendations of the Code of Corporate Governance which limit the amount of said indemnity to two years' compensation. This non-competition covenant can only be implemented once Mr. Gilles Schnepf has left the Company and at the sole initiative of the Company.

Mr. Olivier Bazil was subject to the standard non-competition clause provided for in the collective labour agreement for metal industries which provides for an indemnity equal to a maximum of one year's compensation (fixed and bonuses) in accordance with the recommendations of the Code of Corporate Governance which limit the amount of said indemnity to two years' compensation. Following his retirement, the Board of Directors decided not to enforce the standard non-competition clause and to release Mr. Olivier Bazil from all his obligations under this non-competition clause, without consideration or compensation.

As such, the Company is compliant with the recommendation of the Code of Corporate Governance relating to the benefit of these termination benefits.

#### Pension plan

The Company's executive directors benefit from a supplementary pension entitlements, compliant with the recommendations of the Code of Corporate Governance with regard to the number of beneficiaries, seniority, the limited percentage of executive directors' compensation and the reference period used to calculate the entitlements (this information can be found in paragraph 7.2.1.3 of this chapter). Mr. Olivier Bazil is a beneficiary of this plan.

Upon his retirement, Mr. Olivier Bazil received a termination benefit of €199,488 calculated in accordance with the collective labour agreement for metal industries and the company agreements applicable within the Group according to which any Group employee that retires must be paid a termination benefit proportional to the years of service. Mr. Gilles Schnepf, whose contract of employment was terminated on March 4, 2009, is not eligible for this plan.

#### Stock options and performance shares

Company plans for the granting of options to purchase or subscribe shares are described in section 8.2 of this Registration Document.

For allocations of performance shares made in respect of the 2011 financial year (i.e. the 2012 plan), the Board of Directors at the start of 2011 set the targets to be achieved in terms of economic income. In view of his retirement, Mr. Olivier Bazil was granted no allocation of performance shares in respect of the 2011 financial year.

In light of the level of achievement of targets in terms of economic income, the Board of Directors on March 7, 2012, decided to make an allocation of 30,710 performance shares to Mr. Gilles Schnepf, representing 0.01% of the Company share capital (see chapter 8 of this Registration Document). Moreover, the Board of Directors, further to a proposal from the Nominating and Compensation Committee, decided to toughen the performance conditions applicable to the vesting of all of the performance shares allocated to Mr. Gilles Schnepf, this decision to take effect as of the setting-up of the 2012 performance share plan in respect of the 2011 financial year, thereby potentially cancelling part or all of the initial allocation. These performance conditions are designed to foster sustainable value creation and come in

addition to those used to determine the initial allocation. A first performance criterion thus makes the vesting of the full initial allocation conditional upon an increase in economic income over a four-year period preceding the vesting of performance shares, thereby providing evidence of sustainable value creation. Should this criterion not be met, however, a second criterion would be examined to determine whether the Group's performance, as measured by economic margin, was above that of a panel of peers over the same period.

In respect of the financial year 2011, the vesting of performance shares allocated to Mr. Gilles Schnepf is thus subject to a twofold set of performance conditions, one of which is applied at the time of initial allocation and the other at the time of vesting.

In respect of this and past plans, no discount is applied and the Company has implemented no hedging instruments for options and performance shares.

Performance shares for the 2011 financial year were granted under the twelfth resolution approved at the Shareholders' General Meeting of May 26, 2011 which stipulated that the number of performance shares granted to Company executive directors may not exceed 10% of all of the shares allocated by the Board of Directors under this resolution. The grant of performance shares to Mr. Gilles Schnepf represented 3% of the total number of performance shares granted.

The Company has for many years also implemented a system of profit sharing beyond the legal requirements for the benefit of all its employees and those of its French subsidiaries. The executive directors have not benefited from this.

The Company is complying with the rules on the granting of options and performance shares defined in this Code of Corporate Governance, apart from the recommendation on the granting of performance shares on the condition that a set number of shares are purchased when granted performance shares vest. Executive directors have already substantially invested in the Company's share capital and are already subject to the requirement to hold at least 30% of all shares acquired until the termination of their duties (including options and performance shares). Considering this, the Board of Directors, on the proposal of the Nominating and Compensation Committee, has decided not to comply with this recommendation to the letter.

### Principles for determining compensation

Compensation for the 2011 financial year for the Chairman and Chief Executive Officer and the Vice Chairman and Chief Operating Officer, on a prorata basis for the latter, was determined according to the following principles:

- a fixed annual compensation, determined according to the level of responsibility and the experience of each person, and in line with market practice according to a survey conducted by an outside consultant;
- a bonus which is determined as follows:
  - one half based on pre-defined quantitative criterion linked to the Company's financial performance, measured each year by the "economic income" (i.e. the adjusted operating income, less the cost of capital used). This quantitative part, whose target value was set at 50% of the fixed compensation, could vary between 0% and 100% of said fixed compensation,
  - the other half based on the following qualitative criteria: (i) sales growth, innovation and increased market share, (ii) the external growth policy and (iii) general criteria linked to sustainable development and labour relations concerns. This qualitative part, whose target value was set at 50% of the fixed compensation, could vary between 0% and 100% of said fixed compensation;
- a supplementary pension;
- a company car and a cell phone as benefits in kind;
- the mandatory Group contingency insurance plan and supplementary health insurance for the Group's executives;
- the allocation of performance shares to the Chairman and Chief Executive Officer according to pre-defined quantitative criteria linked to the Company's financial performance, measured each year by the "economic income" (i.e. the adjusted operating income, less the cost of capital used). Furthermore, the vesting of all performance shares by Mr. Gilles Schnepf is subject to the performance conditions defined by the Board of Directors. The vesting of performance shares allocated to Mr. Gilles Schnepf is thus subject to a twofold set of performance conditions, one of which is applied at the time of initial allocation and the other at the time of vesting. No discount is applied at the time of allocations.

### 7.4.4.2 ATTENDANCE FEES PAID TO DIRECTORS

The maximum amount of attendance fees was set at €600,000 by the Shareholders General Meeting of May 26, 2011. This resolution remains in force until a new one is adopted.

The Board of Directors decided, from the 2011 financial year, to allocate the attendance fees paid to Directors as follows:

- €35,000 a year to be paid to each member attending all meetings of the Board of Directors, this amount being reduced by €3,000 for each absence from a meeting of the Board of Directors;
- in addition, €5,000 a year to be paid to each member of the Board of Directors who is also a member of a Committee, with the exception of executive directors, this amount being increased to €10,000 per year for the chairs of the Strategic Committee and the Nominating and Compensation Committee, and to €20,000 for the chair of the Audit Committee, each of these amounts being reduced by €1,000 for each absence.

These rules for attendance fees comply with the Code of Corporate Governance.

Executive directors waived their right to receive attendance fees from 2011 during the exercise of their duties.

## 7.4.5 - Participation of shareholders in the General Meeting

Conditions for participation in the Company's General Meeting are outlined in Article 12 ("General Meetings") of the Company's Articles of Association; these can be viewed at: [www.legrand.com](http://www.legrand.com).

## 7.4.6 - Information pursuant to Article L.225-100-3 of the French Commercial Code concerning factors likely to affect the outcome of a public offer

Readers are invited to refer to paragraph 19 of the management report, which contains factors likely to influence a public offering. This report can be found in appendix 2 of this Registration Document.

## 7.4.7 - Risk management and internal controls

### ■ 7.4.7.1 DEFINITIONS, PURPOSES AND FRAMEWORK

#### Definition and purposes of risk management and internal control procedures

Risk management involves using a set of concepts, tools, methodologies and initiatives adapted to the Group's specific features to enable management to hold risk to an acceptable level.

A risk represents the possibility of an event occurring that might have adverse effects on people, resources, the environment, Group objectives or the Group's reputation.

Risk management aims to:

- create and preserve the Group's value, assets and reputation;
- make Group decision-making and processes secure, and thus contribute to achieving objectives;
- ensure that initiatives undertaken are consistent with Group values; and

- rally Group employees around a shared vision where major risks are concerned, and raise awareness of the risks inherent to their activity.

The Group's internal control system involves the use of appropriate resources and behavior for procedures and action, implemented in ways suited to the Group's special features and which:

- contribute to control of its business, the effectiveness of its operations and the efficient use of its resources; and
- enable it to take appropriate account of significant operational, financial and compliance risks.

The objective of the Group's internal control procedures is to ensure the following:

- protection and safeguarding of assets through procedures such as cycle counts of inventory, inspections of plant and equipment through regular physical inventory controls, and insurance policies matching the Group's needs;
- fraud prevention and detection, particularly with regard to accounting and financial information;

- the reliability and integrity of accounting information in relation to actual transactions;
- achievement of management objectives;
- compliance with laws, regulations and internal procedures;
- optimization of operations.

It should be noted that the internal control mechanism cannot provide an absolute guarantee that the Group's targets will be met. However, the unique nature of its economic model is a major factor which facilitates understanding and appropriation of the internal control principles by all of the Group's subsidiaries.

#### **Links between risk management and internal control procedures**

Risk management and internal control procedures are constantly interacting, reinforcing each other in the process. The Risk Management component is the cornerstone of the Internal Control process in that it allows risks to be identified which, if they exceed the limits acceptable to the Group, must be dealt with, potentially by way of an action plan. Action plans may require controls to be implemented under the responsibility of Internal Control, which also involves risk processing. At the same time, Internal Control, via a process approach within the Group organizations, allows certain risks to be identified and overcome; these risks may in turn influence the approach of Risk Management.

Given these links, the Group decided during 2010, group all of these functions together in the same department: "Risk Management and Internal Control", which is attached to the Group's General Secretariat. It also handles internal audits.

#### **Scope of action**

The Company's assets consist almost exclusively of equity interests in Group companies.

The scope of its internal control system is thus the entire Group and all of its businesses.

#### **Framework**

In order to implement these risk management and internal control objectives, the Group's Management has established an internal control and risk management framework based on the recommendations of the AMF in the reference Framework published in June 2010.

### **7.4.7.2 INTERNAL CONTROL AND RISK MANAGEMENT MECHANISM**

#### **Risk management**

##### **Organizational framework**

The Group's Risk Management strategy is led by the Risk Management and Internal Control department, under the responsibility of the General Secretariat. The Group's risk management policy defines the process for identifying, analyzing and dealing with risks. The Risk Management and Internal Control department is responsible for implementing this policy, by gathering the indicators necessary to assess them and by following the action plans implemented by the Group's various Operational or Functional departments.

This general approach is overseen and monitored by a Risk Committee that includes the Group's general management. The Risk Committee met twice during 2011. Furthermore, crossover matters are regularly discussed at the Group's Management Committee meetings.

The Group Audit Committee is also kept informed of all issues. The policy for assessing and dealing with risks is discussed specifically every year between the auditing Committee and a summary before the Board of Directors.

##### **Risk management procedures**

The Group's risk management procedure has three stages:

- 1) risks are identified at all levels of the Group's value chain. From this perspective, risks are defined as threats or missed opportunities, as the latter are inherent to the Group's model and/or is considered as such by other stakeholders. This risk framework is regularly updated by the Risk Committee using data gathered from the main Group Directors ("Top Down") or using contributions from Group subsidiaries or departments ("Bottom up");
- 2) risks are analyzed on the basis of indicators that are defined and validated by the Risk Committee. These indicators, produced using historic and prospective data, are fed back to the Risk Management and Internal Control Department for each risk by the operational or functional departments responsible. Indicators are then used to measure and rank risks relative to the probability of their materialization and their potential impact, assessed on the basis of a homogeneous set of criteria. The assessment is made on a "gross" basis (prior to the risk management mechanism) and on a "net" basis (after the risk management mechanism);
- 3) risks are dealt with in several ways: the reduction, transfer, or acceptance of a risk. The measures are decided upon and shared between the Group's Risk Management and Internal



Control Department and the risk owners identified within the operational and functional departments. The Risk Committee directly validates the procedure for dealing with the main risks.

### Leadership

The dedicated function within the Risk Management and Internal Control department and the risk owners within the Group's operational and functional departments continually lead the Risk Management mechanism.

### Internal Control

#### Control environment

The control environment is based on principles structuring Group philosophy in this area and determining the appropriate level of staff awareness regarding internal control requirements. The principal purpose of the related organization deployed by the Group is to ensure that the responsibilities of each unit and department are clearly defined. It is also based on messages and values that are broadly communicated and shared across the Group as a whole. The resulting control environment is in particular materialized by the Group's Charter of Fundamental Principles, aimed at sharing values and principles with all entities and staff members.

#### Risk evaluation and management

Risk evaluation and management is a fundamental aspect of the Group's internal control scheme. Related structures and processes are described in the section above dedicated to Risk Management.

#### Structure of communication and information flows

The Group has adopted processes and procedures ensuring timely, reliable communication of relevant information to the parties concerned. Reporting structures have been set up for all the Group's major business processes, providing a common language for the exchange of information between different levels of Group organization (subsidiaries, Divisions, Group departments and management).

#### Internal control operations

The Group's internal control operations are defined in a manual of administrative and financial procedures that also includes accounting, management and reporting rules. This manual, designed for the Group's specific economic environment and industry, has existed for over a decade, and is updated regularly. Clear emphasis is placed on tracking product flows (with reliability of inventories monitored through cycle counts, analysis and justification of inventory discrepancies) and sales transactions (compliance with revenue recognition rules, tracking and authorization of discounts or rebates).

Application of these regulations ensures compliance with management objectives. The Group's dedication to a single strategic business area has allowed it to define simple operating rules for each of its functional and operational divisions.

Internal control operations are revised annually, using a process that combines detailed tests of critical controls and self-evaluation questionnaires completed by the subsidiaries concerned. Data gathered in these questionnaires and tests is documented, consolidated and analyzed using a dedicated intranet tool. This review mechanism is reflected in the realization of dedicated action plans.

### Leadership

The Group's internal control unit:

- coordinates the Group's internal control operations and ensures that reviews are conducted in keeping with appropriate methodology;
- conducts internal audits at Group entities.

Assigning these two tasks to a single unit ensures consistent methodology and constant adaptation of audit procedures to the internal control risk areas.

For the main Group entities (France, Italy, United states), the Group's internal control department relies on local internal controllers who lead the approach in their respective units. In smaller subsidiaries, internal control is the responsibility of the head of each business unit. Regular audits by the Group's internal auditors and financial controllers ensure that Group procedures are properly implemented and enforced. The tools, procedures and results of internal control reviews are available to the Group's Statutory Auditors at all times, and there are regular consultations to optimize the internal control framework and coverage of risk areas.

In the Group as a whole, a total of around 16 staff members will be fully dedicated to internal control in 2012.

### ■ 7.4.7.3 PROCEDURES FOR PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION

#### Objectives

Internal control applied to accounts and finance must meet the following objectives:

- guarantee that the accounting and financial information published complies with regulations;
- ensure that instructions issued by the Group's general management are applied, where such information is concerned;

- preserve the Group's assets;
- detect and prevent fraud and accounting irregularities insofar as possible;
- guarantee the reliability of financial information and internal accounts, as well as the information disclosed to the markets.

### Contributors

Main contributors are:

- general management, insofar as it is responsible for setting up and structuring the Group's internal control system, as well as preparing financial statements for approval and publication;
- the Board of Directors that approves the financial statements, based in particular on the preparatory work conducted by the Audit Committee;
- the internal audit team, which, through its work, supplies various recommendations to General management and to the Audit Committee on areas for improving internal control applied to accounts and financial statements;
- external auditors who, through their work, express an independent opinion on published consolidated financial statements.

### Control mechanism

This mechanism is based on the definition and implementation of processes to prepare and review financial and accounting data so that it can be used internally for steering purposes, and so that it can be disclosed externally and published by the markets. The system is deployed through concerted action involving contributions from the following staff:

#### Financial managers in subsidiaries

Financial managers play a critical role in the finance function. Candidates for these positions are reviewed systematically by the Group's financial management, to ensure consistently outstanding levels of expertise.

#### Management control

The Group's management control plays an important role in the monitoring and control of subsidiary performance. It coordinates the preparation of annual budgets and regularly reviews achievements and estimates. This work relies on reporting and budget rules, which can be found in the internal control procedures manual.

All subsidiaries issue a detailed consolidation report every month, which includes a balance sheet, an income statement and analysis, allowing detailed monitoring of their performance.

### Corporate financial analysis

The corporate financial analysis unit prepares and analyzes the Group's consolidated financial statements. It prepares and circulates, on a monthly basis, a progress sheet showing the Group's consolidated performance and the difference between actual performance and targets.

Accounting data are consolidated by a dedicated team using the consolidation reports available online to all Group subsidiaries. Consolidated financial statements are prepared on a monthly basis, except at the end of July, according to a schedule circulated to all subsidiaries. This allows them to plan accordingly and provide the financial information in a timely manner.

Almost all consolidated entities have their annual and/or consolidation reports reviewed by the local affiliated offices of the Group's Statutory Auditors or by independent auditors.

### Cash flow management

Cash flow is monitored through specific Group procedures. Investment, borrowing and hedging transactions are centralized and controlled by the Group's Finance Department. All bank accounts are managed in accordance with the Group's treasury management, ensuring a degree of overall consistency in relationships with banks.

### IT Department

To ensure the reliability of accounting and financial data processing, Legrand has implemented a full set of IT procedures and data back-up plans for the various IT systems used by the Group.

Implementing internal controls has also strengthened and harmonized procedures and operations relating to IT systems, and improved protection and access conditions to systems and networks.

Internal control is managed by the Risk Management and Internal Control Department. Evaluation and test methods are in place and are applied annually at all Group subsidiaries where this is required. These methods, which are applied to each of the business's major financial and accounting cycles, ensure that fundamental controls for these cycles are both applied and operational.



## 7.4.8 - Financial ratings of the Company

At December 31, 2011, Legrand was rated as follows by financial rating agencies:

- Standard & Poor's: BBB+ positive outlook;
- Moody's: Baa1 stable outlook.

Fitch decided to stop the Company's rating.

Changes subsequent to December 31, 2011 and on the date of this Registration Document were as follows:

On February 22, 2012, the Company's rating from Standard & Poor's was upgraded from BBB+ positive outlook to A- stable outlook.

This information is disclosed in accordance with the Code of Corporate Governance recommendations.

## 7.4.9 - Report of the Statutory Auditors prepared as provided by article L.225-235 of the French Commercial Code

### **Statutory Auditors' report prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Legrand**

*This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L.225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Legrand on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.*

For the year ended December 31, 2011

Legrand

Société Anonyme

128, avenue du Maréchal de Lattre de Tassigny

87000 LIMOGES

To the Shareholders,

In our capacity as statutory auditors of Legrand (the "Company") and in accordance with Article L.225-235 of the French Commercial Code (*Code de Commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L.225-37 of the French Commercial Code for the year ended December 31, 2011.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and providing the other information required by Article L.225-37 of the French Commercial Code, particularly relating to corporate governance.

It is our responsibility:

- to report to you on the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, and
- to attest that the report sets out the other information required by Article L.225-37 of the French Commercial Code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

**Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information**

The professional standards require that we perform procedures to assess the fairness of the information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information set out in the Chairman's report. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of existing documentation;
- determining if any material weaknesses in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our engagement are properly described in the Chairman's report.

On the basis of our work, we have no matters to report on the information on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L.225-37 of the French Commercial Code.

**Other disclosures**

We hereby attest that the Chairman's report sets out the other information required by Article L.225-37 of the French Commercial Code.

Neuilly-sur-Seine, March 28, 2012

The Statutory Auditors

**PricewaterhouseCoopers Audit**

Gérard Morin  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

**Deloitte & Associés**

Jean-Marc Lumet  
185, avenue Charles de Gaulle  
92524 Neuilly-sur-Seine Cedex

## EMPLOYEES

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## 8.1 - NUMBER AND BREAKDOWN OF EMPLOYEES

The table below shows the average number of employees, including temporary employees, employed by the Group in 2011, 2010 and 2009, together with breakdowns by geographical locations and areas of employment.

	2011		2010		2009	
Total number of employees (annual average)	33,512		31,405		29,628	
<b>By geographical location:</b>						
France	6,554		6,676		7,036	
Italy	3,043		3,003		3,195	
Rest of Europe	5,857		5,777		5,715	
United States and Canada	2,573		2,048		2,102	
Rest of the World	15,485		13,902		11,580	
	of which Back Office	of which Front Office	of which Back Office	of which Front Office	of which Back Office	of which Front Office
Total number of employees (annual average)	81%	19%	81%	19%	80%	20%
<b>By geographical location:</b>						
France	86%	14%	86%	14%	85%	15%
Italy	82%	18%	82%	18%	83%	17%
Rest of Europe	78%	22%	77%	23%	76%	24%
United States and Canada	79%	21%	79%	21%	78%	22%
Rest of the World	80%	20%	80%	20%	78%	22%

The Group tries to achieve an appropriate match between workforce numbers and economic conditions, customer relationships, the development of new products and renewal of existing lines. Optimizing operations for greater efficiency is

a permanent aim, achieved through constant efforts to improve productivity, and streamline and improve working methods.

## 8.2 - STOCK OPTION PLANS

### 8.2.1 - 2007, 2008, 2009 and 2010 stock option plans

**Table 8 - Breakdown of stock options 2007-2010**

The Company's Board of Directors approved the implementation of the stock option plans listed below.

Information on stock options	2007 plan	2008 plan	2009 plan	2010 plan
Date of Board of Directors' Meeting	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010
Total number of options	1,638,137	2,015,239	1,185,812	3,254,726
of which to executive directors	79,281	141,231	93,964	217,646
■ Gilles Schnepf	40,745	72,583	48,300	134,351
■ Olivier Bazil	38,536	68,648	45,664	83,295
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	March 5, 2014
End of the option exercise period	May 15, 2017	March 5, 2018	March 4, 2019	March 4, 2020
Option exercise price	€25.20	€20.58	€13.12	€21.82
Options cancelled during 2007 and 2008	(55,042)	(20,439)		
Options cancelled during 2009	(25,105)	(32,057)	(21,093)	
Options cancelled during 2010	(13,830)	(19,112)	(18,739)	(75,317)
Options exercised in 2010	(2,046)	(2,853)	(1,852)	
Options cancelled during 2011	(10,643)	(31,760)	(33,552)	(75,713)
Options exercised in 2011	(100,965)	(1,614)	(732)	(3,703)
<b>Outstanding options as of December 31, 2011</b>	<b>1,430,506</b>	<b>1,907,404</b>	<b>1,109,844</b>	<b>3,099,993</b>

In 2011, the number of options exercised from the 2007, 2008, 2009 and 2010 plans was 100,965, 1,614, 732 and 3,703, respectively.

If all options under these plans were to be exercised, the Company's capital would be diluted by a maximum of 2.9% (this dilution is the maximum possible as it does not take into account the exercise price of these options).

The fair value of the share-based payment instruments is measured on their 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	2010 plan
Risk-free rate	4.35%	3.40%	2.25%	2.91%
Expected volatility	28.70%	30.00%	38.40%	28.00%
Expected return	1.98%	3.47%	5.00%	3.20%

## 8.2.2 - Summary table

**Table 9 – Options granted to and exercised by the ten highest beneficiaries who are not executive directors**

The table below shows the options granted to and exercised by the ten highest beneficiaries who were not executive directors of the Company during the financial year ended December 31, 2011:

Stock options granted to and exercised by ten highest beneficiaries who are not executive directors	Total number of options granted/ exercised	Weighted average exercise price	2011 plan	2010 plan	2009 plan	2008 plan	2007 plan
Options granted during the year by the issuer and companies within the scope of the option plan to the ten employees of the issuer and those companies included in the scope to which the highest number of options was granted (total)	Nil	-	-	-	-	-	-
Options previously granted by the issuer and the companies referred to above and exercised in the course of the year by the ten employees of the issuer and those companies having purchased or subscribed the highest number of shares (total)	44,401	28.89	-	3,703	732	1,614	38,352

Information on options granted to and exercised by executive directors during the year ended December 31, 2011 is included in section 7.2.1.2 of this Registration Document.

## 8.3 - GRANTS OF PERFORMANCE SHARES

The Company's Board of Directors approved the implementation of the performance share plans listed below.

Information on performance share plans	2007 plan	2008 plan	2009 plan	2010 plan	2011 plan
Date of Board of Directors' Meeting	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010	March 3, 2011
Total number of performance shares granted	533,494	654,058	288,963	896,556	1,592,712
of which to executive directors	26,427	47,077	23,491	62,163	127,888
■ Gilles Schnepf	13,582	24,194	12,075	38,373	65,737
■ Olivier Bazil	12,845	22,883	11,416	23,790	62,151
Performance shares vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct.					
Vesting/exercise conditions					
Performance shares cancelled during 2007 and 2008	(16,993)	(6,145)			
Performance shares vested during 2008	(546)				
Performance shares vested during 2009	(253,880)	(400)			
Performance shares cancelled during 2009	(6,428)	(9,905)	(6,281)		
Performance shares vested during 2010	(682)	(329,359)	(463)		
Performance shares cancelled during 2010	(2,397)	(2,908)	(3,845)	(21,358)	
Performance shares vested during 2011	(250,040)	(538)	(120,818)	(1,058)	(1,446)
Performance shares cancelled during 2011	(2,528)	(7,358)	(7,972)	(21,635)	(34,090)
<b>Outstanding performance shares as of December 31, 2011</b>	<b>0</b>	<b>297,445</b>	<b>149,584</b>	<b>852,505</b>	<b>1,557,176</b>

If all these shares were to vest, the Company's share capital would be diluted by 1.1%.

In accordance with the authorization to grant performance shares given by the Shareholders' General Meeting on May 26, 2011, the Board of Directors at its meeting on March 7, 2012, approved a plan to grant 985,656 performance shares as follows:

Transaction concerned	Duration of authorization and expiry date	Maximum number of performance shares that can be granted	Beneficiaries
<b>Allotment of performance shares on one or more occasions</b>	26 months July 26, 2013	4% of the Company's capital on the date the shares are granted (overall limit of 4% of the share capital for the authorization to grant options and the authorization to grant performance shares)	Certain employees and/or executive directors of the Company and affiliated companies

Information on performance shares plan	2012 plan
Date of Board of Directors' Meeting	March 7, 2012
Total number of performance shares granted	985,656
of which to the executive director	30,710
Vesting conditions	Shares vest after a maximum of 4 years, except in the event of resignation or termination for wilful misconduct

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



## 8.4 - PROFIT-SHARING, EMPLOYEE SHARE OWNERSHIP/SAVINGS PLANS AND COMPANY INVESTMENT FUND

Under French law, the French entities in the Group are required to share profits with employees when their after-tax profit exceeds a certain level.

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.

At the Group level, total charges for the two kinds of profit-sharing were €37.8 million in 2011 and €38.0 million in 2010.

In France, new statutory and discretionary profit-sharing agreements were signed on May 4, 2011 and June 1, 2010, respectively, by Legrand and its French subsidiaries. Alpes Technologies and Intervox Systèmes also became parties to these agreements in 2010 and 2011, respectively. Total charges for the two kinds of profit-sharing for the year ended December 31, 2011 were €31.7 million, or 12.89% of payroll in France. The particular arrangements described below are those that concern Legrand and its French subsidiaries, these being the most significant.

### 8.4.1 - Statutory profit-sharing

All employees on the payroll of the Company or one of its French subsidiaries for more than three months are entitled to a share, proportionate to their salary and length of employment during the year in question, of the amount allocated to a *réserve spéciale de participation* (special profit-sharing reserve), which may be calculated on the basis of total operating profit and sales in accordance with company agreements or, where this is

to the advantage of employees, in accordance with the general provisions of law. Since the December 3, 2008 law in favor of earned income, these amounts may be paid immediately or be frozen for a five-year period, the choice being left up to each employee. In 2011, a total of €10.7 million was paid in respect of the year ended December 31, 2010.

### 8.4.2 - Discretionary profit-sharing

All employees on the payroll of the Company or one of its French subsidiaries for more than three months receive a fraction of profit proportional to their gross compensation. This amount, which may be paid immediately, must not, however, exceed 20%

of the employee's total annual compensation. In 2011, a total of €20.1 million was paid in respect of the year ended December 31, 2010.

### 8.4.3 - Employee savings plan

On January 30, 2004, the Company and its French subsidiaries set up a new employee savings plan (*Plan d'Épargne d'Entreprise groupe Legrand*). In accordance with the law, this plan allows all employees of the Group in France for over three months to build savings through different investment funds (*Fonds Commun de Placement*) of their choice, managed by an accredited institutions.

The sums paid into employees' savings accounts, which are by law frozen for a period of five years, may include statutory profit-sharing, discretionary profit-sharing, and voluntary payments, subject to legal limitations. Administrative costs are borne by the company.

This employee savings plan is effective for a renewable term of one year.

In 2006, a special employee savings plan was set up under the name *Legrand Actionnariat* to allow employees of the Group in

France to collectively take advantage of the Company's initial public offering at a discount to the offering price. This plan expired on May 2, 2011.

#### 8.4.4 - Company investment fund

As explained above, employees of the Group in France may invest, as they choose, the amounts credited to them but remaining frozen in various investment funds set up in accordance with the relevant provisions of the law.

In 2003, Legrand set up a new fund, in addition to those already existing, under the name *Legrand Obligations Privées* (Legrand private-sector bonds), allowing employees of the Group in France to invest their profit-sharing payments in this fund during the period they remain frozen and earn a financial return similar to the rate of interest paid on the frozen employee accounts previously used for this purpose. In 2011, this return was set at 5.5%. At December 31, 2011, employee investments in this fund totaled €52.7 million.

On the occasion of the Company's initial public offering and the related capital increase reserved for employees, employees were allowed, as regards their participation in the savings plan, to choose between two compartments of the Legrand Cap 2011 fund set up for this purpose, one being Legrand Prudence and the other Legrand Performance. Units of these funds were frozen for five years from May 2, 2006, the settlement and delivery date for the capital increase reserved for employees. Additionally, since May 2, 2011, employees have been able to liquidate their investments or allocate their units to other existing investment funds.



## SHARE OWNERSHIP

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## 9.1 – BREAKDOWN OF SHARE CAPITAL

Unless otherwise indicated, the information presented in this chapter is dated December 31, 2011.

### 9.1.1 - Shareholding structure

Legrand's shareholding structure in the last three years and at March 23, 2012, is as follows:

(in %)	March 23, 2012		December 31, 2011		December 31, 2010		December 31, 2009	
	Capital	Voting rights	Capital	Voting rights	Capital	Voting rights	Capital	Voting rights
Wendel <sup>(1)</sup>	5.84	10.63	5.84	10.11	19.43	27.69	24.93	32.37
KKR <sup>(1)</sup>	-	-	5.84	10.11	17.04	24.27	24.93	32.37
<b>TOTAL CONCERT</b>	-	-	<b>11.69</b>	<b>20.21</b>	<b>36.47</b>	<b>51.96</b>	<b>49.86</b>	<b>64.74</b>
Free float	89.82	81.93	83.98	72.77	58.41	41.72	44.47	28.98
Legrand management and employees (Employee savings plan (PEE)) <sup>(2)</sup>	4.26	7.37	4.12	6.84	4.82	6.10	5.19	5.97
Treasury stock <sup>(3)</sup>	0.08	0.07	0.21	0.18	0.30	0.22	0.48	0.31
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

(1) Until March 8, 2012, Wendel and KKR were bound by a shareholders' agreement in which they have declared acting in concert in respect of the Company. For further information on the termination of the concert between these two shareholders, please refer to section 9.1.2 of this Registration Document.

(2) Relates to shares held in registered form by managers and the former managers which have exercised functions in the Group and to shares held by employees in the employee savings investment funds (FCPE).

(3) Voting rights cannot be used at General Meetings.

The Company was notified of the following breaches of legal thresholds:

- Morgan Stanley Investment Management Inc. declared to the *Autorité des marchés financiers* that it held 5.90% of the Company's share capital and 4.73% of voting rights, having exceeded the legal threshold of 5% of the Company's share capital on November 9, 2011;
- on November 14, 2011, as part of Wendel's and KKR's sale of shares representing approximately 9.2% of the Company's share capital:
  - Financière Light III Sàrl, controlled by KKR, declared to the *Autorité des marchés financiers* that it held 5.84% of the Company's share capital and 10.11% of voting rights, having separately broken below the legal thresholds of 10% of the Company's share capital and 15% of voting rights on November 8, 2011,
  - Legron B.V., controlled by Wendel, declared to the *Autorité des marchés financiers* that it held 5.84% of the Company's

share capital and 10.11% of voting rights, having separately broken below the legal thresholds of 10% of capital and 15% of voting rights on November 8, 2011,

- acting in concert, Financière Light III Sàrl and Legron B.V. declared to the *Autorité des marchés financiers* that they held 11.69% of the Company's share capital and 20.21% of voting rights, having broken below the legal thresholds of 20% and 15% of capital and 1/3, 30% and 25% of voting rights on November 8, 2011;
- Morgan Stanley Investment Management Inc. declared to the *Autorité des marchés financiers* that it held 5.96% of the Company's share capital and 5.15% of voting rights, having exceeded the legal threshold of 5% of voting rights on November 14, 2011;
- MFS Institutional Advisors Inc., acting on behalf of clients and funds it manages, declared to the *Autorité des marchés financiers* that: (i) it exceeded the legal threshold of 5% of the Company's share capital on February 2, 2012 and held 5.10%

of the Company's share capital and 4.41% of voting rights; and (ii) it broke below the legal threshold of 5% of the Company's share capital on February 6, 2012 and held 4.89% of the Company's share capital and 4.23% of voting rights;

- on March 13, 2012, as part of Financière Light III Sàrl's sale of a block of shares representing 4.83% of the Company's share capital:
  - acting in concert, Financière Light III Sàrl and Legron B.V. declared to the *Autorité des marchés financiers* that they had broken below the thresholds of 20% and 15% of voting rights, and 10% and 5% of the Company's share capital and voting rights and no longer held, in concert, any shares in the Company,

- Financière Light III Sàrl declared to the *Autorité des marchés financiers* that it had separately broken below the thresholds of 10% of voting rights and 5% of the Company's share capital and voting rights and separately held 1.01% of the Company's share capital and 1.82% of voting rights.

To the best of the Company's knowledge, and based on the breaches of thresholds filed with the *Autorité des marchés financiers*, no shareholder, other than Wendel, Morgan Stanley Investment Management Inc., MFS Institutional Advisors Inc., Capital Research and Management Company <sup>(1)</sup> and BlackRock Inc. <sup>(2)</sup>, has declared that it holds more than 5% of its share capital as of the date of this Registration Document.

## 9.1.2 - Principal shareholders

Until March 8, 2012, Wendel and KKR, major shareholders in the Company, held in concert 11.69% of the Company's share capital and 20.21% of voting rights.

On March 8, 2012, KKR sold 12,730,394 shares in the Company, *i.e.*, 4.83% of the share capital <sup>(3)</sup>. As a result of this sale of shares, KKR's broke below the threshold of 5% of the Company's voting rights, and the shareholders' agreement entered into on April 6, 2011 between Wendel and KKR, pursuant to which they declared acting in concert in respect of the Company, expired in accordance with the provisions of this agreement. On March 14, 2012, KKR sold the balance of its stake in the Company's share capital, *i.e.*, 2,659,412 shares, representing 1.01% of the Company's share capital and 1.82% of voting rights.

Following these different sale transactions, Wendel's and KKR's stake in the Company's share capital is as follows on March 23, 2012:

- the concert formed by these two shareholders until March 8, 2012 no longer holds any shares in the Company;
- separately, KKR no longer holds any shares in the Company; and
- separately, Wendel holds 5.84% of the Company's share capital and 10.63% of voting rights.

(1) Based on the disclosure of ownership thresholds dated October 11, 2010 filed with the *Autorité des marchés financiers* (7.17% of the share capital and 5.11% of the voting rights on the date of said disclosure).

(2) Based on the disclosure of ownership thresholds dated September 28, 2010 filed with the *Autorité des marchés financiers* (6.38 % of the share capital and 4.54 % of the voting rights on the date of said disclosure).

(3) Based on the disclosure of ownership thresholds dated March 13, 2012 filed with the *Autorité des marchés financiers*.

## 9.2 - SHAREHOLDERS' AGREEMENT AND SPECIFIC AGREEMENTS

On March 21, 2006, Wendel and KKR entered into a shareholders' agreement on the occasion of the Company's initial public offering. After this agreement expired on April 6, 2011, Wendel and KKR entered into a new shareholders' agreement on the same day to continue cooperating with respect to the management of their shareholding as well as the governance of the Company, to act in concert in respect of the Company and to grant mutual first offer and tag-along rights in the event of certain transfers of shares of the Company by either party (the "Agreement").

Following KKR's sale of its stake (see section 9.1.2 of this chapter), this Agreement expired on March 8, 2012.

For information, the main provisions of the Agreement with respect to the governance of the Company and to the transfer of shares, as agreed between KKR and Wendel and reported to the Company and the *Autorité des marchés financiers*, are described below. For further information on the provisions of the Agreement, see section 10.2 of the Company's 2010 Registration Document available on the Company's website ([www.legrand.com](http://www.legrand.com)).

### Governance of the Company and strategic decisions:

Wendel and KKR undertook to:

- make their best effort to ensure that the Board of Directors includes two members appointed by each party to the Agreement holding directly or indirectly at least 10% of the Company's voting rights or share capital or, if such shareholding was less than 10%, one member appointed by each party to the Agreement holding directly or indirectly at least 5% of the Company's voting rights or share capital. For information and as of the date of this Registration Document, two members of the Board of Directors have been appointed by Wendel and KKR, respectively;
- make their best effort to ensure that the Board of Directors keeps comprising its specialized committees and that (i) membership of the committees be agreed between Wendel and KKR (ii) each party to the Agreement holding directly or indirectly at least 5% of the Company's voting rights or share capital be represented by one member within each committee and (iii) the chairmanship of these committees be allotted in line with the allocation existing as at April 6, 2011; and
- consult with each other to discuss a common position prior to any meeting of the Board of Directors called to vote on certain subjects, such as the creation of a joint venture, the acquisition of business, the annual budget, a change in corporate governance, etc.

### Transfer of Company shares

Wendel and KKR have authorized each other to freely dispose of their stake in the Company subject to the following: (i) to give prior notice to the other party, (ii) prohibition to sell to an industrial company any block of Company shares whose gross sale value would exceed €100 million, without the prior written consent of the other party, and (iii) to limit the sales initiated by a party, not including Block Sales and Authorized Sales (as those terms are defined below), to €100 million in any 30-day period and shall not represent more than 15% of the total average daily trading volumes in the Company's shares during any 30-day period.

In addition, pursuant to the Agreement, Wendel and KKR benefited of a right of first offer and a tag-along right as described below:

- right of first offer: Wendel and KKR each had a right of first offer if the other party plans to sell shares in the Company to a third party whenever a sale is carried out, through (i) a block sale of Company shares where the selling party can reasonably expect the proceeds to be more than €100 million (the "Block Sale"), or (ii) a secondary public offering managed by a banking syndicate. Should this right be exercised, the selling party could not (with certain exceptions) sell the shares to a third party at a lower price; and
- tag-along right: in the event of a Block Sale, the non-initiating party informed of the sale could also decide to sell a percentage of the shares in proportion to the total number of Legrand shares held. Should this right not be exercised, the initiating party could sell all of the shares that were the subject of the block sale under consideration. This tag-along right did not apply in case of (i) any secondary public offering managed by a banking syndicate pursuant to an underwriting agreement, and (ii) any takeover bid or exchange offer for Company shares or any other techniques used to buy back shares held by the public.

The Agreement specified that this right of first offer and this tag-along right did not apply in case of (i) any sale of Company shares to Wendel or KKR shareholders or companies controlled by either Wendel or KKR; (ii) any sale of shares by Wendel or KKR via a dividend payment, share buyback, public offering, spin-off or merger; or (iii) any issue by Wendel or KKR of any securities giving access to the Company's shares (notably bonds exchangeable for shares in the Company) (the "Authorized Sales").

In accordance with the provisions of this Agreement, the Agreement was terminated following KKR's downward breach of the 5% of the Company's voting rights threshold on March 8, 2012.

Consequently, and to the best of the Company's knowledge, there are no longer, on the date of this Registration Document, any shareholders' agreements in force governing the relationships between Company shareholders.

## 9.3 - RELATED PARTY TRANSACTIONS

Significant transactions entered into by, or continued between, the Company and related parties (see note 23 to the consolidated financial statements included in chapter 10 of this Registration Document, as well as the Statutory Auditors' special report in section 9.4 of this chapter) and which remain in effect at the date of this Registration Document, are, to the exclusion of those relating to inter-company debt, as follows:

- the 2011 refinancing agreement, considered a related-party transaction due to the beneficiaries, Legrand, as borrower and guarantor, and a number of its subsidiaries, as borrowers (see section 9.4 of this chapter, Statutory Auditors' special report on regulated agreements and commitments with third parties);
- the factoring contract with BNP Paribas Factor, considered a related-party transaction due to the beneficiary, Legrand and a number of its subsidiaries (see section 9.4 of this chapter, Statutory Auditors' special report on regulated agreements and commitments with third parties);
- a non-compete commitment in connection with Mr. Gilles Schnepf's status as executive director (see section 9.4 of this chapter, Statutory Auditors' special report on regulated agreements and commitments with third parties);
- the tax consolidation agreement, the scope of which includes, among others, Legrand, Legrand France, Alpes Technologies, Prefatech, Chessy, Distrasa, Legrand SNC, Pammelec, Planet Watthom, Sarlam, URA, Groupe Arnould, Châteaudun Développement 3 and ICM Group;
- the supplementary pension plan for the members of the Group's Executive Committee subject to the public pension regime for payroll employees in France. Supplementary pension entitlements are calculated to ensure that the beneficiaries receive a total retirement pension equal to 50% of the average of the two highest amounts of annual compensation received during the last three years of employment with Legrand. To receive the supplementary pension, the person concerned must have at least reached the legal retirement age and must have been employed by Legrand for at least ten years. Upon such a beneficiary's death, the beneficiary's surviving spouse will receive 60% of the pension;
- the 2006 credit facility agreement, considered a related-party transaction due to the beneficiaries, Legrand and a number of its subsidiaries, as borrowers (see section 9.4 Statutory Auditors' special report on regulated agreements and commitments with third parties, in this Registration Document).



## 9.4 - STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

### Shareholders' Meeting held to approve the financial statements for the year ended December 31, 2011

*This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on related agreements and commitments should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

Legrand

Société Anonyme

128, avenue du Maréchal de Lattre de Tassigny

87000 Limoges

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related party agreements and commitments.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de Commerce*), to assess the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments already authorized by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

#### ■ AGREEMENTS AND COMMITMENTS SUBMITTED TO THE APPROVAL OF THE SHAREHOLDERS' MEETING

##### Agreements and commitments authorized during the year

Pursuant to Article L. 225-40 of the French Commercial Code, the following agreements and commitments, which were previously authorized by your Board of Directors, have been brought to our attention.

##### Contract entered into with Mr. Olivier Bazil

Having reached the age limit set by the Company bylaws, Mr. Olivier Bazil's term of office as Vice-President and Deputy Chief Operating Officer ended at the close of the Shareholders' Meeting held on May 26, 2011. On the same date, the Board of Directors agreed in advance to a contract between the Company and Mr. Olivier Bazil, in his capacity as Director and member of the Strategic Committee, so that he might continue to monitor and provide insight to the Board of Directors and the Strategic Committee regarding the Company's strategic projects and more specifically on those he was responsible for prior to the termination of his duties.

As a consideration for this special assignment which ended on December 31, 2011, Mr. Olivier Bazil received a total of €345,000.

*Individual concerned:* Mr. Olivier Bazil, Director of the Company.

#### **Guarantee given to subsidiaries as part of the new Facility Agreement**

On October 20, 2011, the Company, acting as a borrower and a guarantor, and certain of its subsidiaries, Legrand France S.A. and Legrand Netherlands B.V., acting as borrowers, entered into a Multi Currency Revolving Facility Agreement with BNP Paribas, Société Générale Corporate & Investment Banking, Credit Agricole Corporate & Investment Bank, Crédit Industriel et Commercial (Crédit Mutuel CIC Group), HSBC France and Natixis, whose principal purpose was the set-up of new multi currency credit lines for a maximum amount of €900,000,000. At December 31, 2011, none of these lines had been drawn down.

This financing agreement stipulates that the Company shall act, vis-à-vis the lending banks, as joint guarantor of its subsidiaries' payment and repayment obligations under this agreement, including the obligations of such subsidiaries as may become parties to the agreement in future. This non-interest bearing guarantee was previously authorized by the Company's Board of Directors in a meeting held on July 27, 2011, in accordance with the provisions of Article L. 225-35 of the French Commercial Code.

*Individual concerned:* Messrs. Gilles Schnepf, Olivier Bazil and François Grappotte, Directors of Legrand France S.A. and/or Legrand Netherlands B.V. and/or any subsidiaries which may become parties to the agreement in future.

### **■ AGREEMENTS AND COMMITMENTS PREVIOUSLY APPROVED BY THE SHAREHOLDERS' MEETING**

#### **Agreements and commitments authorized in previous years and having continuing effect during the year**

Pursuant to Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years have had continuing effect during the year.

#### **Tax consolidation agreement**

The Company has opted for the tax consolidation regime. The scope of the consolidated tax group headed by the Company was amended to retroactively incorporate as from January 1, 2003 Legrand France and the companies in the scope of Legrand France's consolidated tax group prior to the acquisition of over 95% of Legrand France's capital by Legrand. These companies include: Chessy, Distrasa, Legrand SNC, Pammelec, Planet Wattohm, Sarlam, Ura and Groupe Arnould. In addition, Châteaudun Développement 3 and ICM Group – which were acquired in 2005 – joined the consolidated tax group in 2006, as well as Alpes Technologies and Prefatech in 2009.

Tax savings made by the group through the use of tax losses of loss-making members of the consolidated tax group are not paid back to the companies concerned by Legrand when they return to profit.

#### **Facility Agreement**

BNP Paribas, Crédit Mutuel – CIC, Natexis Banque Populaire, the Royal Bank of Scotland Plc and Société Générale, acting as lenders, entered into a Facility Agreement for the benefit of Legrand France, Van Geel Legrand B.V. and Legrand, acting as borrowers, with BNP Paribas acting as Facility Agent and Swingline Agent and the Company as party to the Agreement in the capacity of Guarantor.

Pursuant to this agreement, the lenders provided Legrand France, Van Geel Legrand B.V. and Legrand, acting as borrowers, with a maximum borrowing facility of €2,200,000,000.

The Facility Agreement borrowing costs totaled €3.4 million in respect of the fiscal year ended December 31, 2011.

In October 2011, the Company had repaid and cancelled Tranche B of the 2006 agreement as part of the new Facility Agreement approved on July 27, 2011.

#### **Factoring Agreement with BNP Paribas Factor**

This Factoring Agreement authorized by your Company and entered into by Legrand SNC, an indirect subsidiary of the Company, involves the periodic transfer of receivables without recourse to the financial institution BNP Paribas Factor.

The fees and commissions relating to this Agreement amounted to €0.6 million for Legrand SNC with respect to fiscal year 2011, and the balance of receivables transferred as at December 31, 2011 stood at €10.4 million.

#### **Agreement with Mr. Olivier Bazil, Director of the Company**

This agreement sets the methods for calculating supplementary pension benefits payable to Mr. Olivier Bazil, as well as to all other eligible members of the Executive Committee. These benefits act as a top-up to statutory pension entitlements and apply to Executive Committee members who have at least ten years' service within the Company and are at least 60 years of age when they retire. Under the supplementary plan, benefits are calculated with a view to providing eligible members with an overall pension (including statutory

benefits) representing 50% of the average of their highest two years' compensation (including bonuses and indemnities) out of the three years preceding their departure from the Company. The plan also provides for the spouse to be paid a reversionary pension in the event of a plan member's death, representing 60% of the total benefits.

Mr. Olivier Bazil claimed his retirement entitlements as from May 31, 2011, which caused the agreement to take effect. Accordingly, Mr. Olivier Bazil received a supplementary pension totaling €224,272.

### **Agreements and commitments authorized in previous years but not enforced during the year**

We have been advised that the following agreements and commitments already authorized in previous years by the Shareholders' Meeting have had continuing effect but were not enforced during the year.

#### **Amendment to the employment contract of Mr. Olivier Bazil's, Director of the Company**

The lump-sum compensation payable on termination and under the non-competition clause, which had been incorporated into Mr. Olivier Bazil's employment contract pursuant to the Board of Directors' decision of November 13, 2001 has been withdrawn.

The standard non-competition clause corresponding to the terms and conditions defined in the Collective Bargaining Agreement for the Metallurgy Industry, which had been incorporated into Mr. Olivier Bazil's employment contract at the end of 2003, at the same time as the other Executive Committee members' contracts, has been maintained. This clause entitles the Company, at its sole initiative, to impose on the individuals concerned an obligation not to compete for a period of one to two years from the date they leave the Company, in return for compensation set at 50% of their base salaries (fixed and variable).

As Mr. Olivier Bazil claimed his retirement entitlements as from May 31, 2011, date on which his duties as an employee ended, the Board of Directors decided, on May 26, 2011, to release Mr. Olivier Bazil from all his obligations under the non-competition clause, without consideration or compensation.

#### **Agreement with Mr. Gilles Schnepf, CEO of the Company**

This agreement sets the methods for calculating supplementary pension benefits payable to Mr. Gilles Schnepf, as well as to all other eligible members of the Executive Committee. These benefits act as a top-up to statutory pension entitlements and apply to Executive Committee members who have at least ten years' service within the Company and are at least 60 years of age when they retire. Under the supplementary plan, benefits are calculated with a view to providing eligible members with an overall pension (including statutory benefits) representing 50% of the average of their highest two years' compensation (including bonuses and indemnities) out of the three years preceding their departure from the Company. The plan also provides for the spouse to be paid a reversionary pension in the event of a plan member's death, representing 60% of the total benefits.

#### **Non-competition clause attached to the corporate office of Mr. Gilles Schnepf, Chairman and CEO of the Company**

This two-year non-competition clause may solely be enforced at the Company's initiative. As a consideration for this obligation, should the Company decide to enforce it, Mr. Gilles Schnepf would receive a monthly compensation equivalent to 50% of the average monthly fixed and variable remuneration he received over his last twelve months of service within the Company.

Neuilly-sur-Seine, March 28, 2012

The Statutory Auditors

#### **PricewaterhouseCoopers Audit**

Gérard Morin  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

#### **Deloitte & Associés**

Jean-Marc Lumet  
185, avenue Charles de Gaulle  
92524 Neuilly-sur-Seine Cedex

# 10

## CONSOLIDATED FINANCIAL INFORMATION CONCERNING THE GROUP'S ASSETS, LIABILITIES, FINANCIAL POSITION AND RESULTS

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## 10.1 - CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

### 10.1.1 - Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

#### 10.1.1.1 CONSOLIDATED STATEMENT OF INCOME IN ACCORDANCE WITH IFRS STANDARDS

(in € millions)	Legrand 12 months ended December 31,	
	2011	2010*
<b>Revenue (Note 1 (I))</b>	<b>4,250.1</b>	<b>3,890.5</b>
<b>Operating expenses</b>		
Cost of sales	(2,028.0)	(1,812.8)
Administrative and selling expenses	(1,137.4)	(1,051.2)
Research and development costs	(201.6)	(183.1)
Other operating income (expense) (Note 18 (b))	(70.8)	(85.8)
<b>Operating profit (Note 18)</b>	<b>812.3</b>	<b>757.6</b>
Finance costs (Note 19 (b))	(97.2)	(82.9)
Financial income (Note 19 (b))	15.0	11.7
Exchange gains (losses) (Note 19 (a))	10.6	(39.8)
Finance costs and other financial income and expense, net	(71.6)	(111.0)
<b>Profit before tax</b>	<b>740.7</b>	<b>646.6</b>
Income tax expense (Note 20)	(261.4)	(227.1)
<b>Profit for the period</b>	<b>479.3</b>	<b>419.5</b>
<b>Attributable to:</b>		
■ Legrand	<b>478.6</b>	<b>418.3</b>
■ Minority interests	<b>0.7</b>	<b>1.2</b>
Basic earnings per share (in euros) (Notes 10 and 1 (t))	1.822	1.595
Diluted earnings per share (in euros) (Notes 10 and 1 (t))	1.762	1.539

\* 2010 data adjusted as described in Note 1 (A).

# CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

## Statement of Comprehensive Income

<i>(in € millions)</i>	December 31, 2011	December 31, 2010
Profit for the period	479.3	419.5
<i>Items that may be reclassified subsequently to profit or loss</i>		
Translation reserves (Notes 1 (n) and 12 (b))	(39.4)	99.7
Deferred taxes on hedges on net investments in foreign operations	3.3	7.4
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses (Notes 1 (r) and 15)	(9.3)	(9.1)
Deferred taxes on actuarial gains and losses	2.8	3.1
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>436.7</b>	<b>520.6</b>

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

### 10.1.1.2 CONSOLIDATED BALANCE SHEET IN ACCORDANCE WITH IFRS STANDARDS

#### Assets

(in € millions)	Legrand	
	December 31, 2011	December 31, 2010
<b>Current assets</b>		
Cash and cash equivalents (Notes 1 (e) and 9)	488.3	232.3
Income tax receivables	15.0	18.2
Trade receivables (Notes 1 (f) and 7)	534.9	496.4
Other current assets (Note 8)	141.9	127.5
Inventories (Notes 1 (j) and 6)	601.0	549.1
Other current financial assets (Note 22)	0.2	0.6
<b>TOTAL CURRENT ASSETS</b>	<b>1,781.3</b>	<b>1,424.1</b>
<b>Non-current assets</b>		
Intangible assets (Notes 1 (g) and 2)	1,767.4	1,768.0
Goodwill (Notes 1 (h) and 3)	2,403.5	2,132.2
Property, plant and equipment (Notes 1 (i) and 4)	605.9	613.4
Other investments (Note 5)	0.9	32.3
Deferred tax assets (Notes 1 (k) and 20)	91.9	90.1
Other non-current assets	4.6	4.6
<b>TOTAL NON-CURRENT ASSETS</b>	<b>4,874.2</b>	<b>4,640.6</b>
<b>TOTAL ASSETS</b>	<b>6,655.5</b>	<b>6,064.7</b>

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

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR  
THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

## Liabilities and equity

(in € millions)	Legrand	
	December 31, 2011	December 31, 2010
<b>Current liabilities</b>		
Short-term borrowings (Notes 1 (u) and 16)	218.0	216.8
Income tax payable	31.3	46.9
Trade payables	435.0	432.0
Short-term provisions (Note 14)	107.3	113.8
Other current liabilities (Note 17)	483.9	443.2
Other current financial liabilities (Note 22)	2.0	0.3
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,277.5</b>	<b>1,253.0</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities (Notes 1 (k) and 20)	644.2	633.5
Long-term provisions (Note 14)	96.3	91.6
Other non-current liabilities	0.5	0.7
Provisions for pensions and other post-employment benefits (Notes 1 (r) and 15)	148.7	136.9
Long-term borrowings (Notes 1 (u) and 13)	1,539.1	1,213.0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>2,428.8</b>	<b>2,075.7</b>
<b>Equity</b>		
Share capital (Note 10)	1,053.6	1,052.6
Retained earnings (Note 12 (a))	2,064.3	1,810.7
Translation reserves (Note 12 (b))	(172.1)	(132.7)
Equity attributable to equity holders of Legrand	2,945.8	2,730.6
Minority interests	3.4	5.4
<b>TOTAL EQUITY</b>	<b>2,949.2</b>	<b>2,736.0</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>6,655.5</b>	<b>6,064.7</b>

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



### ■ 10.1.1.3 CONSOLIDATED STATEMENT OF CASH FLOWS IN ACCORDANCE WITH IFRS STANDARDS

(in € millions)	Legrand 12 months ended December 31,	
	2011	2010
<b>Profit for the period</b>	<b>479.3</b>	<b>419.5</b>
Reconciliation of profit for the period to net cash provided of operating activities:		
■ Depreciation expense (Note 18 (a))	111.0	120.2
■ Amortization expense (Note 18 (a))	40.6	46.2
■ Amortization of development costs (Note 18 (a))	30.3	25.1
■ Amortization of finance costs	1.0	2.0
■ Impairment of goodwill (Notes 3 and 18 (b))	15.9	0.0
■ Changes in deferred taxes	7.4	1.7
■ Changes in other non-current assets and liabilities	38.0	35.2
■ Exchange (gains)/losses, net	(7.3)	23.3
■ Other adjustments	0.6	1.7
(Gains)/losses on sales of assets, net	(2.4)	(1.9)
Changes in operating assets and liabilities:		
■ Inventories	(33.3)	(87.5)
■ Trade receivables	(20.6)	47.2
■ Trade payables	(8.2)	57.3
■ Other operating assets and liabilities	(6.1)	59.4
<b>Net cash of operating activities</b>	<b>646.2</b>	<b>749.4</b>
Net proceeds from sales of fixed and financial assets	13.5	8.9
Capital expenditure	(107.1)	(82.5)
Capitalized development costs	(29.9)	(30.3)
Changes in non-current financial assets and liabilities	0.6	0.0
Acquisitions of subsidiaries, net of cash acquired (Note 3)	(342.4)	(257.2)
Investments in non-consolidated entities	0.0	(31.4)
<b>Net cash of investing activities</b>	<b>(465.3)</b>	<b>(392.5)</b>
■ Proceeds from issues of share capital and premium (Note 10)	2.7	0.4
■ Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 10)	0.7	3.1
■ Dividends paid to equity holders of Legrand	(231.4)	(183.7)
■ Dividends paid by Legrand subsidiaries	0.0	(0.5)
■ Proceeds from new borrowings and drawdowns	433.4	330.6
■ Repayment of borrowings	(96.2)	(193.3)
■ Debt issuance costs	(7.1)	(2.7)
■ Proceeds from sales (purchases) of marketable securities	0.0	0.0
■ Increase (reduction) in bank overdrafts	(25.9)	(264.0)
<b>Net cash of financing activities</b>	<b>76.2</b>	<b>(310.1)</b>
Effect of exchange rate changes on cash and cash equivalents	(1.1)	12.0
<b>Increase in cash and cash equivalents</b>	<b>256.0</b>	<b>58.8</b>
Cash and cash equivalents at the beginning of the period	232.3	173.5
<b>Cash and cash equivalents at the end of the period (Note 9)</b>	<b>488.3</b>	<b>232.3</b>
Items included in cash flows:		
■ Free cash flow (Note 24)	522.7	645.5
■ Interest paid during the period	60.3	50.6
■ Income taxes paid during the period	228.9	152.2

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

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR  
THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

■ 10.1.1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN ACCORDANCE WITH IFRS STANDARDS

(in € millions)	Equity attributable to equity holders of Legrand			Minority interests	Total equity
	Share capital	Retained earnings	Translation reserves		
<b>As of December 31, 2009</b>	<b>1,052.4</b>	<b>1,568.4</b>	<b>(231.6)</b>	<b>5.2</b>	<b>2,394.4</b>
Profit for the period		418.3		1.2	419.5
Income (expenses) recognized directly in equity, net		1.4	98.9	0.8	101.1
<i>Total recognized income and expenses, net</i>		<i>419.7</i>	<i>98.9</i>	<i>2.0</i>	<i>520.6</i>
Dividends paid		(183.7)		(0.5)	(184.2)
Issues of share capital and premium	0.2	0.2			0.4
Net sales (buybacks) of treasury shares and transactions under the liquidity contract		3.1			3.1
Change in scope of consolidation		(18.0)		(1.3)	(19.3)
Current taxes on share buybacks		0.3			0.3
Stock options		20.7			20.7
<b>As of December 31, 2010</b>	<b>1,052.6</b>	<b>1,810.7</b>	<b>(132.7)</b>	<b>5.4</b>	<b>2,736.0</b>
Profit for the period		478.6		0.7	479.3
Income (expenses) recognized directly in equity, net		(3.2)	(39.4)	0.0	(42.6)
<i>Total recognized income and expenses, net</i>		<i>475.4</i>	<i>(39.4)</i>	<i>0.7</i>	<i>436.7</i>
Dividends paid		(231.4)			(231.4)
Issues of share capital and premium (Note 10)	1.0	1.7			2.7
Net sales (buybacks) of treasury shares and transactions under the liquidity contract (Note 10)		0.7			0.7
Change in scope of consolidation*		(24.2)		(2.7)	(26.9)
Current taxes on share buybacks		(1.1)			(1.1)
Stock options (Note 11 (a))		32.5			32.5
<b>As of December 31, 2011</b>	<b>1,053.6</b>	<b>2,064.3</b>	<b>(172.1)</b>	<b>3.4</b>	<b>2,949.2</b>

\* Increases in the Group's interest in subsidiaries resulting from the acquisition of additional shares and the translation into euros of capital increases have been recognized directly in equity, in an amount of €24.2 million for the year.

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

## 10.1.2 - Notes to the consolidated financial statements

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### ■ GENERAL INFORMATION

Legrand ("the Company") and its subsidiaries (together "Legrand" or "the Group") are the global specialist in electrical and digital building infrastructures.

The Group has manufacturing and/or distribution subsidiaries and offices in more than 70 countries, and sells its products in about 180 countries. Its key markets are France, Italy, the United States, the Rest of Europe and the Rest of the World. The last two markets accounted for 48% of annual revenue in 2011, with a steadily rising contribution from the new economies (35% of the consolidated total for the year).

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 2010 Registration Document was filed with the AMF on April 27, 2011 under no. D 11-0375.

The consolidated financial statements were approved by the Board of Directors on February 8, 2012.

# CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

## ■ LIST OF CONSOLIDATED COMPANIES

The consolidated financial statements comprise the financial statements of Legrand and 141 subsidiaries. All Legrand Group subsidiaries are fully consolidated.

The main fully consolidated operating subsidiaries as of December 31, 2011 are as follows:

<b>French subsidiaries</b>			
Groupe Arnould		Legrand Electrical	China
Legrand France		Legrand Elektrik	Turkey
Legrand SNC		Legrand Electrique	Belgium
		Legrand España	Spain
<b>Foreign subsidiaries</b>		Legrand Group Pty Ltd	Australia
Bticino	Italy	Legrand India	India
Bticino Chile Ltda	Chile	Legrand Polska	Poland
Bticino de Mexico SA de CV	Mexico	Legrand Zrt	Hungary
Cablofil Inc.	United States	Middle Atlantic Products Inc.	United States
Electrical Industries SAE	Egypt	Ortronics Inc.	United States
GL Eletro-Eletronicos Ltda	Brazil	Pass & Seymour Inc.	United States
HDL Da Amazonia Industria Electronica Ltda	Brazil	Rocom	Hong Kong
Indo Asian Electric PVT. LTD.	India	Shidean	China
Inform Elektronik	Turkey	SMS Tecnologia Eletrônica Ltda	Brazil
Kontaktor	Russia	TCL International Electrical	China
Legrand	Russia	TCL Wuxi	China
Legrand Colombia	Colombia	WattStopper	United States
Legrand Electric	United Kingdom	Wiremold Company	United States

At December 31, 2011 Legrand wholly owned all of its subsidiaries except for Alborz Electrical Industries Ltd, Kontaktor, Legrand Polska and Shidean, which were all over 95%-owned;

Megapower, a Malaysian company acquired in 2011 that is 80%-held; and Bticino Thailand Limited, in which the Company has a 51% interest.

The contributions to the consolidated balance sheets and income statements of companies acquired since January 1, 2010 were as follows:

2010	December 31
Inform	6 months' profit
Indo Asian Switchgear	4 months' profit

2011	March 31	June 30	September 30	December 31
Inform	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Indo Asian Switchgear	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Meta System Energy	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Electrorack	3 months' profit	6 months' profit	9 months' profit	12 months' profit
Intervox Systèmes		6 months' profit	9 months' profit	12 months' profit
Middle Atlantic Products Inc.			4 months' profit	7 months' profit
SMS				5 months' profit
Megapower				Balance sheet only

Companies consolidated in 2011 on the basis presented in the above tables contributed €218.9 million to consolidated revenue and €8.0 million to consolidated profit for the year.

The main acquisitions made in 2011 were as follows:

- in January, the Group acquired all outstanding shares of Electrorack, specialized in Voice-Data-Image (VDI) cabinets for datacenters in the United States. Based in Anaheim, California, Electrorack employs more than 90 people;
- in February, Legrand acquired all outstanding shares of Intervox Systèmes, a leader in connected security systems that has 15 employees;
- in June, the Group acquired all outstanding shares of Middle Atlantic Products Inc., North America's leader in audio and video enclosures. Middle Atlantic Products Inc. has operations in New Jersey, Illinois, California and Canada and employs a workforce of 520 people;

- in July, the Group completed the acquisition of 100% of the shares of SMS, the market leader in uninterruptible power supply (UPS) systems in Brazil. SMS operates in the Sao Paulo area and the north of Brazil, with three production sites and a workforce of over 1,100 people;

- in October, a joint-venture agreement was signed with Megapower, the Malaysian leader in plastic cable management solutions. The transaction involved the initial acquisition of 49% of Megapower's outstanding shares, with the vendor holding a put on an additional 31% stake and Legrand having a call on the remaining shares exercisable over the medium term. Megapower's balance sheet at December 31, 2011 was consolidated on an 80% basis, without consolidating the income statement. Based near Kuala Lumpur, Megapower has 160 employees.

In all, acquisitions of subsidiaries (net of cash acquired) and acquisitions of minority interests and investments in non-consolidated entities came to a total of €342.4 million in 2011 (versus €288.6 million in 2010).

## ■ NOTE 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, 2011. 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, 2011.

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 specific degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 1 (w).

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) RECONCILIATION BETWEEN THE REPORTED AND ADJUSTED STATEMENTS OF INCOME FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010

To improve compliance with the latest IFRSs, certain income statement items have been reclassified.

Statutory and discretionary profit-shares, previously recognized in other operating expense, have been reallocated to employee benefits expense accounted for by function (under cost of sales, administrative and selling expenses, or research and development costs).

In the same way, the research tax credit has been transferred from "other operating income" to "research and development costs".

None of these reclassifications had any impact on the Group's operating profit or profit for the period.

# CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

The following table shows the reconciliation between the reported and the adjusted statements of income for the twelve months ended December 31, 2010.

12 months ended December 31, 2010	Reported	Reclassifications	Adjusted
<b>Revenue</b>	<b>3,890.5</b>		<b>3,890.5</b>
<b>Operating expenses</b>			
Cost of sales	(1,797.7)	(15.1)	(1,812.8)
Administrative and selling expenses	(1,032.2)	(19.0)	(1,051.2)
Research and development costs	(185.6)	2.5	(183.1)
Other operating income (expense)	(117.4)	31.6	(85.8)
<b>OPERATING PROFIT</b>	<b>757.6</b>	<b>0.0</b>	<b>757.6</b>
Finance costs	(82.9)		(82.9)
Financial income	11.7		11.7
Exchange gains (losses)	(39.8)		(39.8)
Finance costs and other financial income and expense, net	(111.0)		(111.0)
<b>PROFIT BEFORE TAX</b>	<b>646.6</b>		<b>646.6</b>
Income tax expense	(227.1)		(227.1)
<b>PROFIT FOR THE PERIOD</b>	<b>419.5</b>		<b>419.5</b>

In as much as the above adjustments did not have a material impact on the balance sheet, the balance sheet for 2010 is presented as reported.

## B) NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

### New standards, amendments and interpretations applied by the Group in 2011 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 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 that 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.

#### Amendment to IFRIC 14 – Prepayments of a Minimum Funding Requirement

Published in November 2009 and adopted by the European Union on July 19, 2010, IFRIC 14 (revised) – Prepayments of a Minimum Funding Requirement stipulates that when an employee benefits scheme has a minimum funding requirement, the minimum funding contributions and any other prepayments must be recognized as an asset.

Application of the amendment is compulsory for annual periods beginning on or after January 1, 2011.

#### IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB published IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments. Adopted by the European Union on July 23, 2010, 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.

#### IAS 24 (revised) – Related Party Disclosures

In November 2009, the IASB published the revised version of IAS 24 – Related Party Disclosures. Adopted by the European Union on July 19, 2010, 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.

**New standards, amendments to standards or new interpretations not yet adopted by the European Union or not applicable to the Group until future periods**

**(1) Standards and interpretations adopted by the European Union:**

**Amendments to IFRS 7 – Financial Instruments: Disclosures**

In October 2010, the IASB issued amendments to IFRS 7 entitled *Disclosures – Transfers of Financial Assets*. These amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets, and will require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of the reporting period.

These amendments are applicable to annual periods beginning on or after July 1, 2011.

**(2) Standards and interpretations not yet adopted 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 amortized 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.

In October 2010, the IASB issued additions to IFRS 9 – Financial Instruments for financial liability accounting. Under the new requirements, which concern the classification and measurement of financial liabilities, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within profit and loss.

This standard, including the latest additions, will be applicable for annual periods beginning on or after January 1, 2015. Its early adoption is not possible as it has not yet been approved by the European Union.

**Amendments to IAS 12 – Income Taxes**

In December 2010, the IASB issued amendments to IAS 12 entitled *Deferred Tax: Recovery of Underlying Assets*. The amendments introduce a presumption that recovery of the carrying amount of an asset based on which deferred tax is measured will, normally, be through sale.

These amendments are applicable to annual periods beginning on or after January 1, 2012. Their early adoption is not possible as they have not yet been approved by the European Union.

**New standards – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests**

In May 2011, the IASB issued new standards – IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities – as well as the resulting amendments to IAS 27, reissued as Separate Financial Statements, and IAS 28, reissued as Investments in Associates and Joint Ventures.

IFRS 10 – Consolidated Financial Statements introduces a single consolidation framework for all types of investee entities, based on the concept of control.

The new IFRS 11 – Joint Arrangements introduces new requirements in recognizing joint arrangements, with in particular the use of the equity method to account for joint ventures.

The new IFRS 12 – Disclosure of Interests in Other Entities integrates into a single standard the disclosures required for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

IAS 27 and IAS 28 have been amended to bring them in compliance with the changes introduced by the issuance of IFRS 10, IFRS 11 and IFRS 12.

These new standards are applicable to annual periods beginning on or after January 1, 2013. Their early adoption is not possible as they have not yet been approved by the European Union.

**IFRS 13 – Fair Value Measurement**

In May 2011, IASB issued guidance for measuring fair value and for the related disclosures required in the Notes to financial statements. The guidance is designed to establish a single framework for fair value measurement under IASs and IFRSs.

This new standard is applicable to annual periods beginning on or after January 1, 2013. Its early adoption is not possible as it has not yet been approved by the European Union.

**Amendments to IAS 19 – Employee Benefits**

In June 2011, the IASB published amendments to IAS 19 – Employee Benefits concerning the recognition of defined benefit plans. These amendments concern, in particular, elimination of the “corridor” method of accounting for actuarial gains and losses, the immediate recognition of all past service costs and the use of high quality corporate bond yields to determine the discount rate for calculating the net interest cost of employee benefit obligations to the exclusion of other benchmarks.



These amendments are applicable to annual periods beginning on or after January 1, 2013. Their early adoption is not possible as they have not yet been adopted by the European Union.

#### **Amendments to IAS 1 – Presentation of Financial Statements**

In June 2011, the IASB published amendments concerning the presentation of other comprehensive income (OCI). The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or “recycled”) to profit or loss at a future point in time are to be presented separately from items that will never be reclassified, and income tax relating to components of OCI is to be allocated between items that may be reclassified and those that may not be reclassified.

The amendments to this standard are applicable to annual periods beginning on or after July 1, 2012. Their early adoption is not possible as they have not yet been adopted by the European Union.

#### **Amendments to IAS 32 – Financial Instruments: Presentation**

#### **Amendments to IFRS 7 – Financial Instruments: Disclosures**

In December 2011, the IASB published amendments to IAS 32 clarifying the rules for offsetting financial assets and liabilities, as well as amendments to IFRS 7 introducing new disclosure requirements for financial assets and liabilities.

The amendments to IAS 32 are applicable retrospectively and are effective for annual periods beginning on or after January 1, 2014. They may not be early adopted, as they have not been approved by the European Union.

The amendments to IFRS 7 are applicable retrospectively and are effective for annual periods beginning on or after January 1, 2013.

The Group is currently reviewing these standards, amendments and interpretations to assess their possible effect on its financial information.

### **C) 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.

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.

### **D) 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.

### **E) 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.

### **F) 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.



## G) 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 costs that do not meet the definition of an intangible asset are recorded in research and development costs for the year in which they are 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 the Group'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.

## H) GOODWILL

### (1) Business combinations

In accordance with IFRS 3 (revised) – Business Combinations and IAS 27 (revised) – Consolidated and Separate Financial Statements:

- changes in the percentage interest held in a controlled entity are recorded directly in equity without recognizing any additional goodwill;
- the cost of business combinations, as determined on the date when control is acquired, corresponds to the fair value of the acquired entities. As such, it does not include acquisition-related costs and expenses but does include contingent consideration at fair value;
- for each combination, the Group decides to use:
  - i. either the full goodwill method, whereby goodwill is the difference between a) the consideration paid to acquire the business combination plus the fair value of the non-controlling interests in the combination and b) the fair value at date of acquisition of the identifiable net assets acquired and liabilities assumed,
  - ii. or the partial goodwill method, whereby goodwill is the difference between a) the consideration paid to acquire the business combination and b) the fair value at date of acquisition of the identifiable net assets acquired and liabilities assumed, with non-controlling interests measured at the fair value of their share of the identifiable net assets.

### (2) Impairment tests

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.

## CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

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, to a group of countries whose markets have similar characteristics or to a group of economic regions managed as a single unit.

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.

### I) 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.

### J) 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.

### K) 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.

#### L) 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.

#### M) VALUATION OF FINANCIAL INSTRUMENTS

Under the amended IFRS 7, financial instruments are classified in a three-level hierarchy based on the inputs used to measure their fair value, as follows:

- level 1: quoted prices for similar instruments;
- level 2: directly observable market inputs other than level 1 inputs;
- level 3: inputs not based on observable market data.

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.

#### N) DERIVATIVE 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.

##### Accounting treatment of derivative instruments

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.

##### Non-derivative financial instruments

Under IAS 39, non-derivative financial instruments may be designated as hedges only when they are used to hedge foreign currency risk and provided that they qualify for hedge accounting.

Accordingly, in the case of 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.

##### Put on non-controlling interests

In the particular case of puts written on non-controlling interests without no transfer of risks and benefits, the contractual obligation to purchase these equity instruments is recognized as a liability by adjusting equity in application of IAS 32. Any subsequent changes in the liability are recorded in equity.

##### Other derivative instruments

In the case of other derivative instruments, the Group analyses the substance of each transaction and recognizes any changes in fair value in accordance with IAS 39.

The fair values of derivative instruments used for hedging purposes are disclosed in Note 22.

#### O) 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.

## P) 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.

## Q) 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.

## R) PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

### (1) 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.

### (2) 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.

## S) 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.

## T) 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 and does not take into account shares held in treasury.

## U) SHORT- AND LONG-TERM BORROWINGS

Short- and long-term borrowings mainly comprise bonds and bank loans. They are initially recognized at fair value, taking into account any transaction costs directly attributable to the issue, and are subsequently measured at amortized cost, using the effective interest method.

## V) 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.

## W) 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.

### (1) 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 (g) and 1 (h). 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.

### (2) 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

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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.

## (3) 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 contingencies and charges, capitalized development costs, and any annual volume rebates offered to customers.

## ■ NOTE 2 INTANGIBLE ASSETS (NOTE 1 (G))

Intangible assets are as follows:

(in € millions)	December 31, 2011	December 31, 2010
Trademarks with indefinite useful lives	1,408.0	1,408.0
Trademarks with finite useful lives	191.3	195.6
Developed technology	0.0	11.5
Other intangible assets	168.1	152.9
	<b>1,767.4</b>	<b>1,768.0</b>

The Legrand and Bticino brands represent close to 98% of the total value of trademarks with indefinite useful lives.

Trademarks can be analyzed as follows:

(in € millions)	December 31, 2011	December 31, 2010
At the beginning of the period	1,674.1	1,651.1
■ Acquisitions	7.4	5.1
■ Adjustments	2.4	0.0
■ Disposals	0.0	0.0
■ Translation adjustments	2.7	17.9
	<b>1,686.6</b>	<b>1,674.1</b>
Less accumulated amortization	(87.3)	(70.5)
<b>AT THE END OF THE PERIOD</b>	<b>1,599.3</b>	<b>1,603.6</b>

Trademarks with an indefinite useful life were tested for impairment using a pre-tax discount rate ranging from 10.5% to 11.0% and a growth rate to perpetuity ranging from 2.6% to 3.1%. No trademarks with an indefinite useful life were found to be impaired in the period ended December 31, 2011.

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, 2011	December 31, 2010
At the beginning of the period	575.1	571.3
■ Acquisitions	0.0	0.0
■ Disposals	0.0	0.0
■ Translation adjustments	1.7	3.8
	<b>576.8</b>	<b>575.1</b>
Less accumulated amortization	(576.8)	(563.6)
<b>AT THE END OF THE PERIOD</b>	<b>0.0</b>	<b>11.5</b>

Amortization expense related to intangible assets, including capitalized development costs, amounted to €70.9 million in 2011 (€71.3 million in 2010).

Amortization of trademarks and developed technology in 2011 breaks down as follows:

(in € millions)	Developed technology	Trademarks	Total
France	6.2	1.8	8.0
Italy	3.1	0.0	3.1
Rest of Europe	0.8	1.7	2.5
USA/Canada	1.0	7.8	8.8
Rest of the World	0.4	3.6	4.0
	<b>11.5</b>	<b>14.9</b>	<b>26.4</b>

Amortization expense for trademarks for each of the next five years is expected to be as follows:

(in € millions)	Trademarks	Total
2012	14.0	14.0
2013	14.0	14.0
2014	14.0	14.0
2015	14.0	14.0
2016	14.0	14.0

Other intangible assets can be analyzed as follows:

(in € millions)	December 31, 2011	December 31, 2010
Capitalized development costs	110.2	107.4
Software	15.8	14.2
Other	42.1	31.3
	<b>168.1</b>	<b>152.9</b>

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## ■ NOTE 3 GOODWILL (NOTE 1 (H))

Goodwill can be analyzed as follows:

(in € millions)	December 31, 2011	December 31, 2010
France	639.6	631.7
Italy	366.8	342.4
Rest of Europe	260.9	276.8
USA/Canada	462.9	320.9
Rest of the World	673.3	560.4
	<b>2,403.5</b>	<b>2,132.2</b>

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, 2011	December 31, 2010
At the beginning of the period	2,132.2	1,855.1
■ Acquisitions	317.6	206.0
■ Adjustments	(16.3)	0.0
■ Impairment	(15.9)	0.0
■ Translation adjustments	(14.1)	71.1
<b>AT THE END OF THE PERIOD</b>	<b>2,403.5</b>	<b>2,132.2</b>

Adjustments correspond to the difference between provisional and final goodwill.

For impairment testing purposes, goodwill has been allocated to various countries, grouping units (CGU: 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.

Goodwill arising on partial acquisitions has been measured using the partial goodwill method (Note 1(h)(1)).



The following impairment testing parameters were used in the period ended December 31, 2011:

	Recoverable amount	Carrying amount of goodwill	Value in use	
			Discount rate (before tax)	Growth rate to perpetuity
France		639.6	11.5%	2%
Italy		366.8	13.6%	2%
Rest of Europe	Value in use	260.9	8.5 to 15.1%	2 to 5%
USA/Canada		462.9	11.1%	3%
Rest of the World		673.3	12 to 20.3%	2 to 5%
			<b>2,403.5</b>	

For the year ended December 31, 2011, goodwill impairment has been recognized in an amount of €15.9 million, primarily due to the Spain CGU.

Sensitivity tests performed on the discount rates and long-term growth rates showed that a 50 to 100-basis point unfavorable change (depending on the region) in each of these two parameters would not lead to additional impairment of goodwill of the other

CGU. In the case of the Spain CGU, these tests revealed that its goodwill would decrease by €6.0 million in the event of a 50-basis point increase in the discount rate or by €4.0 million in the event of a 50-basis point decrease in the long-term growth rate.

The following impairment testing parameters were used in the period ended December 31, 2010:

	Recoverable amount	Carrying amount of goodwill	Value in use	
			Discount rate (before tax)	Growth rate to perpetuity
France		631.7	11.0%	2.5%
Italy		342.4	10.6%	2.5%
Rest of Europe	Value in use	276.8	8 to 15%	2.5 to 5%
USA/Canada		320.9	10.5%	3.25%
Rest of the World		560.4	11 to 16%	2.5 to 5%
			<b>2,132.2</b>	

No goodwill impairment losses were identified in the period ended December 31, 2010.

In 2011, acquisitions of subsidiaries (net of cash acquired) amounted to €342.4 million (€257.2 million in 2010).

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.

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Allocation of acquisition prices for the 12 months ended December 31, 2011, and December 31, 2010 has been as follows:

(in € millions)	12 months ended	
	December 31, 2011	December 31, 2010
■ Trademarks	7.4	5.1
■ Deferred taxes on trademarks	(2.3)	(1.0)
■ Other intangible assets	12.9	-
■ Deferred taxes on other intangible assets	(4.0)	-
■ Goodwill	317.6	206.0

## ■ NOTE 4 PROPERTY, PLANT AND EQUIPMENT (NOTE 1 (II))

### A) PROPERTY, PLANT AND EQUIPMENT BY GEOGRAPHIC AREA

Property, plant and equipment, including finance leases, are as follows as of December 31, 2011:

(in € millions)	December 31, 2011					
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Land	19.8	4.6	12.4	2.5	8.9	48.2
Buildings	92.5	66.6	26.3	20.7	26.9	233.0
Machinery and equipment	72.5	68.7	25.2	14.7	64.6	245.7
Assets under construction and other	23.0	6.6	10.4	13.1	25.9	79.0
	<b>207.8</b>	<b>146.5</b>	<b>74.3</b>	<b>51.0</b>	<b>126.3</b>	<b>605.9</b>

Total property, plant and equipment includes €7.9 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, 2010:

(in € millions)	December 31, 2010					
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Land	22.2	5.5	12.4	1.9	7.1	49.1
Buildings	103.4	71.3	28.9	13.8	22.8	240.2
Machinery and equipment	82.9	65.6	25.3	11.7	60.2	245.7
Assets under construction and other	17.9	15.4	15.2	12.0	17.9	78.4
	<b>226.4</b>	<b>157.8</b>	<b>81.8</b>	<b>39.4</b>	<b>108.0</b>	<b>613.4</b>

## B) ANALYSIS OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment in 2011 can be analyzed as follows:

(in € millions)	December 31, 2011					
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	23.1	20.2	11.3	6.0	35.3	95.9
Disposals	(0.3)	(7.9)	(0.6)	(0.5)	(1.8)	(11.1)
Depreciation expense	(40.5)	(24.3)	(14.4)	(9.2)	(22.6)	(111.0)
Transfers and changes in scope of consolidation	(0.9)	0.7	0.1	14.0	12.3	26.2
Translation adjustments	0.0	0.0	(3.9)	1.3	(4.9)	(7.5)
	<b>(18.6)</b>	<b>(11.3)</b>	<b>(7.5)</b>	<b>11.6</b>	<b>18.3</b>	<b>(7.5)</b>

	December 31, 2011						
	Acquisitions	Transfers from "Assets under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	Total
(in € millions)							
Land	0.1	0.1	(0.1)	(1.1)	1.0	(0.9)	(0.9)
Buildings	5.8	3.0	(5.1)	(23.1)	13.8	(1.6)	(7.2)
Machinery and equipment	44.3	24.1	(5.3)	(72.9)	14.1	(4.3)	0.0
Assets under construction and other	45.7	(27.2)	(0.6)	(13.9)	(2.7)	(0.7)	0.6
	95.9	0.0	(11.1)	(111.0)	26.2	(7.5)	(7.5)

Changes in property, plant and equipment in 2010 can be analyzed as follows:

(in € millions)	December 31, 2010					
	France	Italy	Rest of Europe	USA/Canada	Rest of the World	Total
Acquisitions	15.5	18.7	8.9	5.6	22.3	71.0
Disposals	(0.5)	(0.1)	(3.8)	(0.8)	(1.7)	(6.9)
Depreciation expense	(43.1)	(27.0)	(18.7)	(11.1)	(20.3)	(120.2)
Transfers and changes in scope of consolidation	(1.0)	0.0	2.1	(0.3)	5.6	6.4
Translation adjustments	0.0	0.0	1.5	3.4	12.1	17.0
	<b>(29.1)</b>	<b>(8.4)</b>	<b>(10.0)</b>	<b>(3.2)</b>	<b>18.0</b>	<b>(32.7)</b>

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(in € millions)	December 31, 2010						Total
	Acquisitions	Transfers from "under construction"	Disposals	Depreciation expense	Transfers and changes in scope of consolidation	Translation adjustments	
Land	0.2	0.1	(0.1)	(1.0)	0.9	1.0	1.1
Buildings	3.0	4.0	(2.8)	(26.5)	1.4	4.2	(16.7)
Machinery and equipment	33.7	15.6	(3.6)	(78.7)	5.1	8.5	(19.4)
Assets under construction and other	34.1	(19.7)	(0.4)	(14.0)	(1.0)	3.3	2.3
	<b>71.0</b>	<b>0.0</b>	<b>(6.9)</b>	<b>(120.2)</b>	<b>6.4</b>	<b>17.0</b>	<b>(32.7)</b>

**C) PROPERTY, PLANT AND EQUIPMENT INCLUDE THE FOLLOWING ASSETS HELD UNDER FINANCE LEASES:**

(in € millions)	December 31, 2011	December 31, 2010
Land	2.3	3.8
Buildings	40.4	40.1
Machinery and equipment	31.2	31.6
	<b>73.9</b>	<b>75.5</b>
Less accumulated depreciation	(38.5)	(37.8)
	<b>35.4</b>	<b>37.7</b>

**D) FINANCE LEASE LIABILITIES ARE PRESENTED IN THE BALANCE SHEETS AS FOLLOWS:**

(in € millions)	December 31, 2011	December 31, 2010
Long-term borrowings	15.3	17.8
Short-term borrowings	2.6	2.6
	<b>17.9</b>	<b>20.4</b>

**E) FUTURE MINIMUM LEASE PAYMENTS UNDER FINANCE LEASES ARE AS FOLLOWS:**

<i>(in € millions)</i>	December 31, 2011	December 31, 2010
Due in less than one year	2.9	3.0
Due in one to two years	2.3	2.9
Due in two to three years	1.5	2.1
Due in three to four years	1.4	1.4
Due in four to five years	1.4	1.4
Due beyond five years	10.7	11.7
	<b>20.2</b>	<b>22.5</b>
Of which accrued interest	(2.3)	(2.1)
<b>NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS</b>	<b>17.9</b>	<b>20.4</b>

**■ NOTE 5 OTHER INVESTMENTS**

<i>(in € millions)</i>	December 31, 2011	December 31, 2010
Other investments	0.9	32.3

The change in other investments in 2011 was mainly attributable to Meta System Energy, which was acquired in fourth-quarter 2010 and consolidated from January 1, 2011.

**■ NOTE 6 INVENTORIES (NOTE 1 (J))**

Inventories are as follows:

<i>(in € millions)</i>	December 31, 2011	December 31, 2010
Purchased raw materials and components	239.2	222.3
Sub-assemblies, work in progress	95.2	90.0
Finished products	372.0	336.6
	<b>706.4</b>	<b>648.9</b>
Less impairment	(105.4)	(99.8)
	<b>601.0</b>	<b>549.1</b>

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## ■ NOTE 7 TRADE RECEIVABLES (NOTE 1 (F))

The Group derives over 95% of its revenue from sales to distributors of electrical equipment. The two largest distributors account for approximately 26% of consolidated net revenue and

no other distributor accounts for more than 5% of consolidated net revenue.

(in € millions)	December 31, 2011	December 31, 2010
Trade accounts receivable	491.2	466.5
Notes receivable	103.9	89.2
	<b>595.1</b>	<b>555.7</b>
Less impairment	(60.2)	(59.3)
	<b>534.9</b>	<b>496.4</b>

The factoring contract terms qualify the receivables for derecognition under IAS 39. The amount derecognized as of December 31, 2011 was €12.5 million (€11.1 million as of December 31, 2010).

Past-due trade receivables can be analyzed as follows:

(in € millions)	December 31, 2011	December 31, 2010
Less than 3 months past due	67.7	56.8
From 3 to 12 months past due	16.1	16.6
More than 12 months past due	19.3	16.8
	<b>103.1</b>	<b>90.2</b>

Provisions for impairment of past-due trade receivables amounted to €56.0 million as of December 31, 2011 (€50.9 million as of December 31, 2010). These provisions break down as follows:

(in € millions)	December 31, 2011	December 31, 2010
Provisions for receivables less than 3 months past due	27.4	24.3
Provisions for receivables 3 to 12 months past due	9.3	9.8
Provisions for receivables more than 12 months past due	19.3	16.8
	<b>56.0</b>	<b>50.9</b>

## ■ NOTE 8 OTHER CURRENT ASSETS

Other current assets are as follows:

(in € millions)	December 31, 2011	December 31, 2010
Employee advances	4.4	3.6
Other receivables	26.5	25.2
Prepayments	20.3	17.0
Prepaid and recoverable taxes other than on income	90.7	81.7
	<b>141.9</b>	<b>127.5</b>

These assets are valued at historical cost and there are no events or special circumstances indicating that they may be impaired.

## ■ NOTE 9 CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES (NOTE 1 (E))

Cash and cash equivalents totaled €488.3 million as of December 31, 2011 and corresponded primarily to deposits with maturities of less than three months, as well as commercial paper (Note 22(b-4)).

## ■ NOTE 10 SHARE CAPITAL AND EARNINGS PER SHARE (NOTE 1 (T))

Share capital as of December 31, 2011 amounted to €1,053,555,980 represented by 263,388,995 ordinary shares with a par value of €4 each, for 304,563,322 voting rights.

Changes in share capital were as follows:

	Number of shares	Par value	Share capital (in euros)	Premiums (in euros)
As of December 31, 2010	263,161,346	4	1,052,645,384	1,069,831,301
Performance shares granted under the 2009 plan	120,635	4	482,540	(482,540)
Exercise of options under the 2007 plan	100,965	4	403,860	2,140,458
Exercise of options under the 2008 plan	1,614	4	6,456	26,760
Exercise of options under the 2009 plan	732	4	2,928	6,676
Exercise of options under the 2010 plan	3,703	4	14,812	65,987
As of December 31, 2011	263,388,995	4	1,053,555,980	1,071,588,642

Share capital consists exclusively of ordinary shares, each with a par value of €4.

Fully paid-up shares held in registered form in the name of the same shareholder for at least two years carry double voting rights.

In 2011, 227,649 shares were issued under the 2007, 2008, 2009 and 2010 stock option plans and the 2009 stock grant plan with performance criteria (Note 11 (a)), resulting in a €1.0 million capital increase with a €1.7 million premium.

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## A) SHARE BUYBACK PROGRAM AND TRANSACTIONS UNDER THE LIQUIDITY CONTRACT

### Share buyback program

As of December 31, 2011, the Group held 330,036 shares under the program, acquired at a total cost of €6,913,948. These shares are being held for the following purposes:

- for allocation upon exercise of stock grant plan with performance criteria (325,115 shares purchased at a cost of €6,791,317);
- for allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (4,921 shares purchased at a cost of €122,631).

During 2011, 24,334 shares acquired at a cost of €701,601 that were allocated to the corporate mutual fund were transferred to the fund.

## 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, 2011	December 31, 2010
Profit attributable to equity holders of Legrand (in € millions)	A	478.6	418.3
Number of ordinary shares outstanding:			
■ at the period-end		263,388,995	263,161,346
■ o/w held in treasury		560,536	800,135
■ average for the period (excluding shares held in treasury)	B	262,628,527	262,274,181
■ average for the period after dilution (excluding shares held in treasury)	C	271,602,478	271,792,091
Number of stock options and performance share grants outstanding at the period end*		10,404,457	9,517,910
Sales (buybacks) of shares and transactions under the liquidity contract (net during the period)		(13,666)	125,008
Shares allocated during the period under share grant plans		253,265	330,504
Basic earnings per share (in euros) (Note 1 (t))	A/B	1.822	1.595
Diluted earnings per share (in euros) (Note 1 (t))*	A/C	1.762	1.539
Dividend per share (in euros)		0.880	0.700

\* 1,430,506 options granted under the 2007 Plan were not taken into account in the calculation of diluted earnings per share for the year ended December 31, 2011, as they were out of the money as of that date.

During 2011, the Group:

- issued 227,649 shares under the 2007, 2008, 2009 and 2010 stock option plans and the 2009 stock grant plan with performance criteria;
- transferred 253,265 shares under stock grant plans with performance criteria;
- bought back a net 13,666 shares.

These movements were taken into account on an accruals basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If

Also during the period, 253,265 shares were allocated to employees under stock grant plans with performance criteria as described in Note 11 (a).

### Liquidity contract

On May 29, 2007, the Group appointed a financial institution to maintain a liquid market for its ordinary shares on the NYSE 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, 2011, the Group held 230,500 shares under this contract, purchased at a total cost of €5,492,837.

The number of shares held under the liquidity contract increased by a net 38,000 in 2011. These transactions led to a net capital loss of €40,230.

the shares had been issued and bought back on January 1, 2011, basic earnings per share and diluted earnings per share would have amounted to €1.821 and €1.761 respectively for the 12 months ended December 31, 2011.

During 2010, the Group:

- issued 64,667 shares under the 2005, 2007, 2008 and 2009 stock option plans;
- transferred 330,504 shares under stock grant plans with performance criteria;
- sold a net 125,008 shares.



These movements were taken into account on an accruals basis in the computation of the average number of ordinary shares outstanding during the period, in accordance with IAS 33. If the shares had been issued and bought back on January 1,

2010, basic earnings per share and diluted earnings per share would have amounted to €1.594 and €1.539 respectively for the 12 months ended December 31, 2010.

## ■ NOTE 11 STOCK OPTION PLANS, STOCK GRANT PLANS WITH PERFORMANCE CRITERIA AND EMPLOYEE PROFIT-SHARING (NOTE 1 (P))

### A) 2007 TO 2011 LEGRAND STOCK GRANT PLANS WITH PERFORMANCE CRITERIA AND STOCK OPTION PLANS

#### Stock grant plans with performance criteria

During 2011, 120,635 performance stock grants vested. All of these shares were granted under the 2009 plan.

Information on the stock grant plans with performance criteria	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010	March 3, 2011
Total number of performance shares granted	533,494	654,058	288,963	896,556	1,592,712
<i>of which to corporate officers</i>	<i>26,427</i>	<i>47,077</i>	<i>23,491</i>	<i>62,163</i>	<i>127,888</i>
■ Gilles Schnepf	13,582	24,194	12,075	38,373	65,737
■ Olivier Bazil	12,845	22,883	11,416	23,790	62,151
Vesting/exercise conditions	Options vest after a maximum of 4 years, except in the event of resignation or termination for willful misconduct				
Performance shares cancelled during 2007 and 2008	(16,993)	(6,145)			
Performance shares vested during 2008	(546)				
Performance shares vested during 2009	(253,880)	(400)			
Performance shares cancelled during 2009	(6,428)	(9,905)	(6,281)		
Performance shares vested during 2010	(682)	(329,359)	(463)		
Performance shares cancelled during 2010	(2,397)	(2,908)	(3,845)	(21,358)	
Performance shares vested during 2011	(250,040)	(538)	(120,818)	(1,058)	(1,446)
Performance shares cancelled during 2011	(2,528)	(7,358)	(7,972)	(21,635)	(34,090)
<b>TOTAL NUMBER OF PERFORMANCE SHARES OUTSTANDING AS OF DECEMBER 31, 2011</b>	<b>0</b>	<b>297,445</b>	<b>149,584</b>	<b>852,505</b>	<b>1,557,176</b>

If all these shares were to vest, the Company's capital would be diluted by 1.1%.

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## Stock option plans

During 2011, 100,965 options granted under the 2007 plan, 1,614 options granted under the 2008 plan, 732 options granted under the 2009 plan and 3,703 options granted under the 2010 plan were exercised.

Information on stock options	2007 Plan	2008 Plan	2009 Plan	2010 Plan
Date of Board of Directors Meeting	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010
Total number of options	1,638,137	2,015,239	1,185,812	3,254,726
of which to corporate officers	79,281	141,231	93,964	217,646
■ Gilles Schnepf	40,745	72,583	48,300	134,351
■ Olivier Bazil	38,536	68,648	45,664	83,295
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	March 5, 2014
End of the option exercise period	May 15, 2017	March 5, 2018	March 4, 2019	March 4, 2020
Option exercise price	€25.20	€20.58	€13.12	€21.82
Options cancelled during 2007 and 2008	(55,042)	(20,439)		
Options cancelled during 2009	(25,105)	(32,057)	(21,093)	
Options cancelled during 2010	(13,830)	(19,112)	(18,739)	(75,317)
Options exercised during 2010	(2,046)	(2,853)	(1,852)	
Options cancelled during 2011	(10,643)	(31,760)	(33,552)	(75,713)
Options exercised during 2011	(100,965)	(1,614)	(732)	(3,703)
<b>OUTSTANDING OPTIONS AS OF DECEMBER 31, 2011</b>	<b>1,430,506</b>	<b>1,907,404</b>	<b>1,109,844</b>	<b>3,099,993</b>

If all these options were to be exercised, the Company's capital would be diluted by a maximum of 2.9% (this is a maximum dilution as it does not take into account the exercise price of these options).

## Valuation model applied to 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	2010 Plan
Risk-free rate	4.35%	3.40%	2.25%	2.91%
Expected volatility	28.70%	30.00%	38.40%	28.00%
Expected return	1.98%	3.47%	5.00%	3.20%

Options granted under all of these plans are considered as having a 5-year life.

In accordance with IFRS 2, which requires the cost of stock options to be recognized in the financial statements, a charge of €32.5 million was recorded in 2011 (€20.7 million in 2010) for all of these plans combined.

## B) 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 €37.8 million was recorded in 2011 for statutory and discretionary profit-sharing plans (2010: €38.0 million).

## ■ NOTE 12 RETAINED EARNINGS AND TRANSLATION RESERVES

### A) RETAINED EARNINGS

Consolidated retained earnings of Legrand and its subsidiaries as of December 31, 2011 amounted to €2,064.3 million.

As of the same date, the parent company – Legrand – had retained earnings of €1,567.6 million available for distribution.

### B) TRANSLATION RESERVES

As explained in Note 1 (d), 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, 2011	December 31, 2010
US dollar	(134.7)	(152.8)
Other currencies	(37.4)	20.1
	<b>(172.1)</b>	<b>(132.7)</b>

As explained in Note 1 (n), unrealized foreign exchange gains and losses on US dollar-denominated 8½% Debentures (Yankee bonds) are recognized in the translation reserve. In 2011, €9.6 million was reduced to the translation reserve, resulting in a net balance of €21.4 million at December 31, 2011.

## ■ NOTE 13 LONG-TERM BORROWINGS (NOTE 1 (U))

Long-term borrowings can be analyzed as follows:

(in € millions)	December 31, 2011	December 31, 2010
Facility Agreement	135.2	227.2
8 ½% debentures	302.1	292.0
Bonds	707.8	300.0
Bank borrowings	282.5	282.5
Other borrowings	120.5	114.3
	<b>1,548.1</b>	<b>1,216.0</b>
Debt issuance costs	(9.0)	(3.0)
	<b>1,539.1</b>	<b>1,213.0</b>

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Long-term borrowings are denominated in the following currencies:

(in € millions)	December 31, 2011	December 31, 2010
Euro	1,108.6	803.5
US dollar	397.6	307.0
Other currencies	41.9	105.5
	<b>1,548.1</b>	<b>1,216.0</b>

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

(in € millions)	December 31, 2011	December 31, 2010
Due in one to two years	396.8	134.1
Due in two to three years	82.4	376.9
Due in three to four years	30.9	77.2
Due in four to five years	25.9	15.0
Due beyond five years	1,012.1	612.8
	<b>1,548.1</b>	<b>1,216.0</b>

Average interest rates on borrowings are as follows:

	December 31, 2011	December 31, 2010
Facility Agreement	1.32%	0.70%
8½% debentures	8.50%	8.50%
Bond	3.98%	4.25%
Bank borrowing	2.09%	1.50%
Other borrowings	5.08%	5.45%

These borrowings are secured as follows:

(in € millions)	December 31, 2011	December 31, 2010
Assets mortgaged or pledged as collateral	7.6	4.4
Guarantees given to banks	203.8	216.5
	<b>211.4</b>	<b>220.9</b>

## A) CREDIT FACILITY

### (1) 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 2006 Credit Facility (Tranche A) can be analyzed as follows by maturity as of December 31, 2011, and December 31, 2010:

(in € millions)	December 31, 2011	December 31, 2010
Due within one year (short-term borrowings)	92.0	87.1
Due in one to two years	135.2	92.0
Due in two to three years	0.0	135.2
Due in three to four years	0.0	0.0
Due in four to five years	0.0	0.0
Due beyond five years	0.0	0.0
	<b>227.2</b>	<b>314.3</b>

The 2006 Credit Facility (Tranche A) can be analyzed as follows:

(in € millions)	December 31, 2011	Maturity	Interest rate
Term Facility	227.2	2013	Euribor + 20bps

(in € millions)	December 31, 2010	Maturity	Interest rate
Term Facility	314.3	2013	Euribor + 20bps

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. The current spread is 20 bps. The 2006 Credit Facility Agreement includes the covenant described in Note 22.

In October, the Group repaid and canceled Tranche B of its 2006 Credit Facility following the signature of a new credit agreement (see below).

## (2) 2011 Credit Facility

In October, the Group signed an agreement with six banks to set up a new €900.0 million revolving multicurrency facility (2011 Credit Facility) utilizable through drawdowns. The five-year facility may be extended for two successive one-year periods.

## 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.

## C) BANK BORROWINGS

As of December 31, 2011, 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.

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Bank borrowing is subject to the covenant described in Note 22.

## D) BONDS

In February 2010, the Group carried out a €300.0 million 4.25% seven-year bond issue. The bonds will be redeemable at maturity on February 24, 2017.

In March 2011, the Group carried out a €400.0 million 4.375% seven-year bond issue. The bonds will be redeemable at maturity on March 21, 2018.

## E) UNUSED CREDIT LINES

As of December 31, 2011, the Group had access to drawdown capacity of €900.0 million (revolving facility) of the 2011 Credit Facility.

## ■ NOTE 14 PROVISIONS

Changes in provisions are as follows:

(in € millions)	December 31, 2011					
	Products guarantee	Claims and litigation	Fiscal and employee risks	Restructuring	Other	Total
At beginning of period	11.6	61.4	36.1	34.7	61.6	205.4
Changes in scope of consolidation	0.8	0.9	0.0	0.0	3.5	5.2
Increases	5.7	13.4	0.0	7.8	34.0	60.9
Utilizations	(2.8)	(1.7)	(0.2)	(11.5)	(7.9)	(24.1)
Reversals of surplus provisions	(1.7)	(6.2)	(1.0)	(1.5)	(23.6)	(34.0)
Reclassifications	2.0	(6.6)	1.0	(2.6)	(1.1)	(7.3)
Translation adjustments	0.1	(0.9)	(1.0)	(0.6)	(0.1)	(2.5)
<b>AT END OF PERIOD</b>	<b>15.7</b>	<b>60.3</b>	<b>34.9</b>	<b>26.3</b>	<b>66.4</b>	<b>203.6</b>
<i>of which non-current portion</i>	<i>5.0</i>	<i>38.6</i>	<i>33.7</i>	<i>1.8</i>	<i>17.2</i>	<i>96.3</i>

## ■ NOTE 15 PENSION AND OTHER POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS (NOTE 1 (R))

(in € millions)	December 31, 2011	December 31, 2010
<b>Non-current portion</b>		
France (Note 15 (b))	63.5	56.6
Italy (Note 15 (c))	35.3	36.6
United States and United Kingdom (Note 15 (d))	37.5	31.1
Other countries	12.4	12.6
<b>TOTAL NON-CURRENT PORTION</b>	<b>148.7</b>	<b>136.9</b>
<b>Current portion</b>		
France (Note 15 (b))	0.0	0.0
Italy (Note 15 (c))	5.0	5.0
United States and United Kingdom (Note 15 (d))	1.4	1.5
Other countries	0.7	0.6
<b>TOTAL CURRENT PORTION</b>	<b>7.1</b>	<b>7.1</b>
<b>TOTAL PENSION AND OTHER POST-EMPLOYMENT DEFINED BENEFIT OBLIGATIONS</b>	<b>155.8</b>	<b>144.0</b>

The total amount of those liabilities is €155.8 million as of December 31, 2011 (December 31, 2010: €144.0 million) and is analyzed in Note 15 (a), which shows total liabilities of €286.1 million as of December 31, 2011 (December 31,

2010: €278.1 million) less total assets of €121.4 million as of December 31, 2011 (December 31, 2010: €124.4 million), adjusted for an unrecognized past service cost of €8.9 million as of December 31, 2011 (December 31, 2010: €9.7 million).

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## A) ANALYSIS OF PENSION AND OTHER POST-EMPLOYMENT DEFINED 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, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
<b>Defined benefit obligation</b>					
Projected benefit obligation at beginning of period	278.1	247.9	240.5	263.9	290.6
Acquisitions	0.4	0.0	0.0	0.1	0.0
Goodwill allocation	0.0	0.0	0.0	0.0	0.0
Service cost	14.2	14.8	16.2	16.1	16.8
Interest cost	10.6	10.4	11.1	11.5	11.7
Benefits paid	(34.8)	(26.2)	(29.7)	(29.3)	(29.5)
Employee contributions	0.6	0.6	0.7	0.0	0.0
Plan amendments	0.0	0.0	0.0	0.0	0.0
Actuarial loss/(gain)	6.8	11.2	8.9	(7.5)	(11.0)
Curtailments, settlements, special termination benefits	0.0	0.1	(1.9)	0.2	(2.4)
Past service cost	0.0	10.1	(0.1)	0.0	(0.1)
Translation adjustments	3.9	8.6	2.2	(14.3)	(14.5)
Other	6.3	0.6	0.0	(0.2)	2.3
<b>PROJECTED BENEFIT OBLIGATION AT END OF PERIOD (I)</b>	<b>286.1</b>	<b>278.1</b>	<b>247.9</b>	<b>240.5</b>	<b>263.9</b>
<b>UNRECOGNIZED PAST SERVICE COST (II)</b>	<b>8.9</b>	<b>9.7</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>
<b>Fair value of plan assets</b>					
Fair value of plan assets at beginning of period	124.4	111.9	89.9	131.4	135.1
Acquisitions	0.0	0.0	0.0	0.0	0.0
Expected return on plan assets	7.5	7.5	6.6	8.2	9.1
Employer contributions	9.3	5.6	12.2	6.4	15.6
Employee contributions	0.6	0.6	0.7	0.5	0.3
Benefits paid	(21.4)	(9.3)	(12.3)	(13.3)	(16.3)
Actuarial (loss)/gain	(2.5)	2.1	12.8	(32.0)	(1.3)
Translation adjustments	3.5	6.0	2.0	(11.3)	(11.1)
<b>FAIR VALUE OF PLAN ASSETS AT END OF PERIOD (III)</b>	<b>121.4</b>	<b>124.4</b>	<b>111.9</b>	<b>89.9</b>	<b>131.4</b>
<b>LIABILITY RECOGNIZED IN THE BALANCE SHEET (I) – (II) – (III)</b>	<b>155.8</b>	<b>144.0</b>	<b>136.0</b>	<b>150.5</b>	<b>132.5</b>
Current liability	7.1	7.1	7.1	6.4	7.4
Non-current liability	148.7	136.9	128.9	144.1	125.1

Actuarial losses recognized in equity (comprehensive income for the period) as of December 31, 2011 amounted to €9.3 million (€6.5 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 €16.0 million and would increase in proportion the value of the defined obligation as of December 31, 2011.

The impact on profit is as follows:

(in € millions)	December 31, 2011	December 31, 2010
Service cost – rights acquired during the period	(14.2)	(14.8)
Service cost – cancellation of previous rights	0.0	0.0
Benefits paid (net of cancellation of liability recognized in prior periods)	0.0	0.0
Interest cost	(10.6)	(10.4)
Other	(0.8)	(0.5)
Expected return on plan assets	7.5	7.5
	<b>(18.1)</b>	<b>(18.2)</b>

The weighted-average allocation of pension plan assets is as follows as of December 31, 2011:

(as a percentage)	France	United States and United Kingdom	Weighted total
Equity instruments	0.0	49.0	48.0
Debt instruments	0.0	45.3	44.4
Insurance funds	100.0	5.7	7.6
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

## 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 €63.5 million as of December 31, 2011 (December 31, 2010: €56.6 million), corresponding to the difference between the projected benefit obligation of €74.7 million as of December 31, 2011 (December 31, 2010: €81.0 million) and the fair value of the related plan assets of €2.3 million as of December 31, 2011 (December 31, 2010: €14.7 million), adjusted for an unrecognized past service cost of €8.9 million as of December 31, 2011 (December 31, 2010: €9.7 million).

Past service cost represents the increase in the present value of pension liabilities, in respect of employee service in prior periods. It results from the June 21, 2010 addendum to the collective labor agreement for French metal industries ("Convention Collective de la Métallurgie"). For each French entity, past service cost is amortized on a straight-line basis over the average period until the amended benefits become vested.

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 4.5% (3.0% and 4.5% in 2010) and an expected return on plan assets of 3.8% (3.8% in 2010). 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.

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## 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.

The resulting provisions for termination benefits amount to €40.3 million as of December 31, 2011 (December 31, 2010: €41.6 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 provisions recorded in the consolidated balance sheet amounted to €38.9 million as of December 31, 2011 (December 31, 2010: €32.6 million), corresponding to the difference between the projected benefit obligation of €148.8 million (December 31, 2010: €133.6 million) and the fair value of the related plan assets of €109.9 million (December 31, 2010: €101.0 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 the United States, the calculation was based on a salary increase rate of 3.5%, a discount rate of 4.4% (3.5% and 4.9% in 2010) and an expected return on plan assets of 7.5% (7.5% in 2010). In the United Kingdom, the calculation was based on a salary increase rate of 4.0%, a discount rate of 4.7% (4.4% and 5.4% in 2010), and an expected return on plan assets of 5.4% (6.3% in 2010).

## ■ NOTE 16 SHORT-TERM BORROWINGS (NOTE 1 (U))

(in € millions)	December 31, 2011	December 31, 2010
Facility Agreement	92.0	87.1
Commercial paper	0.0	0.0
Other borrowings	126.0	129.7
	<b>218.0</b>	<b>216.8</b>

## ■ NOTE 17 OTHER CURRENT LIABILITIES

(in € millions)	December 31, 2011	December 31, 2010
Tax liabilities	74.7	68.5
Accrued employee benefits expense	178.8	166.8
Current portion of statutory and discretionary profit-sharing reserve	35.9	35.7
Payables related to fixed asset purchases	14.8	14.2
Accrued expenses	77.3	70.2
Accrued interest	39.4	27.6
Deferred revenue	15.8	15.8
Current portion of pension and other post-employment benefit obligations	7.1	7.1
Other current liabilities	40.1	37.3
	<b>483.9</b>	<b>443.2</b>

## ■ NOTE 18 ANALYSIS OF CERTAIN EXPENSES

### A) ANALYSIS OF OPERATING EXPENSES

Operating expenses include the following categories of costs:

(in € millions)	December 31, 2011	December 31, 2010
Raw materials and component costs	(1,313.6)	(1,125.7)
Salaries and payroll taxes	(1,055.0)	(980.9)
Employee profit-sharing	(37.8)	(38.0)
<b>TOTAL PERSONNEL COSTS</b>	<b>(1,092.8)</b>	<b>(1,018.9)</b>
Depreciation expense	(111.0)	(120.2)
Amortization expense	(70.9)	(71.3)

As of December 31, 2011 the Group had 31,066 employees on the payroll (December 31, 2010: 29,422).

### B) ANALYSIS OF OTHER OPERATING INCOME AND EXPENSE

(in € millions)	December 31, 2011	December 31, 2010
Restructuring costs	(18.6)	(31.5)
Impairment of goodwill	(15.9)	0.0
Other	(36.3)	(54.3)
	<b>(70.8)</b>	<b>(85.8)</b>

## ■ NOTE 19 FINANCE COSTS AND OTHER FINANCIAL INCOME AND EXPENSE, NET

### A) EXCHANGE GAINS (LOSSES)

(in € millions)	December 31, 2011	December 31, 2010
Exchange gains (losses)	10.6	(39.8)

At December 31, 2011, exchange gains were mainly attributable to the euro's rise against most of the other principal currencies.

In particular, these gains or losses arise on inter-company loans.

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## B) FINANCE COSTS, NET

(in € millions)	December 31, 2011	December 31, 2010
Interest income	15.0	11.7
Change in fair value of financial instruments	0.0	0.0
<b>Total interest income</b>	<b>15.0</b>	<b>11.7</b>
Finance costs	(97.0)	(81.7)
Change in fair value of financial instruments	(0.2)	(1.2)
<b>Total finance costs</b>	<b>(97.2)</b>	<b>(82.9)</b>
<b>Finance costs, net</b>	<b>(82.2)</b>	<b>(71.2)</b>

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

## ■ NOTE 20 INCOME TAX EXPENSE (CURRENT AND DEFERRED) (NOTE 1 (K))

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

(in € millions)	December 31, 2011	December 31, 2010
France	178.2	173.5
Outside France	562.5	473.1
	<b>740.7</b>	<b>646.6</b>

Income tax expense consists of the following:

(in € millions)	December 31, 2011	December 31, 2010
Current taxes:		
France	(94.2)	(77.2)
Outside France	(160.0)	(150.5)
	<b>(254.2)</b>	<b>(227.7)</b>
Deferred taxes:		
France	14.7	4.1
Outside France	(21.9)	(3.5)
	<b>(7.2)</b>	<b>0.6</b>
Total income tax expense:		
France	(79.5)	(73.1)
Outside France	(181.9)	(154.0)
	<b>(261.4)</b>	<b>(227.1)</b>

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, 2011	December 31, 2010
<b>Standard French income tax rate</b>	<b>34.43%</b>	<b>34.43%</b>
Increases (reductions):		
■ Effect of foreign income tax rates	(4.49%)	(4.16%)
■ Non-taxable items	2.24%	1.77%
■ Income taxable at specific rates	0.82%	1.10%
■ Other	1.33%	1.60%
	<b>34.33%</b>	<b>34.74%</b>
Impact on deferred taxes of:		
■ Changes in tax rates	0.05%	0.20%
■ Recognition or non-recognition of deferred tax assets	0.92%	0.18%
<b>EFFECTIVE TAX RATE</b>	<b>35.30%</b>	<b>35.12%</b>

In accordance with the recommendation of the French National Accounting Board (Conseil National de la Comptabilité - CNC), the Group has elected to recognize France's CVAE tax on the value added by the business under "Income tax expense" in the statement of income as from January 1, 2010.

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, 2011	December 31, 2010
Deferred taxes recorded by French companies	(310.6)	(330.5)
Deferred taxes recorded by foreign companies	(241.7)	(212.9)
	<b>(552.3)</b>	<b>(543.4)</b>
Origin of deferred taxes:		
■ Depreciation of fixed assets	(102.3)	(84.4)
■ Tax loss carryforwards	4.4	1.5
■ Statutory profit-sharing	6.0	4.0
■ Pensions and other post-employment benefits	20.7	21.1
■ Developed technology	0.0	(3.9)
■ Trademarks	(533.3)	(535.0)
■ Impairment losses on inventories and receivables	41.0	40.1
■ Fair value adjustments to derivative instruments	(4.4)	(4.7)
■ Translation adjustments	0.2	0.1
■ Other provisions	57.2	55.5
■ Margin on inventories	18.4	16.2
■ Other	(60.3)	(53.9)
	<b>(552.3)</b>	<b>(543.4)</b>
■ Of which deferred tax assets	91.9	90.1
■ Of which deferred tax liabilities	(644.2)	(633.5)

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

(in € millions)	December 31, 2011	December 31, 2010
Deferred taxes – short term	80.1	78.6
Deferred taxes – long term	(632.4)	(622.0)
	<b>(552.3)</b>	<b>(543.4)</b>

Tax losses carried forward broke down as follows:

(in € millions)	December 31, 2011	December 31, 2010
Net recognized operating losses carried forward	14.1	5.8
Recognized deferred tax assets	4.4	1.5
Net unrecognized operating losses carried forward	122.3	94.0
Unrecognized deferred tax assets	33.9	26.8
Total net operating losses carried forward	136.4	99.8

The recognized deferred tax assets are expected to be utilized no later than five years from the period-end.

## ■ NOTE 21 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

### A) SPECIFIC TRANSACTIONS

Specific commitments and their expiry dates are discussed in the following Notes:

- Note 4: Property, plant and equipment;
- Note 13: Long-term borrowings;
- Note 15: Pension and other post-employment benefit obligations.

### B) ROUTINE TRANSACTIONS

#### 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, 2011	December 31, 2010
Due within one year	38.7	39.0
Due in one to two years	30.9	31.0
Due in two to three years	24.7	22.4
Due in three to four years	20.8	13.4
Due in four to five years	14.4	8.1
Due beyond five years	45.8	12.2
	<b>175.3</b>	<b>126.1</b>

### Commitments to purchase property, plant and equipment

Commitments to purchase property, plant and equipment amounted to €5.3 million as of December 31, 2011.

### C) CONTINGENT LIABILITIES

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.

## ■ NOTE 22 FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISKS

### A) FINANCIAL INSTRUMENTS

#### (1) Derivatives

(in € millions)	December 31, 2011			
	Financial income and expense, net	Equity	Book value	IFRS designation
<b>Exchange rate derivatives</b>				
Forwards and options designated as fair value hedges	(8.8)		(2.0)	Trading
Forward contracts designated as net investment hedges	-		-	NIH*
<b>Commodity derivatives</b>				
Futures and options	-		-	Trading
<b>Interest rate derivatives</b>				
Interest rate caps	(0.2)		0.2	Trading
	<b>(9.0)</b>		<b>(1.8)</b>	

\* Net Investment Hedge.

All financial instruments are classified in Level 2 of the fair value hierarchy described in Note 1 (M).

#### (2) Impact of financial instruments

(in € millions)	12 months ended December 31, 2011			
	Impact on financial income and expense, net	Impact on equity		
		Fair value	Translation adjustment	Other
Trade receivables	-			
Trade payables	-			
Borrowings	(72.2)		(9.6)	
Derivatives	(9.0)			
	<b>(81.2)</b>		<b>(9.6)</b>	

Debentures denominated in US dollars ("Yankee bonds") are designated as hedges of the foreign currency risk associated with the net investment in the United States (see discussion of net investment hedges in Note 1 (N)).

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## (3) Breakdown of balance sheet items by type of financial instrument

(in € millions)	December 31, 2011					December 31, 2010
	Type of financial instrument					
	Carrying amount	Fair value	Instruments designated at fair value through profit or loss	Receivables, payables and borrowings at amortized cost	Derivatives	Carrying amount
<b>ASSETS</b>						
<b>Current assets</b>						
Trade receivables	534.9	534.9		534.9		496.4
Other current financial assets	0.2	0.2			0.2	0.6
<b>TOTAL CURRENT ASSETS</b>	<b>535.1</b>	<b>535.1</b>		<b>534.9</b>	<b>0.2</b>	<b>497.0</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Current liabilities</b>						
Short-term borrowings	218.0	218.0		218.0		216.8
Trade payables	435.0	435.0		435.0		432.0
Other current financial liabilities	2.0	2.0			2.0	0.3
<b>TOTAL CURRENT LIABILITIES</b>	<b>655.0</b>	<b>655.0</b>		<b>653.0</b>	<b>2.0</b>	<b>649.1</b>
<b>Non-current liabilities</b>						
Long-term borrowings	1,539.1	1,561.1		1,539.1		1,213.0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,539.1</b>	<b>1,561.1</b>		<b>1,539.1</b>		<b>1,213.0</b>

## B) 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 derivative 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.

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

(in € millions)	December 31, 2011	December 31, 2010
<b>Other current financial assets</b>	<b>0.2</b>	<b>0.6</b>
■ Swaps	0.0	0.0
■ Financial derivatives with a positive fair value	0.2	0.6
<b>Other current financial liabilities</b>	<b>2.0</b>	<b>0.3</b>
■ Swaps	0.0	0.0
■ Financial derivatives with a negative fair value	2.0	0.3



### (1) 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, 2011 the breakdown of gross debt (excluding debt issuance costs) between fixed and variable rate is as follows:

(in € millions)	December 31, 2011
Fixed rates	1,065.4
Variable rates	700.7

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)	700.7	-	-
Cash and marketable securities	(488.3)	-	-
<b>Net debt</b>	<b>212.4</b>	-	-
Hedges	550.0	-	-
<b>Position after hedging</b>	<b>(337.6)</b>	-	-

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 2011 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 €3.5 million (2010: €6.1 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:

(in € millions)	December 31, 2011		
Period covered	Notional amount	Benchmark rate	Average guaranteed rate including premium
January 2012 – March 2012	550	3-month Euribor	3.75%
April 2012 – March 2013	350	3-month Euribor	3.57%
April 2013 – December 2013	400	3-month Euribor	4.72%

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 €0.2 million as of December 31, 2011 (December 31, 2010: €0.4 million). The effect of changes in fair value on consolidated profit was a €0.2 million loss in 2011 (2010: €1.2 million loss), recognized in "Finance costs and other financial income and expense, net" (Note 19 (B)).

#### Interest-rate swaps

In April 2011, the Group purchased interest rate swaps on a notional amount of €275.0 million expiring on March 21, 2015.

In 2011, the Group canceled the interest rate swaps and accordingly adjusted the hedged debt by €12.3 million. In accordance with IAS 39, the debt adjustment will be amortized to profit or loss as a deduction to finance costs in the period through March 2015, i.e. over the initial life of the swaps. The gain recognized in respect of 2011 was €1.0 million.

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Further interest rate swaps may be set up in the future, based on changes in market conditions.

## (2) 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, 2011:

(in € millions)	Financial assets Cash and marketable securities	Financial liabilities (before debt issuance costs)
Euro	307.9	1,181.8
US dollar	69.6	435.0
Other currencies	110.8	149.3
	<b>488.3</b>	<b>1,766.1</b>

Natural hedges are favoured in particular by aiming at an optimized break down by currency of, on the one hand, net debt and operating profit, on the other hand.

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, 2011 the Group has set up forward contracts in Brazilian reals, Australian dollars and American dollars which have a net fair value of €2.0 million in "Other current financial liabilities". (December 31, 2010: €0.1 million)

The table below presents the breakdown of net sales and operating expenses by currency as of December 31, 2011:

(in € millions)	Net sales		Operating expenses*	
Euro	2,105.9	49.6%	1,605.3	47.3%
US dollar	628.0	14.8%	528.0	15.6%
Other currencies	1,516.2	35.6%	1,260.1	37.1%
	<b>4,250.1</b>	<b>100%</b>	<b>3,393.4</b>	<b>100%</b>

\* Excluding acquisition-related amortization, any acquisition-related expense and income and goodwill impairment.

As shown in the above table, natural hedges are also set up by matching costs and revenues 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. These hedges are for periods of less than 18 months. No such hedges were entered into in 2011.

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 2011 figures would have resulted in a decrease in net revenue of approximately €194.9 million and a decrease in operating profit of approximately €30.7 million.

In the same way, such increase applied to 2010 figures would have resulted in a decrease in net revenue of approximately €169.2 million and a decrease in operating profit of approximately €27.2 million.

## (3) Commodity risk

The Group is exposed to commodity risk arising from changes in the price of raw materials.

Raw materials purchases amounted to around €440.0 million in 2011.

A 10% increase in the price of all the raw materials used by the Group would theoretically feed through to around a €44.0 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 can 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.

The Group did not set up any such hedging contracts in 2011.

#### (4) 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. When the Group is in a position to do so, it can resort to either credit insurance or factoring.

Finally, the Group's debt ratings are as of December 31, 2011:

Rating agency	Long term debt	Outlook
S&P	BBB+	Positive

## ■ NOTE 23 INFORMATION RELATING TO CORPORATE OFFICERS

### A) SHORT-TERM BENEFITS

(in € millions)	December 31, 2011	December 31, 2010
Advances and loans to corporate officers	0.0	0.0
Compensation paid to corporate officers*	2.7	2.2

\* 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.

Olivier Bazil's duties as Vice-Chairman and Chief Operating Officer ended at the May 26, 2011 Annual Shareholders' Meeting and on May 31, 2011, he began claiming pension benefits in respect of his past service as an employee. However, he keeps his administrator mandate and is a member of the Strategy Committee.

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 many well rated financial institutions or Corporates with the aim of fragmenting the exposure to these counterparties. Those strategies are decided and monitored by the Corporate Finance Department which ensures a daily follow up of notations and Credit Default Swap rates of any one of these counterparties.

#### (5) 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 (€1,268.8 million as of December 31, 2011) is fully financed by financing facilities expiring at the earliest in 2013 (including undrawn lines of credit) and at the latest in 2025.

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, 2011 it stood at 1.21.

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(Convention collective de la Métallurgie) and the applicable corporate agreements, which provide for the payment of a termination benefit to all retiring Group employees in an amount that is proportional to their period of service with the Group. Mr. Bazil also receives the supplementary pension benefits payable to the French members of the Group Executive Committee.

Lastly, the Board of Directors requested that Mr. Bazil, in his capacity as a director and member of the Strategy Committee, accept a special mission to ensure a smooth management transition and the efficient handover of responsibility for the strategic projects he led while serving as Vice-Chairman and Chief Operating Officer. Mr. Bazil was paid a consideration of €0.3 million for this mission, which was completed on December 31, 2011.

### B) REMUNERATION AND BENEFITS DUE ON TERMINATION OF CORPORATE OFFICE'S POSITION

Corporate officer	Employment contract <sup>(1)</sup>		Supplementary pension entitlement <sup>(2)</sup>		Indemnities or benefits due or which may become due as a result of termination or change of office		Indemnities relating to non-competition clause <sup>(3)</sup>	
	Yes	No	Yes	No	Yes	No	Yes	No
<b>Gilles Schnepf</b>								
Chairman and CEO		x	x			x	x	
Commencement: 05/22/2008								
Expiration: 12/31/2013								

(1) In line with the recommendations of the Code of Corporate Governance, the Board of Directors on March 4, 2009, took due Note of the decision of Gilles Schnepf to renounce his contract of employment with immediate effect and without consideration.

(2) 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, 2011, the Group's commitment in connection with this agreement amounted to approximately €10.9 million, of which approximately €0.3 million was financed, while the remaining €10.6 million is accrued in the accounts. In addition, a provision for €3.1 million was recognized for Social Security contributions due on the capital component of annuities according to the level of the pension. At December 31, 2011, the Executive Committee has seven members, including the Chairman and Chief Executive Officer.

Additional pension entitlements are calculated to set total pensions, including these additional 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 additional pension, employees must have been with the Group for at least ten years and have reached the legal retirement age. In the event of the beneficiary's death, the Group will pay the surviving spouse 60% of the supplementary pension.

Corporate officer's pension entitlements at retirement would represent roughly 1% of his total compensation (salary and bonus) per year of service with the Group.

(3) As a corporate officer, Gilles Schnepf is subject to a two-year covenant not to compete that is enforceable at the Group's initiative. In consideration of this, should the Group decide to enforce the covenant, Mr. Schnepf would receive a monthly indemnity equal to 50% of his average monthly compensation, including bonus, for his last 12 months with the Group.

### C) TERMINATION BENEFITS

Except for above-mentioned payments due upon retirement or enforcement of the covenant not to compete, the Company has no other firm or potential obligations towards Gilles Schnepf, Chairman and Chief Executive Officer for the payment of salaries, compensation or other benefits upon or subsequent to the termination of his appointment or any changes thereto.

### D) SHARE-BASED PAYMENT

Under the 2011 stock grant plans with performance criteria, corporate officers were granted 127,888 shares.

Under the 2010 stock grant plans with performance criteria and stock option plans, corporate officers were granted 62,163 shares and 217,646 options.

## E) COMPENSATION PAID TO MEMBERS OF THE EXECUTIVE COMMITTEE OTHER THAN CORPORATE OFFICERS

(in € millions)	December 31, 2011	December 31, 2010
Total compensation paid	2.5	2.6

## ■ NOTE 24 INFORMATION BY GEOGRAPHICAL SEGMENT (NOTE 1 (S))

Legrand is the global specialist in electrical end digital building infrastructures. The following information by geographical segment corresponds to the Group's consolidated reporting system.

12 months ended December 31, 2011 (in € millions)	Geographical segments					Items not allocated to segments	Total
	Europe			USA/Canada	Rest of the world		
	France	Italy	Others				
Revenue to third parties	1,110.0	661.7	784.9	628.0	1,065.5		4,250.1
Cost of sales	(397.3)	(262.9)	(466.8)	(306.5)	(594.5)		(2,028.0)
Administrative and selling expenses, R&D costs	(445.2)	(187.4)	(197.5)	(225.4)	(283.5)		(1,339.0)
Other operating income (expense)	(18.8)	2.4	(26.3)	(1.2)	(26.9)		(70.8)
Operating profit	248.7	213.8	94.3	94.9	160.6		812.3
■ of which acquisition-related amortization, expense and income*	(12.4)	(3.1)	5.7	(10.1)	(8.6)		(28.5)
■ of which goodwill impairment			(11.0)		(4.9)		(15.9)
Adjusted operating profit	261.1	216.9	99.6	105.0	174.1		856.7
■ of which depreciation expense	(40.0)	(24.2)	(14.1)	(9.2)	(22.6)		(110.1)
■ of which amortization expense	(3.6)	(4.0)	(0.9)	(1.2)	(1.0)		(10.7)
■ of which amortization of development costs	(18.3)	(6.6)	0.0	(5.2)	(0.2)		(30.3)
■ of which restructuring costs	(8.0)	0.1	(9.9)	0.9	(1.7)		(18.6)
Exchange gains (losses)						10.6	10.6
Finance costs and other financial income and expense						(82.2)	(82.2)
Income tax expense						(261.4)	(261.4)
Minority interest and share of (loss)/profit of associates						0.7	0.7
Net cash provided by operating activities						646.2	646.2
Net proceeds from sales of fixed and financial assets						13.5	13.5
Capital expenditure	(28.1)	(23.8)	(12.1)	(7.1)	(36.0)		(107.1)
Capitalized development costs	(19.8)	(6.6)	(0.1)	(2.1)	(1.3)		(29.9)
Free cash flow**						522.7	522.7
Total assets						6,655.5	6,655.5
Segment liabilities	369.5	176.7	118.0	110.0	252.0		1,026.2

\* Amortization of intangible assets remeasured as part of the purchase price allocation process, plus any acquisition-related expense and income.

\*\* 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, 2010 (in € millions)	Geographical segments					Items not allocated to segments	Total
	Europe			USA/Canada	Rest of the world		
	France	Italy	Others				
Revenue to third parties	1,043.1	622.6	737.2	571.7	915.9		3,890.5
Cost of sales <sup>(A)</sup>	(358.5)	(245.8)	(441.7)	(282.0)	(484.8)		(1,812.8)
Administrative and selling expenses. R&D costs <sup>(A)</sup>	(413.7)	(177.2)	(188.9)	(212.7)	(241.8)		(1,234.3)
Other operating income (expense) <sup>(A)</sup>	(15.1)	(7.0)	(21.6)	(7.9)	(34.2)		(85.8)
Operating profit	255.8	192.6	85.0	69.1	155.1		757.6
■ of which acquisition-related amortization, expense and income <sup>(B)</sup>	(13.9)	(5.1)	(3.6)	(10.3)	(6.5)		(39.4)
■ of which goodwill impairment							0.0
Adjusted operating profit	269.7	197.7	88.6	79.4	161.6		797.0
■ of which depreciation expense	(42.6)	(26.8)	(18.4)	(11.1)	(20.3)		(119.2)
■ of which amortization expense	(2.5)	(5.8)	(1.0)	(1.2)	(1.0)		(11.5)
■ of which amortization of development costs	(18.2)	(4.3)	(0.2)	(2.2)	(0.2)		(25.1)
■ of which restructuring costs	(6.6)	(1.3)	(15.7)	0.1	(8.0)		(31.5)
Exchange gains (losses)						(39.8)	(39.8)
Finance costs and other financial income and expense						(71.2)	(71.2)
Income tax expense						(227.1)	(227.1)
Minority interest and share of (loss)/profit of associates						1.2	1.2
Net cash provided by operating activities						749.4	749.4
Net proceeds from sales of fixed and financial assets						8.9	8.9
Capital expenditure	(20.8)	(22.8)	(9.8)	(6.3)	(22.8)		(82.5)
Capitalized development costs	(20.0)	(7.0)	(0.1)	(2.2)	(1.0)		(30.3)
Free cash flow*						645.5	645.5
Total assets						6,064.7	6,064.7
Segment liabilities	352.1	181.3	120.4	116.0	219.2		989.0

\* 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.

(A) Data adjusted as described in Note 1 (A).

(B) Amortization of intangible assets revalued as part of the purchase price allocation process, plus any acquisition-related expense and income.

# CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

Adjustments that have an impact on lines (A) and (B) are shown below:

12 months ended December 31, 2010 (in € millions)	Geographical segments					Items not allocated to segments	Total
	Europe			USA/Canada	Rest of the world		
	France	Italy	Others				
Cost of sales	(13.1)			(0.7)	(1.3)		(15.1)
Administrative and selling expenses, R&D costs	(12.7)			(2.0)	(1.8)		(16.5)
Other operating income (expense)	25.8			2.7	3.1		31.6
Operating profit	0.0	0.0	0.0	0.0	0.0		0.0
■ of which acquisition-related amortization, expense and income	(2.4)	(0.3)	(1.9)	(2.6)	(5.7)		(12.9)
Adjusted operating profit	2.4	0.3	1.9	2.6	5.7		12.9
■ of which amortization expense			1.3	2.2	5.7		9.2

## ■ NOTE 25 QUARTERLY DATA – NON-AUDITED

### A) QUARTERLY REVENUE BY GEOGRAPHICAL SEGMENT (BILLING REGION) – UNAUDITED

(in € millions)	1 <sup>st</sup> quarter 2011	1 <sup>st</sup> quarter 2010
France	284.2	253.7
Italy	187.6	168.7
Rest of Europe	187.1	166.1
USA/Canada	139.3	128.4
Rest of the world	238.2	194.8
<b>TOTAL</b>	<b>1,036.4</b>	<b>911.7</b>

(in € millions)	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010
France	299.0	282.7
Italy	180.6	163.4
Rest of Europe	194.6	174.0
USA/Canada	144.9	153.5
Rest of the world	252.3	224.8
<b>TOTAL</b>	<b>1,071.4</b>	<b>998.4</b>

# CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

(in € millions)	3 <sup>rd</sup> quarter 2011	3 <sup>rd</sup> quarter 2010
France	250.6	242.5
Italy	148.6	146.3
Rest of Europe	201.0	177.8
USA/Canada	180.7	157.7
Rest of the world	259.6	239.2
<b>TOTAL</b>	<b>1,040.5</b>	<b>963.5</b>

(in € millions)	4 <sup>th</sup> quarter 2011	4 <sup>th</sup> quarter 2010
France	276.2	264.2
Italy	144.9	144.2
Rest of Europe	202.2	219.3
USA/Canada	163.1	132.1
Rest of the world	315.4	257.1
<b>TOTAL</b>	<b>1,101.8</b>	<b>1,016.9</b>

## B) QUARTERLY INCOME STATEMENTS – UNAUDITED

(in € millions)	1 <sup>st</sup> quarter 2011	1 <sup>st</sup> quarter 2010*
<b>Revenue</b>	<b>1,036.4</b>	<b>911.7</b>
<b>Operating expenses</b>		
Cost of sales	(474.7)	(414.5)
Administrative and selling expenses	(286.9)	(252.6)
Research and development costs	(50.9)	(45.3)
Other operating income (expense)	(14.1)	(18.8)
<b>Operating profit</b>	<b>209.8</b>	<b>180.5</b>
Finance costs	(21.3)	(18.0)
Financial income	3.4	2.5
Exchange gains (losses)	6.0	(25.4)
Finance costs and other financial income and expense, net	(11.9)	(40.9)
<b>Profit before tax</b>	<b>197.9</b>	<b>139.6</b>
Income tax expense	(70.2)	(48.7)
<b>Profit for the period</b>	<b>127.7</b>	<b>90.9</b>
<b>Attributable to:</b>		
■ Equity holders of Legrand	<b>127.5</b>	<b>90.3</b>
■ Minority interests	<b>0.2</b>	<b>0.6</b>

\* Data adjusted as described in Note 1 (A).



# CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

(in € millions)	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010*
<b>Revenue</b>	<b>1,071.4</b>	<b>998.4</b>
<b>Operating expenses</b>		
Cost of sales	(506.3)	(450.1)
Administrative and selling expenses	(283.8)	(267.6)
Research and development costs	(48.6)	(48.7)
Other operating income (expense)	(17.0)	(25.7)
<b>Operating profit</b>	<b>215.7</b>	<b>206.3</b>
Finance costs	(25.2)	(20.9)
Financial income	8.7	3.5
Exchange gains (losses)	4.7	(27.1)
Finance costs and other financial income and expense, net	(11.8)	(44.5)
<b>Profit before tax</b>	<b>203.9</b>	<b>161.8</b>
Income tax expense	(64.8)	(59.7)
<b>Profit for the period</b>	<b>139.1</b>	<b>102.1</b>
<b>Attributable to:</b>		
■ <b>Equity holders of Legrand</b>	<b>138.9</b>	<b>102.3</b>
■ <b>Minority interests</b>	<b>0.2</b>	<b>(0.2)</b>

\* Data adjusted as described in Note 1 (A).

(in € millions)	3 <sup>rd</sup> quarter 2011	3 <sup>rd</sup> quarter 2010*
<b>Revenue</b>	<b>1,040.5</b>	<b>963.5</b>
<b>Operating expenses</b>		
Cost of sales	(499.5)	(450.5)
Administrative and selling expenses	(272.6)	(254.8)
Research and development costs	(48.7)	(44.1)
Other operating income (expense)	(13.2)	(17.5)
<b>Operating profit</b>	<b>206.5</b>	<b>196.6</b>
Finance costs	(24.3)	(21.4)
Financial income	(0.7)	2.7
Exchange gains (losses)	6.5	19.3
Finance costs and other financial income and expense, net	(18.5)	0.6
<b>Profit before tax</b>	<b>188.0</b>	<b>197.2</b>
Income tax expense	(65.3)	(70.1)
<b>Profit for the period</b>	<b>122.7</b>	<b>127.1</b>
<b>Attributable to:</b>		
■ <b>Equity holders of Legrand</b>	<b>122.5</b>	<b>126.6</b>
■ <b>Minority interests</b>	<b>0.2</b>	<b>0.5</b>

\* Data adjusted as described in Note 1 (A).

# CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS STANDARDS FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Consolidated financial statements in accordance with IFRS standards for the financial years ended December 31, 2011 and December 31, 2010

(in € millions)	4 <sup>th</sup> quarter 2011	4 <sup>th</sup> quarter 2010*
<b>Revenue</b>	<b>1,101.8</b>	<b>1,016.9</b>
<b>Operating expenses</b>		
Cost of sales	(547.5)	(497.7)
Administrative and selling expenses	(294.1)	(276.2)
Research and development costs	(53.4)	(45.0)
Other operating income (expense)	(26.5)	(23.8)
<b>Operating profit</b>	<b>180.3</b>	<b>174.2</b>
Finance costs	(26.4)	(22.6)
Financial income	3.6	3.0
Exchange gains (losses)	(6.6)	(6.6)
Finance costs and other financial income and expense, net	(29.4)	(26.2)
<b>Profit before tax</b>	<b>150.9</b>	<b>148.0</b>
Income tax expense	(61.1)	(48.6)
<b>Profit for the period</b>	<b>89.8</b>	<b>99.4</b>
<b>Attributable to:</b>		
■ <b>Equity holders of Legrand</b>	<b>89.7</b>	<b>99.1</b>
■ <b>Minority interests</b>	<b>0.1</b>	<b>0.3</b>

\* Data adjusted as described in Note 1 (A).

## ■ NOTE 26 SUBSEQUENT EVENTS

No significant events occurred between December 31, 2011 and the date when the consolidated financial statements were prepared.

## 10.2 - STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS FOR THE YEAR ENDED DECEMBER 31, 2011

### Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2011

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

Legrand SA

Société anonyme

128, avenue du Maréchal de Lattre de Tassigny

87000 Limoges

#### To the Shareholders

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you for the year ended December 31, 2011 on:

- the audit of the accompanying consolidated financial statements of Legrand;
- the justification of our assessments;
- the specific verification required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

#### ■ I - OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2011 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the European Union.

## ■ II - JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L.823-9 of French Company Law (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

Goodwill and intangible assets represent respectively €2.403,5 million and €1.767,4 million of the total consolidated assets of your Company and have been recorded as a result of the acquisition of Legrand France in 2002 and of other subsidiaries since 2005. As mentioned in Notes 1.G and 1.H of the consolidated financial statements, your Company performs, each year, an impairment test of the value of goodwill and intangible assets with indefinite useful lives; and assesses whether changes or circumstances relating to long term assets, which could lead to an impairment loss, have occurred during the year. We have reviewed the methods by which the impairment tests are performed as well as the projected cash flow and assumptions used for these impairment tests and verified that information disclosed in Notes 2 and 3 of the consolidated financial statements is appropriate.

These assessments were made as part of our audit approach of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

## ■ III - SPECIFIC VERIFICATION

As required by law, we also verified the information presented in the Group management report in accordance with professional standards applicable in France.

We have no matters to report regarding its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine, February 8, 2012

The Statutory Auditors

**PricewaterhouseCoopers Audit**

Gérard Morin  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

**Deloitte & Associés**

Jean-Marc Lumet  
185, avenue Charles de Gaulle  
92524 Neuilly-sur-Seine Cedex

## 10.3 - FEES PAID TO STATUTORY AUDITORS

	PricewaterhouseCoopers Audit				Deloitte & Associés			
	In euros (excluding tax)		%		In euros (excluding tax)		%	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Auditing</b>								
<i>Statutory audit, certification, and review of separate and consolidated financial statements</i>	1,560,044	1,251,351	56%	61%	1,714,966	1,622,275	76%	78%
of which:								
■ Issuer	252,668	225,165	9%	11%	252,668	225,165	11%	11%
■ Fully consolidated subsidiaries	1,307,376	1,026,186	47%	50%	1,462,298	1,397,110	65%	67%
<i>Services directly related to the assignment</i>	679,409	171,985	25%	8%	442,847	383,006	20%	18%
of which:								
■ Issuer	677,909	170,150	25%	8%	68,372	34,835	3%	2%
■ Fully consolidated subsidiaries	1,500	1,835	0%	0%	374,475	348,171	17%	17%
<b>SUB-TOTAL AUDIT</b>	<b>2,239,453</b>	<b>1,423,336</b>	<b>81%</b>	<b>70%</b>	<b>2,157,813</b>	<b>2,005,281</b>	<b>96%</b>	<b>97%</b>
<b>Other services provided by networks to fully consolidated subsidiaries</b>								
Legal, tax and labor	516,568	604,801	19%	30%	75,343	67,387	3%	3%
Other	10,809	8,334	0%	0%	20,021	0	1%	0%
<b>SUB-TOTAL, OTHERS</b>	<b>527,377</b>	<b>613,135</b>	<b>19%</b>	<b>30%</b>	<b>95,364</b>	<b>67,387</b>	<b>4%</b>	<b>3%</b>
<b>TOTAL</b>	<b>2,766,830</b>	<b>2,036,471</b>	<b>100%</b>	<b>100%</b>	<b>2,253,177</b>	<b>2,072,668</b>	<b>100%</b>	<b>100%</b>

\* These services mainly relate to services realised for certain acquisitions.

## 10.4 - DIVIDEND POLICY

The Company may decide to distribute dividends upon the recommendation of its Board of Directors and following a decision of its shareholders at their Annual General Meeting. However, the Group is under no obligation to do so, and the decision of whether to recommend payment of a dividend and the amount of the dividend will depend, among other factors, on:

- the Company's results and cash flows;
- the Company's financial position;
- the Company's future prospects;

- the Company's shareholders' interests;
- general business conditions;
- any other factors that the Company's Board of Directors deems relevant.

Notwithstanding the factors listed above, there is no formula for determining the amount of dividend to be paid. In addition, the French Commercial Code (*Code de commerce*) and the Company's articles of association (*statuts*) limit the Company's right to pay dividends in certain circumstances.

Dividends distributed for 2008, 2009 and 2010 financial years were as follows:

Fiscal year	Shares with dividend entitlement	Net dividend per share
2008	261,157,772 shares at €4	€0.70
2009	262,451,948 shares at €4	€0.70
2010	262,911,065 shares at €4	€0.88

All dividends distributed in 2008, 2009 and 2010 were eligible for the 40% tax credit (*abattement*) provided for in Article 158-3-2 of the French General Tax Code (*Code général des impôts*).

Subject to approval of the Shareholders' General Meeting to be held on May 25, 2012, the Company should pay a dividend of 0.93 euro per share for the 2011 financial year on June 5, 2012.

Dividends paid to shareholders whose domicile for tax purposes or registered office is located outside of France are generally subject to French withholding tax at a rate of 25%. Corporate shareholders whose effective headquarters are located within

the European Union may benefit from the waiver of withholding tax on dividends paid by a *société anonyme* if the conditions set forth in Article 119 ter of the French General Tax Code are met. In addition, holders who qualify for benefits under an applicable tax and who comply with the procedures for claiming treaty benefits may be entitled to a reduced rate of withholding tax and, in certain circumstances, certain other benefits, under conditions provided for in the relevant treaty under French law.

## 10.5 - LEGAL AND ARBITRATION PROCEEDINGS

With respect to environmental matters, and mainly because of past operations and the operations of predecessor companies, the Group is a party to various lawsuits and claims that are common to companies in the manufacturing sector, including claims relating to groundwater and soil contamination due to the disposal and release of hazardous substances and waste. New information or future developments, such as changes in law (or its interpretation), environmental conditions or its operations, could nonetheless result in increased environmental costs and liabilities that could have a material effect on the Group financial position or results.

Legrand is also involved in other litigation from time to time in the ordinary course of its business. The Group does not expect the outcome of such proceedings, either individually or in aggregate, to have a material adverse effect on its operations, financial position or cash flows.

The Company has no knowledge during the past 12 months of other governmental, legal or arbitration proceedings (including pending or threatened litigation and those proceedings of which the Company has knowledge) that might have or recently had a material impact on the financial position or profitability of the Company and/or Group.

## 10.6 - SIGNIFICANT CHANGES IN FINANCIAL AND COMMERCIAL POSITION

In February 2012, the Group announced the acquisition of the following companies:

- Numeric UPS, the UPS ("Uninterruptible Power Supply") market leader in India. Mainly present in South East India, Numeric UPS has eight production sites, employs 2500 people and has sales of almost €80 million; and

- Aegide, Voice-Data-Images (VDI) cabinet leader for datacenters in the Netherlands. Based near Eindhoven, Aegide employs 170 people and has sales of €36 million.

## 10.7 - MATERIAL AGREEMENTS

Taking into account its business, the Company has not entered into, at the date of this Registration Document, any material agreements, other than the agreements entered into in the ordinary course of business, with the exception of the 2006 Credit

Facility and the 2011 Credit Facility described in Note 13 to the consolidated financial statements referred to in chapter 10 of this Registration Document.

## 10.8 - INVESTMENTS

### 10.8.1 - Capital expenditure and capitalized development costs

Capital expenditure and capitalized development costs totaled €137.0 million in 2011 (€112.8 million in 2010 and €115.6 million in 2009), representing 3.2% of the Group's consolidated sales

(2.9% in 2010 and 3.2% in 2009). See sections 6.5.1.2 and 6.6 of this Registration Document for further details on these items.

Of this, 50% was allocated to new products (61% in 2010 and 59% in 2009).

### 10.8.2 - Investments in equity interests: the Group's primary acquisitions

In 2011, Legrand actively pursued its strategy of targeted self-financed acquisitions of small and medium-sized companies with strong market positions and promising outlooks, doing five deals for a total of €342.4 million (net of cash acquired and including purchases of minority interests and investments in non-consolidated entities).

Below are extracts from press releases published about these acquisitions:

- Electrorack, specialized in Voice-Data-Image (VDI) cabinets for datacenters in the United States. Based in Anaheim in California, Electrorack should post sales of over US\$23 million in 2010;
- Intervox, a leader for connected security systems in France. In 2010, Intervox Systèmes reported sales of €12 million;
- SMS, the leader in UPS (Uninterruptible Power Supply) in Brazil and a leading player in this field in Latin America. With facilities near Sao Paulo and in Northern Brazil. SMS reported sales of nearly €80 million in 2010;
- Middle Atlantic Products Inc., the leader in audio and video enclosures in North America. With facilities in New Jersey, Illinois, California and Canada, Middle Atlantic Products Inc. reported sales of over US\$107 million in 2010;

- Megapower, the Malaysian leader in plastic cable management. Based near Kuala Lumpur, Megapower reported sales of more than €20 million in 2010.

In 2010, Legrand made acquisitions totaling €288.6 million (net of cash acquired) and in particular Legrand self-financed the acquisition of three companies with strong positions in high-growth markets such as new economies and/or new business segments.

Below are extracts from press releases published about these acquisitions:

- Inform, the leader in UPS (Uninterruptible Power Supply) and security equipment in Turkey. Based in Istanbul, Inform reported sales of nearly US\$70 million in 2009;
- Indo Asian Switchgear, a major player in the Indian protection market. Based near New Delhi and employing some 2,000 people at three sites, Indo Asian Switchgear should achieve sales of more than €35 million in 2010;
- Meta System Energy, an Italian modular UPS (Uninterruptible Power Supply) specialist. Meta System Energy should generate sales of €16 million in 2010.

Legrand made no acquisitions in 2009.



### 10.8.3 - Principal investments in progress

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In 2012, the Group plans to pursue its strategy of targeted growth through acquisitions and, as of the publication date of this Registration Document, has already carried out the self-financed acquisition of two companies in new market segments.

Below are extracts from press releases published about these acquisitions:

- Numeric UPS, the leader in the small and medium rating UPS (Uninterruptible Power Supply) market in India. Mainly

operating in South-East India, Numeric UPS generated sales of close to €80 million;

- Aegide, the leader in Voice-Data-Image (VDI) cabinets for datacenters in the Netherlands and a leading player in this market in Europe. Based near Eindhoven, Aegide reported sales of €36 million.

### 10.8.4 - Principal future investments and growth through acquisitions policy

---

The Company intends to pursue its strategy of targeted acquisitions and investments, particularly in research and development, in accordance with the strategy described in this

Registration Document (see in particular section 3.2.3 of this Registration Document).

## ADDITIONAL INFORMATION

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## 11.1 – INFORMATION ABOUT THE COMPANY

### 11.1.1 – Company name

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The Company's name is "Legrand".

### 11.1.2 – Place of registration and registration number

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The Company is registered with the commercial registry of Limoges (*Registre du commerce et des sociétés de Limoges*) under number 421 259 615.

### 11.1.3 – Date and duration of incorporation

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The Company was initially incorporated on December 22, 1998, as a French stock corporation (*société anonyme*). The Company was transformed into a simplified joint stock company (*société par actions simplifiée*) by an Extraordinary General Meeting on December 5, 2001. The Company was again transformed into a stock corporation (*société anonyme*) by an unanimous decision of the shareholders on November 4, 2002.

The Company's life has been extended until February 24, 2105, unless the Company is dissolved early, or this term is once again extended.

### 11.1.4 – Registered office

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The Company's registered office is at 128, avenue du Maréchal de Lattre de Tassigny, 87000 Limoges, France.

The telephone number of the registered office is +33 (0)5 55 06 87 87.

## 11.1.5 - Legal form and applicable law

Legrand is a French stock corporation (*société anonyme*) with a Board of Directors. The Company is mainly governed by the provisions of Book II of the French Commercial Code.

## 11.1.6 - Subsidiaries

The Group is made up of the Company and the 141 subsidiaries that were consolidated at December 31, 2011; the main subsidiaries are mentioned in the consolidated financial statements presented in chapter 10 of this Registration Document. The Company is the parent company of the Legrand Group. Its main business consists in providing general management and financial services to manage the Group's operations.

Legrand France is the Company's wholly-owned main operating subsidiary. Legrand France, directly or indirectly, controls all of the Group's subsidiaries.

The payment of dividends by Legrand's main subsidiaries is decided by their respective Shareholders' General Meetings, and is subject to the local laws and regulations applicable to them. At the date of this Registration Document, Legrand had not identified any restrictions that would significantly limit its access to its subsidiaries' cash flows, or to the payment of the dividends distributed by the same.

## 11.2 - SHARE CAPITAL

Unless otherwise indicated, the information presented in this section is dated December 31, 2011.

### 11.2.1 - Subscribed share capital and share capital authorized but not issued

On December 31, 2011, the Company's share capital amounted to €1,053,555,980, divided into 263,388,995 shares with a nominal value of €4 each.

The Company's shares are fully paid up and all of the same class. The shares may be held in registered or bearer form, at the option of the shareholder. They may be registered on individual shareholder accounts in accordance with applicable laws and regulations.

### ■ 11.2.1.1 DELEGATIONS AND FINANCIAL AUTHORIZATIONS CURRENTLY IN FORCE

At the date of this Registration Document, the shareholders at the General Meetings held on May 27, 2010 and May 26, 2011 granted to the Company's Board of Directors the following final authorizations:

Authorizations and delegations granted by the Shareholders' General Meeting	Date of the General Meeting that granted the delegation	Duration of the delegation, and expiration date	Conditions of the delegation	Use of the delegation during the 2011 financial year
<b>General Meeting of May 26, 2011</b>				
<b>Purchase of a maximum number of shares (Resolution 7)</b>	May 26, 2011	18 months November 26, 2012	Limit: 10% of the share capital at May 26, 2011. Maximum amount allocated: €500 million Maximum purchase price per share: €40	€48.9 million
<b>Cancellation of treasury shares and reduction of the share capital (Resolution 10)</b>	May 26, 2011	26 months July 26, 2013	10% of the share capital at May 26, 2011	Nil
<b>Allotment of stock options to employees and/or corporate officers (Resolution 11)</b>	May 26, 2011	26 months July 26, 2013	Limit: 4% of the share capital at the date of the allotment decision	Nil
<b>Free allotment of existing or new shares to employees and/or corporate officers (Resolution 12)</b>	May 26, 2011	26 months July 26, 2013	Limit: 4% of the share capital at the date of the allotment decision	Nil <sup>(1)</sup>
<b>Issue of shares or securities providing access to the Company's share capital in favor of participants in employee share-ownership programs of the Company or Group (Resolution 13)</b>	May 26, 2011	26 months July 26, 2013	Limit: maximum amount of €25 million	Nil

(1) Readers are invited to refer to section 8.3 of this Registration Document for information regarding the performance share plan set up in 2012 in respect of this authorization.

Authorizations and delegations granted by the Shareholders' General Meeting	Date of the General Meeting that granted the delegation	Duration of the delegation, and expiration date	Conditions of the delegation	Use of the delegation during the 2011 financial year
<b>General Meeting of May 27, 2010</b>				
<b>Issue of shares or securities providing access to equity or debt securities with preferred subscription rights maintained (Resolution 10)</b>	May 27, 2010	26 months July 27, 2012	€500 million (this maximum nominal amount is included in the overall maximum amount of €500 million (the "Overall Maximum Amount"))	Nil
<b>Issue of shares or securities providing access to equity or debt securities, by means of public offer, with preferred subscription rights waived (Resolution 11)</b>	May 27, 2010	26 months July 27, 2012	€350 million (this maximum nominal amount is included in the Overall Maximum Amount)	Nil
<b>Issue of shares or securities providing access to equity or debt securities, by means of an offer within the scope of section II of article L.411-2 II of French Monetary and Financial Code (private placement) with preferred subscription rights waived (Resolution 12)</b>	May 27, 2010	26 months July 27, 2012	€350 million (this maximum nominal amount is included in the maximum nominal amount of €350 million allowed under Resolution 11)	Nil
<b>Increase of issue amounts in the event of excess demand within 30 days from the subscription closing date (Resolution 13)</b>	May 27, 2010	26 months July 27, 2012	Up to 15% of the initial issue (within the limits of the maximum nominal amount determined for each type of issue decided under Resolutions 10, 11 and 12)	Nil
<b>Setting of the issue price in the event of the issues of shares or of securities providing access to the share capital with preferred subscription rights waived (Resolution 14)</b>	May 27, 2010	26 months July 27, 2012	10% of the Company's share capital in any 12-month period (this nominal amount is included in the maximum amount determined for each type of issue decided under Resolutions 11 and 12)	Nil
<b>Capital increase by incorporation of reserves, profit, premiums, or other items which may be capitalized under applicable regulations (Resolution 15)</b>	May 27, 2010	26 months July 27, 2012	€100 million	Nil
<b>Issue of shares or securities giving access to equity as consideration for contributions in kind to the Company (Resolution 17)</b>	May 27, 2010	26 months July 27, 2012	10% of the share capital at the issue date (this maximum nominal amount is included in the maximum nominal amount of €350 million allowed under Resolution 11)	Nil

### ■ 11.2.1.2 DELEGATIONS AND FINANCIAL AUTHORIZATIONS SUBMITTED TO THE COMBINED GENERAL MEETING OF MAY 25, 2012

At the General Meeting of shareholders to be held on May 25, 2012, shareholders will be asked to renew the following authorizations and financial delegations:

Authorization/delegation concerned	Duration and expiry date	Maximum nominal amount
<b>Authorization for the purpose of allowing the Company to trade its own shares (Resolution 10)</b>	18 months November 25, 2013	Limit: 10% of the share capital at May 25, 2012. Maximum amount allocated: €500 million. Maximum purchase price per share: €40
<b>Authorization for the purpose of reducing the share capital by cancellation of shares (Resolution 11)</b>	26 months July 25, 2014	Limit: 10% of the share capital at May 25, 2012
<b>Issues of shares or securities providing access to equity or debt securities with preferred subscription rights maintained (Resolution 12)</b>	26 months July 25, 2014	€500 million (this maximum nominal amount is included in the overall maximum amount of €500 million (the "Overall Maximum Amount"))
<b>Issues of shares or securities providing access to equity or debt securities, by means of public offers with preferred subscription rights waived (Resolution 13)</b>	26 months July 25, 2014	€105 million (this maximum nominal amount is included in the Overall Maximum Amount)
<b>Issues of shares or securities providing access to equity or debt securities, by means of an offer within the scope of section II of Article L 411-2 II of the French Monetary and Financial Code (private placement), with preferred subscription rights waived (Resolution 14)</b>	26 months July 25, 2014	€105 million (this maximum nominal amount is included in the maximum nominal amount of €105 million allowed under Resolution 13, and in the Maximum Overall Amount)
<b>Increase of issue amounts, made with preferred subscription rights maintained or waived, in the event of excess demand within 30 days from the subscription closing date (Resolution 15)</b>	26 months July 25, 2014	Up to 15% of the initial offering (within the limits determined for each type of issue decided under Resolutions 12, 13 and 14)
<b>Setting of the issue price for any issue of shares or securities providing access to equity, with preferred subscription rights waived (Resolution 16)</b>	26 months July 25, 2014	10% of the Company's share capital in any 12-month period (this nominal amount is included in the maximum amount determined for each type of issue decided under Resolutions 13 and 14)
<b>Capital increase by incorporation of reserves, profits, premiums, or other items which may be capitalized under applicable regulations (Resolution 17)</b>	26 months July 25, 2014	€100 million
<b>Issues of shares or securities providing access to the Company's share capital in favor of participants in employee share-ownership programs of the Company or Group (Resolution 18)</b>	26 months July 25, 2014	€25 million (this maximum nominal amount is included in the Overall Maximum Amount)
<b>Issue of shares or securities giving access to share capital as consideration for contributions in kind to the Company (Resolution 19)</b>	26 months July 25, 2014	10% of the share capital at the issue date (this maximum nominal amount is included in the maximum nominal amount of €105 million allowed under Resolution 13)

## 11.2.2 - Acquisition by the Company of its own shares

### ■ 11.2.2.1 CURRENT SHARE BUYBACK PROGRAM

#### Use of the authorization granted at the Shareholders' General Meeting on May 26, 2011

On May 27, 2011, the Company implemented share buyback program pursuant to the authorization described below and granted to the Board of Directors at the Shareholders' General Meeting on May 26, 2011:

Transaction	Duration of authorization and expiration date	Maximum amount (in € millions)	Maximum number of shares
Share buyback program (Resolution 7)	18 months November 26, 2012	500	10% of the Company's share capital at May 26, 2011
Cancellation of the shares so purchased, and capital reduction (Resolution 10)	26 months July 26, 2013		10% of the Company's share capital at May 26, 2011, per 24 month period

The Company has purchased a certain number of its shares pursuant to this share buyback program and previous programs, and as a result held 560,536 treasury shares at December 31, 2011 representing a total book value of €12.4 million and a total nominal value of €2.2 million, this being 0.2% of the Company's share capital at that date.

#### Description of the current share buyback program

A full description of the current share buyback program is available on the Company's website ([www.legrand.com](http://www.legrand.com)).

### ■ 11.2.2.2 NEW SHARE BUYBACK PROGRAM TO BE SUBMITTED FOR APPROVAL AT THE SHAREHOLDERS' GENERAL MEETING

The proposed resolutions adopted by the Company's Board of Directors on March 7, 2012 for submission to shareholders at the General Meeting on May 25, 2012 provide for the renewal of (i) the authorization to purchase Company's shares, as described in section 11.2.1.1 above, with upper limits of 10% of the share capital and €500 million, and at the maximum purchase price of €40 per share, and (ii) the authorization to cancel treasury shares, as described in section 11.2.1.1 above, subject to the upper limit of 10% of the share capital in any 24-month period.

Proposed resolutions are reproduced in Appendix 4 of this Registration Document.

## 11.2.3- Other securities providing access to equity

At the date of registration of this Registration Document, there are no securities other than shares providing access to the Company's share capital.



## 11.2.4 - Changes in the share capital

During the 2011 financial year, the value of the Company's share capital increased by €910,596 due to the issue of 227,649 shares following the exercise of stock options and the expiry of the vesting period of the performance shares.

Changes in the share capital since the Company's incorporation are summarized in the table below:

Transaction	Date of Board/ General Meeting	Number of shares issued/ cancelled	Nominal amount (in euros)	Issue Premium (in euros)	Share capital (in euros)	Number of shares	Nominal amount (in euros)
Incorporation	12/22/1998	40,000	40,000	–	40,000	40,000	1
Capital increase	12/08/2002	759,310,900	759,310,900	–	759,350,900	759,350,900	1
Reverse split, increase in nominal value, and decrease in the number of shares	02/24/2006	569,513,175	–	–	759,350,900	189,837,725	4
Capital increase by way of a public offering	04/11/2006	43,689,298	174,757,192	688,106,444	934,108,092	233,527,023	4
Capital increase reserved to GP Financière New Sub 1	04/11/2006	33,862,914	135,451,656	533,340,895	1,069,559,748	267,389,937	4
Capital increase reserved to employees	05/02/2006	2,303,439	9,213,756	36,279,164*	1,078,773,504	269,693,376	4
Recognition of capital increase following exercise of stock options	11/07/2007	1,282,363	5,129,452	–	1,083,902,956	270,975,739	4
Cancellation of shares	03/05/2008	9,138,395	36,553,580	(188,280,771)	1,047,349,376	261,837,344	4
Recognition of capital increase following exercise of stock options	11/05/2008	977,784	3,911,136	–	1,051,260,512	262,815,128	4
Recognition of capital increase following exercise of stock options	05/05/2009	281,551	1,126,204	185,334	1,052,386,716	263,096,679	4
Recognition of capital increase following exercise of stock options	05/05/2010	57,916	231,664	92,665	1,052,618,380	263,154,595	4
Recognition of capital increase following exercise of stock options	02/09/2011	6,751	27,004	107,568	1,052,645,384	263,161,346	4
Recognition of capital increase on vesting of free share	03/30/2011	120,635	482,540	–	1,053,127,924	263,281,981	4
Recognition of capital increase following exercise of stock options	02/08/2012	107,014	428,056	2,239,881	1,053,555,980	263,388,995	4

\* The amount of the discount, i.e. €9.1 million, was accounted for as other operating expenses in the financial statements presented in accordance with IFRS.

## 11.2.5 - Pledges, guarantees and security interests

At the date this Registration Document was filed, and to the Company's knowledge, no pledges, guarantees, or securities had been granted on the Company's shares.

## 11.2.6 - Number of voting rights

Attention is drawn to the fact that the double voting rights mechanism described in section 11.3.3 of this Registration Document has applied since February 24, 2008.

At December 31, 2011, the Company's share capital consisted of 263,388,995 shares, to which 304,563,322 voting rights were attached.

# 11.3 - MEMORANDUM AND ARTICLES OF ASSOCIATION

## 11.3.1 - Corporate purpose

The Company's direct or indirect corporate purpose in all countries, as defined in Article 2 of the Articles of Association, is as follows:

- the purchase, subscription, disposal, holding, or contribution of shares or other securities in any company;
- providing any service in connection with, *inter alia*, Human Resources, IT, management, communications, finance, legal

affairs, marketing and purchasing to its subsidiaries and to companies in which it has a direct or indirect interest;

- and, in general, all financial, commercial, industrial, civil, real estate or movable asset transactions that may be directly or indirectly connected with the above corporate purpose, or with any similar or related purposes, or that are likely to support the goal pursued by Company, its growth, its development, and its corporate assets, either directly or indirectly.

## 11.3.2 - Administration and Management

For a description of the rules governing the composition, the organization, and the operation of the Company's administrative and management bodies, readers are invited to refer to chapter 7 of this Registration Document (Corporate governance).

## 11.3.3 - Rights, privileges, and restrictions attached to the shares

The Company's shares are freely negotiable and are transferred from account to account under the conditions specified in law and by the regulations.

Subject to the legal and regulatory provisions applicable, each member of the General Meeting is entitled to the same number of votes as the number of shares that they own or represent.

However a voting right that is the double of the right attached to other shares, in proportion to the share of capital represented, is awarded to all fully-paid shares where it is shown that they have been held on a registered account in the same owner's name for at least two years from February 24, 2006 onwards.

In addition, in the event of a capital increase through incorporation of reserves, profits, or issue premiums, the double voting right is attached, on issue, to the registered shares allocated free of charge to a shareholder, on the basis of the old shares that entitle them to this right.

Any shares converted to bearer form, or where full ownership is transferred, lose this double voting right. However, the transfer of ownership resulting from an inheritance, the dissolution of spouses' joint property, or an *intra vivos* gift for the benefit of a spouse or relative entitled to inherit, shall not result in the loss of the right earned, and shall not interrupt the two-year period.

The merger or division of the Company has no effect on double voting rights, which may be exercised within the successor company or companies, provided that this is allowable under these companies' by-laws.

Where any new shares are not fully paid up on issuance, the demands for payment at the dates determined by the Board of Directors will be made by way of notices inserted, two weeks prior to the demand for payment, in one of the official gazettes (*journaux d'annonces légales*) published in the place where the registered office is located, or will be sent by registered mail with acknowledgement of receipt. Every payment on a subscribed share will be recorded by an entry on the registered account opened in the name of the subscriber. All late payments shall automatically bear interest in favor of the Company, starting from the date payment was due, without formal notice or application to a court, at the legal interest rate, notwithstanding any individual proceedings the Company may initiate against the shareholder at fault, and the forced execution measures provided for in law.

Each share grants the right to ownership of the corporate assets, to the distribution of profits, and to the liquidation premium, subject to the creation of preferred shares.

The shares are indivisible with regard to the Company, which only recognizes one owner for each share. Joint and several owners are required to be represented to the Company by a single representative. In the event of the division of share ownership, the voting rights attached to shares belong to the beneficiary at Ordinary General Meetings of Shareholders, and to the bare owner at Extraordinary General Meetings.

The heirs, creditors, trustees, and assigns of a shareholder may not place liens on the property or securities of the Company, nor request their division, nor interfere in the administration of the Company in any way on any grounds whatsoever.

To exercise their rights, they are required to refer to the corporate records and to the decisions of the General Meeting.

Whenever more than one share is required to exercise a particular right, specifically in the event of the exchange or allocation of securities as part of a transaction like a consolidation, or an increase or decrease in the share capital, either on a cash basis or via the incorporation of reserves, or of a merger or any other transaction, single shares or an amount of shares that is lower than the one required do not entitle their owner to any rights over the Company. In this case, shareholders shall take personal responsibility for purchasing, selling or assembling the number of shares or voting rights required.

The Company monitors the breakdown of its shareholders under the conditions specified in law. In this respect, the Company may avail itself of all the legal provisions provided for the identification of the holders of shares conferring immediate or future voting rights at the Company's Shareholder Meetings.

### 11.3.4 - Amendment of the rights attached to shares

Inasmuch as the Company's by-laws do not provide for any specific provisions, any amendment of the rights attached to shares is subject only to the provisions in law.

## 11.3.5 - General Meetings

### ■ PARTICIPATION AT GENERAL MEETINGS

The following rules are drawn from the Articles of Association in force at the date this Registration Document was filed.

Subject to legal and regulatory restrictions, any shareholder has the right to attend General Meetings, and to participate in deliberations, either personally or through a proxy, regardless of the number of shares held.

The right to participate in the Company's General Meetings, either personally or through a proxy, is established by an accounting entry for the shares in the name of the holder or the intermediary registered on the shareholder's behalf (under the conditions provided for in law) no later than midnight, Paris time, on the third business day before the General Meeting:

- for registered shareholders: in the registered securities accounts kept by the Company;
- for bearer shareholders: in the bearer securities accounts held by the authorized intermediary, under the conditions provided by the regulations in force.

Any shareholder wishing to vote by post or by proxy must have delivered a proxy form, a postal vote, or a similar single document to the Company's registered office, or to any other address indicated on the notice convening the meeting, at least three days prior to the date of the General Meeting. The Board of Directors may set a later deadline for any General Meeting by means of a general measure in favor of all shareholders. Upon decision of the Board of Directors referred to in the notice of meeting, shareholders may send their postal vote and proxy form by any remote transmission means, including electronic communications, under the conditions and within the timeframe determined in law and by the regulations. Where it is used, an electronic signature may take the form of a procedure satisfying the conditions defined in the first sentence of the second paragraph of Article 1316-4 of the French Civil Code.

The Board of Directors has suggested an amendment to Article 12.1 of the Company's by-laws for deliberation by the

General Meeting convened to deliberate on May 25, 2012, in order to make the Company compliant with the Decree of December 9, 2011 relating to the corporate law communication procedures (see the draft resolutions shown in Appendix 4 of this Registration Document).

### ■ CONVENING OF GENERAL MEETINGS

General Meetings are convened under the conditions determined in law. Meetings are held at the registered office or at any other location in France or abroad, specified in the notice of meeting.

### ■ CONDUCT OF GENERAL MEETINGS

General Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by the Vice-Chairman or by a Director specifically appointed for this purpose by the Board of Directors. Otherwise, the Meeting elects its own Chairman.

Any shareholder may, if the Board of Directors allows them to do so in the notice of meeting, participate in this Meeting *via* videoconference or other electronic means of telecommunications or transmission, under the conditions determined by the legislation or the regulations in force. Such shareholders are then deemed present for the calculation of the quorum and majority.

An attendance sheet is kept for each meeting as required by law.

### ■ DELIBERATIONS AND POWERS OF GENERAL MEETINGS

The Ordinary and Extraordinary General Meetings, sitting under the quorum and majority conditions specified by the respective provisions that govern them, exercise the powers assigned to them in law.

## 11.3.6 - Provisions of a nature to delay, defer, or prevent a change of control

The Company's by-laws contain no provisions of a nature to delay, defer, or prevent a change of control.

### 11.3.7 - Crossing of statutory thresholds

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In addition to the legal provisions applicable in this area, any natural or legal person who comes to hold, directly or indirectly (including through a company controlled according to the meaning of Article L.233-3 of the French Commercial Code) 2% of the share capital or voting rights (the total number of voting rights to be used as the denominator is calculated on the basis of all the shares to which voting rights are attached, including shares where the voting rights have been suspended), acting alone or in concert, and in any way whatsoever, must inform the Company of this fact by registered letter with a request for acknowledgement of receipt addressed to the registered office, within a period of four trading days from the date the threshold is crossed, independently of the date the shares might have been registered in any account, and must specify the total number of shares and securities giving access to the share capital, and the number of voting rights that they hold, directly or indirectly, acting alone or in concert. Notice must be given in the same manner and

within the same timeframe when a holding falls below this 2% threshold.

Above this 2% threshold, disclosure must be made in the same manner when a threshold of one percent (1%) in the share capital or voting rights is crossed in either direction, under the conditions and in accordance with the procedures specified above.

In the event of non-compliance with the information obligations set out above, and at the request of one or several shareholders owning at least one percent (1%) of the share capital or voting rights, which request shall be recorded in the minutes of a General Meeting, the shares in excess of the amount that should have been declared shall be stripped of their voting rights, and the shareholder at fault shall be able neither to exercise nor delegate these rights for any General Meeting held until the expiry of a two-year period following the date when notice was properly served.

### 11.3.8 - Changes to the share capital

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The Company's share capital may be increased or reduced under the conditions determined in law and by the regulations. The Extraordinary General Meeting may also decide to carry out stock splits or reverse splits.



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## CROSS-REFERENCE TABLE - ANNUAL FINANCIAL REPORT (ARTICLE 222-3 OF THE AMF (THE FRENCH FINANCIAL MARKETS AUTHORITY) GENERAL REGULATIONS)

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12.2	Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current fiscal year	N/A	-
<b>13</b>	<b>Profit forecasts or estimates</b>		
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13.2	Report prepared by independent accountants or Statutory Auditors	N/A	-
13.3	Profit forecast or estimate prepared on a basis comparable with the historical financial information	N/A	-
13.4	Statement setting out whether or not profit forecast is still correct as at the time of the Registration Document, and, if it is not, an explanation of why such forecast is no longer valid	N/A	-
<b>14</b>	<b>Administrative, Management, and Supervisory bodies and Senior Management</b>		
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# A

## APPENDIX

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## APPENDIX 1

## Annual accounts for the financial year ended December 31, 2011 (Company's accounts)

### Statement of income

(in € thousands)	2011	2010
<b>Operating income</b>		
Revenue	17,300	15,661
Other operating income	6,477	918
	<b>23,777</b>	<b>16,579</b>
<b>Operating expenses</b>		
Change in goods inventory	0	0
Change in supplies inventory	0	0
Purchases and external charges	(11,909)	(6,678)
Taxes other than on income	(248)	(592)
Employee benefits expense	(8,669)	(7,391)
Amortization and provision expense	(1,799)	(1,901)
	<b>(22,625)</b>	<b>(16,562)</b>
<b>Operating profit</b>	<b>1,152</b>	<b>17</b>
<b>Financial income</b>		
Dividend income	115,316	82,369
Interest income from marketable securities and receivables, net	2,830	379
Net gains on disposal of non-current assets	0	0
Exchange gains	9	0
	<b>118,155</b>	<b>82,748</b>
<b>Financial expense</b>		
Amortization and provision expense	(383)	(201)
Exchange losses	0	(7)
Finance costs and other	(36,011)	(18,214)
	<b>(36,394)</b>	<b>(18,422)</b>
<b>Financial income and expense, net</b>	<b>81,761</b>	<b>64,326</b>
<b>Recurring profit before tax</b>	<b>82,913</b>	<b>64,343</b>
<b>Non-recurring income and expense, net</b>	<b>(2,863)</b>	<b>6,404</b>
<b>Profit before tax and employee profit-sharing</b>	<b>80,050</b>	<b>70,747</b>
Employee profit-sharing	(179)	(145)
Income tax benefit	12,605	6,727
<b>PROFIT FOR THE PERIOD</b>	<b>92,476</b>	<b>77,329</b>

## Assets - net

(in € thousands)	December 31, 2011	December 31, 2010
<b>Non-current assets</b>		
Intangible assets	0	0
Property and equipment	0	0
Investments	3,930,677	3,788,015
<b>TOTAL NON-CURRENT ASSETS</b>	<b>3,930,677</b>	<b>3,788,015</b>
<b>Current assets</b>		
Inventories	0	0
Receivables	21,357	38,003
Other current assets	0	0
Marketable securities	4,594	8,424
Cash	0	0
<b>TOTAL CURRENT ASSETS</b>	<b>25,951</b>	<b>46,427</b>
<b>Accruals</b>	<b>7,694</b>	<b>2,657</b>
<b>TOTAL ASSETS</b>	<b>3,964,322</b>	<b>3,837,099</b>

## Equity and liabilities – Before appropriation of profit

(in € thousands)	December 31, 2011	December 31, 2010
<b>Equity</b>		
Share capital	1,053,556	1,052,645
Additional paid-in capital, reserves and retained earnings	1,570,210	1,722,486
Profit for the period	92,476	77,329
Untaxed provisions and government grants	0	0
<b>TOTAL EQUITY</b>	<b>2,716,242</b>	<b>2,852,460</b>
<b>Provisions</b>	<b>4,987</b>	<b>7,646</b>
<b>Debt</b>		
Other debt	1,234,598	945,371
<b>TOTAL DEBT</b>	<b>1,234,598</b>	<b>945,371</b>
<b>Other liabilities</b>	<b>8,495</b>	<b>31,618</b>
<b>Accruals</b>	<b>0</b>	<b>4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,964,322</b>	<b>3,837,099</b>

## Cash flow statement (Years ended December 31)

(in € thousands)	2011	2010
<b>Cash and cash equivalents at beginning of period (note 1.13)</b>	<b>(74)</b>	<b>(3)</b>
<b>Cash flows from operating activities</b>		
Profit for the period	92,476	77,329
<i>Adjustments to reconcile profit for the period to net cash provided by operating activities</i>		
Amortization expense	(4,070)	(1,675)
Other	(4)	4
<b>CASH FLOW</b>	<b>88,402</b>	<b>75,658</b>
<i>Cash flows from changes in operating assets and liabilities</i>		
Trade and other receivables (including group relief receivables)	16,646	(16,047)
Trade and other payables (including group relief liabilities)	(23,123)	(17,639)
Other operating assets and liabilities	(6,755)	(2,299)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>75,170</b>	<b>39,673</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of assets	0	0
<i>Investments:</i>		
Acquisitions of intangible assets	0	0
Acquisitions of investments, net	0	0
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>		
Capital increases (reductions)	2,668	459
Share buybacks and transactions under the liquidity contract	6,795	4,601
Dividends paid	(231,362)	(183,716)
Net (decrease) increase in borrowings (including intra-group loans and borrowings)	146,755	138,912
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(75,144)</b>	<b>(39,744)</b>
<b>Net change in cash and cash equivalents (note 1.13)</b>	<b>26</b>	<b>(71)</b>
<b>Cash and cash equivalents at period-end (note 1.13)</b>	<b>(48)</b>	<b>(74)</b>

## Significant events of the year

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None.

## Subsequent events

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None.

## 1 - Summary of significant accounting policies

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### 1.1 Accounting principles and policies

The financial statements have been prepared in accordance with French generally accepted accounting principles, applied consistently from one year to the next, under the historical cost convention.

### 1.2 Intangible assets

Intangible assets correspond to software, which is amortized over three years.

The difference between book amortization and amortization calculated over 12 months for tax purposes is recorded in equity under "Excess tax amortization".

### 1.3 Shares in subsidiaries and affiliates

Investments in subsidiaries and affiliates are stated at the lower of cost and fair value.

Fair value is determined by reference to Legrand's equity in the investee's revalued net assets, as adjusted to reflect its earnings performance and growth outlook.

### 1.4 Share buybacks and liquidity contract

Legrand shares acquired under share buyback programs are classified in accordance with recommendation 98-D released by the Urgent Issues Task Force of the French National Accounting Board (Comité d'Urgence du Conseil National de la Comptabilité), based on the purpose for which they were purchased.

Shares acquired specifically for allocation to employees are classified as treasury shares under marketable securities and those purchased for cancellation or for any other purpose are classified as "treasury shares held for cancellation" or "treasury shares" under other investments.

Shares purchased in connection with a liquidity contract are also recorded as treasury shares under other investments, and cash and short-term investments held in the liquidity account are classified as "Other long-term receivables" within other investments.

Treasury shares held for cancellation are stated at cost. Treasury shares held for other purposes are stated at the lower of cost and fair value, with fair value corresponding to the average share price for the last month of the fiscal year.

Reversals of provisions for impairment of treasury shares are recorded under non-recurring income and expense, net, along with the loss incurred when the shares are sold to employees.

A provision is recorded for shares purchased and allocated on exercise of stock options or for performance shares on the share purchase date, to cover the difference between the price of performance shares and stock options granted to employees and the shares' carrying amount. This provision is recorded for stock options only if it is probable that the options will be exercised. In both cases, the provision is recognized on a straight-line basis over the vesting periods of the performance shares or stock options concerned.

In accordance with accounting standard CNC 2008-17 dated November 6, 2008 issued by the French National Accounting Board (CNC) on November 17, 2008, the carrying amount of the shares covered by the above provision has been determined based on the fair value of Legrand shares at the date of the standard's publication, i.e. €12.73 per share. In practice, this standard concerns the performance share plans approved by the Board of Directors in 2007 and 2008.



As the 2007 plan expired on May 15, 2011, the 2011 provision concerned the 2008 plan only.

### 1.5 Marketable securities

This item includes Legrand shares purchased for allocation to employees as described in 1.4 above.

### 1.6 Receivables and payables

Receivables and payables are stated at nominal value. A provision for doubtful accounts is recorded when necessary, to write down receivables to their estimated recoverable amount.

### 1.7 Foreign currency receivables and payables

Foreign currency receivables and payables are converted into euros at the exchange rate on the balance sheet date.

### 1.8 Deferred charges

Deferred charges correspond to debt issuance costs, which are written off to the income statement over the life of the debt.

### 1.9 Bond redemption premiums

The redemption premium reported in the balance sheet corresponds to the 2011 and 2010 bond issues, described in note 2.8.c below. It is being amortized over the life of the issues.

### 1.10 Provisions for retirement benefits and supplementary pension benefits in France

Legrand employees receive a statutory length-of-service award on retirement, calculated at the rates specified in the collective bargaining agreements applicable to the electrical manufacturing industry.

The related defined benefit obligation is calculated each year by 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 denominated in euros that have terms to maturity approximating the period to payment of the related benefit liability.

The liability recognized in the balance sheet 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. Service cost is recognized in the income statement on a straight-line basis over the average remaining service lives of employees.

Employees in the higher pay brackets are also covered by a supplementary pension plan. The plan provides for the payment of defined benefits corresponding to the theoretical pension rights of the employees concerned on the portion of their salary that exceeds a certain level (the "tranche D" used to calculate graduated Social Security contributions, capped at an amount equivalent to four times the ceiling used for the calculation of Social Security benefits) assuming that they are still on the Company's payroll at retirement. A provision is booked for the difference between the projected benefits payable to plan participants and the discounted present value of payments made to date.

### 1.11 Provisions for statutory and discretionary profit-sharing

Legrand's statutory profit-sharing agreement is an "*accord dérogatoire*". Under this type of agreement, the Company applies a more generous profit-sharing formula in exchange for the right to record a tax-deductible "investment provision" covering future investment costs. The latest agreement was signed on May 4, 2011 and applies for the calculation of the special statutory profit-sharing reserve for the years 2011 to 2014. The plan covers employees of Legrand and also those of Legrand France, Legrand SNC, Alpes Technologies, Groupe Arnould, Cofrel, Sarlam, Ura, Planet-Wattohm, Distrasa, ICM Group and Intervox Systems.

A discretionary profit-sharing agreement has also been signed covering the years 2009 to 2011. It applies to employees of the same companies as the statutory profit-sharing agreement.

### 1.12 Forward purchases and sales of foreign currencies

A provision is booked at each year-end for the difference between the forward purchase or sale price of the foreign currencies and their exchange rate at the balance sheet date, when this is an unrealized loss. Unrealized gains are not recognized in the accounts, but are added back to profit for tax purposes.

### 1.13 Cash flow statement

In the cash flow statement, which is presented after the balance sheet in these financial statements, cash and cash equivalents includes all financial assets and liabilities that are realizable or payable within three months.

## 2 - Notes to the balance sheet

### 2.1 Intangible assets

(in € thousands)	December 31, 2010	Additions for the year	Disposals for the year	December 31, 2011
Software at cost	479			479
Amortization of software	(479)			(479)
<b>INTANGIBLE ASSETS, NET</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 2.2 Investments

(in € thousands)	December 31, 2010	Additions for the year	Disposals for the year	December 31, 2011
<b>Shares in subsidiaries and affiliates</b>				
Legrand France S.A.	3,773,659	0	0	3,773,659
	3,773,659	0	0	3,773,659
<b>Advances to subsidiaries and affiliates</b>				
Advance to Legrand France S.A.	0	142,498	0	142,498
	0	142,498	0	142,498
<b>Other investments</b>				
■ Treasury shares held for cancellation	0	0	0	0
■ Other treasury shares	5,385	108	0	5,493
■ Other long-term receivables	8,965	56	0	9,021
■ Deposits and guarantees	6	0	0	6
	14,356	164	0	14,520
<b>Provisions for impairment</b>				
■ Impairment of other treasury shares classified as long-term receivables	0	0	0	0
	0	0	0	0
<b>TOTAL INVESTMENTS, NET</b>	<b>3,788,015</b>	<b>142,662</b>	<b>0</b>	<b>3,930,677</b>

#### a) Shares in subsidiaries and affiliates

No impairment provision has been recorded on these shares.

#### b) Advances to subsidiaries and affiliates

Legrand advanced €142,498,000 to subsidiary Legrand France SA as part of the cash pooling agreement signed on January 25, 2006. The advance bears interest at Euribor plus 80 bps.

#### c) Other investments

This item includes shares purchased under the liquidity contract and the cash and short-term investments held in the liquidity account (see note 1.4).

On May 29, 2007, Legrand appointed a financial institution to maintain a liquid market for its ordinary shares on the NYSE Euronext Paris market under a liquidity contract complying with the AMAFI Code of Conduct approved by the AMF on March 22, 2005.

As of December 31, 2011, Legrand held 230,500 treasury shares in connection with the liquidity contract, valued at €5,493,000. No provision was recorded for impairment in value of these shares in the 2011 or 2010 financial statements. Cash and short-term investments held in the liquidity account amounted to €9,021,000 as of December 31, 2011, recorded under "Other long-term receivables".

Details of shares purchased for allocation to employees are provided in note 2.4 on marketable securities.

## 2.3 Receivables

(in € thousands)	Net as of December 31, 2011	Maturity	
		Within one year	Beyond one year
<b>Current receivables</b>			
Trade accounts receivable	7,649	7,649	0
Recoverable value-added tax	318	318	0
Prepaid and recoverable taxes	0	0	0
Group relief receivables	13,390	13,390	0
Other receivables	0	0	0
<b>TOTAL AT DECEMBER 31, 2011</b>	<b>21,357</b>	<b>21,357</b>	<b>0</b>
<b>TOTAL AT DECEMBER 31, 2010</b>	<b>38,003</b>	<b>38,003</b>	<b>0</b>

## 2.4 Marketable securities

In 2011 and 2010, this item exclusively comprised Legrand shares purchased for allocation to employees.

(in € thousands)	December 31, 2011				December 31, 2010
	Cost	Impairment	Net	Provision	Net
<b>Treasury shares held for allocation to employees</b>					
Performance share plans	6,791	(2,320)	4,471	(3,629)	7,695
Corporate mutual fund	123	0	123	0	729
<b>TOTAL CARRYING AMOUNT</b>	<b>6,914</b>	<b>(2,320)</b>	<b>4,594</b>	<b>(3,629)</b>	<b>8,424</b>

Details of the objectives and terms of the current share buyback program, which represents a maximum of €500 million, are provided in the program description published on May 26, 2011.

As of December 31, 2011, a total of 330,036 shares had been bought back under the program, at a total cost of €6,914,000. These shares are being held for the following purposes:

- for allocation to employees who choose to re-invest their profit-shares in Legrand stock through a corporate mutual fund (4,921 shares purchased at a cost of €123,000);
- for allocation to performance share plans (325,115 shares purchased at a cost of €6,791,000).

During 2011, a total of 24,334 shares purchased under the program at a cost of €702,000 were transferred to the corporate mutual fund for allocation to employees who chose to re-invest their profit-shares in Legrand stock.

A total of 253,265 shares were transferred in 2011 to employees under the performance share plans described in note 2.6 d.

In addition, 120,635 shares were attributed under the 2009 performance share plan described in note 2.6.

The provision for impairment of treasury shares breaks down as follows:

- a provision for impairment of shares allocated to performance share plans, in order to write down the shares to a fair value of €12.73 per share, corresponding to the average share price from November 1 to November 17, 2008, the publication date of CNC standard 2008-17. The value of these shares is now fixed until they are no longer held in the Company's portfolio;
- a provision for impairment of other treasury shares held for allocation to employees, in order to write down the shares to fair value. No impairment was recognized in the year ended December 31, 2011.

In addition, as described in note 1.4, a provision has been recognized for the performance share plans when treasury shares have been purchased for allocation under them.

## 2.5 Accruals and other assets

<i>(in € thousands)</i>	December 31, 2011	December 31, 2010
Prepaid expenses	96	35
Deferred charges <i>(note 1.8)</i>	5,242	1,419
Bond redemption premium <i>(note 1.9)</i>	2,356	1,203
<b>TOTAL</b>	<b>7,694</b>	<b>2,657</b>

## 2.6 Equity

### a) Share capital

The following table shows changes in share capital in 2011:

	Number of shares	Par value	Share capital <i>(in euros)</i>
As of December 31, 2010	263,161,346	4	1,052,645,384
Exercise of options under the 2007 plan	100,965	4	403,860
Exercise of options under the 2008 plan	1,614	4	6,456
Exercise of options under the 2009 plan	732	4	2,928
Exercise of options under the 2010 plan	3,703	4	14,812
Shares granted under the 2009 plan	120,635	4	482,540
As of December 31, 2011	263,388,995	4	1,053,555,980

Share capital consists exclusively of shares of common stock with a par value of €4.00 each.

The shares purchased by the Company either under share buyback programs or in connection with the liquidity contract do not carry dividend or voting rights.

All other fully paid-up shares registered in the name of the same shareholder for at least two years carry double voting rights.

In 2011, 227,649 shares were issued under the 2009 performance share plan and upon exercise of stock options granted under the 2007, 2008, 2009 and 2010 plans, resulting in a €911,000 capital increase. The aggregate premium amounted to €1,757,000.

**b) Additional paid-in capital, reserves and retained earnings**

<i>(in € thousands)</i>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Before appropriation of profit</b>		
Additional paid-in capital	1,062,526	1,060,769
IPO costs charged to additional paid-in capital	(33,206)	(33,206)
Legal reserve	78,086	74,219
Other reserves and retained earnings	462,804	620,704
Profit for the period	92,476	77,329
	<b>1,662,686</b>	<b>1,799,815</b>

"Other reserves and retained earnings" includes €12,407,000 in reserves that are not available for distribution as a result of share buybacks.

**c) Changes in equity**

<i>(in € thousands)</i>	
Equity as of December 31, 2010	2,852,460
Movements for the year:	
■ Share capital	911
■ Additional paid-in capital	1,757
■ Reserves and retained earnings	
■ Profit for the period	92,476
■ Dividends paid	(231,362)
■ Other	
<b>Equity as of December 31, 2011 before appropriation of profit</b>	<b>2,716,242</b>

On May 26, 2011, the Annual Shareholders' Meeting approved the payment of a total dividend of €231,362,000, representing €0.88 per share.

**d) 2007 to 2011 performance share and stock option plans****Performance share plans**

The Shareholders' Meeting of May 15, 2007 authorized the Board of Directors to grant, in one or several times, performance shares representing up to 5% of the Company's capital (as of the date

of the Board's decision) to certain employees or officers of the Company and its subsidiaries.

Performance share plans as authorized by shareholders on May 15, 2007	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan	Total
Grant date	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010	March 3, 2011	
Total number of shares granted	533,494	654,058	288,963	896,556	1,592,712	3,965,783
Of which, shares granted to corporate officers	26,427	47,077	23,491	62,163	127,888	287,046
■ Gilles Schnepf	13,582	24,194	12,075	38,373	65,737	153,961
■ Olivier Bazil	12,845	22,883	11,416	23,790	62,151	133,085
Vesting conditions	After a maximum of four years, except in the event of resignation or termination for willful misconduct					
Performance shares forfeited in 2007	(8,695)	0	0	0	0	(8,695)
Performance shares vested in 2008	(546)	0	0	0	0	(546)
Performance shares forfeited in 2008	(8,298)	(6,145)	0	0	0	(14,443)
Performance shares vested in 2009	(253,880)	(400)	0	0	0	(254,280)
Performance shares forfeited in 2009	(6,428)	(9,905)	(6,281)	0	0	(22,614)
Performance shares vested in 2010	(682)	(329,359)	(463)	0	0	(330,504)
Performance shares forfeited in 2010	(2,397)	(2,908)	(3,845)	(21,358)	0	(30,508)
Performance shares vested in 2011	(250,040)	(538)	(120,818)	(1,058)	(1,446)	(373,900)
Performance shares forfeited in 2011	(2,528)	(7,358)	(7,972)	(21,635)	(34,090)	(73,583)
<b>Performance shares outstanding as of December 31, 2011</b>	<b>0</b>	<b>297,445</b>	<b>149,584</b>	<b>852,505</b>	<b>1,557,176</b>	<b>2,856,710</b>

The 2007 plan expired on March 15, 2011.

**Stock option plans**

The Shareholders' Meeting of May 15, 2007 authorized the Board of Directors to grant, in one or several times, options to purchase new or existing shares representing up to 5% of the Company's

capital (as of the date of the Board's decision) to certain employees or officers of the Company and its subsidiaries.

The exercise price of these options was set based on the average closing price for Legrand shares over the twenty trading days preceding the grant date.

Stock option plans, as authorized by shareholders on May 15, 2007					
	2007 Plan	2008 Plan	2009 Plan	2010 Plan	Total
Grant date	May 15, 2007	March 5, 2008	March 4, 2009	March 4, 2010	
Total number of options granted	1,638,137	2,015,239	1,185,812	3,254,726	8,093,914
Of which options granted to corporate officers	79,281	141,231	93,964	217,646	532,122
■ Gilles Schnepf	40,745	72,583	48,300	134,351	295,979
■ Olivier Bazil	38,536	68,648	45,664	83,295	236,143
Options vest after a maximum of four years, except in the event of resignation or termination for willful misconduct					
Exercise period					
Start of exercise period	May 16, 2011	March 6, 2012	March 5, 2013	March 5, 2014	
Expiry of exercise period	May 15, 2017	March 5, 2018	March 4, 2019	March 4, 2020	
Exercise price	€25.20	€20.58	€13.12	€21.82	
Options forfeited in 2007	(27,574)	0	0	0	(27,574)
Options forfeited in 2008	(27,468)	(20,439)	0	0	(47,907)
Options forfeited in 2009	(25,105)	(32,057)	(21,093)	0	(92,523)
Options exercised in 2010	(2,046)	(2,853)	(1,852)	0	(6,751)
Options forfeited in 2010	(13,830)	(19,112)	(18,739)	(75,317)	(126,998)
Options exercised in 2011	(100,965)	(1,614)	(732)	(3,703)	(107,014)
Options forfeited in 2011	(10,643)	(31,760)	(33,552)	(75,713)	(137,400)
Stock options outstanding as of December 31, 2011	1,430,506	1,907,404	1,109,844	3,099,993	7,547,747

## 2.7 Provisions

(in € thousands)	Amount as of December 31, 2010	Charges for the year	Reversals for the year	Amount as of December 31, 2011
<b>Provisions</b>				
Provisions for pensions and other post-retirement benefit obligations	1,442	432	(826)	1,048
Other provisions	6,204	1,439	(3,704)	3,939
	<b>7,646</b>	<b>1,871</b>	<b>(4,530)</b>	<b>4,987</b>
<b>Provisions for impairment</b>				
On investments	0	0	0	0
On marketable securities (note 2.4)	5,449	0	(3,129)	2,320
	<b>5,449</b>	<b>0</b>	<b>(3,129)</b>	<b>2,320</b>
<b>TOTAL</b>	<b>13,095</b>	<b>1,871</b>	<b>(7,659)</b>	<b>7,307</b>
Charges to and reversals from provisions are recorded under the following income statement captions:				
■ Operating income and expense		465	(1,089)	
■ Financial income and expense		0	0	
■ Non-recurring income and expense		1,406	(6,570)	
<b>TOTAL</b>		<b>1,871</b>	<b>(7,659)</b>	

■ “Other provisions” primarily includes the €3,629,000 provision for treasury shares allocated to the performance share plans.

■ Awards granted to employees under the 2007 performance share plan vested in full in 2011, leading to the reversal of the related provision in the amount of €3,216,000 including the charge for the year of €301,000.

## 2.8 Debt and other liabilities

(in € thousands)	Net as of December 31, 2011	Maturity		
		Due within one year	Due in one to five years	Due beyond five years
<b>Debt</b>				
Bank borrowings with:				
■ Original maturities of less than two years	48	48		
■ Original maturities of more than two years	509,974	92,247	417,727	
Bonds	724,576	24,576		700,000
Other borrowings	0			
<b>TOTAL DEBT</b>	<b>1,234,598</b>	<b>116,871</b>	<b>417,727</b>	<b>700,000</b>
<b>Other liabilities</b>				
Trade payables	2,445	2,445		
Accrued taxes and employee benefits expense	4,416	4,416		
Other	1,634	1,634		
Deferred revenue				
<b>TOTAL OTHER LIABILITIES</b>	<b>8,495</b>	<b>8,495</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES AS OF DECEMBER 31, 2011</b>	<b>1,243,093</b>	<b>125,366</b>	<b>417,727</b>	<b>700,000</b>
<b>TOTAL LIABILITIES AS OF DECEMBER 31, 2010</b>	<b>976,989</b>	<b>129,875</b>	<b>547,114</b>	<b>300,000</b>

### a) Credit Facilities

#### 2006 Credit Facility

On January 10, 2006, the Company signed a €2.2 billion credit facility (the “2006 Credit Facility”) with five mandated arrangers.

The facility originally comprised i) a €700 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 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.

Legrand exercised its option to extend the Credit Facility by a one-year period on March 12, 2007 and again on November 12, 2007. As a result, the Facility now expires on January 10, 2013. An amount of €7.2 million was repaid on January 10, 2010. Between July 10, 2010 and July 10, 2011, Tranche A was repayable in semi-annual installments equal to 6.22% of the original nominal amount, with further installments due as follows: 7.12%

of the original nominal amount on January 10, 2012, 6.02% on July 10, 2012 and 19.32% on January 10, 2013.

In October 2011, Legrand cancelled Tranche B of its 2006 Credit Facility due to the signing of a new credit facility described below. No drawdowns had been made on Tranche B as of the cancellation date.

The outstanding portion of the Tranche A loan amounted to €227.2 million at December 31, 2011.

#### 2011 Credit Facility

On October 20, 2011, Legrand signed a new multicurrency credit facility (“2011 Credit Facility”) with six banks for €900 million. Consisting of five-year loans utilizable through drawdowns, the Facility may be rolled over for two successive one-year periods.

As of December 31, 2011, no drawdowns had been made under this Facility.



**b) Bank borrowings**

As of December 31, 2011, bank borrowings comprised:

- a €220 million loan obtained on May 21, 2007 from a pool of French banks. The loan is for a period of six years and four months, expiring September 21, 2013, and bears interest at the 3-month Euribor plus 45 bps;
- a €62.5 million loan obtained on March 12, 2009 from a pool of French banks. The loan is for a period of 5 years, expiring March 12, 2014, with one tranche for €22.5 million bearing interest at the 3-month Euribor plus 210 bps and another tranche for €40.0 million bearing interest at the 3-month Euribor plus 160 bps.

**c) Bonds**

In February 2010, the Company issued €300 million in 4.25% seven-year bullet bonds due February 24, 2017.

In March 2011, the Company issued €400 million in 4.375% seven-year bullet bonds due March 21, 2018.

**d) Other debt consists of the €1.6 million due to subsidiaries under the Group relief agreement (corresponding to the tax benefits derived from the Company's use of their tax losses that they will recover when they return to profit).**

### 3 - Notes to the statement of income

#### Non-recurring income and expense, net

(in € thousands)	2011	2010
<b>Non-recurring income</b>		
Revenue transactions	34	0
Capital transactions	1,009	2,732
Provision reversals and expense transfers (note 2.7)	4,605	12,509
	<b>5,648</b>	<b>15,241</b>
<b>Non-recurring expenses</b>		
Revenue transactions	(3)	0
Capital transactions	(7,102)	(6,684)
Amortization and provision expense (note 2.7)	(1,406)	(2,153)
	<b>(8,511)</b>	<b>(8,837)</b>
<b>NON-RECURRING INCOME AND EXPENSE, NET</b>	<b>(2,863)</b>	<b>6,404</b>

Non-recurring income and expenses on capital transactions correspond to income and expenses generated on sales and purchases of treasury shares in connection with i) the liquidity contract (€164,000) and ii) the transfer of performance shares to grantees under the 2007 to 2011 plans and the transfer of shares to the corporate mutual fund for allocation to employees (€6,257,000).

The non-recurring provision reversals and expense transfers account includes, in addition to the provisions presented in note 2.7, an expense of €1,962,000 from the rebilling of losses incurred or provided for at Company level following the transfer of performance shares to employees of the Group's different subsidiaries.

## 4 - Other information

### 4.1 Income tax

#### a) Unrecognized deferred tax asset and liabilities

(in € thousands)	Base: income or (expense)			Unrecognized deferred tax benefit (charge)*			
				Movements for the period			
	As of December 31, 2010	Increase	Decrease	As of December 31, 2011	As of December 31, 2010	Change	As of December 31, 2011
<b>Timing differences between the recognition of income and expenses for financial reporting and tax purposes:</b>							
<i>Income taxed in current year not recognized in the income statement</i>							
■ Unrealized exchange gains	4	0	(4)	0	(1)	1	0
<i>Expenses recognized in the income statement that are deductible in future years</i>							
■ Employee profit-sharing	(175)	0	(46)	(221)	60	16	76
■ Provisions for pensions and other post-retirement benefit costs	(1,436)	317	0	(1,119)	494	(109)	385
■ Taxes and other	(155)	29	0	(126)	53	(10)	43
<b>TOTAL</b>	<b>(1,762)</b>	<b>346</b>	<b>(50)</b>	<b>(1,466)</b>	<b>607</b>	<b>(102)</b>	<b>505</b>

\* Calculated by the liability method, based on the standard French tax rate and the 3.3% contribution sociale surtax.

The tax rate used is the rate applicable since 2006. The non-recurring 5% tax applicable to companies generating over €250 million in annual revenue was not taken into account in 2011, as the deferred tax impact will only arise in 2012.

#### b) Group relief

The Company is the parent of the tax group comprising all qualifying French subsidiaries of the Legrand Group. The tax group was set up on January 1, 2003.

Under the terms of the Group relief agreement, each subsidiary calculates its income tax expense on a stand-alone basis and pays the tax due to the parent company of the Group, which is responsible for paying tax for the entire tax group.

Income tax in Legrand's statement of income corresponds to the difference between the tax due by the profitable companies in the tax group and the benefit arising from the use of the tax losses of loss-making companies. The net benefit of group relief was €12,544,000 in 2011.

## 4.2 Related party transactions

(in € thousands)	2011		2010	
	Related party transactions	Total in the financial statements	Related party transactions	Total in the financial statements
<b>a) Investments</b>	<b>3,916,157</b>	<b>3,930,677</b>	<b>3,773,659</b>	<b>3,788,015</b>
<b>b) Inventories</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>c) Receivables</b>				
Trade receivables	7,649	7,649	13,171	13,171
Other receivables	13,390	13,708	12,717	24,832
	<b>21,039</b>	<b>21,357</b>	<b>25,888</b>	<b>38,003</b>
<b>d) Liabilities</b>				
Debt	0	1,234,598	37,394	945,371
Trade payables	136	2,445	58	1,971
Other liabilities	1,634	6,050	24,432	29,647
	<b>1,770</b>	<b>1,243,093</b>	<b>61,884</b>	<b>976,989</b>
<b>e) Financial expense</b>	<b>196</b>	<b>36,394</b>	<b>509</b>	<b>18,422</b>
<b>f) Financial income</b>	<b>118,146</b>	<b>118,155</b>	<b>82,748</b>	<b>82,748</b>

## 4.3 Market risks (interest rate, currency and credit risks)

### a) Management of financial risks

The Group's cash management strategy is based on overall 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 are therefore set up for limited periods and amounts.

Market risk is the risk of losses resulting from unfavorable changes in interest rates and exchange rates.

As of December 31, 2011 no hedges were set up at the level of the Company.

### b) Concentration of credit risk

The Group's financial derivatives contracts are held with leading financial institutions. Legrand monitors its level of credit exposure with each financial institution concerned on an ongoing basis.

### c) Liquidity risk

Legrand considers that managing liquidity risk depends primarily on having access to diversified sources of financing. This represents the basis of Group-level control processes.

## 4.4 Contingencies and commitments

(in € thousands)	2011	2010
<b>Commitments given</b>		
Guarantees	63	63
Mortgages and liens	0	0
	<b>63</b>	<b>63</b>

In January 2006 and October 2010, Legrand was signatory of refinancing agreements between its direct and indirect subsidiaries and its banks (see note 2.8. a).

Legrand has guaranteed the proper execution of the agreements.

#### 4.5 Employees

	2011	2010
<b>Average number of employees:</b>		
Management	35	35
Administrative staff	6	7
Apprentices	0	0
<b>TOTAL</b>	<b>41</b>	<b>42</b>

#### 4.6 Management compensation

Compensation paid to executive directors for 2011 amounted to €2.7 million, compared with €2.2 million in 2010. The 2011 figure includes the compensation and termination benefit paid to the Vice-Chairman and Chief Operating Officer, who retired on May 31, 2011.

#### 4.7 Statutory auditors' fees

Pursuant to French Governmental Decree 208-1487 dated December 30, 2008, fees invoiced by the Company's Statutory Auditors for 2011 totaled €509,080 for the statutory audit of the Company's accounts and €222,989 for audit-related work.

#### 4.8 Subsidiaries and affiliates

(In € thousands)	Share capital		Reserves and retained earnings	Percent interest	Carrying amount of the Shares		Out-standing loans	Guarantees given	2011 revenue	2011	Dividends paid by Legrand France in 2011
	Currency	Euros			Cost	Net				Profit (loss)	
French companies											
Legrand France	EUR	54,913	833,750	100	3,773,659	3,773,659	142,498	63	911,024	252,781	115,316

## APPENDIX 2

### Management report of the Board of Directors on March 7, 2012 to the Annual General Meeting scheduled on May 25, 2011

#### ■ 1 – BUSINESS IN THE YEAR ENDED DECEMBER 31, 2011

##### 1.1 Highlights of the year

Nil.

##### 1.2 Revenues and earnings in 2011

Revenues for 2011 amounted to €17.3 million, with most of this representing the supply of services within the Group.

Other operating income amounted to €6.5 million in the year to December 31, 2011, due primarily to the allocation of costs for new borrowings in 2011.

Operating expense amounted to €22.6 million in the year to December 31, 2011, compared with €16.6 million in the year to December 31, 2010. The increase of operating expense resulted in 2011 from issuance costs for new borrowings in an amount of €6.1 million.

At December 31, operating profit stood at €1.2 million, up from nearly zero in 2010.

Net interest and other financial items for 2011 represented income amounting to €8.18 million compared with €64.3 million in the year to December 31, 2010. This variation resulted from:

- a rise in the amount of dividends received from Legrand France SA, from €82.4 million in 2010 to €115.3 million in 2011;
- a €2.5 million increase in interest received on the loan to Legrand France;
- a €17.8 million increase in loan charges.

Net exceptional items represented a loss amounting to €2.9 million in the year to December 31, 2011, compared with income of €6.4 million at December 31, 2010. The bulk of this resulted from transactions relating to allocations of stock options and performance shares.

Tax income booked in an amount of €12.6 million represents the surplus of tax paid by subsidiaries within the tax consolidation group.

Net income for the year to December 31, 2011 amounted to €92.5 million.

##### 1.3 Debt

The Company's debt position is summarized in Appendix 1.

In March 2011, the Company issued new bonds in an amount of €400 million for a period of 7 years, maturing on March 21, 2018, with a 4.375% annual coupon, redeemable at maturity.

In October 2011, the Company entered into an agreement with six banks for a new 5-year multi-currency revolving credit facility (the "2011 Credit Facility") not to exceed a maximum of €900 million, with an extension option (two times one year). As of December 31, 2011, this facility had not been used.

##### 1.4 Management of financial risk

Risks and the related policies of the Group are described in chapter 4 of this Registration Document and in note 22 to the consolidated financial statements, which appears in chapter 10 of this Registration Document.

##### 1.5 Business of the Group

Information on the business of the Group is presented in chapter 6 of this Registration Document.

#### ■ 2 – RESEARCH AND DEVELOPMENT

Not applicable.

#### ■ 3 – ENVIRONMENTAL AND SOCIAL RESPONSIBILITY INFORMATION

Not applicable.

#### ■ 4 – SIGNIFICANT EVENTS SINCE THE CLOSE OF THE FINANCIAL YEAR

Nil.

#### ■ 5 – FORESEEABLE DEVELOPMENTS AND OUTLOOK

Operating conditions and finances should be much the same in 2012 as in 2011.

## ■ 6 – CHANGES IN THE PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

Nil.

## ■ 7 – APPROPRIATION OF EARNINGS

We propose that earnings in an amount of €92,475,655.25 be appropriated as follows:

■ appropriation to legal reserve	€4,623,782.76
■ dividend distribution:	
■ (€0.93 per share)	€244,430,466.87*
■ appropriation of the difference	€156,578,594.38 to retained earnings, then amounting to €306,225,781.15

\* Calculated on the basis of the number of shares making up capital stock on December 31, 2011, after deduction of the number of own shares held on that date. This amount may be adjusted according to the number of own shares held at the date of payment and to dividends that may be due on shares issued after December 31, 2011.

Dividends are eligible in full for the 40% income-tax exemption provided for under Article 158-3.2e of the French *Code Général des Impôts* where this is applicable.

We remind shareholders that the Company is legally required to hold an inappropriable reserve in an amount equal to that of shares bought back under the share buyback programs implemented by the Company, this being €12.4 million at December 31, 2011.

## ■ 8 – EARNINGS OVER THE PAST FIVE YEARS

In accordance with Article R.225-102 of the French Commercial Code, we inform you of the Company's earnings over the past five years.

For the sake of clarity, this information is presented in a table (Appendix 2).

## ■ 9 – DIVIDENDS

In compliance with the provisions of Article 243 bis of the French *Code Général des Impôts*, we inform you of the dividends made payable over the past three years.

Dividends distributed in respect of the 2008, 2009 and 2010 financial years were as follows:

Year	Number of shares	Net dividend
2008	261,157,772 shares, €4	€0.70
2009	262,451,948 shares, €4	€0.70
2010	262,911,065 shares, €4	€0.88

The dividends distributed were eligible for the 40% income-tax exemption under Article 158-3-2e of the French *Code Général des Impôts*.

## ■ 10 – MANDATES AND OTHER FUNCTIONS OF EXECUTIVE DIRECTORS

This information is set out in Appendix 3.

## ■ 11 – MANAGEMENT

As provided under Article L.225-51-1 of the French Commercial Code, we inform you that Gilles Schnepf held the positions of Chairman and Chief Executive Officer at December 31, 2011.

## ■ 12 – SUBSIDIARIES AND ACQUISITIONS OF EQUITY INTERESTS

There were no significant acquisitions of equity interests or control.

## ■ 13 – SHAREHOLDERS

### a) At December 31, 2011, ownership of Legrand shares broke down as follows:

	% of capital	% of voting rights
■ Wendel Group	5.84%	10.11%
■ KKR Group	5.84%	10.11%
■ Legrand management and employees	4.12%	6.84%
■ Treasury shares	0.21%	0.18% <sup>(1)</sup>
■ Free float	83.99%	72.76%

(1) Voting rights non exercisable at General Meeting.

Article 11.4 of Company articles provides that from February 24, 2006 on, voting rights attached to shares, in proportion to the share of capital stock represented, are doubled for all fully-paid shares that have been registered in the name of the same owner for at least two years.

Readers are invited to consult paragraph 9.1.1 of this Registration Document for more information on the Company's shareholders and share ownership thresholds.

#### **b) Employee share ownership**

In connection with the admission of Legrand shares to trading on Euronext Paris, the Company offered its own employees and employees of French subsidiaries in which its interest, direct or indirect, exceeds 50%, preferred terms for the purchase of Legrand shares by means of a capital increase reserved to employees ("Employee Offering"). The Employee Offering, available only in France, was open to all participants in the Plan d'Épargne Groupe Legrand Actionnariat (PEG Actionnariat) employee share ownership program, which supplements the employee share ownership plan launched on January 30, 2004.

On May 2, 2006, a total of 2,303,439 shares representing 0.85% of capital stock were issued and paid up at a 20% discount to the IPO price, setting the price paid by employees at €15.80 per share. This price consisted of a par value of €4 per share, plus an €11.80 issue premium.

Participants received units of the Company investment fund (Fonds Commun de Placement Entreprise or FCPE), the vehicle for employee share ownership, in quantities proportionate to their individual investments. The FCPE had a term of five years.

On May 2, 2011, employees were offered the option of realizing their investment or transferring their units to other compartments of the Group's employee share ownership program in France.

At December 31, 2011, shares held by Group employees in the "Actions Legrand" investment fund, one compartment of the Group's employee share ownership program, totaled 322,805. These holdings represented 0.12% of the Company's capital and 0.11% of its voting rights.

#### **■ 14 – COMPENSATION OF EXECUTIVE DIRECTORS**

Information on compensation to executive directors is presented in paragraph 7.2 of this Registration Document.

#### **■ 15 – STOCK OPTION PLANS AND PERFORMANCE SHARE PLANS**

Information on the Company's stock option plans and performance share plans is presented in paragraphs 8.2.1 and 8.3 of this Registration Document.

In compliance with Articles L.225-184 and L.225-197-4 of the French Commercial Code, special reports on this subject will be presented to the General Meeting of Shareholders to be held on May 25, 2012.

#### **■ 16 – DELEGATION OF POWERS IN CONNECTION WITH CAPITAL INCREASES**

This information is presented in paragraph 11.2.1.1 of this Registration Document.

#### **■ 17 – SHARE BUYBACKS**

In the course of the 2011 financial year, the Company purchased a total of 2,814,677 shares at a total cost of €73,137,335 and sold 2,776,677 shares, for a total of €73,097,103, in connection with the liquidity contract entered into with Crédit Agricole Cheuvreux on May 29, 2007, the terms of this contract being in accordance with the Charter of Ethics adopted by the *Association Française des Marchés Financiers* (Amafi) and approved by French financial market supervisor AMF in its decision dated March 22, 2005.

The average price for purchases was €25.98 per share and the average price for sales was €26.33 per share.

There were no trading costs associated with these transactions.

At December 31, 2011, the Company held 560,536 shares with a nominal value of €4 each, representing a nominal total of €2,242,144 or 0.2% of capital stock. Valued at cost, they represented a total amount of €12,406,786. Outside the scope of the liquidity contract, the Company held 330,036 shares at December 31, 2011, representing a total value at cost of €6,913,949. These shares were appropriated as follows:

- 325,115 shares valued at €6,791,317 were appropriated for the implementation of such performance share plans as necessary, representing 0.6% of the capital of the Company and a nominal value of €1,300,460;
- 4,921 shares valued at €122,631 were appropriated to a Company investment fund (FCPE) in connection with employee profit sharing, representing 0.012% of the capital of the Company and a nominal value of €19,684.

The balance on the liquidity contract stood at 230,500 shares at December 31, 2011.

## ■ 18 – COMPANY'S OFFICERS' AND SIMILAR PERSONS' TRANSACTIONS IN COMPANY SHARES (ARTICLE L.621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE)

Transactions reported by Company's officers and similar persons to market supervisor AMF during 2011 were as follows:

Declarer	Nature of transaction	Description of securities	Number of transactions	Total amount (in euros)
Fabrizio Fabrizi	Sale	Shares	1	84,533
Jean-Luc Fourneau	Sale	Shares	1	249,371
Paolo Perino	Sale	Shares	1	550,482
Eliane Rouyer-Chevalier	Purchase	Shares	1	11,532
John Selldorff	Sale	Shares	1	430,334

## ■ 19 – FACTORS THAT MAY BE RELEVANT IN THE EVENT OF A TENDER OFFER

### 1. Ownership of capital

The ownership of Legrand shares is presented in paragraph 13 above.

### 2. Restrictions on the exercise of voting rights and transfers of shares provided for in Company articles or agreements brought to the notice of the Company pursuant to Article L.233-11 of the French Commercial Code

Company shares are freely negotiable and are transferred from account to account in accordance with applicable legislation and regulations.

Within the limits imposed by legislation and regulation, members of the General Meeting have as many votes as shares they own or hold proxies for.

However, voting rights attached to shares, in proportion to the share of capital stock represented, are doubled in the case of fully-paid shares for which it is shown that they have been held on a registered account in the same owner's name for at least two years since February 24, 2006.

In addition, in the event of a capital increase through incorporation of reserves, earnings or issue premiums, the double voting right is attached, on issue, to the registered shares allocated free of charge in this respect to the holders of shares to which this right is already attached.

Any shares converted from registered to bearer form or the ownership of which is transferred cease to carry double voting rights. However, if the transfer of ownership results from succession, the dissolution of the joint property of spouses, or a gift to a spouse or person in line of succession, the double voting rights do not lapse and there is no interruption in the required period of two years.

The merger or division of the Company is without effect on double voting rights, which may be exercised within the successor company or companies provided this is allowable under the articles of this company or these companies.

The shareholders' agreement of April 6, 2011, reached jointly between the Company's two main shareholders, Wendel and KKR, restricts the transfer of shares held by them. These restrictions on transfer of the Company's shares are described in paragraph 9.2 of this Registration Document.

### 3. Direct and indirect equity interests of which the Company has been apprized by virtue of Articles L.233-7 and L.233-12 of the French Commercial Code

No direct or indirect equity interests of a nature to affect a tender offer were acquired in the 2011 financial year.

### 4. Owners of any securities conferring special rights of control and description of these securities

Nil.

### 5. Control procedures provided for employee share-ownership plans when the employees do not exercise this control themselves

As provided in the regulations for the investment fund "Actions Legrand," the voting rights attached to Company shares are exercised by the Supervisory Board of the funds.

### 6. Shareholders' agreements of which the Company is aware and that are of a nature to restrict transfers of shares and exercise of voting rights

On March 21, 2006, Wendel and KKR entered into a shareholders' agreement in the context of the initial public offering. That agreement expired on April 6, 2011, and the parties therefore entered into a new shareholder's agreement (the "Agreement")



with effect from April 6, 2011. The main provisions of this Agreement, as established between KKR and Wendel, are described in paragraph 9.2 of this Registration Document.

## **7. Appointment and replacement of members of the Board of Directors and amendment of Company articles and by-laws**

### **Appointment and replacement of members of the Board of Directors**

The Agreement between Wendel and KKR includes provisions governing the appointment and replacement of members of the Board of Directors (see paragraph 9.2 of this Registration Document).

Otherwise, the Company's articles and bylaws provide that it is managed by a Board of Directors made up of a minimum of three members and of a maximum of eighteen members, subject to the exception provided by law in the event of a merger. The Company's internal regulations of February 9, 2011 further provide that the Board is to ensure that at least two of its members are independent directors.

Subject to legal exceptions, each Director must hold (in registered form) at least 500 ordinary shares of the Company while a Director of the Company.

Members of the Board are appointed to serve four-year terms, which expire at the end of the ordinary General Meeting of shareholders called to consider accounts for the financial year preceding the year in which their term of office expires. They may be reappointed for consecutive terms without limit.

When the legal conditions are satisfied, the Board of Directors may appoint provisional members of the Board for the remaining term of office of their predecessor. As provided by law, provisional appointments are subject to ratification at the first shareholders' meeting thereafter.

No individual exceeding the age of 70 may be appointed to the Board of Directors if his/her appointment results in more than one-third of the number of members of the Board of Directors having exceeded such age. If, during their term of office, the number of members of the Board of Directors having exceeded the age of 70 exceeds one-third of their total number, the oldest member will be deemed to have resigned at the end of the ordinary General Meeting of shareholders called to consider accounts for the previous financial year, and which is held during the year in which the age limit is reached.

### **Amendment of Company articles and bylaws**

Since the Company's articles and bylaws make no specific provisions, such amendments are subject to the general provisions of law applicable.

## **8. Powers of the Board of Directors, in particular concerning share issuance and buybacks**

Information on this topic is presented in paragraphs 11.2.1.1 and 11.2.2.1 of this Registration Document. It should be noted that the Company can only buy back its own shares outside of periods during which shares are made available through public offerings.

## **9. Agreements to which the Company is a party and which are altered or lapse in the event of a change of control**

The following contracts may be altered or lapse if control of the Company changes:

- the credit contract in an amount of €2.2 billion taken out with five mandated lead arrangers on January 10, 2006;
- the credit contract in an amount of €220 million taken out with a number of French financial institutions on May 21, 2007;
- contract for the issuance of bonds on the US market by the Company's subsidiary Legrand France in an amount of \$400 million, in the event that control changes as a result of a hostile offer;
- the credit contract in an amount of €62.5 million taken out with French financial institutions on March 12, 2009;
- the bond issue made on February 24, 2010 in a nominal amount of €300 million;
- the bond issue made on March 10, 2011 in a nominal amount of €400 million;
- the credit contract in an amount of €900 million taken out with French financial institutions on October 20, 2011.

## **10. Agreements providing for the payment of indemnities to employees or members of the Board of Directors in the event of resignation, or of dismissal without real and serious cause, or of termination of employment as consequence of a tender offer**

Nil with respect to executive directors and members of the Board of Directors.

## ■ 20 – DUE DATES OF ACCOUNTS PAYABLE

As provided under Article L.441-6-1 of the French Commercial Code, the balance of trade payables is broken down by due date in the table below:

<i>(in € thousands)</i>				
Due dates (J = invoice date)	Due dates < J+60 days	Due dates > 60 days	No due date <sup>(1)</sup> if applicable	Total trade accounts payable
Trade payables at December 31, 2011	630	26	1,789	2,445
Trade payables at December 31, 2010	482	0	1,489	1,971

(1) Includes invoices that have not yet reached the Company, as well as invoices involving prices or quantities that are currently in dispute between the Company and the supplier.

March 7, 2012

**The Board of Directors**

## Appendix 1 to the Management report

LEGRAND SA		
Debt position (in € millions)	12/31/2011	12/31/2010
<b>Bank borrowings</b>		
Amount		
Bond issue	700.0	300.0
Bank loan	282.5	282.5
Credit facility	227.2	314.3
<b>TOTAL BANK BORROWINGS</b>	<b>1,209.7</b>	<b>896.8</b>
Accrued interest	24.8	11.1
<b>Interest expense</b>		
Bond issue	26.5	10.9
Bank loan	5.9	4.3
Credit facility	3.4	2.6
<b>TOTAL INTEREST ON BANK BORROWINGS</b>	<b>35.8</b>	<b>17.8</b>
%	3.0%	2.0%
<b>Debts to affiliated companies</b>		
Amount		
Legrand France loan	-	37.4
Interest expense		
Legrand France loan	0.2	0.5
%	N/A	1.3%
<b>TOTAL DEBT</b>	<b>1,234.5</b>	<b>945.3</b>
Total shareholders' equity	2,716.2	2,852.5
<b>% DEBT/SHAREHOLDERS' EQUITY</b>	<b>45%</b>	<b>33%</b>

## Appendix 2 to the Management Report

LEGRAND SA Financial results over the last 5 years					
(in € thousands)	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011
<b>Capital stock at year end</b>					
Share capital	1,083,903	1,051,261	1,052,387	1,052,645	1,053,556
Ordinary shares outstanding	270,975,739	262,815,128	263,096,679	263,161,346	263,388,995
Total shares issued	270,975,739	262,815,128	263,096,679	263,161,346	263,388,995
of which, number held by the Company*	11,385,834	6,745,873	1,255,647	800,135	560,536
<b>Result of operations</b>					
Net sales	17,335	20,305	17,872	15,661	17,300
Profit before tax, amortization and provisions	359,080	188,203	96,831	68,927	75,801
Tax on profit	97,539	33,582	4,010	6,727	12,605
Employees profit sharing	(121)	(231)	(148)	(145)	(179)
Profit after tax, amortization and provisions	449,128	176,970	134,668	77,329	92,476
Distributed earnings	133,121	179,241	182,810	183,716	231,362
<b>Result of operations per share (divided by total number)</b>					
Profit before tax, amortization and provisions	1.33	0.72	0.37	0.26	0.29
Profit after tax, amortization and provisions	1.66	0.67	0.51	0.29	0.35
Dividend paid on each ordinary share	0.50	0.70	0.70	0.70	0.88
<b>Workforce</b>					
Number of employees at year end	50	51	43	42	41
Total salaries and wages	5,058	6,009	5,506	5,718	5,618
Payments relating to employee benefits (social security, other benefits, etc.)	2,137	3,221	2,399	2,612	3,132

\* No dividend entitlement or voting rights can be attached to own shares held by the Company.

## Appendix 3 to the Management Report

Name	Positions held in French and foreign companies
<b>Gilles Schnepf</b> Age 53 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges	<p><b>Current positions – Legrand Group (no directors' fees or other form of compensation are paid or due in respect of positions with companies belonging to the Legrand Group):</b></p> <p>Chairman and CEO of Legrand*</p> <p>Chairman and CEO of Legrand France</p> <p>Chairman of the Supervisory Board of Châteaudun Développement 3</p> <p>Permanent representative of Legrand France, Chairman of Cofrel</p> <p>Permanent representative of Legrand France, Chairman of Distrasa</p> <p>Permanent representative of Legrand France, Chairman of Groupe Arnould</p> <p>Permanent representative of Legrand France, Chairman of ICM Group</p> <p>Permanent representative of Legrand France, Chairman of Sarlam</p> <p>Permanent representative of Legrand France, Chairman of URA</p> <p>Permanent representative of Legrand France, manager of Legrand SNC</p> <p>Permanent representative of Legrand France, Chairman of Alpes Technologies</p> <p>Permanent representative of Legrand France, Chairman of Préfatech</p> <p>Permanent representative of Legrand France, Chairman of AE Chessy</p> <p>Permanent representative of Legrand France, Chairman of Pammelec</p> <p>Permanent representative of AE Chessy, manager of Planet Watthom</p> <p>Chairman of the Board of Directors of TCL Wuxi</p> <p>Director and Chairman of the Board of Directors of Bticino Philippines</p> <p>Director and Chairman of the Board of Directors of Fidelec</p> <p>Director and Chairman of the Board of Directors of Legrand China Holding</p> <p>Director and Chairman of the Board of Directors of Legrand ZRT</p> <p>Director and Chairman of the Board of Directors of Simapel</p> <p>Director and Chairman of the Board of Directors of Tenby Electrical Accessories</p> <p>Director and Chairman of the Board of Directors of Legrand (S) PTE Ltd.</p> <p>Director of Legrand Elektrik Sanayi</p> <p>Director of Eltas</p> <p>Director of Estap Elektrik</p> <p>Director of Estap Dis Ticaret</p> <p>Director of Kimbe</p> <p>Director of Legrand (Beijing) Electrical Company</p> <p>Director of Legrand Group Belgium</p> <p>Director of Legrand Kazakstan</p> <p>Director of Legrand Nederland BV</p> <p>Director of Legrand Romania</p> <p>Director of O.A.O. Kontaktor</p> <p>Director of PT Supreme Electro Kontak</p> <p>Member of the Supervisory Board of Legrand Polska</p> <p>Director of Legrand Skandinaviska</p> <p>Director and manager of Legrand SLV d.o.o.</p> <p>Director of Clarly Ltd</p> <p>Director of Rocom Electric Company Ltd</p> <p>Director of Van Geel Slovakia</p> <p>Director of PT Legrand Indonesia</p> <p>Director of HPM Legrand New Zealand</p> <p><b>Current position outside the Group:</b></p> <p>Director of Saint-Gobain*</p> <p><b>Positions held during the past five years and now discontinued:</b></p> <p>Mandates in various Group subsidiaries</p>

\* Listed company.

Name	Positions held in French and foreign companies
<b>Olivier Bazil</b> Age 65 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges	<p><b>Current positions – Legrand Group</b> (Following the termination of his duties as Vice Chairman and COO at the end of the General meeting of the Company on May 26, 2011, Mr. Olivier Bazil will resign from his directorships in the Group subsidiaries during the 2012 year):</p> <p>Director of Legrand* (since 2002)</p> <p>Director of Legrand France</p> <p>Chairman of the Board of Directors of TCL Legrand Electrical Technology</p> <p>Director of Dipareena Electricals</p> <p>Director of Legrand Elektrik Sanayi</p> <p>Director of Eltas</p> <p>Director of Estap Dis Ticaret</p> <p>Director of Estap Elektrik</p> <p>Director of Estap Middle East Fzc</p> <p>Director of Parkfield Holdings Limited</p> <p>Director of Legrand Nederland BV</p> <p>Director of Legrand SNC FZE Dubai</p> <p>Member of the Supervisory Board of Legrand ZRT</p> <p>Director of O.A.O. Kontaktor</p> <p>Manager of Rhein Vermögensverwaltung</p> <p>Chairman of the Board of Directors of TCL Legrand International Electrical (Hu He Hao Te) Co. Ltd.</p> <p>Director of TCL Wuxi</p> <p>Chairman of the Supervisory Board of PT Legrand Indonesia</p> <p>Director and Chairman of the Board of Directors of Inform Elektronik</p> <p><b>Current positions outside the Group:</b></p> <p>Director of Firmenich International SA</p> <p>Member of the Supervisory Board of la Société Civile du Château Palmer</p> <p>Chairman of Fritz SAS</p> <p><b>Positions held during the past five years and now discontinued:</b></p> <p>Mandates in various Group subsidiaries.</p>
<b>Mattia Caprioli</b> Age 38 Stirling Square 7 Carlton Gardens Londres SW1Y 5AD Royaume-Uni	<p><b>Current positions:</b></p> <p>Director of Alliance Boots (since 2007)</p> <p>Director of Legrand* (since 2007)</p> <p>Director of Inaer Aviation Group (since 2010)</p> <p><b>Positions held during the past five years and now discontinued:</b></p> <p>Nil.</p>
<b>Jacques Garaïalde</b> Age 55 Stirling Square 7 Carlton Gardens Londres SW1Y 5AD Royaume-Uni	<p><b>Current positions:</b></p> <p>Managing Director of Kohlberg Kravis Roberts &amp; Co. Ltd.</p> <p>Director of Legrand* (since 2003)</p> <p>Chief Executive Officer of Médiannuaire Holding (since 2006)</p> <p>Chairman of the Board of Directors of PagesJaunes Groupe* (since 2006)</p> <p>Member of the Executive Committee of Société d'Investissement Familiale (SIF) (since 2007)</p> <p>Director of Tarkett (since 2007)</p> <p>Director of Visma AS (since 2010)</p> <p>Director of Sorgenia SpA (since 2011)</p> <p><b>Positions held during the past five years and now discontinued:</b></p> <p>Director of Nexans* (2001-2011)</p> <p>Director of EVCA - European Private Equity &amp; Venture Capital Association (2009-2011)</p>
<b>François Grappotte</b> Age 75 128, avenue du Maréchal de Lattre de Tassigny 87000 Limoges	<p><b>Current positions:</b></p> <p>Director and Honorary Chairman of the Board of Directors of Legrand*</p> <p>Director and Honorary Chairman of the Board of Directors of Legrand France (Chairman of the Board of Directors and CEO until early 2006)</p> <p>Member of the Supervisory Board of Michelin</p> <p><b>Positions held during the past five years and now discontinued:</b></p> <p>Member of the Advisory Council of Banque de France</p> <p>Director of BNP Paribas* (1999-2011)</p>

\* Listed company.

Name	Positions held in French and foreign companies
<b>G�rard Lamarche</b> Age 50 Avenue Marnix 24 B - 1000 Bruxelles Belgique	<b>Current positions:</b> Director of Legrand* (since 2006) Managing Director of Groupe Bruxelles Lambert (since 2011) Director of Total* (since 2012) <b>Positions held during the past five years and now discontinued:</b> GDF SUEZ group: Director of Suez Environnement Company Director of Electrabel (Belgique) Director of International Power Plc (UK) Director of GDF Suez Belgium Director of GDF SUEZ CC Director of GDF Suez �nergie Services Director of Aguas de Barcelona (Espagne) Chairman of the Board of Directors and Director of Cosutrel (Belgium) Chairman of the Board of Directors and Director of Genfina (Belgium) Director of Distrigaz(s) (Belgium) Outside GDF SUEZ group: Director of KKR Guernsey GP Limited (USA) Director of BNP PARIBAS Fortis (Belgium) Director of EUROPALIA International
<b>Thierry de La Tour d'Artaise</b> Age 57 Chemin du Petit-Bois – BP 172 69134 Ecully Cedex	<b>Current positions:</b> Chairman of the Board of Directors and CEO of SEB SA* Chairman of SEB Internationale (SAS) Director of Legrand* Director of Plastic Omnium* Director of Club M�diterran�e* Permanent representative of Sofinaction, director of La Lyonnaise de Banque Director of Zhejiang SUPOR (China) <b>Positions held during the past five years and now discontinued:</b> Director of Group SEB Japan Director of Group SEB Mexicana Director of Siparex Associ�s Member of the Supervisory Board of Rowenta Invest BV
<b>Fr�d�ric Lemoine</b> Age 46 89, rue Taitbout 75009 Paris	<b>Current positions:</b> Chairman of the Management Board of Wendel* (since April 2009) Director of Groupama SA (since 2005) Director of Legrand* (since 2009) Director of Saint-Gobain* (since 2009) Director of Bureau V�ritas* (since 2009) <b>Positions held during the past five years and now discontinued:</b> Member of the Supervisory Board of Wendel* (2008-2009) Chairman of the Supervisory Board of Areva* (2005-2009) Censeur on the Supervisory Board of G�n�rale de Sant�* (2006-2009) Director of Flamel Technologies (2005-2011)
<b>Eliane Rouyer-Chevalier</b> Age 59 Immeuble Columbus 166-180 Boulevard Gabriel Peri 92245 Malakoff Cedex	<b>Current positions:</b> Member of the Executive Committee of Edenred* Director of Legrand* (since 2011) <b>Positions held during the past five years and now discontinued:</b> Nil.

\* Listed company.

Name	Positions held in French and foreign companies
<b>Patrick Tanguy</b> Age 51 89, rue Taitbout 75009 Paris	<b><i>Current positions:</i></b> Managing Director of Wendel*, Member of the Investment Committee and the Management Committee Director of Legrand* (since 2010) Chairman of Cobra (SAS) Director of Deutsch Group SAS Director of Wendel Japan KK Manager of Winvest Conseil Sàrl Manager of Oranje-Nassau Parcours Director and Member of the Audit Committee of DSP Group* <b><i>Positions held during the past five years and now discontinued:</i></b> Chairman of the Management Board of Monné-Decroix (2004-2005) Chairman of the Management Board of Prezioso-Technilor (2005-2007) Chairman of Compagnie de Butterfly (SAS)

\* Listed company.



## APPENDIX 3

### Statutory Auditors' report on the financial statements for the year ended December 31, 2011

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.*

Legrand  
Société Anonyme  
128, avenue du Maréchal de Lattre de Tassigny  
87000 Limoges

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, we hereby report to you for the year ended December 31, 2011 on:

- the audit of the accompanying financial statements of Legrand (the "Company");
- the justification of our assessments;
- the specific verifications and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

#### ■ I – OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2011 and the results of its operations for the period then ended in accordance with accounting rules and principles applicable in France.

#### ■ II – JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we bring to your attention the following matter:

Note 1.3 to the financial statements sets forth the accounting policies related to the valuation of investments in participating interests. As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting methods.

These assessments were made as part of our audit approach for the financial statements taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

### ■ III – SPECIFIC VERIFICATIONS AND DISCLOSURES

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code (*Code de Commerce*) relating to remunerations and benefits received by the Directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Pursuant to the law, we have verified that the management report of the Board of Directors contains the appropriate disclosures as to the percentage interests and votes held by shareholders.

Neuilly-sur-Seine, March 28, 2012

The Statutory Auditors

**PricewaterhouseCoopers Audit**

Gérard Morin  
63, rue de Villiers  
92208 Neuilly-sur-Seine Cedex

**Deloitte & Associés**

Jean-Marc Lumet  
185, avenue Charles de Gaulle  
92524 Neuilly-sur-Seine Cedex

## APPENDIX 4

### Presentation of the agenda for the Combined Ordinary and Extraordinary General Meeting of May 25, 2012

*This document outlines the key issues in the draft resolutions submitted by your Board of Directors to the General Meeting of Shareholders to be convened on May 25, 2012. As a result, it is not exhaustive and cannot replace a careful review of the draft resolutions before you exercise your voting rights at the Meeting.*

The Board of Directors has resolved to call a Combined Ordinary and Extraordinary General Meeting of Shareholders on May 25, 2012 to consider the following agenda:

#### ■ RESOLUTIONS FOR THE ORDINARY GENERAL MEETING

##### A) Approval of the financial statements, appropriation of earnings and determination of dividend, approval of regulated agreements, renewal of directors' mandates and appointment of new directors (resolutions 1 to 9)

##### Financial statements (1<sup>st</sup> and 2<sup>nd</sup> resolutions)

The first two resolutions ask the shareholders to approve the following for the financial year ended December 31, 2011:

- the Company's financial statements at December 31, 2011, which show a net profit of €92,475,655.25;
- the Company's consolidated financial statements, which show a net profit of €478.6 million; and
- the transactions reflected in these financial statements.

##### Appropriation of earnings and determination of dividend (3<sup>rd</sup> resolution)

The third resolution asks the shareholders to:

- observe that the net book profit for the financial year ended December 31, 2011 amounts to €92,475,655.25;
- resolve to appropriate €4,623,782.76 of this net profit to the legal reserve;
- observe that, in light of retained earnings from previous years in the amount of €462,804,375.54, the amount available for distribution in respect of the 2011 financial year is €550,656,248.03;
- distribute a dividend to shareholders amounting to €0.93 euro per share, making a total amount of €244,430,466.87 on the basis of the number of shares making up capital stock at December 31, 2011 and after deduction of treasury shares held at this date; and

- appropriate the remaining distributable income to retained earnings.

In the event of a change in the number of shares entitling holders to a dividend, the total dividend amount would be adjusted accordingly, and the amount appropriated to retained earnings would be calculated on the basis of dividends actually paid. No dividends would be due on any shares that are held by the Company itself or have been cancelled before the payment date.

The dividend is eligible in full for the 40% income-tax exemption for natural persons domiciled in France. Shareholders who opt for the flat rate of 19% would not benefit from this exemption.

If this resolution is approved, the ex-date would be May 31, 2012 and the dividend would be paid to shareholders on June 5, 2012.

##### Regulated agreements (4<sup>th</sup> and 5<sup>th</sup> resolutions)

The fourth and fifth resolutions ask the shareholders to approve regulated agreements subject to Article L.225-38 of the French Commercial Code, signed between the Company and its Directors or with another company that has one or more Directors in common with the Company. These agreements were authorized in advance by the Board of Directors and are reviewed in a special auditors' report.

The fourth resolution asks shareholders to approve a service agreement signed between the Company and Mr. Olivier Bazil, one of the Company's Directors and formerly its Vice Chairman and Chief Operating Officer. Mr. Bazil resigned these positions at the conclusion of the Combined Ordinary and Extraordinary General Meeting of May 26, 2011. The primary purpose of this agreement was to give Mr. Olivier Bazil a special assignment, as a member of the Board and the Strategy Committee, to ensure a smooth transition in the management and oversight of the Group-level strategic projects of which he had been in charge previously in his capacity as Vice Chairman and Chief Operating Officer. This special assignment was completed on December 31, 2011, and Mr. Olivier Bazil received the sum of €345,000 in consideration of his performance of the assignment under the service agreement.

The fifth resolution asks shareholders to approve a refinancing agreement signed between (i) the Company, in its capacity as borrower and guarantor of the commitments of its subsidiaries, (ii) some of its subsidiaries in their capacity as borrowers, and (iii) a pool of lender banks. The primary purpose of this refinancing agreement is to establish new multi-currency lines of credit in an amount not to exceed €900,000,000, which will enable the Group to refinance an existing line of credit and to obtain bank financing

for its current needs. The Directors serving on the boards of both the Company and one of its subsidiaries are Messrs. Olivier Bazil, François Grappotte and Gilles Schnepf.

The Statutory Auditors' special report appearing in chapter 9.4 of the Company's 2011 Registration Document, available on the Company's website, also discusses agreements and commitments which were authorized and signed during previous financial years and continued to be performed during 2011. These authorized and signed agreements and commitments are not submitted for the approval of shareholders at the General Meeting.

#### **Renewal of the mandates of Messrs. Gérard Lamarche and Thierry de La Tour d'Artaise as Directors (6<sup>th</sup> and 7<sup>th</sup> resolutions)**

The sixth and seventh resolutions ask the shareholders to renew the mandates of Messrs. Gérard Lamarche and Thierry de la Tour d'Artaise as Directors, which are expiring, for a period of four years, ending at the date of the General Meeting of shareholders called in 2016 to consider the financial statements for the financial year ending December 31, 2015.

Mr. Gérard Lamarche has been a member of the Company's Board of Directors since 2006, serves on and chairs the Audit Committee and serves on the Nominating and Compensation Committee, providing the Company with his experience and expertise, especially in the areas of finance and accounting.

Mr. Thierry de La Tour d'Artaise, who has been a member of the Board of Directors since 2006, offers the Group his extensive experience in industry.

Their profiles are as follows:

##### **Mr. Gérard Lamarche**

Gérard Lamarche graduated from the University of Louvain-la-Neuve with a Bachelor's degree in Economic Sciences and a specialization in Business Administration and Management. He also completed the Advanced Management Program for Suez Group Executives at the INSEAD Business School and took part in the 1998-99 Wharton International Forum, Global Leadership Series. He began his professional career in 1983 with Deloitte Haskins & Sells in Belgium, and became M&A Consultant in the Netherlands in 1987. In 1988, he joined the Venture Capital Department of Société Générale de Belgique as Investment Manager. He was promoted to Controller in 1989, and served as Advisor to the Director of Strategic Planning from 1992 to 1995. He became Special Projects Advisor to the President and Secretary of the Suez Board of Directors (1995-1997) and participated in the merger between Compagnie de Suez and Lyonnaise des Eaux (1997); he was later appointed the new Group's Senior Vice President in charge of Planning, Control and Accounts Management. In 2000, Gérard Lamarche joined NALCO (American subsidiary of the Suez Group and world leader in industrial water

treatment) as Director, Senior Executive Vice President and CFO. He was appointed Senior Executive Vice President – Finance (CFO) of the Suez Group in March 2004, becoming Executive Vice President, CFO of GDF SUEZ, and member of the Management and Executive Committees of the GDF SUEZ Group in July 2008. On April 12, 2011, Gerard Lamarche was appointed Director of the Board of Groupe Bruxelles Lambert, where he has held the position of Managing Director since January 2012.

##### **Mr. Thierry de La Tour d'Artaise**

Thierry de La Tour d'Artaise was an Audit Manager with Coopers & Lybrand from 1979 to 1983, and in 1983, was appointed Head of Internal Audit at Groupe Chargeurs SA. He then served as Chief Administrative and Financial Officer (1984-1986) and Chief Executive Officer (1986-1993) of Croisières Paquet before joining the SEB Group as Chief Executive Officer (1994-1996). Thierry de La Tour d'Artaise was Chairman and Chief Executive Officer of Calor SA from 1996 to 1998. He was appointed Deputy Chairman and Chief Executive Officer of SEB Group in 1999 and has served as the group's Chairman and Chief Executive Officer since 2000. Thierry de La Tour d'Artaise is a graduate of École Supérieure de Commerce in Paris and is a chartered accountant.

At its meeting on February 8, 2012, after a review by the Nominating and Compensation Committee, the Board confirmed its judgment that Messrs. Gérard Lamarche and Thierry de La Tour d'Artaise satisfy the criteria for independent Directors as defined in the Company's internal rules and in the Afep-Medef Code of Corporate Governance.

#### **Appointment of Ms. Christel Bories and Ms. Angeles Garcia-Poveda as Directors (8<sup>th</sup> and 9<sup>th</sup> resolutions)**

In the eighth and ninth resolutions, we ask the shareholders to appoint Ms. Christel Bories and Ms. Angeles Garcia-Poveda as Directors for a period of four years, ending at the date of the General Meeting of shareholders called in 2016 to consider financial statements for the financial year ending December 31, 2015. Profiles of these candidates appear below.

##### **Ms. Christel Bories**

A graduate of HEC, Ms. Christel Bories began her career in 1986 as a strategy consultant with Booz-Allen & Hamilton before moving to Corporate Value Associates. She subsequently held several executive positions with Umicore, then Groupe Pechiney. Following Pechiney's integration into the Alcan Group, Ms. Christel Bories was appointed Chairman and CEO of Alcan Packaging, then Chairman and CEO of Constellium (formerly Alcan Engineered Products), which she left in December 2011. Ms. Christel Bories is currently a Director of Natixis. She is 47 years old and a French national.

**Ms. Angeles Garcia-Poveda**

Ms. Angeles Garcia-Poveda is office manager of the Paris office of Spencer Stuart and a member of the European leadership team. She specializes in the consumer goods sector and is also a member of the firm's Business & Professional Services, Private Equity and Marketing Officer practices. Before joining Spencer Stuart in 2008, she spent 14 years with The Boston Consulting Group (BCG). She worked as a consultant at BCG in Madrid and Paris from 1993 to 1997 before taking different recruiting roles in the firm at the local and international levels. As BCG global recruiting manager, she worked extensively on cross-border recruiting projects. Ms. Angeles Garcia-Poveda holds a master's degree from ICADE, a leading graduate school of management in Madrid. She also attended the Business Case Study Program at Harvard University. She is 41 years old and a Spanish national.

At its meeting on February 8, 2012, after a review by the Nominating and Compensation Committee, the Board confirmed its judgment that Ms. Christel Bories and Ms. Angeles Garcia-Poveda satisfy the criteria for independent Directors as defined in the Company's internal rules and in the Afep-Medef code of corporate governance.

With Ms. Christel Bories and Ms. Angeles Garcia-Poveda appointments as Directors, the Board would:

- achieve early compliance with France's law on balanced gender representation on Boards of Directors, which requires that boards include 20% women by 2014 (if the proposed appointments are approved, the proportion of women on the Board of Directors would rise to 25%), and
- include a larger number of independent directors, as recommended by the Afep-Medef code of corporate governance (if the proposed appointments are approved, five of the Board's twelve members would be independent, raising the proportion of independent Directors to 42%).

**B) Renewal of share buyback program (10<sup>th</sup> resolution)**

If approved, the tenth resolution would renew the authorization to buy back Company shares granted to the Board of Directors at the General Meeting of Shareholders on May 26, 2011. This resolution would enable the Company to buy back its own shares within the limits set by the shareholders and as prescribed by law.

Under this authorization, the Board of Directors could direct the buyback of Company shares representing up to 10% of the Company's capital stock at the date of the Combined Ordinary and Extraordinary General Meeting of May 25, 2012, minus the number of shares resold under a liquidity contract during the term of this authorization.

The goals of the buyback program are to: (i) ensure a liquid and active market in Company shares; (ii) to implement any and all Company stock-option plans, any and all employee share-ownership programs; any and all free share allotments; and any and all share allotments for the purpose of profit-sharing; (iii) enable the Company to hold and subsequently transfer shares by way of exchange or payment relating to business acquisitions; (iv) deliver shares on the exercise of rights attached to securities providing access to the equity of the Company; (v) cancel all or some of the shares so purchased, on condition that the eleventh resolution below is adopted; and (vi) engage in any other practices permitted or recognized by law or by the Financial Markets Authority.

We propose that you set the maximum purchase price per share at €40 and limit the total amount appropriated for the share buyback program to €500 million.

This authorization would be valid for eighteen months from the date of this General Meeting of shareholders. If this authorization is approved, it would invalidate all authorizations previously granted by the shareholders, to the extent not used.

For reference, the Board of Directors has used the previous authorization as follows:

- at December 31, 2011, the Company held 560,536 shares with a nominal value of €4, for a total of €2,242,144, representing 0.2% of the Company's capital (or 330,036 shares excluding liquidity contracts, purchased at a total cost of €6,913,949, appropriated for any and all performance share plans and for transfer to an FCPE employee share-ownership fund under a profit-sharing program);
- at December 31, 2011, the balance of the liquidity contract entered into with Crédit Agricole Cheuvreux on May 29, 2007 stood at 230,500 shares.

Under this authorization, the Board of Directors also engaged on February 2012 an investment services provider to buy back 420,000 Company shares to cover the 2010 performance share plan (these shares were to be distributed to plan beneficiaries in March 2012).

**■ RESOLUTIONS FOR THE EXTRAORDINARY GENERAL MEETING****C) Renewal of authorization to cancel shares purchased pursuant to the share buyback programs (11<sup>th</sup> resolution)**

The eleventh resolution would allow the Company to reduce its capital stock by cancelling some or all of the shares purchased under share buyback programs authorized and deployed by the Company, within a limit of 10% of the share capital at the date of the Combined Ordinary and Extraordinary General Meeting of May 25, 2012, in any 24-month period.

This authorization is valid for twenty-six months from the date of this General Meeting of shareholders. If this authorization is approved, it will invalidate all authorizations previously granted by the shareholders to the extent not used.

#### **D) Renewal of financial authorizations (resolutions 12 to 20)**

Resolutions 12 to 20 cover the delegations of financial powers granted to your Board of Directors. The purpose of these resolutions is to renew the authorizations established and approved by the General Meeting of May 27, 2010, which are now expiring, and to enable the Board of Directors to manage the Company's finances, in particular by authorizing it to issue securities under certain circumstances and under certain conditions, depending on market opportunities and the Group's financing requirements. Each resolution presented to you corresponds to a specific purpose for which your Board would be authorized to issue securities, with or without preferred subscription rights, depending on each case.

By voting these resolutions, you would give your Board a certain degree of flexibility by removing the requirement to call a General Meeting for each proposed issue of securities. As a result, the Board would adapt the type of securities and the investor profile more rapidly in response to market opportunities. This would allow the Company to obtain the right financing as quickly as possible, for both its own needs and market requirements.

Note that any capital increase in cash would theoretically involve offering shareholders preferred subscription rights to the new shares entitling them to subscribe, for a defined period, a certain number of shares in proportion to their existing shareholdings. This preferred subscription right may be detached from the shares and can be traded throughout the subscription period.

Please note that approval of some of these resolutions would result in capital increases without preferred subscription rights. Depending on market conditions, it may be necessary to eliminate preferred subscription rights in order to issue securities as successfully as possible. This may be the case, for example, if the success of the issue depends on the Company's ability to act quickly, or if the Company is selling securities to investors outside France, or responding to an exchange offer. In some instances, eliminating preferred subscription rights allows the Company to raise the capital it requires for investments more quickly, by offering the newly issued securities on more favorable terms (for example, by gaining faster access to qualified investors as defined by applicable regulations).

In addition, your vote in favor of certain resolutions constitutes an express waiver of your preferred subscription right, without further process, in favor of the beneficiaries of the issues or

allotments, for example in the case of a capital increase restricted to participants in a share ownership savings plan.

We propose that you limit these delegations of financial powers by specifying amounts, time limits, and ceilings in accordance with standard practices and recommendations. These authorizations would be limited to:

- a period of twenty-six months;
- limits to be determined strictly for each authorization; in order to exceed these limits, the Board would be required to call a General Meeting of shareholders to obtain a new authorization. Limits set for resolutions involving the elimination of preferred subscription rights comply with the recommendations of the majority of proxy advisors, and may not give rise to capital increases greater than 10% of the amount of the Company's capital at the date of the General Meeting; and
- a global limit of €500 million for equity securities and €3 billion for debt securities (**20<sup>th</sup> resolution**) (the "Global Limit").

We therefore propose that you grant your Board of Directors the following powers:

- **to issue, with or without preferred subscription rights, of shares or securities granting access to equity or debt securities:**
  - delegation of powers for the purpose of issuing shares or securities granting access to equity or debt securities, with preferred subscription rights, subject to (i) a limit of €500 million for equity securities (or approximately 47% of capital stock as of this date) and €3 billion for debt securities; and (ii) the Global Limit (**12<sup>th</sup> resolution**),
  - delegation of powers for the purpose of issuing, by means of public offers, shares or securities granting access to equity or debt securities, without preferred subscription rights, subject to (i) a limit of €105 million for equity securities (or approximately 10% of capital stock as of this date) and €650 million for debt securities; and (ii) the Global Limit (**13<sup>th</sup> resolution**); under this issue, your Board of Directors would vote to grant shareholders priority subscription rights for all or part of the issue (with the understanding that, unlike preferred subscription rights, priority rights are not negotiable),
  - delegation of powers for the purpose of issuing, by means of an offer subject to section L.411-2 of French Monetary and Financial Code (private placement), of shares or securities granting access to the Company's equity or debt securities, without preferred subscription rights, subject to a limit of €105 million for equity securities (or approximately 10% of capital stock as of this date) and €650 million for debt securities; nominal amount of capital increases effected



under this resolution would be counted towards the limits provided in the thirteenth resolution. To comply with applicable regulation, the total amount of capital increases effected under this delegation of powers may not exceed 20% of capital stock at the issue date per year (legal threshold calculated at the date of this document and provided for purposes of information) (**14<sup>th</sup> resolution**),

- delegation of powers, within the time allowed and up to the limits set by applicable regulations (at the date of the General Meeting, within 30 days from the subscription closing date, not exceeding 15% of the initial issue, and at the same price as the initial issue), to increase the amount of issues in the event of excess demand, subject to the limits set in the resolution under which the securities are issued (resolutions 12, 13 and/or 14) (**15<sup>th</sup> resolution**),
- authorization to the Board of Directors, with respect to issues without preferred subscription rights, subject to the global limit of 10% of share capital in any 12-month period, to make an exception to the price-setting conditions provided by the 13<sup>th</sup> and 14<sup>th</sup> resolutions, such that the issue price for the shares is at least equal to the average price of the Company's shares, weighted for volumes at the date the price is set, and reduced by a 10% discount if appropriate; the nominal amount of capital increases effected under this resolution would be counted towards the limits provided in the resolution under which the securities are issued (**16<sup>th</sup> resolution**);
- **Capital increase by incorporation of reserves, profit, premiums, or other items:**
  - delegation of powers for the purpose of capital increases through incorporation of reserves, profit, premiums or other items which may be capitalized under applicable regulations would be allowed subject to a limit of €100 million (**17<sup>th</sup> resolution**);
- **Issue of shares or securities granting access to the capital reserved for employees:**
  - delegation of powers to the Board of Directors for the purpose of issuing shares or securities granting access to the Company's share capital in favor of participants in employee share-ownership programs of the Company or Group (or any other plan which is allowed under Articles L.3332-1 *et seq.* of the Labor Code, or any analogous law or regulation, to reserve a capital increase under equivalent conditions). The nominal amount of capital increases effected under this delegation of powers may not exceed €25 million, and would be counted towards the Global Limit. The subscription price for the new shares will be equal to the share's average opening price over the twenty trading days preceding the date of the decision setting the opening date for subscription,

less the maximum discount allowed by law at the date of the Board's decision, with the understanding that the Board may reduce this discount. The preferred subscription rights of shareholders would be waived in favor of participants in the share ownership savings plan (**18<sup>th</sup> resolution**);

■ **Capital increase to provide consideration for in-kind contributions to the Company:**

- delegation of powers to issue shares and securities granting access to the share capital of the Company, within the limit of 10% of share capital at the date of issue, for the purpose of providing consideration for in-kind contributions to the Company in the form of shares or other securities granting access to share capital. The nominal amount of the capital increases effected under this delegation would count towards the limit set in the 13<sup>th</sup> resolution (*i.e.*, €105 million). The total nominal amount of bonds issued under this delegation of powers may not exceed €650 million and would count towards the limit set by the 13<sup>th</sup> resolution (*i.e.*, €650 million). Preferred subscription rights would be waived in favor of the parties making the in-kind contributions (**19<sup>th</sup> resolution**).

These delegations would terminate previously granted delegations for the same purpose, to the extent not used.

For purposes of information, the Company has not used the delegations of financial powers granted to it by the Combined Ordinary and Extraordinary General Meeting of May 27, 2010.

**E) Amendments to articles of association (21<sup>st</sup> resolution)**

To bring the articles of association into compliance with the decree of December 9, 2011 on communication formalities with regard to corporate law, we ask that you amend the wording of the 3<sup>rd</sup> paragraph of section 12.1 of the Company's articles of association. Among other provisions, this decree allows the use of electronic signatures for proxies and forms for absentee voting, provided that the electronic signature is the product of a reliable process of identification that guarantees the link between the shareholder's signature and the document to which the signature is affixed.

We therefore propose that the Company's articles of association, subject to the approval of the Board of Directors, allow shareholders (subject to the terms and time limits set by applicable regulations) to send their proxy forms and mail-in voting forms by any means of telecommunication that allows them to be identified, provided its nature and terms are determined by prevailing regulations.

Finally, the 22<sup>nd</sup> resolution would allow your Board to undertake all filings, formalities and publications required by prevailing regulations.

## Resolutions for the Combined Ordinary and Extraordinary General Meeting of Shareholders on May 25, 2012

### ■ RESOLUTIONS FOR THE ORDINARY GENERAL MEETING

#### First Resolution (Approval of the Company's financial statements at December 31, 2011)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprised of the Board of Directors' management report on the activity and general situation of the Company in the 2011 financial year, of the Chairman of the Board's report as scheduled to the management report; the auditor's report on the annual financial statements; and the auditor's report on the Chairman's report, shareholders approve the Company's financial statements at December 31, 2011 as presented, which show a net profit of €92,475,655.25, together with the transactions reflected in these financial statements or summarized in the reports referred to.

#### Second Resolution (Approval of the consolidated financial statements at December 31, 2011)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and being apprised of the Board of Directors' management report on the activity and general situation of the Group in the 2011 financial year together with the auditors' report on the consolidated financial statements, shareholders approve the Company's consolidated financial statements at December 31, 2011 as presented, which show a net profit of €478.6 million excluding minority interests, together with the transactions reflected in these financial statements or summarized in the reports referred to.

#### Third Resolution (Appropriation of earnings and determination of dividend)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprised of the Board of Directors' report and of the auditors' report on the annual financial statements, the shareholders:

1. observe that the net book profit for the financial year ended December 31, 2011 amounts to €92,475,655.25;
2. resolve to appropriate €4,623,782.76 of this net profit to the legal reserve;
3. observe that, after this appropriation of €4,623,782.76 to the legal reserve and considering retained earnings from previous years amounting to €462,804,375.54, the amount available for distribution in respect of the 2011 financial year is €550,656,248.03;
4. resolve to distribute a dividend to shareholders amounting to €0.93 euro per share, making a total amount of €244,430,466.87 on the basis of the number of shares making up capital stock at December 31, 2011 and after deduction of treasury shares held at this date; and

5. resolve to appropriate the remaining distributable income to retained earnings.

In the event of a change in the number of shares entitling holders to a dividend from the 263,388,995 shares making up capital stock at December 31, 2011, the total amount of dividends will be adjusted accordingly, and the amount appropriated to retained earnings shall be calculated on the basis of dividends actually paid.

The ex-date is May 31, 2012 and the dividend of €0.93 per share referred to in paragraph 4 above will be made payable from June 5, 2012.

No dividends will be due on any shares that may be held by the Company itself or that have been cancelled before the payment date.

Shareholders grant the Board of Directors all necessary powers to determine, considering in particular the number of own shares held by the Company at the dividend payment date and the number of shares cancelled before that date, the total amount of the dividend and, by the same token, the amount of distributable income to be appropriated to retained earnings.

The dividend is eligible in full for the 40% income-tax exemption provided for under Article 158-3-2 of the French *Code Général des Impôts*. Shareholders who opt for a flat rate of taxation at source on dividends received (*prélèvement forfaitaire libératoire*) under Article 117-4 of the *Code Général des Impôts* will not benefit from this exemption.

Shareholders note that dividends paid in respect of 2008, 2009 and 2010 financial years were as follows:

Financial year	Shares with dividend entitlement	Net dividend per share
2008	261,157,772 shares with a par value of €4	€0.70
2009	262,451,948 shares with a par value of €4	€0.70
2010	262,911,065 shares with a par value of €4	€0.88

All dividends distributed in respect of the 2008, 2009 and 2010 financial years were eligible for the 40% income-tax exemption under 158-3-2 of the French *Code Général des Impôts*.

#### Fourth Resolution (Approval of a regulated agreement)

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprised of the auditor's special report on agreements within the scope of Article L.225-38 and following of the French Commercial Code, shareholders approve the agreement signed between the Company and Mr. Olivier Bazil following the end of his term as Vice Chairman and Chief Operating Officer.



**Fifth Resolution (Approval of a regulated agreement)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the auditor's special report on agreements within the scope of Article L.225-38 and following of the French Commercial Code, shareholders approve the facility agreement signed between the Company, several of its subsidiaries and several banks.

**Sixth Resolution (Renewal of the mandate as Director of Mr. Gérard Lamarche)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders note that the term of Mr. Gérard Lamarche expires at the close of this General Meeting and decide, as proposed by the Board of Directors, to renew his mandate as Director for a period of four years, ending at the date of the General Meeting of shareholders called in 2016 to consider financial statements for the financial year ending December 31, 2015.

**Seventh Resolution (Renewal of the mandate as Director of Mr. Thierry de La Tour d'Artaise)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, shareholders note that the mandate of Mr. Thierry de La Tour d'Artaise expires at the close of this General Meeting and decide, as proposed by the Board of Directors, to renew his mandate as Director for a period of four years, ending at the date of the General Meeting of shareholders called in 2016 to consider financial statements for the financial year ending December 31, 2015.

**Eighth Resolution (Appointment of a Director)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and as proposed by the Board of Directors, shareholders decide to appoint Ms. Christel Bories as Director for a period of four years, ending at the date of the General Meeting of shareholders called in 2016 to consider financial statements for the financial year ending December 31, 2015.

**Ninth Resolution (Appointment of a Director)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings, and as proposed by the Board of Directors, shareholders decide to appoint Ms. Angeles Garcia-Poveda as Director for a period of four years, ending at the date of the General Meeting of shareholders called in 2016 to consider financial statements for the financial year ending December 31, 2015.

**Tenth Resolution (Authorization granted to the Board of Directors to allow the Company to trade in its own shares)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprized of the Board of Directors' report, shareholders:

Authorize the Board of Directors, with the right to delegate those powers as provided by applicable stipulations of the law, in accordance with Article L.225-209 and following of the French Commercial Code, to purchase, or to have purchased, Company shares representing at most 10% of the Company's capital stock at the date of this Meeting, it being noted that, when shares are bought to ensure the market liquidity of Legrand shares under the conditions described below, the number taken into account for the calculation of this limit of 10% will be the number of shares bought less the number of shares resold during the term of this authorization;

Provide that shares may be bought, sold or transferred for the purposes of:

- ensuring the liquidity and active operation of the market in Company shares by the intermediary of an investment services provider, acting independently under a liquidity contract in compliance with the Code of Practice recognized by France's Financial Markets Authority (AMF);
- implementing any and all Company stock options plans in accordance with Articles L.225-177 and following of the French Commercial Code, any and all group employee share-ownership programs in accordance with Articles L.3332-1 and following of the French Labor Code (*Code du travail*), any and all free share allotments pursuant to Articles L.225-197-1 and following of the French Commercial Code, and any and all share allotments for employee profit-sharing, as well as providing cover for such transactions at such times as the Board of Directors or the person acting on its behalf takes actions;
- holding and subsequently transferring shares by way of exchange or payment relating to business acquisitions, it being specified that the number of shares acquired by the Company with a view to holding these and employing them at a later date as payment for or in exchange for a merger, demerger, or transfer of assets may not exceed 5% of the Company's capital stock;
- delivering shares on the exercise of rights attached to securities providing immediate or future access to the equity of the Company, through redemption, conversion, exchange, presentation of a warrant or in any other way;
- canceling all or some of the shares so purchased, subject to the adoption by the meeting of the eleventh resolution below; or

- carrying out such other practices as may be permitted or recognized by law or by the Financial Markets Authority, or pursuing any other objective complying with applicable law and regulations.

Shares may be purchased, sold or transferred directly or indirectly, at any time within the limits authorized by law and regulations, except at such times as Company shares may be the object of a public offering, and by any means and on any markets including over-the-counter trading, trading in blocks of shares or public offerings, the use of any financial instruments, derivatives, and in particular option-based mechanisms such as purchases and sales of puts and calls.

The maximum price paid for purchases may not exceed €40 per share (excluding acquisition expenses), it being noted that this price will be adjusted as necessary to reflect capital transactions, in particular incorporation of reserves or free share allotments and/or share splits or reverse splits.

The maximum amount allowed for implementation of the share buy-back program is €500 million.

The application of this resolution may not at any time result in the number of own shares held by the Company, directly or indirectly, rising above 10% of the total number making up capital stock at the date considered.

The shares purchased and held by the Company will be deprived of voting rights and will carry no entitlement to payment of a dividend.

This authorization is valid for eighteen months from the date of this General Meeting of shareholders and, from this day, deprives previous authorizations for the same purpose of their effect to the extent not used.

Shareholders grant the Board of Directors all powers, and the right to delegate those powers in accordance with applicable stipulations of the law, to decide on the use and deployment of this authorization, and in particular to determine the conditions of such use, to place orders on or off any markets, to enter into any agreements, to allocate or re-allocate shares acquired for the purposes allowed in compliance with law and regulations, to make any declarations to the Financial Markets Authority or any other body, to effect any formalities, and in general to take any necessary action.

## ■ RESOLUTIONS FOR THE EXTRAORDINARY GENERAL MEETING

### **Eleventh Resolution (Authorization granted to the Board of Directors to reduce the capital stock by cancellation of shares)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditor's

special report, the shareholders authorize the Board of Directors, in accordance with Articles L.225-209 and following of the French Commercial Code, to cancel, at its sole initiative and on one or several occasions, all or some of the Company shares purchased under share buyback programs authorized and deployed by the Company, and to reduce the capital stock of the Company by the total nominal amount of the shares thus cancelled, within a limit of 10% of the share capital at the date of this meeting in any period of twenty-four months.

Shareholders confer on the Board of Directors all powers, and the right to delegate those powers in accordance with applicable stipulations of the law, to effect and recognize such cancellations and reduction of capital, to allocate the difference between the price paid for the cancelled shares and their nominal amount to any reserves or premiums, to effect the related amendment of Company's articles of association, to make all necessary declarations to the Financial Markets Authority, to effect all other formalities and in general to do all that may be necessary.

This authorization is granted for a period of twenty-six months from the date of this general meeting of shareholders and, from this day, deprives previous authorizations for the same purpose of their effect to the extent not used.

### **Twelfth Resolution (Delegation of powers to the Board of Directors for the purpose of issuing shares or securities providing access to the Company's share capital or entitlement to debt securities, with preferred subscription rights maintained)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 and following (in particular Article L.225-129-2) and Article L.228-91 and following:

1. delegate to the Board of Directors, which may in turn delegate in accordance with applicable stipulations of the law, the power to provide for the issue, the preferred subscription rights of shareholders being maintained, of shares and of securities giving access to shares of the Company or entitlement to the allocation of debt securities, which may be subscribed for either in cash or by way of offset against due and payable debts, it being provided that this delegation may allow one or several such issues, in France or in other countries; in euros, in other currencies or in any monetary unit based on a basket of currencies; in such amounts and at such times as it will determine, in accordance with applicable regulations;

resolve that the securities so issued may carry warrants providing entitlement to the allotment, purchase or subscription of bonds or other debt securities, or provide for the right of the Company to issue debt securities (fungible

with other issues or not) in lieu of interest payments that the Company may have suspended;

2. determine that the total nominal amount of capital increases which may be effected pursuant to this delegation of powers, immediately and/or in the future, may not exceed €500 million, this limit being subject to such increase in the number of shares as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, with contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company, it being stipulated that this amount will be included in the overall limit set in the twentieth resolution;
3. determine that the total nominal amount of bonds and other debt securities issued pursuant to this delegation of powers may not exceed €3 billion (or the equivalent of this amount if issues are made in a foreign currency or units of account), it being stipulated that this amount will be included in the overall limit on the issue of debt securities set in the twentieth resolution;
4. determine that shareholders may exercise their preferred subscription rights to the full with no reduction in allotments, subject to the conditions and limits established by the Board of Directors. The Board may also grant shareholders, in proportion to their subscription rights and within the limits of their applications, rights to subscribe to a number of securities greater than that resulting from their irreducible rights but with allotments subject to reduction.

Observe that, if shareholders do not take up an issue of shares or other securities of the kinds referred to above in full under their irreducible and, where applicable, reducible subscription rights, the Board of Directors may use, in compliance with Article L.225-134 of the French Commercial Code, in such order as it determines, whether singly or in combination, powers to:

- limit the issue to the amount of the subscriptions on condition that such amount is equal to at least three-quarters of the initial amount of the issue,
  - allot all or part of the unsubscribed shares to such persons as it sees fit,
  - offer to the public all or part of the unsubscribed shares;
5. determine that any issue of options to subscribe to Company shares may be effected by either an offer to subscribe as provided above or by free allocation to the holders of existing shares, it being stipulated that, in the event of a free allocation of unattached options, the Board of Directors will have the power to decide that rights not representing a whole number of shares may not be traded and that the securities concerned are to be sold;

6. recognize and determine that, insofar as this may be necessary, this delegation entails, without further process, the waiver, in favor of the holders of any securities carrying rights to subscribe to such Company shares as may be issued under this resolution, of shareholders' preferred rights to subscribe to the new shares to which these securities grant access;
7. determine that the Board of Directors will have all necessary powers, which it may in turn delegate in accordance with applicable stipulations of the law, to put this delegation into effect, and in particular to determine the dates and conditions of issues, the form and specifications of the securities to be issued, the prices and the conditions of issue, the amounts to be issued, the terms of payment, the dates from which new securities carry rights, even with retroactive effect, and conditions for redemption where applicable; to suspend, if necessary and in accordance with applicable regulations, the rights to Company shares attached to securities; to make such adjustments as may be required as a result of changes in the Company's capital stock; to take such action as may be necessary to protect the rights of the holders of securities giving access to Company shares; to make all appropriate charges to issue premiums, in particular charges for the amounts required to bring the legal reserve to one-tenth of share capital after each issue and for issue expense; and, in general, to take such action and enter into such agreements as may be conducive to the satisfactory performance of the issue; and to effect all formalities necessary for the issue, trading and financial services of the securities issued by virtue of this delegation and the exercise of rights attached to them.

In the case of issue of debt securities, the Board of Directors will have full powers, in particular to decide whether the debt is to be subordinated or not, to set the interest rate, the maturity, the redemption price, whether fixed or variable or with or without bonus, to define amortization terms in accordance with market conditions and to determine conditions under which securities may carry rights to Company shares.

Resolve that the Board of Directors will have full powers to acknowledge the realization of capital increases and to initiate the relevant amendments to the Company's articles of association.

The delegation of powers so granted to the Board of Directors is valid for twenty-six months from the date of this General Meeting of shareholders and, from this day, replaces the delegation of powers provided for in the tenth resolution adopted at the Combined Ordinary and Extraordinary General Meeting of May 27, 2010 insofar as this has not already been used.

**Thirteenth Resolution (Delegation of powers to the Board of Directors for the purpose of issuing, by means of public offers, shares or securities providing access to the Company's share capital or entitlement to debt securities, with preferred subscription rights waived)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 to L.225-129-6, L.225-135, L.225-136, L.225-148, L.228-91 and L.228-92:

1. delegate to the Board of Directors the power, which it may in turn delegate in accordance with applicable stipulations of the law, to provide for the issue, by means of public offers, shares and securities giving access to shares of the Company or entitlement to the allocation of debt securities, which may be subscribed for either in cash or by way of offset against due and payable debts, it being provided that this delegation may allow one or several such issues, in France or in other countries, in euros, in foreign currencies or in any monetary unit based on multiple currencies, and in such amounts and at such times as it will determine, in accordance with applicable regulations;
2. resolve that the total nominal amount of capital increases which may be effected pursuant to this delegation of powers, immediately and/or in the future, may not exceed €105 million, this limit being subject to such increase in the number of shares as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, with contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company, it being stipulated that this amount will be included in the calculation of the overall limit set in the twentieth resolution;
3. resolve that the total nominal amount of bonds and other debt securities issued pursuant to this delegation of powers may not exceed €650 million (or the equivalent of this amount at the issue date if issues are made in a foreign currency), it being stipulated that this amount will be included in the calculation of the overall limit set for issuance of debt securities in the twentieth resolution;
4. resolve that issues pursuant to this delegation of powers will be effected by means of public offers, it being further provided that these issues may be effected in association with one or several issues within the scope of section II of Article L.411-2 of French Monetary and Financial Code and effected pursuant to the fourteenth resolution put to this meeting;
5. resolve to waive shareholders' preferred rights to subscribe to the shares and other securities to be issued;

Determine however that the Board of Directors may confer on shareholders a priority right to subscribe, in irreducible

proportion and, if so decided, with additional reducible rights, over a period that it is to determine in accordance with applicable legislation and regulations, to all or part of the issue in accordance with Article L.225-135, paragraph 2, of the French Commercial Code, such priority right not giving rise to negotiable rights;

6. observe that, if shareholders do not take up an issue of shares or other securities of the kinds referred to above in full under their irreducible and, where applicable, reducible subscription rights, the Board of Directors may use, in compliance with Article L.225-134 of the French Commercial Code, in such order as it determines, whether singly or in combination, powers to:
  - limit the issue to the amount of the subscriptions on condition that such amount is equal to at least three-quarters of the initial amount of the issue,
  - allot all or part of the unsubscribed shares to such persons as it sees fit,
  - offer to the public all or part of the unsubscribed shares;
7. recognize and resolve, insofar as this may be necessary, that this delegation entails, without further process, the waiver, in favor of the holders of any such securities carrying rights to subscribe to Company shares that may be issued under this resolution, of shareholders' preferred rights to subscribe to the new shares to which these securities carry entitlement;
8. resolve that:
  - the issue price of shares will be at least equal to the minimum prescribed by legislation and regulation applicable at the date of issue (for purposes of illustration, this minimum is now the weighted average market price of Company shares over the three trading days preceding the date the price is set, less a discount of 5%, where necessary after adjustment of the average to allow for differences in the dates from which shares carry entitlements);
  - the issue price of securities providing access to the Company's share capital and the number of shares to which the conversion, redemption or other transformation of each such security providing access to the Company's share capital may give rise will be such that the amount immediately received by the Company, together with any amount it may later receive, is, for each share issued as a consequence of the issue of these securities, at least equal to the minimum issue price as provided for in the previous paragraph;
9. provide that the Board of Directors may, within the limits defined in paragraphs 2 and 3 above, issue various shares or securities providing access to the Company's share capital or entitlement to debt securities in consideration of the securities tendered in response to a public offer including a swap component (whether as the principal or a secondary component) initiated by the Company for the acquisition of the securities of a company whose shares are listed on a

regulated market in accordance with Article L.225-148 of the French Commercial Code, and subject to the reserves therein, in which case the stipulations regarding the price set out in paragraph 7 above do not apply, and waive, insofar as necessary, their preferred subscription rights to these shares or other securities in favor of the holders of these securities;

10. resolve that the Board of Directors will have all necessary powers, which it may in turn delegate in accordance with the provisions of the law, to put this delegation into effect, and in particular to determine the dates and terms of issues, the form and specifications of the securities to be issued, the prices and the conditions of issues (including exchange parities in the case of a public offer with a swap component initiated by the Company), the amounts to be issued (where applicable, depending on the number of shares tendered in response to a public offer initiated by the Company), the terms of payment, the dates from which new securities carry rights, even with retroactive effect, conditions for redemption where applicable, to suspend as appropriate the exercise of rights to Company shares attached to the securities in accordance with applicable regulations, to make such adjustments as may be required as a result of changes in capital stock, to take such action as may be necessary to protect the rights of the holders of securities giving access to Company shares, to make all appropriate charges to issue premiums, and in particular charges for the amounts required to bring the legal reserve to one-tenth of share capital after each issue and for issue expense, to take such action and enter into such agreements as may be conducive to the satisfactory performance of the issues, and to effect all formalities necessary for the issue, trading and financial services of the securities issued by virtue of this delegation and the exercise of rights attached to them.

In the case of issue of debt securities, the Board of Directors will have full powers to take related decisions, in particular as to whether debt is to be subordinated or not, to set the interest rate, maturity, the redemption price, whether fixed or variable or with or without bonus, to define amortization terms in accordance with market conditions, and to determine conditions under which securities may carry rights to Company shares.

Resolve that the Board of Directors will have full powers to acknowledge the realization of capital increases and to initiate the relevant amendments to the Company's articles of association.

The delegation of powers so conferred on the Board of Directors is valid for twenty-six months from the date of this General Meeting of shareholders and replaces, from this day, the delegation of powers provided for in the eleventh resolution adopted at the Combined Ordinary and Extraordinary General Meeting of May 27, 2010, insofar as this has not already been used.

**Fourteenth Resolution (Delegation of powers to the Board of Directors for the purpose of issuing, by means of an offer within the scope of section II of Article L.411-2 II of French Monetary and Financial Code (*Code monétaire et financier*) (private placement), shares or securities providing access to the Company's share capital or entitlement to debt securities, with preferred subscription rights waived)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of the French Commercial Code and in particular Articles L.225-129 to L.225-129-6, L.225-135, L.225-136, L.228-91 and L.228-92:

1. delegate to the Board of Directors the power to provide for the issue, by means of offers within the scope of section II of Article L.411-2 of French Monetary and Financial Code, shares and securities giving access to shares of the Company or entitlement to the allocation of debt securities, which may be subscribed for either in cash or by way of offset against due and payable debts, it being provided that this delegation may allow one or several such issues, in France or in other countries, in euros, in foreign currencies or in any monetary unit based on multiple currencies, and in such amounts and at such times as it will determine, in accordance with applicable regulations;
2. resolve that the total nominal amount of capital increases which may be effected pursuant to this delegation of powers, immediately and/or in the future, may not exceed (a) €105 million (this limit being subject to such increase in the number of shares as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, with contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company), nor, in any event, (b) the legal limit (for purposes of illustration, this limit is currently 20% of the Company's capital stock, at the date of issue, by year), it being further provided that the nominal amount of any capital increases which may be effected, whether immediately or at some future date, pursuant to this delegation of powers is to be included (i) in the total subject to the overall nominal limit of €105 million provided for in the thirteenth resolution put to this meeting, and (ii) in the overall limit provided for in the twentieth resolution;
3. resolve that the total nominal amount of bonds and other debt securities issued pursuant to this delegation of powers may not exceed €650 million (or the equivalent of this amount at the issue date if issues are made in a foreign currency); it being further provided that the total amount of debt securities issued pursuant to this delegation of powers is to be included (i) in the total subject to the overall limit of €650 million provided for in the thirteenth resolution put to this meeting, and (ii) in the overall limit provided for in the twentieth resolution;



4. resolve that issues pursuant to this delegation of powers will be effected by means of offers within the scope of section II of Article L.411-2 of French Monetary and Financial Code, it being further provided that these issues may be effected in association with one or several public offers pursuant to the thirteenth resolution put to this meeting;
5. resolve to waive shareholders' preferred rights to subscribe to the shares and other securities to be issued;
6. observe that, if shareholders do not take up an issue of shares or other securities of the kinds referred to above in full under their irreducible and, where applicable, reducible subscription rights, the Board of Directors may use, in compliance with Article L.225-134 of the French Commercial Code, in such order as it determines, whether singly or in combination, powers to:
  - limit the issue to the amount of the subscriptions on condition that such amount is equal to at least three-quarters of the initial amount of the issue,
  - allot all or part of the unsubscribed shares to such persons as it sees fit,
  - offer to the public all or part of the unsubscribed shares;
7. recognize and resolve, insofar as this may be necessary, that this delegation entails, without further process, the waiver, in favor of the holders of any such securities carrying rights to subscribe to Company shares that may be issued under this resolution, of shareholders' preferred rights to subscribe to the new shares to which these securities carry entitlement;
8. resolve that:
  - the issue price of shares will be at least equal to the minimum prescribed by legislation and regulation applicable at the date of issue (for purposes of illustration, this minimum is now the weighted average market price of Company shares over the three trading days preceding the date the price is set, less a discount of 5%, where necessary after adjustment of this average to allow for differences in the dates from which shares carry entitlements),
  - the issue price of securities providing access to the Company's share capital and the number of shares to which the conversion, redemption or other transformation of each such security providing access to the Company's share capital may give rise will be such that the amount immediately received by the Company, together with any amount it may later receive, is, for each share issued as a consequence of the issue of these securities, at least equal to the minimum issue price as provided for in the previous paragraph;
9. determine that the Board of Directors will have all necessary powers, which it may in turn delegate in accordance with the provisions of the law, to put this delegation into effect, and in particular to determine the dates and terms of issues, the

form and specifications of the securities to be issued, the prices and the conditions of issues, the amounts to be issued, the terms of payment, the dates from which new securities carry rights, even with retroactive effect, conditions for redemption where applicable, to suspend as appropriate the exercise of rights to Company shares attached to the securities in accordance with applicable regulations, to make such adjustments as may be required as a result of changes in the Company's capital stock, to take such action as may be necessary to protect the rights of the holders of securities giving access to Company shares, to make all appropriate charges to issue premiums, in particular for charges for the amounts required to bring the legal reserve to one-tenth of share capital after each issue and for issue expense, to take such action and enter into such agreements as may be conducive to the satisfactory performance of the issues, and to effect all formalities necessary for the issue, trading and financial services of the shares issued by virtue of this delegation and the exercise of rights attached to them.

In the case of issue of debt securities, the Board of Directors will have full powers to take related decisions, in particular as to whether debt is to be subordinated or not, to set the interest rate, maturity, the redemption price, whether fixed or variable or with or without bonus, to define amortization terms in accordance with market conditions, and to determine conditions under which securities may carry rights to Company shares.

Resolve that the Board of Directors will have full powers to acknowledge the realization of capital increases and to initiate the relevant amendments to the Company's articles of association.

The delegation of powers so conferred on the Board of Directors is valid for twenty-six months from the date of this General Meeting of shareholders and replaces, from this day, the delegation of powers provided for in the twelfth resolution adopted at the Combined Ordinary and Extraordinary General Meeting of May 27, 2010, insofar as this has not already been used.

#### **Fifteenth Resolution (Power to increase the amount of issues made with preferred subscription rights maintained or waived in the event of excess demand)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of L.225-135-1 and R.225-118 of the French Commercial Code, delegate to the Board of Directors, which may in turn delegate these powers in accordance with the provisions of the law, the power to decide, within the time allowed and up to the limits defined by laws and regulations applicable at the date of issue (at the date of this meeting, within 30 days from the close of subscription, and not exceeding 15% of the initial issue and offered at the same price), to increase the number of securities to be issued in any issue with preferred subscription rights

maintained or waived pursuant to the twelfth, thirteenth and/or fourteenth resolution put to this meeting, provided that this does not exceed the limit defined in the resolution under which the issue is made.

Shareholders grant all powers to the Board of Directors to implement, in the conditions stipulated by the applicable regulations, this delegation.

The delegation of powers so granted to the Board of Directors is valid for twenty-six months from the date of this general meeting of shareholders and replaces, from this day, that provided for in the thirteenth resolution adopted at the Combined Ordinary and Extraordinary General Meeting of May 27, 2010 insofar as this has not already been used.

**Sixteenth Resolution (Powers conferred on the Board of Directors to set, in accordance with the conditions provided for by the General Meeting, the issue price in the event of the issues of shares or securities providing access to the Company's shares, with preferred subscription rights waived)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of L.225-136 of the French Commercial Code:

1. authorize the Board of Directors, with the right to delegate those powers in accordance with applicable stipulations of the law, subject to the adoption of the thirteenth and fourteenth resolutions put to this General Meeting, in respect of each issue pursuant to these resolutions and subject to the overall limit of 10% of share capital in any period of 12 months, to make an exception to the conditions for the determination of prices provided for in the same thirteenth and fourteenth resolutions and set the issue price for shares and/or securities issued, with a waiver of preferred subscription rights, in such a way that:
  - the issue price of shares is at least equal to the average market price of Company shares, weighted for volumes at the date the price is set, after deduction, where appropriate, of a discount of at most 10%,
  - the issue price of securities (other than ordinary shares) providing access to the Company's share capital and the number of shares to which the conversion, redemption or other transformation of each such security providing access to the Company's share capital may give rise is such that the amount immediately received by the Company, together with any amount it may later receive, is, for each share issued as a consequence of the issue of these securities, at least equal to the minimum issue price as provided for in the previous paragraph.

The total nominal amount of the capital increase that may result from issues effected under this authorization is to be included in the amount subject to the limit defined by the resolution pursuant to which the issue is made.

Shareholders confer all necessary powers on the Board of Directors, which may in turn delegate these powers as provided in the thirteenth and fourteenth resolutions put to this meeting, for the purposes of exercising this authorization in the conditions stipulated by the applicable regulations.

2. the authorization thus granted to the Board of Directors is valid for twenty-six months from the date of this general meeting of shareholders and, from this day, replaces the authorization provided for in the fourteenth resolution adopted at the Combined Ordinary and Extraordinary General Meeting of May 27, 2010.

**Seventeenth Resolution (Delegation of powers to the Board of Directors for the purpose of capital increases through incorporation of reserves, profit, premiums or other items which may be capitalized under applicable regulations)**

Meeting in accordance with the conditions as to quorum and requisite majority for ordinary general meetings and being apprised of the Board of Directors' report, shareholders, in accordance with the provisions of Articles L.225-129, L.225-129-2 and L.225-130 of the French Commercial Code:

1. delegate to the Board of Directors, which may in turn delegate these powers in accordance with the provisions of the law, the power to increase the nominal amount of share capital on one or several occasions, in such proportions and at such times as it sees fit, by incorporation of reserves, profits, premiums or other items which may be capitalized under general law and Company articles, such increase taking the form of a free share allotment, or an increase in the nominal value of the existing shares, or a combination of the two;
2. resolve that the total nominal amount of the capital increases pursuant to this delegation of powers may not exceed €100 million, this limit being subject to such increase in the number of shares as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, with contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to Company shares; this limit is independent of any of the other limits on issuance of shares and other securities pursuant to delegations of powers or authorizations conferred at this meeting;
3. resolve that, in the event of a free share allotment, (i) rights not representing a whole number of shares may not be traded and that such shares are to be sold; it being stipulated that the proceeds of such sale will be allocated to holders of rights as provided by law and applicable regulations, and (ii) that

shares to be allocated pursuant to this delegation for existing shares carrying double voting rights will benefit from this right from the date of issue;

4. resolve that the Board of Directors will have all necessary powers to put this delegation of power into effect, and in particular to:
  - determine the terms and conditions of the transactions authorized and in particular to define the amount and the nature of the reserves and premiums to be incorporated into capital, to determine the number of new shares to be issued or the amount by which the nominal value of existing shares making up the share capital is to be increased, and to determine the date from which new shares carry rights, even retroactively, or the date on which an increase in nominal value takes effect,
  - take all appropriate action and enter into all agreements conducive to the successful conclusion of transactions, to make all appropriate charges to available reserves, in particular charges for the amounts required to bring the legal reserve to one-tenth of share capital after each issue and for issue expense; and, in general, to do all things necessary and effect all formalities required to finalize any capital increase or increases pursuant to this delegation of powers and to make the relevant amendments to Company's articles of association.

This delegation of powers conferred on the Board of Directors is valid for a period of twenty-six months from the date of this meeting and, from this day, replaces the delegation of powers provided for in the fifteenth resolution adopted at the Combined Ordinary and Extraordinary General Meeting of May 27, 2010 insofar as this has not already been used.

**Eighteenth Resolution (Delegation of powers to the Board of Directors for the purpose of issuing shares or securities giving access to the Company's share capital in favor of participants in employee share-ownership programs of the Company or Group)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditor's special report, shareholders, in accordance with the provisions of Articles L.3332-1 and following of the Labor Code (*Code du Travail*) and of Articles L.225-129-6, L.225-138-I, L.225-138-1, L.228-91 and L.228-92 of the French Commercial Code:

1. delegate to the Board of Directors, which may in turn delegate these powers in accordance with the provisions of the law, the power to issue shares and/or securities giving access to the Company's share capital in favor of the employees and former employees of the Company and of the French or foreign companies connected to the Company within the meaning of Article L.3344-1 of the French Labor Code, insofar as these employees and former employees participate in employee share-ownership programs of the Company or of the Group (or in any other plan whose participants are

allowed by Articles L.3332-1 and following of the Labor Code or any analogous law or regulation to reserve a capital increase under equivalent conditions);

2. authorize the Board of Directors, in connection with such capital increase or increases, to allot shares or other securities giving access to the share capital without consideration, in particular in lieu of the discount provided for in point 4 below and/or of any supplement granted to employees, subject to the limits provided for in Article L.3332-21 of the French Labor Code;
3. resolve that the total nominal amount of capital increases pursuant to this delegation of powers may not exceed €25 million, it being noted that this limit is before any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, with contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to Company shares, it being stipulated that this amount will be included in the overall limit set in the twentieth resolution;
4. resolve that the issue price of the new shares will be equal to the average market price for Company shares over the twenty trading days preceding the date on which the opening date for subscription is decided on, less the maximum discount allowed by law at the date of the Board's decision, it being understood that the Board may reduce this discount if it considers it appropriate, in particular to comply with applicable national law;
5. waive, in favor of the aforementioned participants in employee share-ownership programs, the preferred subscription rights of shareholders in respect of the shares or securities which may be issued pursuant to this authorization, and renounce all claims on such shares as may be allotted without consideration pursuant to this resolution;
6. confer all powers on the Board of Directors, which may in turn delegate these powers, that may in particular be necessary to:
  - determine which participants may benefit from the offer to subscribe,
  - decide whether subscriptions should be through an investment fund or directly,
  - grant employees time to pay for their shares,
  - determine terms and conditions for participation in the Company employee share-ownership program ("*plan d'épargne entreprise*") and establish or amend the regulations of such programs,
  - determine the opening and closing dates for subscription and the issue price of the securities,
  - define all features of securities providing access to the share capital of the Company,
  - decide on the number of new shares or other securities to be issued,



- recognize resulting capital increases,
- make required amendments to Company's articles of association,
- to make all appropriate charges to available reserves, in particular charges for the amounts required to bring the legal reserve to one-tenth of share capital after each issue and for issue expense,
- and, in general, do everything that may be useful and necessary in respect of applicable laws and regulations, and in particular to take any action necessary to arrange for trading of the newly created shares.

This delegation of powers conferred on the Board of Directors is valid for a period of twenty-six months from the date of this General Meeting and, from this day, replaces the delegation of powers provided for in the thirteenth resolution at the Combined Ordinary and Extraordinary General Meeting of May 26, 2011 insofar as this has not already been used.

**Nineteenth resolution (Delegation of powers to the Board of Directors for the purpose of issuing shares or other securities providing access to share capital as consideration for contributions in kind to the Company)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings, and being apprised of the Board of Directors' report and the auditor's special report, pursuant to Article L.225-147 paragraph 6 of the French Commercial Code, shareholders delegate to the Board of Directors, which may in turn delegate those powers in accordance with applicable stipulations of the law, all necessary powers to issue shares and securities providing access to the share capital of the Company, within the limit of 10% of share capital at the date of issue, for the purpose of providing consideration for in-kind contributions to the Company in the form of shares or other securities providing access to share capital when the provisions of Article L.225-148 of the French Commercial Code are not applicable.

The nominal amount of the capital increases which may be effected pursuant to this delegation of powers is to be included in (i) the nominal limit of €105 million provided for in the thirteenth resolution put to this meeting, this limit being subject to such increase in the number of shares as may be necessary by reason of any adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, with contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company and (ii) the overall limit provided for in the twentieth resolution.

The total nominal amount of debt securities issued pursuant to this delegation may not exceed €650 million (or the equivalent of this amount at the issue date if issues are made in a foreign currency). Further, the total nominal amount of debt securities issued pursuant to this delegation is to be included in (i) the total

subject to the limit of €650 million provided for in the thirteenth resolution put to this meeting, and (ii) the overall limit on debt securities provided for in the twentieth resolution.

If use of this delegation is to be made, the Board of Directors will consider the report of one or several contribution auditors as referred to in Article L.225-147 of the French Commercial Code.

Shareholders resolve to waive, in favor of the holders of the securities constituting the contributions in kind, the preferred subscription right of holders of ordinary shares to ordinary shares or other securities so issued, and observe that this delegation incorporates a waiver by holders of ordinary shares to the preferred right to subscribe to ordinary shares of the Company to which the securities that would be issued under this resolution would entitle them.

Shareholders grant to the Board of Directors all powers necessary to put this delegation into effect, in particular to approve valuations of contributions and, relating to such contributions, to recognize their effects, charge all expense, costs and fees to premiums; to set the number, form and features of securities to be issued; to recognize the increases in capital and make relevant amendments to Company's articles of association; to arrange for trading of the securities to be issued; to make all appropriate charges to contribution premiums, in particular charges for the amounts required to bring the legal reserve to one-tenth of new share capital after each issue and for issue expense and, in general, to take all relevant initiatives, enter into all agreements, request any authorizations, effect all formalities and take any action necessary to ensure the satisfactory performance of issues.

The delegation of powers so conferred on the Board of Directors is valid for twenty-six months from the date of this General Meeting of shareholders and, from this day, replaces the delegation of powers provided for in the seventeenth resolution adopted at the Combined Ordinary and Extraordinary General Meeting of May 27, 2010 insofar as this has not already been used.

**Twentieth Resolution (Total limit on delegations of power under the twelfth, thirteenth, fourteenth, fifteenth, sixteenth, eighteenth and nineteenth resolutions)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings and being apprised of the Board of Directors' report and the auditors' special report, shareholders define as follows the total limits on issues that may be made pursuant to the delegations of powers to the Board of Directors under the twelfth, thirteenth, fourteenth, fifteenth, sixteenth, eighteenth and nineteenth resolutions put to this General Meeting:

- the total nominal amount of capital increases resulting from the issue of shares and securities providing access to share capital may not exceed €500 million, this being however subject to such increase as may be necessary by reason of any

adjustments made in accordance with applicable legislative and regulatory provisions and, as the case may be, with contractual stipulations providing for other adjustments to preserve the rights of holders of securities that give rights to shares of the Company;

- the total nominal amount of bonds or other debt securities issued may not exceed €3 billion or the equivalent if an issue is made in a foreign currency or units of account.

#### **Twenty-first Resolution (Amendment of the third paragraph of Article 12.1 of Company's articles of association)**

Meeting in accordance with the conditions as to quorum and requisite majority for extraordinary general meetings, and being apprised of the Board of Directors' report, shareholders resolve to amend the third paragraph of Article 12.1 of Company's articles of association so that it henceforth reads as follows:

*"Any shareholder wishing to vote by post or by proxy must have filed a proxy voting form, postal voting form or equivalent single document at the registered office or at any other place indicated in the notice of meeting within a period of three days before the*

*date of the General Meeting. The Board of Directors may, for any General Meeting, shorten this period by way of a general decision for the benefit of all shareholders. In the event of a decision to this effect by the Board of Directors, mentioned in the notice of meeting, shareholders may, subject to the conditions and time limits provided by law and regulations, send their proxy form and postal voting form by any means of telecommunication, including electronic means, that allow their identification and whose nature and conditions are determined by current legislation."*

#### **Twenty-second Resolution (Powers to effect formalities)**

Shareholders confer on holders of a copy or official extract of the minutes of this General Meeting all powers necessary to effect all legally required filings, formalities and publications.









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**Registered at**

128, avenue de Lattre de Tassigny  
87045 Limoges Cedex  
France  
Tel: +33 (0) 5 55 06 87 87  
Fax: +33 (0) 5 55 06 88 88

[www.legrand.com](http://www.legrand.com)